

Yale University

EliScholar – A Digital Platform for Scholarly Publishing at Yale

YPFS Documents

Browse by Media Type

12-30-2010

Ally Financial December 2010

Ally Financial Inc.

Follow this and additional works at: <https://elischolar.library.yale.edu/ypfs-documents>

Recommended Citation

Ally Financial Inc., "Ally Financial December 2010" (2010). *YPFS Documents*. 1418.
<https://elischolar.library.yale.edu/ypfs-documents/1418>

This Document is brought to you for free and open access by the Browse by Media Type at EliScholar – A Digital Platform for Scholarly Publishing at Yale. It has been accepted for inclusion in YPFS Documents by an authorized administrator of EliScholar – A Digital Platform for Scholarly Publishing at Yale. For more information, please contact elischolar@yale.edu.

Ally Financial Inc.
200 Renaissance Center
Detroit, Michigan 48265-2000

United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220
Attention: Chief Counsel, Office of Financial Stability

December 30, 2010

Ladies and Gentlemen:

Ally Financial Inc. (“Ally”), pursuant to Section 6(b) of Exhibit H to Ally’s Amended and Restated Certificate of Incorporation (the “Certificate of Designations”) (capitalized terms used but not defined herein shall have the meaning assigned to such terms in the Certificate of Designations), hereby notifies the United States Department of the Treasury (“Treasury”) that Ally has elected to exercise the Optional Conversion of its Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2 (the “Designated Preferred Stock”) pursuant to Section 6(a)(i)(A) of the Certificate of Designations, as specified below (the “Conversion”). Ally acknowledges and understands that Treasury has conditioned its consent to the Conversion upon the setting of a Conversion Price equal to \$10,341.909 and the amendment to the Certificate of Designations for the Designated Preferred Stock in the form substantially as set forth in Annex A attached hereto (the “Amendment”) becoming effective immediately prior to the Conversion.

1. The Conversion will be effective as of 4:30 p.m., New York City time, on December 30, 2010 (the “Conversion Date”).

2. On the Conversion Date, pursuant to the terms of the Certificate of Designations, 110,000,000 shares of Designated Preferred Stock (the “Converted Stock”), all of which are held by Treasury, will be converted into 531,850 shares of common stock of Ally, par value \$0.01 per share, (the “Common Stock”) at the Conversion Rate of 0.004835 shares of Common Stock per share of Designated Preferred Stock.

3. On the Conversion Date, pursuant to Section 6(a)(iii) of the Certificate of Designations, Ally shall pay to Treasury cash in an amount equal to all accrued and unpaid dividends on the Converted Stock, whether or not declared, to, but excluding, the Conversion Date.

4. Upon the receipt of payment of all accrued and unpaid dividends on the Conversion Date, Treasury will exchange the certificate representing the shares of Designated Preferred Stock in Ally for a certificate representing the shares of Common Stock in Ally at the offices of Davis Polk & Wardwell LLP.

5. Ally shall also pay to Treasury all of the reasonable legal fees, costs and expenses incurred by Treasury in connection with the Conversion.


6. Ally also hereby agrees to reserve from its authorized but unissued shares of Common Stock at least 690,272 shares of Common Stock to provide for the issuance of Common Stock in any subsequent conversion of the Designated Preferred Stock and any additional shares of Common Stock that may be received in the event of a Specified Transaction (as defined in the Amendment).

By countersigning below, Treasury hereby (i) consents in all respects to the Conversion and the resulting ownership by Treasury of approximately 73.8% of Ally's outstanding Common Stock; and (ii) waives any and all advance notice requirements under the Certificate of Designations or otherwise with respect to the Conversion.

Please acknowledge your receipt and agreement with the foregoing by countersigning this letter and returning one original copy to the address first set forth above. This notice may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Very truly yours,

Ally Financial Inc.

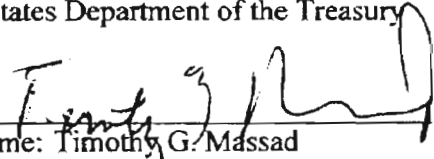
By: 
Name: Cathy L. Quenneville
Title: Secretary

[Signature Page to Conversion Notice]

ACCEPTED AND AGREED:

United States Department of the Treasury

By:



Name: Timothy G. Massad

Title: Acting Assistant Secretary
for Financial Stability

[Signature Page to Conversion Notice]

ANNEX A

Form of Certificate of Amendment

ALLY FINANCIAL INC.
CERTIFICATE OF AMENDMENT OF
AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION

Ally Financial Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), pursuant to Section 242 of the General Corporation Law of the State of Delaware, hereby certifies that:

FIRST, the name of the corporation is Ally Financial Inc.

SECOND, the Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on June 30, 2009 under the name "GMAC Inc.," and amended and restated on December 30, 2009, and further amended on May 10, 2010 (the "Certificate of Incorporation").

THIRD, the Certificate of Designations for the Corporation's Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2, was filed as Exhibit H to the Certificate of Incorporation with the Secretary of State of Delaware on December 30, 2009.

FOURTH, that the Board of Directors of the Corporation duly adopted, by unanimous written consent, resolutions setting forth a proposed amendment of the Certificate of Incorporation of said corporation and declaring said amendment to be advisable. The resolution setting forth the proposed amendment is as follows:

RESOLVED that, pursuant to the authority vested in the Board of Directors by the Corporation's Certificate of Incorporation, the Board of Directors does hereby approve and adopt the amendment of Exhibit H to the Certificate of Incorporation as follows:

A. The definition of "Initial Conversion Rate" in Section 2 of Schedule A is hereby amended by inserting a proviso at the end of the definition as follows:

"; provided that, for the conversion by the Holder of 110,000,000 shares of the Designated Preferred Stock into Common Stock prior to December 31, 2010, the 'Initial Conversion Rate' means 0.004835, subject to the anti-dilution provisions set forth in Appendix A."

B. The definition of "Optional Conversion" in Section 2 of Schedule A is hereby amended by replacing the words "upon any public offering of the Common Stock or upon the occurrence of a Change of Control of the Issuer" in clause (ii) thereof and inserting the words "in the event of any Specified Transaction" in their place, so that the definition of "Optional Conversion" reads, in its entirety:

" 'Optional Conversion' means the conversion of shares of the Designated Preferred Stock into Common Stock at the then-applicable Conversion Rate, either (i) in whole or in part, at any time or from time to time, at the election of the Issuer, subject to the requirements and conditions set forth in Section 6(a)(i)(A), or (ii) in whole or in part, at the election of the Holder, in the event of any Specified Transaction, subject to the requirements and conditions set forth in Section 6(a)(i)(B)."

C. The following definitions are hereby inserted after the definition of "Reset Conversion Rate" in Section 2 of Schedule A as follows:

" 'Specified Transaction' means, the earliest to occur among the following: (a) a Public Offering, (b) any transaction in which the Issuer raised at least \$1 billion of common equity capital (either through the sale of new common equity securities or through the conversion of existing indebtedness or preferred stock (other than Designated Preferred Stock held by the Investor at the time of conversion) to common equity securities) from a party or parties that are not the Investor or Affiliates of the Investor (such transaction, a "Private Offering") or (c) a Change of Control of

the Issuer (other than a Change of Control resulting from one or more private sales or other dispositions by the Investor of more than fifty percent (50%) of the voting power of the Issuer).

'Specified Transaction Price' means (a) if the Specified Transaction is a Public Offering, the price at which such Common Stock is sold in the Public Offering as set forth on the cover page of the final prospectus for such Public Offering (calculated prior to giving effect to any stock split in connection with the Public Offering), (b) if the Specified Transaction is a Private Offering, the actual or implied price at which such Common Stock is sold in the Private Offering (calculated prior to giving effect to any stock split in connection with the Private Offering) or (c) if the Specified Transaction is a Change of Control of the Issuer, the price at which such Common Stock is sold or otherwise valued in such Change of Control of the Issuer, as applicable.

'Specified Transaction Rate' means the rate equal to (i) the liquidation amount per share of Designated Preferred Stock divided by (ii) the Specified Transaction Price, subject to the anti-dilution provisions set forth in Appendix A.

'Specified Transaction Settlement Number' means 110,000,000."

D. Section 6(a)(i)(B) of Schedule A is hereby deleted in its entirety and replaced with the following:

"(B) in the event of any Specified Transaction, a Holder may, at its option, exercise the Optional Conversion in whole or in part with respect to such shares of Designated Preferred Stock held by such Holder, other than with respect to any shares of Designated Preferred Stock with respect to which the Issuer shall have given notice of redemption pursuant to Section 5. If prior to December 31, 2010, the Holder shall have converted at least 110,000,000 shares of Designated Preferred Stock and thereafter any shares of Designated Preferred Stock held by a Holder are converted pursuant to Section 6(a)(i) at or prior to the closing of a Specified Transaction, then upon such conversion such Holder will receive an additional number of shares of Common Stock equal to the product of (1) the Specified Transaction Settlement Number and (2) the positive difference, if any, between (a) the Specified Transaction Rate and (b) 0.004835, subject to the anti-dilution provisions set forth in Appendix A. The Issuer shall not, in any event, make a payment of cash in lieu of such delivery of additional shares of Common Stock. The Issuer will use best efforts to ensure that there are sufficient authorized shares of Common Stock available for such delivery."

E. The caption to Section 6(b) of Schedule A is hereby amended to read as follows: "Notice of Conversion; Notice of Specified Transaction."

F. The number "30" appearing in the fourth sentence of Section 6(b) of Schedule A is hereby replaced with the number "5" and the following is hereby added at the end of such Section:

"The Issuer shall give the holders of Designated Preferred Stock at least 10 days' notice of the anticipated closing date of any Specified Transaction in the manner set forth in this Section 6(b)."

FIFTH, that in lieu of a meeting and vote of stockholders, the amendment of Corporation's Certificate of Incorporation was approved by a written consent of the stockholders of the Corporation in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware.

SIXTH, that said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this certificate of amendment to be executed by its duly authorized officer this day of December, 2010.

ALLY FINANCIAL INC.

By: _____
Name:
Title:



Michael A. Carpenter

Chief Executive Officer
1177 Avenue of The Americas, 16th Floor
New York, NY 10036

T + 646 781 2517
michael.carpenter@ally.com

December 30, 2010

Mr. Timothy Massad
Acting Assistant Secretary for Financial Stability
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Tim:

We are pleased that we are nearing completion of the successful conversion by the United States Department of Treasury (Treasury) of \$5.5 billion of Mandatory Convertible Preferred Shares into Ally Financial Inc. (Ally) common equity. This was an important hurdle which remained for Ally to begin the execution plan for the repayment of UST's investment in the company. The direct benefits, including the normalization of our capital structure, are numerous and will lead off 2011 with even stronger momentum at Ally on a number of fronts.

As part of our repayment plan, Ally agrees to assist Treasury in the sale or sales of its holdings of Ally Trust Preferred Securities (TruPs) including reasonably amending the terms of TruPs, to the extent necessary, to change the interest rate structure, maturity date and redemption provisions, among others, so the Treasury receives no less than par value from any such sale. Ally acknowledges Treasury's intention to sell a material amount and up to all of the TruPS as soon as practical, and Ally will endeavor to facilitate such sales when market conditions permit based on Ally and Treasury's determination, and Ally otherwise can satisfy all required legal and other conditions for an execution. Ally's consent would be required for any change in any term which would be materially adverse to Ally in its reasonable determination.

We appreciate the hard work and cooperation by the Treasury team in order to bring this transaction to a successful conclusion and look forward to achieving additional milestones in 2011 that will result in the repayment of Treasury's investment as soon as possible.

This submission contains confidential business information. Any public disclosure of this information could harm the commercial or financial interest of Ally and its affiliates. If disclosed, this information would permit Ally's competitors to learn details of Ally's business plans. Accordingly, we request, pursuant to 5 U.S.C. Section 552(b)(4), confidential treatment of this document. Also we request notification if anyone submits a Freedom of Information Act request for a copy of this document.

Regards,