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23 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**  
24 **COUNTY OF SANTA CLARA**

25 CURT HEMMINGSON and VIC  
26 VANDEGRIFF, Derivatively on Behalf of  
27 Nominal Defendant MAGNACHIP  
28 SEMICONDUCTOR CORPORATION,

Plaintiffs,

v.

MICHAEL ELKINS , TAE YOUNG HWANG,  
RANDAL KLEIN , ILBOK LEE,  
BRIAN MULHERN, R. DOUGLAS NORBY,  
SANG PARK, MARGARET SAKAI, NADER  
TAVAKOLI and AVENUE CAPITAL  
MANAGEMENT II, L.P.,

Defendants,

and

MAGNACHIP SEMICONDUCTOR  
CORPORATION,

Nominal Defendant.

CASE NO.: 1-15-cv-278614

**STIPULATION OF SETTLEMENT**

Judge: Hon. Peter H. Kirwan  
Dept.: 1

Date Action Filed: March 25, 2015

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STEPHEN BUSHANSKY, Derivatively on  
Behalf of Nominal Defendant MAGNACHIP  
SEMICONDUCTOR CORPORATION,

Plaintiff,

v.

R. DOUGLAS NORBY; MICHAEL  
ELKINS; RANDAL KLEIN; BRIAN  
MULHERN; NADER TAVAKOLI; ILBOK  
LEE; SANG PARK; MARGARET SAKAI,  
AVENUE CAPITAL GROUP; and DOES 1-  
25, inclusive,

Defendants,

and

MAGNACHIP SEMICONDUCTOR  
CORPORATION,

Nominal Defendant.

CASE NO.: 1-15-cv-281284

Judge: Hon. Peter H. Kirwan  
Dept.: 1

Date Action Filed: June 1, 2015



1           Following the filing of the Hemmingson Complaint, counsel for plaintiffs Hemmingson and  
2 Vandegriff and certain of the Defendants began negotiations regarding service of the Hemmingson  
3 Complaint and scheduling. On May 12, 2015, plaintiffs Hemmingson and Vandegriff, defendants  
4 Elkins, Klein, Lee, Mulhern, Norby, Sakai, Tavakoli and Avenue Capital Management and nominal  
5 defendant MagnaChip, (the “Stipulating Defendants”) entered into a stipulation and proposed order  
6 providing that: (1) counsel for the Stipulating Defendants agreed to accept service on behalf of their  
7 respective clients; (2) the Hemmingson Action would be stayed pending resolution of two related  
8 securities class actions<sup>1</sup>; (3) notwithstanding the stay, plaintiffs Hemmingson and Vandegriff could  
9 pursue service efforts on defendants Park and Hwang, both of whom reside in South Korea and had  
10 resigned from their positions with the Company; (4) the Stipulating Defendants would provide  
11 plaintiffs Hemmingson and Vandegriff with all discovery produced in the Class Action; and  
12 (5) plaintiffs Hemmingson and Vandegriff would attend and participate in any mediation of the  
13 Class Action. This Court entered the proposed order on May 13, 2015 (the “Stay Order”).  
14 Thereafter plaintiffs Hemmingson and Vandegriff continued their efforts to locate defendants Park  
15 and Hwang while monitoring developments in the Class Action.

16           On June 1, 2015, plaintiff Bushansky filed a similar stockholder derivative complaint (the  
17 “Bushansky Complaint”) on behalf of MagnaChip in this Court, captioned *Bushansky v. Norby, et*  
18 *al.*, No. 1-15-CV-281284 (the “Bushansky Action,” and together with the Hemmingson Action, the  
19 “Actions”), against Avenue Capital Group (“Avenue Capital Group”) and all of the Individual  
20 Defendants except defendant Hwang. On August 27, 2015, plaintiff Bushansky and certain of the  
21 defendants in the Bushansky Action entered a proposed order to stay the Bushansky Action pending  
22 resolution of the motion to dismiss filed in the Class Action, which was entered by the Court on  
23 September 1, 2015.

24           Beginning in September 2015, MagnaChip, certain other defendants in the Class Action, and  
25 the plaintiffs in the Class Action engaged in settlement discussions and participated in mediation

26 \_\_\_\_\_  
27 <sup>1</sup> *Thomas et al. v. MagnaChip Semiconductor Corp. et al.*, Case No. 3:14-cv-01160-JST (N.D. Cal.)  
28 and *Oklahoma Police Pension & Retirement System v. MagnaChip Semiconductor Corporation*,  
Case No. 3:15-cv-01797-JST (N.D. Cal.). These actions were subsequently consolidated into the  
first-filed action (as consolidated, the “Class Action”).

1 efforts conducted by former United States District Court Judge Layn R. Phillips (Ret.) (“Judge  
2 Phillips”). These efforts included two formal mediation sessions. Pursuant to the Stay Order,  
3 plaintiffs Hemmingson and Vandegriff were invited to, and did, attend and participate in both  
4 mediation sessions.

5 On December 10, 2015, a settlement in principle was reached in the Class Action among  
6 certain of the parties to the Class Action, including MagnaChip and certain of the Settling  
7 Defendants.

8 After December 10, 2015, MagnaChip and plaintiffs Hemmingson and Vandegriff  
9 continued their negotiations concerning a potential resolution of the Hemmingson Action with the  
10 assistance of Judge Phillips, including participating in numerous telephonic meetings and  
11 discussions and exchanging multiple drafts of a proposed settlement term sheet. On January 6,  
12 2016, Judge Phillips made a mediator’s proposal to settle the Hemmingson Action, which was  
13 accepted. Plaintiffs Hemmingson and Vandegriff and MagnaChip executed a term sheet dated as of  
14 January 7, 2016 (the “Term Sheet”), memorializing their agreement in principle.

## 15 **II. PLAINTIFFS’ CLAIMS AND BENEFITS OF THE SETTLEMENT**

16 Plaintiffs believe that the claims they have asserted in the Actions have merit. Nonetheless,  
17 Plaintiffs recognize and acknowledge the expense and length of the continued proceedings that  
18 would be necessary to prosecute the Actions against Defendants through trial and appeals.  
19 Plaintiffs and their counsel have also taken into account the uncertain outcome and the risk of any  
20 litigation, especially in complex actions such as these Actions, as well as the difficulties and delays  
21 inherent in such litigation. Plaintiffs and their counsel are also mindful of the inherent problems of  
22 proof and possible defenses to the claims Plaintiffs have asserted in the Actions. Based on their  
23 evaluation, and subject to Plaintiffs’ review of confirmatory discovery as described in ¶ 3.1 below,  
24 Plaintiffs and their counsel have determined that the Settlement set forth in this Stipulation confers  
25 substantial benefits upon MagnaChip and its stockholders. Moreover, the agreement-in-principle  
26 embodied in the Stipulation was only reached after vigorous arm’s-length negotiations between the  
27 Settling Parties, who are all represented by counsel with extensive experience and expertise in  
28 shareholder derivative litigation. During the negotiations, all Settling Parties had a clear view of the

1 strengths and weaknesses of their respective claims and defenses. Plaintiffs and their counsel base  
2 their conclusion upon, among other things, their extensive investigation during the development,  
3 prosecution and settlement of the Actions, which included, *inter alia*: (i) inspecting, reviewing and  
4 analyzing the Company's filings with the United States Securities and Exchange Commission  
5 ("SEC") and other public statements; (ii) researching corporate governance issues; and  
6 (iii) researching the law applicable to the claims asserted in the Actions and the potential defenses  
7 thereto. Plaintiffs believe that the Settlement is fair, reasonable and adequate and is in the best  
8 interests of MagnaChip and all Current MagnaChip Stockholders.

9 **III. THE SETTling DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY**

10 The Settling Defendants have denied, and continue to deny, each and all of the claims and  
11 contentions alleged by Plaintiffs in the Actions. Nonetheless, the Settling Defendants have also  
12 taken into account the uncertainty and risks inherent in any litigation, especially in complex cases  
13 like these Actions. The Settling Defendants and MagnaChip have therefore determined that it is  
14 desirable that the Actions be fully and finally settled in the manner and upon the terms and  
15 conditions set forth in this Stipulation. The Settling Defendants and MagnaChip believe that the  
16 Settlement is fair, reasonable and adequate and in the best interests of MagnaChip and all Current  
17 MagnaChip Stockholders.

18 **IV. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT**

19 NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among the  
20 Plaintiffs (for themselves and derivatively on behalf of MagnaChip), the Settling Defendants and  
21 MagnaChip, by and through their respective counsel or attorneys of record, that, subject to all  
22 necessary Court approvals, and in exchange for the consideration set forth below, the Actions and  
23 the Released Claims shall be fully, finally, and forever compromised, settled, released, discharged  
24 and extinguished and the Actions shall be dismissed with prejudice and with full preclusive effect  
25 as to all Settling Parties, upon and subject to the terms and conditions of this Stipulation, as follows:

26 **1. Definitions**

27 As used in this Stipulation, the following terms have the meanings specified below:

28 1.1 "Actions" means, collectively, the Hemmingson Action and the Bushansky Action.

1           1.2     “Avenue Capital Defendants” means, collectively, Avenue Capital Management and  
2 Avenue Capital Group.

3           1.3     “Avenue Capital Group” means Avenue Capital Group, a defendant in the  
4 Bushansky Action.

5           1.4     “Avenue Capital Management” means Avenue Capital Management II, L.P., a  
6 defendant in the Hemmingson Action.

7           1.5     “Board” means MagnaChip’s Board of Directors.

8           1.6     “Bushansky Action” means the action entitled *Bushansky v. Norby, et al.*, No. 1-15-  
9 CV-281284, currently pending before the Court.

10          1.7     “Court” means the Superior Court of the State of California in the County of Santa  
11 Clara.

12          1.8     “Current MagnaChip Stockholder” means any holder of shares of MagnaChip  
13 common stock as of the date of the Preliminary Approval Order, excluding the Individual  
14 Defendants, the Avenue Capital Defendants, and each of their Related Persons.

15          1.9     “Defendants” means, collectively, the Individual Defendants and the Avenue Capital  
16 Defendants.

17          1.10    “Effective Date” means the first date by which all of the events and conditions  
18 specified in ¶ 6.1 of this Stipulation have been met and have occurred.

19          1.11    “Final” means the time when a judgment that has not been reversed, vacated, or  
20 modified in any way is no longer subject to appellate review, either because of disposition on  
21 appeal and conclusion of the appellate process or because of passage, without action, of time for  
22 seeking appellate review. More specifically, it is that situation when: (a) either no appeal has been  
23 filed and the time has passed for any notice of appeal to be timely filed in the Actions; or (b) an  
24 appeal has been filed and the court of appeals has either affirmed a judgment or dismissed that  
25 appeal and the time for any reconsideration or further appellate review has passed; or (c) a higher  
26 court has granted further appellate review and that court has either affirmed the underlying  
27 judgment or affirmed the court of appeals’ decision affirming a judgment or dismissing the appeal.  
28

1           1.12 “Hemmingson Action” means the action entitled *Hemmingson, et al. v. Elkins, et al.*,  
2 No. 1-15-CV-278614, currently pending before the Court.

3           1.13 “Individual Defendants” means, collectively, Michael Elkins, Tae Young Hwang,  
4 Randal Klein, Ilbok Lee, Brian Mulhern, R. Douglas Norby, Sang Park, Margaret Sakai and Nader  
5 Tavakoli.

6           1.14 “MagnaChip” or the “Company” means MagnaChip Semiconductor Corporation,  
7 nominal defendant in the Actions.

8           1.15 “Notice” means the notice of the Settlement to be provided by MagnaChip to  
9 Current MagnaChip Stockholders, substantially in the form attached hereto as Exhibit B.  
10 MagnaChip shall be responsible for dissemination of the Notice as set forth in ¶ 3.3.

11           1.16 “Order and Final Judgment” or “Judgment” means the order and judgment to be  
12 rendered by the Court, substantially in the form attached hereto as Exhibit D.

13           1.17 “Person” means a natural person, corporation, limited liability corporation,  
14 professional corporation, partnership, limited partnership, limited liability partnership, association,  
15 joint stock company, estate, legal representative, trust, unincorporated association, government or  
16 any political subdivision or agency thereof, and any business or legal entity, and any spouse, heir,  
17 predecessor, successor, representative, or assignee of the forgoing.

18           1.18 “Plaintiffs” means, collectively, Curt Hemmingson, Vic Vandegriff and Stephen  
19 Bushansky, plaintiffs in the Actions.

20           1.19 “Plaintiffs’ Counsel” means, collectively, Kessler Topaz Meltzer & Check, LLP and  
21 WeissLaw LLP.

22           1.20 “Preliminary Approval Order” means the order to be rendered by the Court  
23 preliminarily approving the Stipulation, the Settlement and the form of Notice of the Settlement,  
24 substantially in the form attached hereto as Exhibit A.

25           1.21 “Related Persons” means each of a Person’s past or present agents, officers,  
26 directors, employees, affiliates, attorneys, advisors, underwriters, insurers (and insurers’ respective  
27 past and present officers, directors, employees, agents, affiliates, parents, subsidiaries, divisions,  
28 funds, attorneys, advisors, insurers, co-insurers, re-insurers, heirs, executors, personal

1 representatives, estates, administrators, trusts, predecessors, successors, and assigns), co-insurers,  
2 reinsurers, spouses, immediate family members, heirs, executors, personal representatives, estates,  
3 administrators, trusts, predecessors, successors, and assigns, each other individual or entity in which  
4 a Person has a controlling interest, and each and all of their respective past and present officers,  
5 directors, employees, agents, affiliates, parents, subsidiaries, divisions, funds, attorneys,  
6 accountants, auditors, advisors, underwriters, insurers, co-insurers, re-insurers, heirs, executors,  
7 personal representatives, estates, administrators, trusts, predecessors, successors, and assigns.

8           1.22 “Released Claims” means, with respect to the Released Defendant Persons, any and  
9 all claims, rights, demands, obligations, damages, actions or causes of action, or liabilities  
10 whatsoever, of every nature and description, including both known and Unknown Claims, whether  
11 arising under federal, state, common or foreign law or regulation, that have been or could have been  
12 asserted, in the Actions or in any other court, tribunal, or proceeding by Plaintiffs or any other  
13 Current MagnaChip Stockholder derivatively on behalf of MagnaChip, or by MagnaChip directly  
14 against any of the Released Defendant Persons, which, now or hereafter, are based upon, arise out  
15 of, relate in any way to, or involve, directly or indirectly, any of the actions, transactions,  
16 occurrences, facts, statements, or omissions that were alleged or asserted in the Actions, except that  
17 expressly excluded from this release are (i) all claims asserted in the Class Action, (ii) all claims  
18 brought or that might be brought against MagnaChip, the Individual Defendants, or the Avenue  
19 Capital Defendants by the SEC; and (iii) all claims relating to the enforcement of the Settlement. In  
20 addition, nothing set forth herein shall constitute a release by any Released Defendant Person of any  
21 insurer, reinsurer, or any other entity contracted or otherwise obligated to provide insurance or  
22 indemnification to any of the Released Defendant Persons of any claim arising out of the rights,  
23 remedies, duties or obligations provided for in any insurance policy or agreement, but the Effective  
24 Date shall not be contingent upon resolution of such claim. Nothing set forth herein shall constitute  
25 a release by or among MagnaChip and the other Released Defendant Persons of the rights and  
26 obligations relating to indemnification or advancement of defense costs arising from MagnaChip’s  
27 or any of its subsidiaries’, divisions’, or related or affiliated entities’ certificates of incorporation,  
28 bylaws, operating agreements, or other formation documents, or any indemnification agreement or

1 similar agreement. "Released Claims" means, with respect to the Released Plaintiff Persons, all  
2 claims (including Unknown Claims) arising out of, relating to, or in connection with, the institution,  
3 prosecution, assertion, settlement or resolution of the Actions or the Released Claims with respect  
4 to the Released Defendant Persons, except that expressly excluded from this release are all claims  
5 relating to the enforcement of the Settlement.

6 1.23 "Released Defendant Persons" means MagnaChip, the Individual Defendants and the  
7 Avenue Capital Defendants and each of their Related Persons.

8 1.24 "Released Plaintiff Persons" means MagnaChip, Plaintiffs and Plaintiffs' Counsel  
9 and each of their Related Persons.

10 1.25 "Settlement Hearing" means a hearing before the Court to consider and determine  
11 whether to approve the terms of the Settlement as fair, reasonable and adequate, and in the best  
12 interests of MagnaChip and all Current MagnaChip Stockholders.

13 1.26 "Settlement" means the Settlement documented in this Stipulation.

14 1.27 "Settlement Amount" means the sum of \$3,000,000.00.

15 1.28 "Settling Defendants" means, collectively, Michael Elkins, Randal Klein, Ilbok Lee,  
16 Brian Mulhern, R. Douglas Norby, Margaret Sakai, Nader Tavakoli and the Avenue Capital  
17 Defendants.

18 1.29 "Settling Parties" means, collectively: (i) Plaintiffs, on behalf of themselves and  
19 derivatively on behalf of MagnaChip; (ii) the Settling Defendants; and (iii) MagnaChip.

20 1.30 "Summary Notice" means the summary notice of the Settlement that MagnaChip  
21 will publish as described in ¶ 3.3, substantially in the form of Exhibit C hereto. MagnaChip shall be  
22 responsible for dissemination of the Summary Notice as set forth in ¶ 3.3.

23 1.31 "Unknown Claims" means any claims which a Person does not know or suspect to  
24 exist in his, her, or its favor at the time of the release, including claims which, if known by him, her,  
25 or it, might have affected his, her, or its settlement and release, or might have affected his, her, or its  
26 decision not to object to this Settlement. With respect to any and all Released Claims, the Settling  
27 Parties stipulate and agree that, upon the Effective Date, the Settling Parties shall expressly waive,  
28 and all Current MagnaChip Stockholders by operation of the Judgment shall have expressly waived,

1 the provisions, rights, and benefits of California Civil Code section 1542, or any other law of the  
2 United States or any state or territory of the United States, or principle of common law that is  
3 similar, comparable or equivalent to section 1542, which provides:

4 ***A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE***  
5 ***CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER***  
6 ***FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN***  
7 ***BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER***  
8 ***SETTLEMENT WITH THE DEBTOR.***

9 The Settling Parties acknowledge that they may hereafter discover facts in addition to or different  
10 from those now known or believed to be true by them, with respect to the subject matter of the  
11 Released Claims, but, it is the intention of the Settling Parties to completely, fully, finally and  
12 forever compromise, settle, release, discharge and extinguish any and all of the Released Claims,  
13 known or unknown, suspected or unsuspected, contingent or absolute, accrued or unaccrued,  
14 apparent or unapparent, which now exist, or heretofore existed, or may hereafter exist, and without  
15 regard to the subsequent discovery of additional or different facts. The Settling Parties  
16 acknowledge, and all other Current MagnaChip Stockholders in their capacity as MagnaChip  
17 stockholders, on behalf of themselves and any other person who could assert any of the Released  
18 Claims on their behalf shall be deemed by operation of the Judgment to have acknowledged, that  
19 the foregoing waiver was separately bargained for and is a key element of the Stipulation of which  
20 this release is a part.

## 21 **2. Consideration to MagnaChip**

### 22 **2.1 Settlement Payment**

23 In full and complete settlement of the claims asserted in the Actions, MagnaChip's  
24 directors' and officers' liability insurance carriers have paid, or will have paid, three million dollars  
25 (\$3,000,000) into an interest-bearing escrow account established for the purpose of satisfying the  
26 Settling Defendants' and MagnaChip's obligations within ten (10) business days after entry of the  
27 Preliminary Approval Order. Once the Effective Date has occurred, the Settlement Amount shall  
28 be remitted to MagnaChip, less (i) any applicable taxes and other costs of maintaining the escrow  
account, (ii) any amount for an award of attorneys' fees and litigation expenses as are awarded to

1 Plaintiffs' Counsel by the Court, and (iii) the costs of disseminating the Notice and Summary  
2 Notice to all Current MagnaChip Stockholders.

3 2.2 Corporate Governance Changes

4 Within 30 days after execution of this Stipulation, unless the time period is otherwise  
5 specified below, the Board shall adopt the following corporate governance changes, which shall be  
6 maintained for no less than three (3) years:

7 A. Insider Trading Policy

8 The Company will amend its insider trading policy to include the following:

9 1. Sanctions for material non-compliance, including termination of  
10 employment and the ability of MagnaChip to seek reimbursement for fees and expenses incurred as  
11 a result of the violation.

12 2. Clarification that Rule 10b5-1 plans may not be adopted while a  
13 covered individual is in possession of material, non-public information or during a blackout period.

14 3. Prohibition of the disclosure of confidential information to third  
15 parties, subject to customary exceptions.

16 4. Prohibition on option exercises and purchases under employee stock  
17 purchase plans during blackout periods.

18 5. Clarification that persons subject to the insider trading policy are  
19 directors, executive officers and any other officer who has an obligation to file reports under  
20 Section 16 of the Securities Exchange Act of 1934.

21 6. Restrictions on pledging MagnaChip securities.

22 7. The Company shall publicly announce any contract, instruction or  
23 plan for Company share purchases adopted pursuant to Rule 10b5-1, and any subsequent  
24 amendments thereto. Such public disclosure may be included in the Company's proxy statement,  
25 press releases, on the Company's website and/or through a current or periodic report filed with the  
26 Securities and Exchange Commission.

27 B. Audit Committee

28 The Charter of the Board's Audit Committee shall be amended to clarify the following:

1                   1.       The Audit Committee has oversight over the insider trading policy.  
2 The Audit Committee shall have regular access to the General Counsel regarding the Insider  
3 Trading Policy, including the opportunity to meet with the General Counsel outside of the presence  
4 of any other senior executives. The Audit Committee shall receive a report on an annual basis from  
5 the General Counsel regarding his/her (a) monitoring of compliance with the Insider Trading  
6 Policy; and (b) investigation of any potential insider trading activity.

7                   2.       The Audit Committee will report to the Board regarding any material  
8 violations of applicable laws, regulations, or GAAP, including (i) the status and results of any  
9 investigation into the circumstances that led to such violations; (ii) the effect of such violations on  
10 MagnaChip's financial statements; and (iii) the substance and status of any remediation plan.

11                   3.       The Audit Committee shall meet not less frequently than 6 times per  
12 year.

13                   4.       New item IV(C)(13) shall be added, which states: Review the General  
14 Counsel's annual report regarding compliance with the Company's Insider Trading Policy and any  
15 investigations of potential insider trading activity.

16                   5.       New item IV(C)(14) shall be added, which states: Review the Chief  
17 Compliance Officer's annual report regarding (i) audit findings, (ii) policies, practices, and  
18 procedures of the internal audit function, and (iii) emerging trends in internal control and internal  
19 audit issues.

20                   C.       Internal Audit

21                   The Company's Chief Compliance Officer will report annually to the Audit Committee on  
22 (i) audit findings, (ii) policies, practices, and procedures of the internal audit function, and  
23 (iii) emerging trends in internal control and internal audit issues.

24                   D.       Compensation Clawback Policy

25                   The Company will implement a clawback policy in accordance with the final rules adopted  
26 by the United States Securities and Exchange Commission regarding clawback policies within 30  
27 days of such adoption.

28

1                   E.       Declassification of the Board

2                   The Company will declassify the Board, such that all directors are elected annually, in  
3 connection with its 2016 annual meeting.

4                   F.       Corporate Governance Guidelines

5                   The Company's Corporate Governance Guidelines will be amended to state: The Company  
6 will provide or arrange for continuing education programs for the directors on an annual basis.

7                   2.3     Corporate Governance Reforms Adopted Since Actions Were Commenced

8                   The Company agrees that it will not contest that the Actions were substantial factors in the  
9 adoption of the following corporate governance reforms:

10                  A.       The appointment of Theodore Kim as MagnaChip's new Executive Vice  
11 President and Chief Compliance Officer;

12                  B.       The reorganization of the Company's compliance and internal audit teams  
13 under the new Chief Compliance Officer; and

14                  C.       The implementation of new internal controls in the period-end closing and  
15 financial reporting process to (i) require appropriate internal and external evidences to be prepared  
16 for certain type of journal entries; (ii) improve the methods of reconciliation, confirmation,  
17 verification, observation, period end cut-off test, and analysis of each accounts in a timely manner;  
18 and (iii) assign appropriate roles and responsibilities for more comprehensive review procedures,  
19 including the involvement of finance and operational managers, in order to strengthen controls over  
20 the completeness and accuracy of both recurring and non-recurring journal entries.

21                  **3.       Procedure for Implementing the Settlement**

22                  3.1     For a period of four weeks (the "Four-Week Review Period") after the execution of  
23 the Term Sheet and subject to the execution of an appropriate confidentiality agreement, Plaintiffs  
24 shall be entitled to inspect the following documents to be produced to Plaintiffs by MagnaChip:  
25 copies of certain non-privileged (i) final board- and committee-level minutes of meetings,  
26 (ii) presentations, summaries, board packages, and other materials circulated or discussed at such  
27 meetings, and (iii) final resolutions adopted in connection with those meetings during the period  
28 March 10, 2011 through February 12, 2015 that related to the Company's accounting and financial

1 reporting policies, procedures, processes, and internal controls (including with respect to the  
2 February 12, 2015 restatement and independent investigation), and certain of the Company's and  
3 the Avenue Capital Defendants' repurchases and sales of securities during this same period. The  
4 Four-Week Review Period commenced once MagnaChip completed the production of the foregoing  
5 documents, which occurred on January 8, 2016. Before the expiration of the Four-Week Review  
6 Period, which is February 5, 2016, Plaintiffs may request additional confirmatory discovery  
7 documents from the Settling Defendants and MagnaChip to satisfy their due diligence requirement.  
8 Such additional confirmatory discovery documents may be sought from Settling Defendants only to  
9 the extent that such confirmatory discovery documents are not available directly from MagnaChip.  
10 If the Settling Defendants and MagnaChip agree to produce additional documentation, Plaintiffs  
11 will have an additional seven to ten days to complete their review. If the Settling Defendants or  
12 MagnaChip decline to produce the additional documentation, the Settling Parties agree to submit  
13 the reasonableness of the Plaintiffs' request for additional confirmatory discovery to Judge Phillips  
14 for an expedited, non-binding recommendation. If Plaintiffs do not request additional confirmatory  
15 discovery documents, then the Settling Parties shall either confirm or reject the Settlement upon the  
16 expiration of the Four-Week Review Period. If Plaintiffs request additional confirmatory discovery  
17 documents, then the Settling Parties shall either confirm or reject the Settlement (i) within three (3)  
18 calendar days of Judge Phillips's recommendation or (ii) upon ten (10) calendar days following the  
19 additional production, whichever applies. If Plaintiffs confirm the Settlement, they will agree that  
20 they will not argue that they have not confirmed the fairness and reasonableness of the Settlement.

21 3.2 Within ten (10) business days after the confirmation of the Settlement as set forth in  
22 the preceding ¶ 3.1, Plaintiffs shall file a motion, to which the Settling Defendants and MagnaChip  
23 shall consent, to lift the stay of the Actions and for entry of the Preliminary Approval Order  
24 substantially in the form of Exhibit A hereto, requesting, *inter alia*, (i) the lifting of the stay for the  
25 limited purpose of considering the Settlement, (ii) preliminary approval of the Settlement set forth  
26 in the Stipulation, (iii) approval of the dissemination of the Notice and Summary Notice as  
27 described herein, substantially in the forms of Exhibits B and C hereto, respectively, and (iv) a date  
28 for the Settlement Hearing.

1           3.3     MagnaChip shall be responsible for disseminating the Notice and Summary Notice  
2 to Current MagnaChip Stockholders. Not later than ten (10) business days following the entry of  
3 the Preliminary Approval Order, MagnaChip shall cause (a) this Stipulation and the Notice to be  
4 filed with the SEC as an Exhibit to a Form 8-K and to be posted on the investor relations section of  
5 MagnaChip's website; and (b) the Summary Notice to be published once on *PR Newswire*. The  
6 Settling Parties believe the content and manner of such notices constitute adequate and reasonable  
7 notice to Current MagnaChip Stockholders pursuant to applicable law and due process. The costs  
8 of the Notice and Summary Notice shall be paid from the escrow account referenced in ¶ 2.1 out of  
9 the Settlement Amount. Counsel for MagnaChip shall file with the Court an appropriate affidavit  
10 with respect to the preparation and publication of the Notice and Summary Notice as described  
11 herein no later than twenty-five (25) calendar days before the Settlement Hearing.

12           3.4     Plaintiffs will request that, after the Notice and Summary Notice are given, the Court  
13 hold a Settlement Hearing to consider and determine whether to approve the terms of the  
14 Settlement.

15           3.5     Pending the Effective Date, Plaintiffs and Plaintiffs' Counsel shall not commence or  
16 participate in any other actions or proceedings asserting any of the Released Claims against any of  
17 the Released Defendant Persons.

#### 18     **4.     Releases**

19           4.1     Upon the Effective Date, MagnaChip, Plaintiffs, all Current MagnaChip  
20 Stockholders in their capacity as MagnaChip stockholders, on behalf of themselves and any other  
21 Person who could assert any of the Released Claims on their behalf, and all other Released Plaintiff  
22 Persons will release and forever discharge the Released Defendant Persons from the Released  
23 Claims. For the avoidance of doubt, expressly excluded from this release are (i) all claims asserted  
24 in the Class Action, (ii) all claims brought or that might be brought against MagnaChip, the  
25 Individual Defendants, or the Avenue Capital Defendants by the SEC, and (iii) all claims relating to  
26 the enforcement of the Settlement. In addition, nothing set forth herein shall constitute a release by  
27 any Released Defendant Person of any insurer, reinsurer, or any other entity contracted or otherwise  
28 obligated to provide insurance or indemnification to any of the Released Defendant Persons of any

1 claim arising out of the rights, remedies, duties or obligations provided for in any insurance policy  
2 or agreement, but the Effective Date shall not be contingent upon resolution of such claim. Nothing  
3 set forth herein shall constitute a release by or among MagnaChip and the other Released Defendant  
4 Persons of the rights and obligations relating to indemnification or advancement of defense costs  
5 arising from MagnaChip's or any of its subsidiaries', divisions', or related or affiliated entities'  
6 certificates of incorporation, bylaws, operating agreements, or other formation documents, or any  
7 indemnification agreement or similar agreement.

8 4.2 Upon the Effective Date, each of the Released Defendant Persons will release and  
9 forever discharge the Released Plaintiff Persons from the Released Claims. For the avoidance of  
10 doubt, expressly excluded from this release are all claims relating to the enforcement of the  
11 Settlement.

## 12 **5. Plaintiffs' Counsel's Attorneys' Fees and Expenses**

13 5.1 Plaintiffs' Counsel may submit an application to the Court for attorneys' fees and  
14 reimbursement of expenses (the "Fee and Expense Award") in the aggregate, of not more than  
15 \$750,000, and the Settling Defendants and MagnaChip will not oppose or object to such  
16 application. This agreement was reached only after the Settling Parties had agreed upon the  
17 Settlement Amount and the Corporate Governance Changes in ¶¶ 2.1 and 2.2. Any Fee and  
18 Expense Award granted by the Court shall be paid from the escrow account referenced in ¶ 2.1 out  
19 of the Settlement Amount and shall constitute final and complete payment for Plaintiffs' Counsel's  
20 attorneys' fees and expenses that have been incurred or will be incurred in connection with the  
21 filing and prosecution of the Actions and the resolution of the claims alleged therein. The Released  
22 Defendant Persons shall have no obligation to make any payment other than as provided herein to  
23 Plaintiffs' Counsel.

24 5.2 Any Fee and Expense Award granted by the Court shall be paid to Kessler Topaz  
25 Meltzer & Check, LLP as receiving agent for Plaintiffs' Counsel within five (5) business days after  
26 entry of the Final Order and Judgment, notwithstanding the existence of any timely filed objections  
27 to the Settlement, or potential appeal, subject to Plaintiffs' Counsel's obligation to refund or repay  
28 within ten (10) business days any amounts paid if, for any reason, including as a result of any

1 appeal and/or further proceedings on remand, or successful collateral attack, the amount awarded is  
2 lowered, overturned or reduced. Any failure by the Court to approve the amount of attorneys' fees  
3 and reimbursement of expenses requested shall not affect the validity of the terms of the Settlement.  
4 The Released Defendant Persons shall have no responsibility for, and no liability whatsoever with  
5 respect to, the allocation of any Fee and Expense Award granted by the Court among Plaintiffs'  
6 Counsel.

7 **6. Conditions of Settlement, Effect of Disapproval, Cancellation or Termination**

8 6.1 The Effective Date of this Stipulation shall be conditioned on the occurrence of all of  
9 the following events:

- 10
- 11 (a) The Court has entered the Preliminary Approval Order;
  - 12 (b) The Court has approved the Settlement as described herein, following notice  
to all Current MagnaChip Stockholders;
  - 13 (c) The Court has entered the Judgment, substantially in the form of Exhibit D  
14 hereto, dismissing the Actions with prejudice;
  - 15 (d) The Actions have been dismissed with prejudice;
  - 16 (e) The Order and Final Judgment has become Final; and
  - 17 (f) The payment of the Settlement Amount set forth in ¶ 2.1 hereof.

18 6.2 If any of the conditions specified in ¶ 6.1 are not met, then this Stipulation shall be  
19 canceled and terminated unless the Settling Parties mutually agree in writing, by and through their  
20 respective counsel, to proceed with the Stipulation.

21 6.3 In the event that the Stipulation or Settlement is not approved by the Court, or the  
22 Settlement is terminated for any reason, the Settling Parties shall be restored to their respective  
23 positions in the Actions as of the last date before the Settling Parties agreed to resolve the Actions  
24 (and the Settling Defendants will retain whatever jurisdictional challenges may have been available  
25 to them as of that date), and all negotiations, proceedings, documents prepared and statements made  
26 in connection herewith shall be without prejudice to the Settling Parties, shall not be deemed or  
27 construed to be an admission by any Settling Party of any act, matter, or proposition and shall not  
28 be used in any manner for any purpose in any subsequent proceeding in the Actions or in any other

1 action or proceeding. In such event, the terms and provisions of the Stipulation, with the exception  
2 of ¶¶ 1.1-1.31, Plaintiffs' Counsel's obligation to refund or repay within ten (10) business days any  
3 amounts paid with respect to any Fee and Expense Award if, for any reason, including as a result of  
4 any appeal and/or further proceedings on remand, or successful collateral attack, the amount  
5 awarded is lowered, overturned or reduced under 5.2, 6.2, 6.3, 6.4, 8.2, 8.5, 8.6, 8.8, 8.9, 8.12 and  
6 8.14 herein, shall have no further force and effect with respect to the Settling Parties and shall not  
7 be used in the Actions or in any other proceeding for any purpose, and any judgment or orders  
8 entered by the Court in accordance with the terms of the Stipulation shall be treated as vacated,  
9 *nunc pro tunc*.

10 6.4 Any appeal or other proceeding pertaining to any order issued in respect of any  
11 application for attorneys' fees and expenses by Plaintiffs' Counsel shall not in any way delay or  
12 preclude the Judgment from becoming Final. In addition, no order concerning any application for  
13 attorneys' fees and reimbursement of litigation expenses, or any modification or reversal on appeal  
14 of such order, shall constitute grounds for cancellation or termination of this Stipulation by any  
15 Settling Party.

## 16 7. Bankruptcy

17 7.1 In the event any proceedings by or on behalf of MagnaChip, whether voluntary or  
18 involuntary, are initiated under any chapter of the U.S. Bankruptcy Code, including any act of  
19 receivership, asset seizure, or similar federal or state law action ("Bankruptcy Proceedings"), the  
20 Settling Parties agree to use their reasonable best efforts to obtain all necessary orders, consents,  
21 releases, and approvals for effectuation of this Stipulation in a timely and expeditious manner.

22 7.2 In the event of any Bankruptcy Proceedings by or on behalf of MagnaChip, the  
23 Settling Parties agree that all dates and deadlines set forth herein will be extended for such periods  
24 of time as are necessary to obtain necessary orders, consents, releases and approvals from the  
25 Bankruptcy Court to carry out the terms and conditions of this Stipulation.

## 26 8. Miscellaneous Provisions

27 8.1 The Settling Parties (a) acknowledge that it is their intent to consummate this  
28 Stipulation; and (b) agree to cooperate to the extent reasonably necessary to effectuate and

1 implement all terms and conditions of this Stipulation and to exercise their best efforts to  
2 accomplish the foregoing terms and conditions of this Stipulation. The Settling Parties and their  
3 counsel agree that they will refrain from disparaging each other in any publicly disseminated  
4 statements in connection with the Actions.

5 8.2 The Settling Parties intend this Settlement to be a final and complete resolution of all  
6 disputes between Plaintiffs, Defendants and MagnaChip with respect to the Actions. The  
7 Settlement compromises claims which are contested and shall not be deemed an admission by any  
8 Settling Party as to the merits of any claim, allegation or defense. The Settling Parties further agree  
9 that the claims are being settled voluntarily after consultation with competent legal counsel.

10 8.3 Pending final determination of whether the Settlement should be approved, all  
11 proceedings and all further activity between the Settling Parties regarding or directed toward the  
12 Actions, except for those activities and proceedings relating to this Stipulation and the Settlement,  
13 shall be stayed.

14 8.4 Except as otherwise provided in this Stipulation, pending the Effective Date of this  
15 Stipulation or the termination of the Stipulation according to its terms, Plaintiffs and all Current  
16 MagnaChip Stockholders, and their respective Related Persons, shall be barred and enjoined from  
17 commencing, prosecuting, instigating, or in any way participating in the commencement or  
18 prosecution of any action asserting any Released Claims, either directly, representatively,  
19 derivatively, or in any other capacity, against any Released Defendant Persons.

20 8.5 The provisions contained in this Stipulation (including any exhibits attached hereto)  
21 shall not be deemed a presumption, concession, or admission by any Settling Party of any fault,  
22 liability, or wrongdoing, or lack of merit as to any facts or claims alleged or asserted in the Actions  
23 or in any other action or proceeding, and shall not be interpreted, construed, deemed, invoked,  
24 offered, or received into evidence or otherwise used by any person in the Actions or in any other  
25 action or proceeding, whether civil, criminal, or administrative, except in connection with any  
26 proceeding to enforce the terms of the Settlement. Notwithstanding the foregoing, in any action  
27 that may be brought against them, any of the Released Defendant Persons or Released Plaintiff  
28 Persons may file the Stipulation, the Order and Final Judgment, or any judgment or order of the

1 Court for the purpose of supporting any and all defenses or counterclaims based on principles of *res*  
2 *judicata*, collateral estoppel, full faith and credit, release, good faith settlement, judgment bar or  
3 reduction or any other theory of claim preclusion or issue preclusion or similar defense or  
4 counterclaim.

5 8.6 The exhibits to this Stipulation are material and integral parts hereof and are fully  
6 incorporated herein by this reference.

7 8.7 The Stipulation may be amended or modified only by a written instrument signed by  
8 or on behalf of all Settling Parties or their respective successors-in-interest.

9 8.8 This Stipulation and the exhibits attached hereto constitute the entire agreement  
10 among the Settling Parties and no representations, warranties or inducements have been made to  
11 any Settling Party concerning the Stipulation or any of its exhibits other than the representations,  
12 warranties and covenants contained and memorialized in such documents. Except as otherwise  
13 provided herein, each Settling Party shall bear his, hers or its own costs.

14 8.9 All agreements made and orders entered during the course of the Actions relating to  
15 the confidentiality of information shall survive this Stipulation and the Settlement.

16 8.10 Each Settling Party severally acknowledges that no promise, inducement or  
17 agreement not expressed herein has been made to it, him or her, that this Stipulation contains the  
18 entire agreement between or among the Settling Parties concerning the matters described in this  
19 Stipulation, and, except as expressly provided herein, that there are no third-party beneficiaries to  
20 this Stipulation.

21 8.11 This Stipulation shall be binding upon and shall inure to the benefit of the Released  
22 Defendant Persons and Released Plaintiff Persons.

23 8.12 This Stipulation and the exhibits attached hereto and the Settlement shall be  
24 considered to have been negotiated, executed and delivered, and to be wholly performed, in the  
25 State of California, and the rights and obligations of the Settling Parties to this Stipulation shall be  
26 governed by, construed and enforced in accordance with the laws of the State of California without  
27 regard to conflict of laws principles. Any action arising out of or relating to this Stipulation shall be  
28 brought exclusively in the Court, or if the Court shall lack subject-matter jurisdiction over the

1 action, then in such state court of the State of California as may have subject-matter jurisdiction  
2 over such action.

3 8.13 Each counsel or other Person executing this Stipulation or its exhibits on behalf of  
4 any Settling Party hereby warrants that such Person has the full authority to do so.

5 8.14 This Stipulation may be executed in one or more counterparts. A faxed or pdf  
6 signature shall be deemed an original signature for the purposes of this Stipulation. All executed  
7 counterparts, and each of them, shall be deemed to be one and the same instrument. A complete set  
8 of counterparts, either originally executed or copies thereof, shall be filed with the Court. This  
9 Stipulation has been drafted jointly by the Settling Parties and ambiguities shall not be construed  
10 against any Settling Party as a result of his, her, or its role in drafting.

11 8.15 The Court shall retain jurisdiction with respect to implementation and enforcement  
12 of the terms of the Stipulation, and the Settling Parties submit to the jurisdiction of the Court solely  
13 for purposes of implementing and enforcing the Settlement embodied in the Stipulation.

14 8.16 Without further order of the Court, the Settling Parties may agree to reasonable  
15 extensions of time to carry out any of the provisions of this Stipulation.

16 DATED: January 22, 2016

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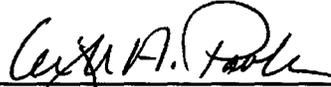
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DATED: January 22, 2016

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DATED: January \_\_, 2016

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DATED: January 22, 2016

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DATED: January 22, 2016

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DATED: January \_\_, 2016

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# EXHIBIT A

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**SUPERIOR COURT OF THE STATE OF CALIFORNIA**  
**COUNTY OF SANTA CLARA**

CURT HEMMINGSON and VIC  
VANDEGRIFF, Derivatively on Behalf of  
Nominal Defendant MAGNACHIP  
SEMICONDUCTOR CORPORATION,

Plaintiffs,

v.

MICHAEL ELKINS , TAE YOUNG HWANG,  
RANDAL KLEIN , ILBOK LEE,  
BRIAN MULHERN, R. DOUGLAS NORBY,  
SANG PARK, MARGARET SAKAI, NADER  
TAVAKOLI and AVENUE CAPITAL  
MANAGEMENT II, L.P.,

Defendants,

and

MAGNACHIP SEMICONDUCTOR  
CORPORATION,

Nominal Defendant.

CASE NO.: 1-15-cv-278614

**[PROPOSED] ORDER GRANTING  
PRELIMINARY APPROVAL OF  
DERIVATIVE SETTLEMENT**

Judge: Hon. Peter H. Kirwan  
Dept.: 1

Date Action Filed: March 25, 2015

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STEPHEN BUSHANSKY, Derivatively on  
Behalf of Nominal Defendant MAGNACHIP  
SEMICONDUCTOR CORPORATION,

Plaintiff,

v.

R. DOUGLAS NORBY; MICHAEL  
ELKINS; RANDAL KLEIN; BRIAN  
MULHERN; NADER TAVAKOLI; ILBOK  
LEE; SANG PARK; MARGARET SAKAI,  
AVENUE CAPITAL GROUP; and DOES 1-  
25, inclusive,

Defendants,

and

MAGNACHIP SEMICONDUCTOR  
CORPORATION,

Nominal Defendant.

CASE NO.: 1-15-cv-281284

Judge: Hon. Peter H. Kirwan  
Dept.: 1

Date Action Filed: June 1, 2015

1           WHEREAS, the Settling Parties have made application for an order: (i) preliminarily  
2 approving the settlement of the above captioned stockholder derivative actions (the “Actions”) in  
3 accordance with the Stipulation of Settlement dated January 22, 2016 (the “Stipulation”), which,  
4 together with the exhibits attached thereto, sets forth the complete terms and conditions for the  
5 proposed settlement of the Actions (the “Settlement”) and for dismissal of the Actions with  
6 prejudice, upon the terms and conditions set forth therein; and (ii) approving the form and content  
7 of the Notice of Hearing and Proposed Derivative Settlement (the “Notice”) and Summary Notice  
8 of Hearing and Proposed Derivative Settlement (the “Summary Notice”), attached to the Stipulation  
9 as Exhibits B and C, respectively, for publication;

10           WHEREAS, the Settlement appears to be the product of serious, informed, non-collusive  
11 negotiations overseen by an experienced mediator, the Honorable Layn R. Phillips, United States  
12 District Judge (Retired), and falls within the range of possible approval; and

13           WHEREAS, the Court has read and considered the Stipulation and the exhibits attached  
14 thereto, and all parties have consented to the entry of this Order;

15           NOW THEREFORE, IT IS HEREBY ORDERED that:

16           1.       Except for the terms defined herein, the Court adopts and incorporates the definitions  
17 in the Stipulation for purposes of this Order.

18           2.       The Court grants preliminary approval of the Settlement as set forth in the  
19 Stipulation and finds the terms to be within the range of reasonableness of a settlement that  
20 ultimately could be granted approval by the Court at the Settlement Hearing (as defined below).

21           3.       A hearing (the “Settlement Hearing”) will be held before the Honorable Peter H.  
22 Kirwan on \_\_\_\_\_, 2016 at \_\_\_\_\_ in Department 1 of the Court, located at  
23 191 North First Street, San Jose, California 95113-1090, to:

24           a.       Determine whether the Settlement should be approved by the Court as fair,  
25 reasonable, adequate, and in the best interests of MagnaChip and all Current MagnaChip  
26 Stockholders<sup>1</sup>;

27 <sup>1</sup> As defined in the Stipulation, “Current MagnaChip Stockholder” means any holder of shares of  
28 MagnaChip common stock as of the date of this Order, excluding the Individual Defendants, the  
Avenue Capital Defendants, and each of their Related Persons.

1           b. Determine whether an Order and Final Judgment dismissing the  
2           Hemmingson Action and the Bushansky Action with prejudice should be entered pursuant  
3           to the Stipulation;

4           c. Consider Plaintiffs' Counsel's Fee and Expense Award application; and

5           d. Rule on such other matters as the Court may deem appropriate.

6           4. The Court reserves the right to adjourn the Settlement Hearing or any adjournment  
7           thereof, including the consideration of the Fee and Expense Award application, without further  
8           notice of any kind other than oral announcement at the Settlement Hearing or any adjournment  
9           thereof, and retains jurisdiction over the Actions to consider all further applications arising out of or  
10          connected with the proposed Settlement.

11          5. The Court reserves the right to approve the Settlement at or after the Settlement  
12          Hearing with such modification(s) to the Stipulation as may be consented to by the Settling Parties  
13          and without further notice to Current MagnaChip Stockholders.

14          6. Within ten (10) business days after the date of this Order, MagnaChip shall cause  
15          (a) the Notice, in substantially the form annexed as Exhibit B to the Stipulation, to be filed with the  
16          United States Securities and Exchange Commission as an Exhibit to a Form 8-K and to be posted  
17          on the investor relations section of MagnaChip's website; and (b) the Summary Notice, in  
18          substantially the form annexed as Exhibit C to the Stipulation, to be published once on *PR*  
19          *NewsWire*.

20          7. The form and method of notice provided in the preceding paragraph is the best  
21          notice practicable, constitutes due and sufficient notice of the Settlement Hearing to all persons  
22          entitled to receive such a notice, and meets the requirements of California Code of Civil Procedure  
23          Section 382, the California and United States Constitutions, and other applicable law. Counsel for  
24          MagnaChip shall file with the Court an appropriate affidavit with respect to the preparation and  
25          publication of the Notice and Summary Notice no later than twenty-five (25) calendar days before  
26          the Settlement Hearing.

27          8. All proceedings in the Actions, except for those activities and proceedings relating to  
28          the Stipulation and the Settlement, are hereby stayed and suspended until further order of this Court.

1 Pending final determination of whether the Settlement should be approved, Plaintiffs (except to the  
2 extent contemplated by the Settlement) and all Current MagnaChip Stockholders, and their  
3 respective Related Persons, are barred and enjoined from commencing, prosecuting, instigating, or  
4 in any way participating in the commencement or prosecution of any Released Claims, either  
5 directly, representatively, derivatively, or in any other capacity, against any Released Defendant  
6 Persons.

7 9. Plaintiffs shall serve and file their brief and supporting papers in support of the  
8 Settlement and the Fee and Expense Award application no later than twenty-one (21) calendar days  
9 before the Settlement Hearing.

10 10. Any Current MagnaChip Stockholder may object and/or appear and show cause, if  
11 he, she or it has any concern, why the Settlement of the Actions should not be approved as fair,  
12 reasonable, and adequate, why the Judgment should not be entered thereon, or why the Fee and  
13 Expense Award application should not be approved. If any Current MagnaChip Stockholder wants  
14 to submit any papers, briefs or other documents objecting to the Settlement, not later than fourteen  
15 (14) calendar days prior to the Settlement Hearing, the stockholder must file with the Clerk of the  
16 Court a written objection to the Settlement setting forth: (1) a written notice of objection with the  
17 stockholder's name, address, and telephone number, along with a representation as to whether the  
18 stockholder intends to appear at the Settlement Hearing; (2) proof of ownership of MagnaChip  
19 common stock as of the date of this Order and through the date of the Settlement Hearing, including  
20 the number of shares of MagnaChip common stock and the date of purchase; (3) any documentation  
21 in support of such objection; and (4) the identities of any witnesses the stockholder intends to call at  
22 the Settlement Hearing and a statement of the subjects of their testimony.

23 11. If any Current MagnaChip Stockholder files a written objection, such stockholder  
24 must also simultaneously serve copies of such notice, proof, statement, and documentation, together  
25 with copies of any other papers or briefs such stockholder files with the Court (either by hand  
26 delivery or by first class mail) upon each of the following:

27 *The Court*

28 Clerk of the Court

1 Superior Court of California  
2 County of Santa Clara  
3 191 North First Street  
4 San Jose, CA 95113

5 ***Counsel for Plaintiffs Hemmingson and Vandegriff***

6 KESSLER, TOPAZ, MELTZER & CHECK, LLP  
7 Attn: Eric L. Zagar  
8 280 King of Prussia Road  
9 Radnor, PA 19087

10 ***Counsel for the Company and the Settling Defendants***

11 PAUL, WEISS, RIFKIND, WHARTON & GARRISON LLP  
12 Attn: Daniel J. Kramer, Jacqueline P. Rubin & Meredith A. Arfa  
13 1285 Avenue of the Americas  
14 New York, NY 10019-6064

15 JONES DAY  
16 Attn: John C. Tang  
17 555 California Street, 26th Floor  
18 San Francisco, CA 94104

19 AKIN GUMP STRAUSS HAUER & FELD LLP  
20 Attn: Douglass B. Maynard & Michael A. Asaro  
21 One Bryant Park  
22 Bank of America Tower  
23 New York, NY 10036

24 KASOWITZ BENSON TORRES & FRIEDMAN LLP  
25 Attn: Daniel J. Fetterman & Trevor J. Welch  
26 1633 Broadway  
27 New York, NY 10019

28 KOBRE & KIM LLP  
Attn: Michael S. Kim & Kimberly Perrotta Cole  
800 Third Avenue  
New York, NY 10022

12. The Settling Parties have the right, but are not required to, submit a response to any objections to the Settlement not later than seven (7) calendar days prior to the Settlement Hearing.

13. Any Current MagnaChip Stockholder may object and/or appear and show cause, if he, she or it has any concern, why the Settlement of the Actions should not be approved as fair, reasonable, and adequate, why the Judgment should not be entered thereon, or why the Fee and

1 Expense Award application should not be approved without filing a written objection by appearing  
2 in person at the Settlement Hearing and presenting proof of ownership of MagnaChip common  
3 stock through the date of the Settlement Hearing, including the number of shares of MagnaChip  
4 common stock and the date of purchase.

5 14. Any Current MagnaChip Stockholder who does not make his, her, or its objection in  
6 the manner and within the time prescribed above shall be deemed to have waived the right to object  
7 (including the right to appeal) and shall forever be barred, in this proceeding or in any other  
8 proceeding, from raising such objection(s), but shall otherwise be bound by the Judgment to be  
9 entered and the releases to be given.

10 15. If the Effective Date of the Stipulation does not occur, or if the Stipulation is  
11 canceled, terminated, or fails to become Final in accordance with its terms for any reason, the  
12 Settling Parties shall be restored to their respective positions in the Actions as of the date of the  
13 Stipulation (and the Settling Defendants will retain whatever jurisdictional challenges may have  
14 been available to them as of that date). In such event, all negotiations, proceedings, documents  
15 prepared and statements made in connection with the Stipulation (i) shall be without prejudice to  
16 the Settling Parties, (ii) shall not be deemed or construed to be an admission by any Settling Party  
17 of any act, matter, or proposition and (iii) shall not be used in any manner for any purpose in any  
18 subsequent proceeding in the Actions or in any other action or proceeding. In such event, the terms  
19 and provisions of the Stipulation shall have no further force and effect with respect to the Settling  
20 Parties and shall not be used in the Actions or in any other proceeding for any purpose, and any  
21 judgment or orders entered by the Court in accordance with the terms of the Stipulation shall be  
22 treated as vacated, *nunc pro tunc*. Notwithstanding the foregoing, in such event, the following  
23 provisions of the Stipulation shall expressly survive such event: ¶¶ 1.1-1.31, Plaintiffs' Counsel's  
24 obligation to refund or repay within ten (10) business days any amounts paid with respect to any  
25 Fee and Expense Award if, for any reason, including as a result of any appeal and/or further  
26 proceedings on remand, or successful collateral attack, the amount awarded is lowered, overturned  
27 or reduced under 5.2, 6.2, 6.3, 6.4, 8.2, 8.5, 8.6, 8.8, 8.9, 8.12 and 8.14.

1           16. Any appeal or other proceeding pertaining to any order issued in respect of any Fee  
2 and Expense Award application by Plaintiffs' Counsel shall not in any way delay or preclude the  
3 Judgment from becoming Final. In addition, no order concerning any application for attorneys'  
4 fees and reimbursement of litigation expenses, or any modification or reversal on appeal of such  
5 order, shall constitute grounds for cancellation or termination of the Stipulation by any Settling  
6 Party.

7           17. The provisions contained in the Stipulation (including any exhibits attached thereto)  
8 shall not be deemed a presumption, concession, or admission by any Settling Party of any fault,  
9 liability, or wrongdoing, or lack of merit as to any facts or claims alleged or asserted in the Actions  
10 or in any other action or proceeding, and shall not be interpreted, construed, deemed, invoked,  
11 offered, or received into evidence or otherwise used by any person in the Actions or in any other  
12 action or proceeding, whether civil, criminal, or administrative, except in connection with any  
13 proceeding to enforce the terms of the Settlement. Notwithstanding the foregoing, in any action  
14 that may be brought against them, any of the Released Defendant Persons or Released Plaintiff  
15 Persons, may file the Stipulation, the Order and Final Judgment, or any judgment or order of the  
16 Court for the purpose of supporting any and all defenses or counterclaims based on principles of *res*  
17 *judicata*, collateral estoppel, full faith and credit, release, good faith settlement, judgment bar or  
18 reduction or any other theory of claim preclusion or issue preclusion or similar defense or  
19 counterclaim.

20           18. The Court may, for good cause, extend any of the deadlines set forth in this Order  
21 without further notice to Current MagnaChip Stockholders.

22           IT IS SO ORDERED.

23  
24 Dated: \_\_\_\_\_

\_\_\_\_\_  
THE HONORABLE PETER H. KIRWAN  
SANTA CLARA COUNTY SUPERIOR COURT

# EXHIBIT B

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**KESSLER TOPAZ  
MELTZER & CHECK, LLP**

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-and-

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egreenstein@ktmc.com

*Attorneys for Plaintiffs Curt Hemmingson and Vic  
Vandegriff*

**SUPERIOR COURT OF THE STATE OF CALIFORNIA  
COUNTY OF SANTA CLARA**

CURT HEMMINGSON and VIC  
VANDEGRIFF, Derivatively on Behalf of  
Nominal Defendant MAGNACHIP  
SEMICONDUCTOR CORPORATION,

Plaintiffs,

v.

MICHAEL ELKINS , TAE YOUNG HWANG,  
RANDAL KLEIN , ILBOK LEE,  
BRIAN MULHERN, R. DOUGLAS NORBY,  
SANG PARK, MARGARET SAKAI, NADER  
TAVAKOLI and AVENUE CAPITAL  
MANAGEMENT II, L.P.,

Defendants,

and

MAGNACHIP SEMICONDUCTOR  
CORPORATION,

Nominal Defendant.

CASE NO.: 1-15-cv-278614

**NOTICE OF HEARING AND PROPOSED  
DERIVATIVE SETTLEMENT**

Judge: Hon. Peter H. Kirwan  
Dept.: 1

Date Action Filed: March 25, 2015

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STEPHEN BUSHANSKY, Derivatively on  
Behalf of Nominal Defendant MAGNACHIP  
SEMICONDUCTOR CORPORATION,  
  
Plaintiff,  
  
v.  
  
R. DOUGLAS NORBY; MICHAEL  
ELKINS; RANDAL KLEIN; BRIAN  
MULHERN; NADER TAVAKOLI; ILBOK  
LEE; SANG PARK; MARGARET SAKAI,  
AVENUE CAPITAL GROUP; and DOES 1-  
25, inclusive,  
  
Defendants,  
  
and  
  
MAGNACHIP SEMICONDUCTOR  
CORPORATION,  
  
Nominal Defendant.

CASE NO.: 1-15-cv-281284  
  
Judge: Hon. Peter H. Kirwan  
Dept.: 1  
  
Date Action Filed: June 1, 2015

**TO: ALL HOLDERS OF MAGNACHIP SEMICONDUCTOR CORPORATION  
("MAGNACHIP" OR THE "COMPANY") COMMON STOCK AS OF [DATE OF  
PRELIMINARY APPROVAL ORDER], 2016, EXCLUDING THE INDIVIDUAL  
DEFENDANTS, THE AVENUE CAPITAL DEFENDANTS, AND EACH OF THEIR  
RELATED PERSONS ("CURRENT MAGNACHIP STOCKHOLDERS"). IF YOU HOLD  
MAGNACHIP COMMON STOCK FOR THE BENEFIT OF ANOTHER PERSON,  
PLEASE TRANSMIT THIS DOCUMENT TO SUCH BENEFICIAL OWNER. PLEASE  
NOTE THAT THESE ACTIONS ARE NOT "CLASS ACTIONS" AND NO INDIVIDUAL  
CURRENT MAGNACHIP STOCKHOLDER HAS THE RIGHT TO BE COMPENSATED  
AS A RESULT OF THIS SETTLEMENT.**

**PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR  
RIGHTS MAY BE AFFECTED. THIS NOTICE IS NOT AN EXPRESSION OF ANY  
OPINION BY THE COURT AS TO THE MERITS OF ANY CLAIMS OR DEFENSES IN  
THE ABOVE-CAPTIONED LAWSUITS. THE STATEMENTS IN THIS NOTICE ARE  
NOT FINDINGS OF THE COURT.**

1           **YOU ARE HEREBY NOTIFIED**, pursuant to an Order of the Superior Court of the State  
2 of California for the County of Santa Clara (the “Court”), that a proposed settlement has been  
3 reached as to claims asserted in two stockholder derivative actions pending before the Court,  
4 captioned *Hemmingson, et al. v. Elkins, et al.*, No. 1-15-CV-278614 (the “Hemmingson Action”)  
5 and *Bushansky v. Norby, et al.*, No. 1-15-CV-281284 (the “Bushansky Action,” and together with  
6 the Hemmingson Action, the “Actions”). The terms of the proposed settlement are summarized in  
7 this Notice and fully set forth in the Stipulation of Settlement dated January 22, 2016 (the  
8 “Stipulation”).<sup>1</sup>

9           The Settlement will fully resolve the Actions upon entry of an Order and Final Judgment by  
10 the Court and forever release, relinquish, and discharge the Released Claims against the Released  
11 Defendant Persons and any and all claims (including Unknown Claims) arising out of, relating to,  
12 or in connection with, the defense, settlement or resolution of the Actions against the Released  
13 Defendant Persons. The Order and Final Judgment will also fully, finally, and forever release,  
14 relinquish and discharge Plaintiffs and Plaintiffs’ Counsel from all claims arising out of, relating to,  
15 or in connection with, the institution, prosecution, assertion, settlement or resolution of the Actions  
16 or the Released Claims (including Unknown Claims). For a more detailed statement of the matters  
17 involved in the Actions, the Settlement and the terms discussed in this Notice, the Stipulation may  
18 be inspected at the Office of the Clerk, Superior Court of the State of California for the County of  
19 Santa Clara, 191 North First Street, San Jose, California 95113-1090, during regular business hours  
20 of each business day. In addition, the Stipulation and this Notice are both publicly available for  
21 viewing through the Company’s website at [www.magnachip.com](http://www.magnachip.com).

22           The Settlement will result in MagnaChip’s directors’ and officers’ liability insurance  
23 carriers making a cash payment of three million dollars (\$3,000,000.00) into an interest-bearing  
24 escrow account established for the purpose of satisfying the Settling Defendants’ and MagnaChip’s  
25

26  
27 <sup>1</sup> Except as otherwise expressly provided herein, all capitalized terms contained herein shall have  
28 the same meanings as set forth in the Stipulation. The Court adopts and incorporates the  
definitions in the Stipulation.

1 obligations. In addition, the Settlement will result in MagnaChip implementing and/or maintaining  
2 for a period of three (3) years certain corporate governance changes.

3 **I. BACKGROUND OF THE ACTIONS AND PROCEDURAL HISTORY**

4 MagnaChip is a Delaware corporation with its principal executive offices in Luxembourg  
5 and additional executive offices in Cupertino, California. The Company's business operations are  
6 based primarily in South Korea. On March 25, 2015, plaintiffs Hemmingson and Vandegriff filed  
7 their Verified Stockholder Derivative Complaint (the "Hemmingson Complaint") in the Superior  
8 Court of California, Santa Clara County. The Hemmingson Complaint alleges various causes of  
9 action, including: (1) breach of fiduciary duty against defendants Michael Elkins, Tae Young  
10 Hwang, Randal Klein, Ilbok Lee, Brian Mulhern, R. Douglas Norby, Sang Park, Margaret Sakai  
11 and Nader Tavakoli (collectively, the "Individual Defendants") in connection with their alleged  
12 failure to ensure that the Company implemented and maintained adequate internal controls over its  
13 accounting and financial reporting functions and alleged knowing dissemination of false and  
14 misleading statements concerning the Company's financial results and internal controls; (2) breach  
15 of fiduciary duty against defendants Avenue Capital Management II, L.P. ("Avenue Capital  
16 Management"), Elkins, Klein and Mulhern for alleged insider trading; and (3) unjust enrichment  
17 against Avenue Capital Management in connection with the improper gains it received as a result  
18 of the alleged insider trading.

19 Following the filing of the Hemmingson Complaint, counsel for plaintiffs Hemmingson and  
20 Vandegriff and certain of the Defendants began negotiations regarding service of the Hemmingson  
21 Complaint and scheduling. On May 12, 2015, plaintiffs Hemmingson and Vandegriff, defendants  
22 Elkins, Klein, Lee, Mulhern, Norby, Sakai, Tavakoli and Avenue Capital Management and  
23 nominal defendant MagnaChip, (the "Stipulating Defendants") entered into a stipulation and  
24 proposed order providing that: (1) counsel for the Stipulating Defendants agreed to accept service  
25 on behalf of their respective clients; (2) the Hemmingson Action would be stayed pending  
26 resolution of two related securities class actions<sup>2</sup>; (3) notwithstanding the stay, plaintiffs

27  
28 <sup>2</sup> *Thomas et al. v. MagnaChip Semiconductor Corp. et al.*, Case No. 3:14-cv-01160-JST (N.D. Cal.) and *Oklahoma Police Pension & Retirement System v. MagnaChip Semiconductor*

1 Hemmingson and Vandegriff could pursue service efforts on defendants Park and Hwang, both of  
2 whom reside in South Korea and had resigned from their positions with the Company; (4) the  
3 Stipulating Defendants would provide plaintiffs Hemmingson and Vandegriff with all discovery  
4 produced in the Class Action; and (5) plaintiffs Hemmingson and Vandegriff would attend and  
5 participate in any mediation of the Class Action. This Court entered the proposed order on May  
6 13, 2015 (the "Stay Order"). Thereafter plaintiffs Hemmingson and Vandegriff continued their  
7 efforts to locate defendants Park and Hwang while monitoring developments in the Class Action.

8 On June 1, 2015, plaintiff Bushansky filed a similar stockholder derivative complaint (the  
9 "Bushansky Complaint") on behalf of MagnaChip in this Court against Avenue Capital Group  
10 ("Avenue Capital Group," and together with Avenue Capital Management, the "Avenue Capital  
11 Defendants") and all of the Individual Defendants except defendant Hwang. On August 27, 2015,  
12 plaintiff Bushansky and certain of the defendants in the Bushansky Action entered a proposed  
13 order to stay the Bushansky Action pending resolution of the motion to dismiss filed in the Class  
14 Action, which was entered by the Court on September 1, 2015.

15 Beginning in September 2015, MagnaChip, certain other defendants in the Class Action,  
16 and the plaintiffs in the Class Action engaged in settlement discussions and participated in  
17 mediation efforts conducted by former United States District Court Judge Layn R. Phillips (Ret.)  
18 ("Judge Phillips"). These efforts included two formal mediation sessions. Pursuant to the Stay  
19 Order, plaintiffs Hemmingson and Vandegriff were invited to, and did, attend and participate in  
20 both mediation sessions.

21 On December 10, 2015, a settlement in principle was reached in the Class Action among  
22 certain of the parties to the Class Action, including MagnaChip and certain of the Settling  
23 Defendants.

24 After December 10, 2015, MagnaChip and plaintiffs Hemmingson and Vandegriff  
25 continued their negotiations concerning a potential resolution of the Hemmingson Action with the  
26 assistance of Judge Phillips, including participating in numerous telephonic meetings and

27 *Corporation*, Case No. 3:15-cv-01797-JST (N.D. Cal.). These actions were subsequently  
28 consolidated into the first-filed action (as consolidated, the "Class Action").

1 discussions and exchanging multiple drafts of a proposed settlement term sheet. On January 6,  
2 2016, Judge Phillips made a mediator's proposal to settle the Action, which was accepted.  
3 Plaintiffs Hemmingson and Vandegriff and MagnaChip executed a term sheet dated as of January  
4 7, 2016 (the "Term Sheet"), memorializing their agreement in principle. Plaintiffs Hemmingson,  
5 Vandegriff and Bushansky, MagnaChip and the Settling Defendants executed the Stipulation on  
6 January 22, 2016.

## 7 **II. PLAINTIFFS' CLAIMS AND BENEFITS OF THE SETTLEMENT**

8 Plaintiffs believe that the claims they have asserted in the Actions have merit. Nonetheless,  
9 Plaintiffs recognize and acknowledge the expense and length of continued proceedings necessary  
10 to prosecute the Actions against Defendants through trial and appeals. Plaintiffs and their counsel  
11 have also taken into account the uncertain outcome and the risk of any litigation, especially in  
12 complex actions such as these Actions, as well as the difficulties and delays inherent in such  
13 litigation. Plaintiffs and their counsel are also mindful of the inherent problems of proof and  
14 possible defenses to the claims Plaintiffs have asserted in the Actions. Based on their evaluation,  
15 Plaintiffs and their counsel have determined that the Settlement set forth in this Stipulation confers  
16 substantial benefits upon MagnaChip and all Current MagnaChip Stockholders. Moreover, the  
17 agreement-in-principle embodied in the Stipulation was only reached after vigorous arm's-length  
18 negotiations between the Settling Parties, who are all represented by counsel with extensive  
19 experience and expertise in shareholder derivative litigation. During the negotiations, all Settling  
20 Parties had a clear view of the strengths and weaknesses of their respective claims and defenses.  
21 Plaintiffs and their counsel base their conclusion upon, among other things, their extensive  
22 investigation during the development, prosecution and settlement of the Actions, which included,  
23 *inter alia*: (i) inspecting, reviewing and analyzing the Company's filings with the United States  
24 Securities and Exchange Commission ("SEC") and other public statements; (ii) researching  
25 corporate governance issues; (iii) researching the law applicable to the claims asserted in the  
26 Actions and the potential defenses thereto; and (iv) reviewing and analyzing over 4,000 pages of  
27 non-public documents produced by MagnaChip. Plaintiffs believe that the Settlement is fair,  
28

1 reasonable and adequate and is in the best interests of MagnaChip and all Current MagnaChip  
2 Stockholders.

3 **III. THE SETTling DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY**

4 The Settling Defendants have denied, and continue to deny, each and all of the claims and  
5 contentions alleged by Plaintiffs in the Actions. Nonetheless, the Settling Defendants have also  
6 taken into account the uncertainty and risks inherent in any litigation, especially in complex cases  
7 like these Actions. The Settling Defendants and MagnaChip have therefore determined that it is  
8 desirable that the Actions be fully and finally settled in the manner and upon the terms and  
9 conditions set forth in this Stipulation. The Settling Defendants and MagnaChip believe that the  
10 Settlement is fair, reasonable and adequate and in the best interests of MagnaChip and all Current  
11 MagnaChip Stockholders.

12 **IV. THE SETTLEMENT HEARING**

13 The Settlement Hearing will be held before the Honorable Peter H. Kirwan on \_\_\_\_\_,  
14 2016 at \_\_\_\_\_ in Department 1 of the Court, located at 191 North First Street, San Jose,  
15 California 95113-1090, to: (i) determine whether the Settlement of the Actions on the terms and  
16 conditions provided for in the Stipulation is fair, reasonable and adequate, and should be finally  
17 approved by the Court; (ii) determine whether an Order and Final Judgment should be entered  
18 pursuant to the Stipulation dismissing the Hemmingson Action and the Bushansky Action with  
19 prejudice; (iii) consider Plaintiffs' Counsel's application for an award of attorneys' fees and  
20 expenses; and (iv) rule on such other matters as the Court may deem appropriate. The Settlement  
21 Hearing may be continued by the Court at the Settlement Hearing or at any adjourned session  
22 thereof without further notice.

23 **V. THE SETTLEMENT**

24 The terms and conditions of the Settlement are set forth in the Stipulation described above  
25 and can be viewed in their entirety on the Company's website at [www.magnachip.com](http://www.magnachip.com). The  
26 following is only a summary of its terms.

27 The Settling Parties have conducted arm's-length negotiations over an extended period of  
28 time and have reached an agreement in good faith to settle the Actions with the assistance of Judge

1 Phillips, a former federal district judge and highly respected mediator with extensive experience in  
2 the mediation of complex stockholder derivative actions such as these Actions.

3 In full and complete settlement of the claims asserted in the Actions, MagnaChip's  
4 directors' and officers' liability insurance carriers have paid, or will have paid, three million dollars  
5 (\$3,000,000) (the "Settlement Amount") into an interest-bearing escrow account established for the  
6 purpose of satisfying the Settling Defendants' and MagnaChip's obligations within ten (10)  
7 business days after entry of the Preliminary Approval Order. Once the Effective Date has  
8 occurred, the Settlement Amount shall be remitted to MagnaChip, less (i) any applicable taxes and  
9 other costs of maintaining the escrow account, (ii) any amount for an award of attorneys' fees and  
10 litigation expenses as are awarded to Plaintiffs' Counsel by the Court, and (iii) the costs of  
11 disseminating the Notice and Summary Notice to all Current MagnaChip Stockholders. In  
12 addition, MagnaChip has agreed to implement and/or maintain for a period of three (3) years  
13 certain corporate governance changes. The corporate governance changes are set forth fully in  
14 ¶ 2.2 of the Stipulation, which is available for viewing on the Company's website at  
15 www.magnachip.com.

## 16 **VI. RELEASES AND DISMISSAL**

17 In connection with the Court's approval of the Settlement, Plaintiffs seek a dismissal with  
18 prejudice of all claims asserted by Plaintiffs on behalf of MagnaChip against the Defendants.

19 Upon the Effective Date, MagnaChip, Plaintiffs, all Current MagnaChip Stockholders in  
20 their capacity as MagnaChip stockholders, on behalf of themselves and any other Person who  
21 could assert any of the Released Claims on their behalf, and all other Released Plaintiff Persons  
22 will release and forever discharge the Released Defendant Persons from the Released Claims. For  
23 the avoidance of doubt, expressly excluded from this release are (i) all claims asserted in the Class  
24 Action, (ii) all claims brought or that might be brought against MagnaChip, the Individual  
25 Defendants, or the Avenue Capital Defendants by the SEC; and (iii) all claims relating to the  
26 enforcement of the Settlement. In addition, nothing set forth herein shall constitute a release by  
27 any Released Defendant Person of any insurer, reinsurer, or any other entity contracted or  
28 otherwise obligated to provide insurance or indemnification to any of the Released Defendant

1 Persons of any claim arising out of the rights, remedies, duties or obligations provided for in any  
2 insurance policy or agreement, but the Effective Date shall not be contingent upon resolution of  
3 such claim. Nothing set forth herein shall constitute a release by or among MagnaChip and the  
4 other Released Defendant Persons of the rights and obligations relating to indemnification or  
5 advancement of defense costs arising from MagnaChip's or any of its subsidiaries', divisions', or  
6 related or affiliated entities' certificates of incorporation, bylaws, operating agreements, or other  
7 formation documents, or any indemnification agreement or similar agreement.

8 Upon the Effective Date, each of the Released Defendant Persons will release and forever  
9 discharge the Released Plaintiff Persons from the Released Claims. For the avoidance of doubt,  
10 expressly excluded from this release are all claims relating to the enforcement of the Settlement.

11 "Released Claims" means, with respect to the Released Defendant Persons, any and all  
12 claims, rights, demands, obligations, damages, actions or causes of action, or liabilities whatsoever,  
13 of every nature and description, including both known and Unknown Claims, whether arising  
14 under federal, state, common or foreign law or regulation, that have been or could have been  
15 asserted, in the Actions or in any other court, tribunal, or proceeding by Plaintiffs or any other  
16 Current MagnaChip Stockholder derivatively on behalf of MagnaChip, or by MagnaChip directly  
17 against any of the Released Defendant Persons, which, now or hereafter, are based upon, arise out  
18 of, relate in any way to, or involve, directly or indirectly, any of the actions, transactions,  
19 occurrences, facts, statements, or omissions that were alleged or asserted in the Actions, except that  
20 expressly excluded from this release are (i) all claims asserted in the Class Action; (ii) all claims  
21 brought or that might be brought against MagnaChip, the Individual Defendants, or the Avenue  
22 Capital Defendants by the SEC, and (iii) all claims relating to the enforcement of the Settlement.

23 In addition, nothing set forth herein shall constitute a release by any Released Defendant Person of  
24 any insurer, reinsurer, or any other entity contracted or otherwise obligated to provide insurance or  
25 indemnification to any of the Released Defendant Persons of any claim arising out of the rights,  
26 remedies, duties or obligations provided for in any insurance policy or agreement, but the Effective  
27 Date shall not be contingent upon resolution of such claim. Nothing set forth herein shall  
28 constitute a release by or among MagnaChip and the other Released Defendant Persons of the

1 rights and obligations relating to indemnification or advancement of defense costs arising from  
2 MagnaChip's or any of its subsidiaries', divisions', or related or affiliated entities' certificates of  
3 incorporation, bylaws, operating agreements, or other formation documents, or any indemnification  
4 agreement or similar agreement. "Released Claims" means, with respect to the Released Plaintiff  
5 Persons, all claims (including Unknown Claims) arising out of, relating to, or in connection with,  
6 the institution, prosecution, assertion, settlement or resolution of the Actions or the Released  
7 Claims with respect to the Released Defendant Persons, except that expressly excluded from this  
8 release are all claims relating to the enforcement of the Settlement.

9 "Released Defendant Persons" means MagnaChip, the Individual Defendants and the  
10 Avenue Capital Defendants and each of their Related Persons.

11 "Released Plaintiff Persons" means MagnaChip, Plaintiffs and Plaintiffs' Counsel and each  
12 of their Related Persons.

13 "Related Persons" means each of a Person's past or present agents, officers, directors,  
14 employees, affiliates, attorneys, advisors, underwriters, insurers (and insurers' respective past and  
15 present officers, directors, employees, agents, affiliates, parents, subsidiaries, divisions, funds,  
16 attorneys, advisors, insurers, co-insurers, re-insurers, heirs, executors, personal representatives,  
17 estates, administrators, trusts, predecessors, successors, and assigns), co-insurers, reinsurers,  
18 spouses, immediate family members, heirs, executors, personal representatives, estates,  
19 administrators, trusts, predecessors, successors, and assigns, each other individual or entity in  
20 which a Person has a controlling interest, and each and all of their respective past and present  
21 officers, directors, employees, agents, affiliates, parents, subsidiaries, divisions, funds, attorneys,  
22 accountants, auditors, advisors, underwriters, insurers, co-insurers, re-insurers, heirs, executors,  
23 personal representatives, estates, administrators, trusts, predecessors, successors, and assigns.

24 "Unknown Claims" means any claims which a Person does not know or suspect to exist in  
25 his, her, or its favor at the time of the release, including claims which, if known by him, her, or it,  
26 might have affected his, her, or its settlement and release, or might have affected his, her, or its  
27 decision not to object to this Settlement. With respect to any and all Released Claims, the Settling  
28 Parties stipulate and agree that, upon the Effective Date, the Settling Parties shall expressly waive,

1 and all Current MagnaChip Stockholders by operation of the Judgment shall have expressly  
2 waived, the provisions, rights, and benefits of California Civil Code section 1542, or any other law  
3 of the United States or any state or territory of the United States, or principle of common law that is  
4 similar, comparable or equivalent to section 1542, which provides:

5 ***A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE***  
6 ***CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER***  
7 ***FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF***  
8 ***KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR***  
9 ***HER SETTLEMENT WITH THE DEBTOR.***

10 The Settling Parties acknowledge that they may hereafter discover facts in addition to or different  
11 from those now known or believed to be true by them, with respect to the subject matter of the  
12 Released Claims, but, it is the intention of the Settling Parties to completely, fully, finally and  
13 forever compromise, settle, release, discharge and extinguish any and all of the Released Claims,  
14 known or unknown, suspected or unsuspected, contingent or absolute, accrued or unaccrued,  
15 apparent or unapparent, which now exist, or heretofore existed, or may hereafter exist, and without  
16 regard to the subsequent discovery of additional or different facts. The Settling Parties  
17 acknowledge, and all other Current MagnaChip Stockholders in their capacity as MagnaChip  
18 stockholders, on behalf of themselves and any other person who could assert any of the Released  
19 Claims on their behalf shall be deemed by operation of the Judgment to have acknowledged, that  
20 the foregoing waiver was separately bargained for and is a key element of the Stipulation of which  
21 this release is a part.

22 The Court has not made (and will not make) any determination as to the merits of any  
23 claims or defenses in the Actions. This Notice does not imply that any Released Defendant Person  
24 would be found liable or that relief would be awarded if the Actions were not being settled.  
25 Nothing herein shall in any way impair or restrict the rights of any Settling Party to enforce the  
26 terms of the Stipulation.

## 27 **VII. PLAINTIFFS' COUNSEL'S FEES AND EXPENSES**

28 Plaintiffs' Counsel intends to make an application to the Court for attorneys' fees and  
reimbursement of expenses (the "Fee and Expense Award"), in the aggregate, of not more than

1 \$750,000, and the Settling Defendants and MagnaChip will not oppose or object to such an  
2 application. This agreement was reached only after the Settling Parties had agreed upon the  
3 Settlement Amount and the Corporate Governance Changes. Any Fee and Expense Award granted  
4 by the Court shall be paid from the escrow account, as referenced in ¶ 2.1 of the Stipulation, out of  
5 the Settlement Amount and shall constitute final and complete payment for Plaintiffs' Counsel's  
6 attorneys' fees and expenses that have been incurred or will be incurred in connection with the  
7 filing and prosecution of the Actions and the resolution of the claims alleged therein. The Released  
8 Defendant Persons shall have no obligation to make any payment other than as provided in the  
9 Stipulation to Plaintiffs' Counsel. Any appeal or other proceeding pertaining to any order issued in  
10 respect of any Fee and Expense Award application by Plaintiffs' Counsel shall not in any way  
11 delay or preclude the Judgment from becoming Final. In addition, no order concerning any  
12 application for attorneys' fees and reimbursement of litigation expenses, or any modification or  
13 reversal on appeal of such order, shall constitute grounds for cancellation or termination of this  
14 Stipulation by any Settling Party.

15 **VIII. THE RIGHT TO OBJECT AND/OR BE HEARD AT THE HEARING**

16 At the Settlement Hearing, the Court will consider whether to grant final approval to the  
17 Settlement and the Fee and Expense Award. Any Current MagnaChip Stockholder has the right,  
18 but is not required to appear in person or through counsel at the Settlement Hearing to object to the  
19 terms of the proposed Settlement or otherwise present evidence or argument that may be proper  
20 and relevant. If you want to submit any papers, briefs or other documents objecting to the  
21 Settlement, not later than fourteen (14) calendar days prior to the Settlement Hearing, you must file  
22 with the Court:

- 23 (i) a written notice of objection with your name, address, and telephone number, along  
24 with a representation as to whether you intend to appear at the Settlement Hearing;
- 25 (ii) competent evidence that you held shares of MagnaChip common stock as of January  
26 \_\_\_\_, 2016, and that you continue to hold shares of MagnaChip common stock as of the date of the  
27 Settlement Hearing;
- 28

1 (iii) a statement of your objections to any matters before the Court, the grounds therefor  
2 or the reasons for your desiring to appear and be heard, as well as all documents or writings you  
3 desire the Court to consider; and

4 (iv) the identities of any witness you plan on calling at the Settlement Hearing, along  
5 with a summary description of their likely testimony.

6 In addition, on or before the date of such filing, *you must also serve the same documents*  
7 *via first class mail or overnight delivery upon each of the following:*

8 ***The Court***

9 Clerk of the Court  
10 Superior Court of California  
11 County of Santa Clara  
12 191 North First Street  
13 San Jose, CA 95113

14 ***Counsel for Plaintiffs Hemmingson and Vandegriff***

15 KESSLER, TOPAZ, MELTZER & CHECK, LLP  
16 Attn: Eric L. Zagar  
17 280 King of Prussia Road  
18 Radnor, PA 19087

19 ***Counsel for the Company and the Settling Defendants***

20 PAUL, WEISS, RIFKIND, WHARTON & GARRISON LLP  
21 Attn: Daniel J. Kramer, Jacqueline P. Rubin & Meredith A. Arfa  
22 1285 Avenue of the Americas  
23 New York, NY 10019-6064

24 JONES DAY LLP  
25 Attn: John C. Tang  
26 555 California Street, 26th Floor  
27 San Francisco, CA 94104

28 AKIN GUMP STRAUSS HAUER & FELD LLP  
Attn: Douglass B. Maynard & Michael A. Asaro  
One Bryant Park  
Bank of America Tower  
New York, NY 10036

KASOWITZ BENSON TORRES & FRIEDMAN LLP  
Attn: Daniel J. Fetterman & Trevor J. Welch  
1633 Broadway

1 New York, NY 10019

2 KOBRE & KIM LLP

3 Attn: Michael S. Kim & Kimberly Perrotta Cole

4 800 Third Avenue New York, NY 10022

5 The Settling Parties shall have the right, but are not required to, submit a response to any  
6 objections to the Settlement not later than seven (7) calendar days prior to the Settlement Hearing.

7 If you do not want to submit any papers, briefs or other documents objecting to the  
8 Settlement, you may nevertheless object to the Settlement by appearing in person at the Settlement  
9 Hearing and providing competent evidence that you held shares of MagnaChip common stock as of  
10 January \_\_\_, 2016, and that you continue to hold shares of MagnaChip common stock as of the  
11 date of the Settlement Hearing.

12 *If you fail to object in the manner prescribed above you shall be deemed to have waived*  
13 *your right to object (including the right to appeal) and shall forever be barred, in this proceeding*  
14 *or in any other proceeding, from raising such objection(s).*

15 **IX. CONDITIONS OF SETTLEMENT**

16 The Settlement is conditioned upon the occurrence of certain events described in the  
17 Stipulation. Those events include the occurrence of the Effective Date. The Effective Date means  
18 the first day by which all of the following events and conditions have been met and have occurred:

19 (a) The Court has entered the Preliminary Approval Order;

20 (b) The Court has approved the Settlement as described in the Stipulation following  
21 notice to all Current MagnaChip Stockholders;

22 (c) The Court has entered the Judgment, substantially in the form of Exhibit D to the  
23 Stipulation, dismissing the Actions with prejudice;

24 (d) The Actions have been dismissed with prejudice;

25 (e) The Order and Final Judgment has become Final; and

26 (f) The payment of the Settlement Amount.

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**X. EXAMINATION OF PAPERS AND INQUIRES**

This notice contains only a summary of the terms of the Settlement. For a more detailed statement of the matters involved in the Actions, there is additional information concerning the Settlement available in the Stipulation, which may be inspected at the Office of the Clerk, Superior Court of the State of California for the County of Santa Clara, 191 North First Street, San Jose, California 95113-1090, during regular business hours of each business day.

Clerk of the Court  
Superior Court of California  
County of Santa Clara  
191 North First Street  
San Jose, CA 95113-1090  
Telephone: (408) 882-2100

**PLEASE DO NOT TELEPHONE THE COURT OR MAGNACHIP  
REGARDING THIS NOTICE**

# EXHIBIT C

1 **KESSLER TOPAZ**  
2 **MELTZER & CHECK, LLP**  
3 Eric L. Zagar (SBN 250519)  
4 Robin Winchester  
5 Kristen L. Ross  
6 280 King of Prussia Road  
7 Radnor, PA 19087  
8 Telephone: (610) 667-7706  
9 Facsimile: (267) 948-2512  
10 ezagar@ktmc.com  
11 rwinchester@ktmc.com  
12 kross@ktmc.com

13 -and-

14 Eli R. Greenstein (SBN 217945)  
15 One Sansome Street, Suite 1850  
16 San Francisco, CA 94104  
17 Phone: (415) 400-3000  
18 Fax: (415) 400-3001  
19 egreenstein@ktmc.com

20 *Attorneys for Plaintiffs Curt Hemmingson and Vic*  
21 *Vandegriff*

22 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**  
23 **COUNTY OF SANTA CLARA**

24 CURT HEMMINGSON and VIC  
25 VANDEGRIFF, Derivatively on Behalf of  
26 Nominal Defendant MAGNACHIP  
27 SEMICONDUCTOR CORPORATION,

28 Plaintiffs,

v.

MICHAEL ELKINS , TAE YOUNG HWANG,  
RANDAL KLEIN , ILBOK LEE,  
BRIAN MULHERN, R. DOUGLAS NORBY,  
SANG PARK, MARGARET SAKAI, NADER  
TAVAKOLI and AVENUE CAPITAL  
MANAGEMENT II, L.P.,

Defendants,

and

MAGNACHIP SEMICONDUCTOR  
CORPORATION,

Nominal Defendant.

CASE NO.: 1-15-cv-278614

**SUMMARY NOTICE OF HEARING AND  
PROPOSED DERIVATIVE SETTLEMENT**

Judge: Hon. Peter H. Kirwan  
Dept.: 1

Date Action Filed: March 25, 2015

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STEPHEN BUSHANSKY, Derivatively on  
Behalf of Nominal Defendant MAGNACHIP  
SEMICONDUCTOR CORPORATION,

Plaintiff,

v.

R. DOUGLAS NORBY; MICHAEL  
ELKINS; RANDAL KLEIN; BRIAN  
MULHERN; NADER TAVAKOLI; ILBOK  
LEE; SANG PARK; MARGARET SAKAI,  
AVENUE CAPITAL GROUP; and DOES 1-  
25, inclusive,

Defendants,

and

MAGNACHIP SEMICONDUCTOR  
CORPORATION,

Nominal Defendant.

CASE NO.: 1-15-cv-281284

Judge: Hon. Peter H. Kirwan  
Dept.: 1

Date Action Filed: June 1, 2015

**TO: ALL HOLDERS OF MAGNACHIP SEMICONDUCTOR CORPORATION  
("MAGNACHIP" OR THE "COMPANY") COMMON STOCK AS OF [DATE OF  
PRELIMINARY APPROVAL ORDER], 2016, EXCLUDING THE INDIVIDUAL  
DEFENDANTS, THE AVENUE CAPITAL DEFENDANTS, AND EACH OF THEIR  
RELATED PERSONS ("CURRENT MAGNACHIP STOCKHOLDERS"). IF YOU HOLD  
MAGNACHIP COMMON STOCK FOR THE BENEFIT OF ANOTHER PERSON,  
PLEASE TRANSMIT THIS DOCUMENT TO SUCH BENEFICIAL OWNER. PLEASE  
NOTE THAT THESE ACTIONS ARE NOT "CLASS ACTIONS" AND NO INDIVIDUAL  
CURRENT MAGNACHIP STOCKHOLDER HAS THE RIGHT TO BE COMPENSATED  
AS A RESULT OF THIS SETTLEMENT.**

**PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR  
RIGHTS MAY BE AFFECTED. THIS NOTICE IS NOT AN EXPRESSION OF ANY  
OPINION BY THE COURT AS TO THE MERITS OF ANY CLAIMS OR DEFENSES IN  
THE ABOVE-CAPTIONED LAWSUITS. THE STATEMENTS IN THIS NOTICE ARE  
NOT FINDINGS OF THE COURT.**

1           **YOU ARE HEREBY NOTIFIED** that certain of the parties to the above-captioned actions  
2 (the “Actions”) have entered into a Stipulation of Settlement (the “Stipulation”) setting forth terms  
3 upon which the issues raised in the Actions will be fully and finally resolved (the “Settlement”).

4           The Settlement will result in MagnaChip’s directors’ and officers’ liability insurance  
5 carriers making a cash payment of three million dollars (\$3,000,000.00) into an interest-bearing  
6 escrow account established for the purpose of satisfying the Settling Defendants’ and MagnaChip’s  
7 obligations. In addition, the Settlement will result in MagnaChip implementing and/or maintaining  
8 for a period of three (3) years certain corporate governance changes. The Settling Defendants have  
9 denied, and continue to deny, each and all of the claims and contentions alleged by Plaintiffs in the  
10 Actions.

11           For a more detailed statement of the matters involved in the Action and the Settlement, the  
12 Stipulation may be inspected at the Clerk of the Court, Superior Court of California, County of  
13 Santa Clara, 191 North First Street, San Jose, CA 95113-1090, during regular business hours of  
14 each business day. In addition, the Stipulation is publicly available for viewing through the  
15 Company’s website at [www.magnachip.com](http://www.magnachip.com).

16           PLEASE BE FURTHER ADVISED that pursuant to an Order of the Superior Court for the  
17 State of California, County of Santa Clara (the “Court”), a hearing (the “Settlement Hearing”) will  
18 be held before the Honorable Peter H. Kirwan on \_\_\_\_\_, 2016 at \_\_\_\_\_ in Department  
19 1 of the Court, located at 191 North First Street, San Jose, California 95113-1090, to: (i) determine  
20 whether the Settlement of the Actions on the terms and conditions provided for in the Stipulation is  
21 fair, reasonable and adequate, and should be finally approved by the Court; (ii) determine whether  
22 an Order and Final Judgment dismissing the Actions with prejudice should be entered pursuant to  
23 the Stipulation; (iii) consider Plaintiffs’ Counsel’s application for an award of attorneys’ fees and  
24 expenses (“Fee and Expense Award”); and (iv) rule on such other matters as the Court may deem  
25 appropriate.

26           At the Settlement Hearing, the Court will consider whether to grant final approval to the  
27 Settlement and the Fee and Expense Award. If any Current MagnaChip Stockholder wants to  
28

1 submit any papers, briefs or other documents objecting to the Settlement, not later than fourteen  
2 (14) calendar days prior to the Settlement Hearing, you must file with the Court:

3 (i) a written notice of objection with your name, address, and telephone number, along  
4 with a representation as to whether you intend to appear at the Settlement Hearing;

5 (ii) competent evidence that you held shares of MagnaChip common stock as of January  
6 \_\_\_\_, 2016, and that you continue to hold shares of MagnaChip common stock as of the date of the  
7 Settlement Hearing;

8 (iii) a statement of your objections to any matters before the Court, the grounds therefor  
9 or the reasons for your desiring to appear and be heard, as well as all documents or writings you  
10 desire the Court to consider; and

11 (iv) the identities of any witness you plan on calling at the Settlement Hearing, along  
12 with a summary description of their likely testimony.

13 In addition, on or before the date of such filing, *you must also serve the same documents*  
14 *via first class mail or overnight delivery upon each of the following:*

15 ***The Court***

16 Clerk of the Court  
17 Superior Court of California  
18 County of Santa Clara  
19 191 North First Street  
20 San Jose, CA 95113

21 ***Counsel for Plaintiffs Hemmingson and Vandegriff***

22 KESSLER, TOPAZ, MELTZER & CHECK, LLP  
23 Attn: Eric L. Zagar  
24 280 King of Prussia Road  
25 Radnor, PA 19087

26 ***Counsel for the Company and the Settling Defendants***

27 PAUL, WEISS, RIFKIND, WHARTON & GARRISON LLP  
28 Attn: Daniel J. Kramer, Jacqueline P. Rubin & Meredith A. Arfa  
1285 Avenue of the Americas  
New York, NY 10019-6064

JONES DAY

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Attn: John C. Tang  
555 California Street, 26th Floor  
San Francisco, CA 94104  
AKIN GUMP STRAUSS HAUER & FELD LLP  
Attn: Douglass B. Maynard & Michael A. Asaro  
One Bryant Park  
Bank of America Tower  
New York, NY 10036

KASOWITZ BENSON TORRES & FRIEDMAN LLP  
Attn: Daniel J. Fetterman & Trevor J. Welch  
1633 Broadway  
New York, NY 10019

KOBRE & KIM LLP  
Attn: Michael S. Kim & Kimberly Perrotta Cole  
800 Third Avenue  
New York, NY 10022

The Settling Parties shall have the right, but are not required to, submit a response to any objections to the Settlement not later than seven (7) calendar days prior to the Settlement Hearing.

If you do not want to submit any papers, briefs or other documents objecting to the Settlement, you may nevertheless object to the Settlement by appearing in person at the Settlement Hearing and providing competent evidence that you held shares of MagnaChip common stock as of January \_\_\_, 2016, and that you continue to hold shares of MagnaChip common stock as of the date of the Settlement Hearing.

*If you fail to object in the manner prescribed above you shall be deemed to have waived your right to object (including the right to appeal) and shall forever be barred, in this proceeding or in any other proceeding, from raising such objection(s).*

**PLEASE DO NOT TELEPHONE THE COURT OR MAGNACHIP REGARDING THIS NOTICE**

# EXHIBIT D

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**SUPERIOR COURT OF THE STATE OF CALIFORNIA  
COUNTY OF SANTA CLARA**

CURT HEMMINGSON and VIC  
VANDEGRIFF, Derivatively on Behalf of  
Nominal Defendant MAGNACHIP  
SEMICONDUCTOR CORPORATION,

Plaintiffs,

v.

MICHAEL ELKINS , TAE YOUNG HWANG,  
RANDAL KLEIN , ILBOK LEE,  
BRIAN MULHERN, R. DOUGLAS NORBY,  
SANG PARK, MARGARET SAKAI, NADER  
TAVAKOLI and AVENUE CAPITAL  
MANAGEMENT II, L.P.,

Defendants,

and

MAGNACHIP SEMICONDUCTOR  
CORPORATION,

Nominal Defendant.

CASE NO.: 1-15-cv-278614

**[PROPOSED] ORDER AND FINAL  
JUDGMENT**

Judge: Hon. Peter H. Kirwan  
Dept.: 1

Date Action Filed: March 25, 2015

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STEPHEN BUSHANSKY, Derivatively on  
Behalf of Nominal Defendant MAGNACHIP  
SEMICONDUCTOR CORPORATION,

Plaintiff,

v.

R. DOUGLAS NORBY; MICHAEL  
ELKINS; RANDAL KLEIN; BRIAN  
MULHERN; NADER TAVAKOLI; ILBOK  
LEE; SANG PARK; MARGARET SAKAI,  
AVENUE CAPITAL GROUP; and DOES 1-  
25, inclusive,

Defendants,

and

MAGNACHIP SEMICONDUCTOR  
CORPORATION,

Nominal Defendant.

CASE NO.: 1-15-cv-281284

Judge: Hon. Peter H. Kirwan  
Dept.: 1

Date Action Filed: June 1, 2015

1           WHEREAS, a hearing (the “Settlement Hearing”) having been held before this Court (the  
2 “Court”) on \_\_\_\_\_, 2016, pursuant to this Court’s Order dated \_\_\_\_\_,  
3 2016 (the “Preliminary Approval Order”), upon a Stipulation of Settlement dated January 22, 2016  
4 (the “Stipulation”) filed in the above-captioned actions (the “Actions”), which (along with the  
5 Preliminary Approval Order) is incorporated herein by reference; it appearing that due notice of  
6 said hearing has been given in accordance with the aforesaid Preliminary Approval Order; the  
7 respective parties having appeared by their attorneys of record; the Court having heard and  
8 considered evidence in support of the proposed settlement of the Actions set forth in the Stipulation  
9 (the “Settlement”); the attorneys for the respective parties having been heard; an opportunity to be  
10 heard having been given to all other persons requesting to be heard; the Court having determined  
11 that notice to the current stockholders of MagnaChip Semiconductor Corporation (“MagnaChip” or  
12 the “Company”), excluding the Individual Defendants, the Avenue Capital Defendants, and each of  
13 their Related Persons, was adequate and sufficient; and the entire matter of the proposed Settlement  
14 having been heard and considered by the Court,

15           **IT IS HEREBY ORDERED, ADJUDGED, and DECREED, THIS \_\_\_\_ DAY OF**  
16 **\_\_\_\_\_, 2016, AS FOLLOWS:**

- 17           1.       Except for the terms defined herein, the Court adopts and incorporates the definitions  
18 in the Stipulation for purposes of this Order and Final Judgment.
- 19           2.       The Court has jurisdiction over the subject matter of the Actions, including all  
20 matters necessary to effectuate the Settlement, and over all Settling Parties, for purposes of  
21 implementing and enforcing the Settlement embodied in the Stipulation and entering this Order and  
22 Final Judgment.
- 23           3.       The Court finds that the Settlement is fair, reasonable, adequate, and in the best  
24 interests of MagnaChip and all Current MagnaChip Stockholders, and hereby: (i) finally approves  
25 the Settlement in all respects; and (ii) orders the Settling Parties to perform the terms of the  
26 Stipulation to the extent the Settling Parties have not already done so. The Court further finds that  
27 the Settlement as set forth in the Stipulation is the result of arm’s-length negotiations between  
28

1 experienced counsel. The Settling Parties are hereby directed to consummate the Settlement in  
2 accordance with the terms and provisions of the Stipulation.

3 4. The Court finds that the Summary Notice published on *PR Newswire* and the Notice  
4 posted on the investor relations section of MagnaChip's website and attached to a Form 8-K filed  
5 by MagnaChip with the United States Securities and Exchange Commission ("SEC"), disclosing the  
6 Settlement as set forth in the Stipulation, constituted the best notice practicable under the  
7 circumstances to all Persons entitled to such notice, and said notices fully satisfied the requirements  
8 of California law and due process under the Constitution of the United States, and other applicable  
9 law.

10 5. The Settling Parties, all Current MagnaChip Stockholders, all other Released  
11 Defendant Persons, and all other Released Plaintiff Persons are hereby bound by the terms of the  
12 Settlement set forth in the Stipulation.

13 6. The Actions and all claims contained therein, as well as all of the Released Claims,  
14 are hereby dismissed with prejudice pursuant to the terms of the Stipulation. The Settling Parties  
15 are to bear their own costs, except as otherwise provided in the Stipulation.

16 7. The Court finds that during the course of the litigation of the Actions, the Settling  
17 Parties and their respective counsel at all times acted professionally and complied with the  
18 requirements of Sections 128.5 and 128.7 of the California Code of Civil Procedure.

19 8. Upon the Effective Date, MagnaChip, Plaintiffs, all Current MagnaChip  
20 Stockholders in their capacity as MagnaChip stockholders, on behalf of themselves and any other  
21 Person who could assert any of the Released Claims on their behalf, and all other Released Plaintiff  
22 Persons will release and forever discharge the Released Defendant Persons from the Released  
23 Claims. For the avoidance of doubt, expressly excluded from this release are (i) all claims asserted  
24 in the Class Action; (ii) all claims brought or that might be brought against MagnaChip, the  
25 Individual Defendants, or the Avenue Capital Defendants by the SEC, and (iii) all claims relating to  
26 the enforcement of the Settlement.

27 9. Upon the Effective Date, each of the Released Defendant Persons will release and  
28 forever discharge the Released Plaintiff Persons from the Released Claims. For the avoidance of

1 doubt, expressly excluded from this release are all claims relating to the enforcement of the  
2 Settlement.

3 10. Nothing set forth in this Order and Final Judgment shall constitute a release by any  
4 Released Defendant Person of any insurer, reinsurer, or any other entity contracted or otherwise  
5 obligated to provide insurance or indemnification to any of the Released Defendant Persons of any  
6 claim arising out of the rights, remedies, duties or obligations provided for in any insurance policy  
7 or agreement, but the Effective Date shall not be contingent upon resolution of such claim. Nothing  
8 set forth herein shall constitute a release by or among MagnaChip and the other Released Defendant  
9 Persons of the rights and obligations relating to indemnification or advancement of defense costs  
10 arising from MagnaChip's or any of its subsidiaries', divisions', or related or affiliated entities'  
11 certificates of incorporation, bylaws, operating agreements, or other formation documents, or any  
12 indemnification agreement or similar agreement.

13 11. All Current MagnaChip Stockholders who have not made their objections to the  
14 Settlement in the manner provided in the Notice and Summary Notice are deemed to have waived  
15 any objection by appeal, collateral attack, or otherwise.

16 12. All other provisions of the Stipulation are hereby incorporated into this Order and  
17 Final Judgment.

18 13. The provisions contained in the Stipulation (including any exhibits attached thereto)  
19 and all related documents, any negotiations, statements, or court proceedings relating to the  
20 Stipulation shall not be deemed a presumption, concession, or admission by any Settling Party of  
21 any fault, liability, or wrongdoing, or lack of merit as to any facts or claims alleged or asserted in  
22 the Actions or in any other action or proceeding, and shall not be interpreted, construed, deemed,  
23 invoked, offered, or received into evidence or otherwise used by any person in the Actions or in any  
24 other action or proceeding, whether civil, criminal, or administrative, except in connection with any  
25 proceeding to enforce the terms of the Settlement. Any Released Defendant Person or Released  
26 Plaintiff Person may file the Stipulation, this Order and Final Judgment, or any judgment or order  
27 of the Court in any action that may be brought against them in order to support a defense or  
28 counterclaim based on principles of *res judicata*, collateral estoppel, full faith and credit, release,

1 good faith settlement, judgment bar or reduction, or any other theory of claim preclusion or issue  
2 preclusion or similar defense or counterclaim.

3 14. The Settling Parties shall attempt in good faith to first resolve any future differences  
4 over the terms of or implementation of the Stipulation with the Honorable Layn R. Phillips (Ret.)  
5 (“Judge Phillips”). If that is unsuccessful in resolving any disputes, the Court will retain  
6 jurisdiction to enforce the terms of the Stipulation.

7 15. Pending the Effective Date of the Stipulation or the termination of the Stipulation  
8 according to its terms, Plaintiffs and all Current MagnaChip Stockholders, and their respective  
9 Related Persons, shall be barred and enjoined from commencing, prosecuting, instigating, or in any  
10 way participating in the commencement or prosecution of any action asserting any Released Claims  
11 against any Released Defendant Person.

12 16. Without affecting the finality of this Order and Final Judgment in any way, before  
13 any Settling Party may seek redress for any matter affected by this Order and Final Judgment, the  
14 parties are to first attempt to resolve any disputes related to the implementation and enforcement of  
15 the terms of the Settlement, including but not limited to the construing, enforcing and administering  
16 the terms of the Stipulation, with Judge Phillips who assisted the parties in reaching the Settlement.

17 17. If the Effective Date of the Stipulation does not occur, or if the Stipulation is  
18 canceled, terminated, or fails to become Final in accordance with its terms for any reason, the  
19 Settling Parties shall be restored to their respective positions in the Actions as of the date of the  
20 Stipulation (and the Settling Defendants will retain whatever jurisdictional challenges may have  
21 been available to them as of that date). In such event, all negotiations, proceedings, documents  
22 prepared and statements made in connection with the Stipulation (i) shall be without prejudice to  
23 the Settling Parties, (ii) shall not be deemed or construed to be an admission by any Settling Party  
24 of any act, matter, or proposition and (iii) shall not be used in any manner for any purpose in any  
25 subsequent proceeding in the Actions or in any other action or proceeding. In such event, the terms  
26 and provisions of the Stipulation shall have no further force and effect with respect to the Settling  
27 Parties and shall not be used in the Actions or in any other proceeding for any purpose, and any  
28 judgment or orders entered by the Court in accordance with the terms of the Stipulation shall be

1 treated as vacated, *nunc pro tunc*. Notwithstanding the foregoing, in such event, the following  
2 provisions of the Stipulation shall expressly survive such event: ¶¶ 1.1-1.31, Plaintiffs' Counsel's  
3 obligation to refund or repay within ten (10) business days any amounts paid with respect to any  
4 Fee and Expense Award if, for any reason, including as a result of any appeal and/or further  
5 proceedings on remand, or successful collateral attack, the amount awarded is lowered, overturned  
6 or reduced under 5.2, 6.2, 6.3, 6.4, 8.2, 8.5, 8.6, 8.8, 8.9, 8.12 and 8.14.

7 18. The Court hereby approves the Fee and Expense Award in the amount of  
8 \_\_\_\_\_ in the aggregate in accordance with the Stipulation and finds that the Fee  
9 and Expense Award is fair and reasonable and shall constitute final and complete payment for  
10 Plaintiffs' Counsel's attorneys' fees and expenses that have been incurred or will be incurred in  
11 connection with the filing and prosecution of the Actions and the resolution of the claims alleged  
12 therein. No other attorneys' fees, costs or expenses may be awarded to Plaintiffs' Counsel in  
13 connection with the Settlement. The Fee and Expense Award shall be distributed in accordance  
14 with the terms of the Stipulation, subject to Plaintiffs' Counsel's obligation to refund or repay  
15 within ten (10) business days any amounts paid if, for any reason, including as a result of any  
16 appeal and/or further proceedings on remand, or successful collateral attack, the amount awarded is  
17 lowered, overturned or reduced. The Released Defendant Persons shall have no obligation to make  
18 any payment to Plaintiffs' Counsel other than the Fee and Expense Award. The Released  
19 Defendant Persons shall have no responsibility for, and no liability whatsoever with respect to, the  
20 allocation of the Fee and Expense Award among Plaintiffs' Counsel.

21 19. Any appeal or other proceeding pertaining to any order issued in respect of the Fee  
22 and Expense Award application by Plaintiffs' Counsel shall not in any way delay or preclude the  
23 Judgment from becoming Final. In addition, no order concerning any application for attorneys'  
24 fees and reimbursement of litigation expenses, or any modification or reversal on appeal of such  
25 order, shall constitute grounds for cancellation or termination of this Stipulation by any Settling  
26 Party.

27 20. Subject to the provisions of Paragraphs 14 and 16 above, the Court shall retain  
28 jurisdiction with respect to implementation and enforcement of the terms of the Stipulation, and the

1 Settling Parties submit to the jurisdiction of the Court solely for purposes of implementing and  
2 enforcing the Settlement embodied in the Stipulation. Any other action arising out of or relating to  
3 the Stipulation shall be brought exclusively in the Court, or if the Court shall lack subject-matter  
4 jurisdiction over the action, then in such state court of the State of California as may have subject-  
5 matter jurisdiction over such action.

6 21. All agreements made and orders entered during the course of the Actions relating to  
7 the confidentiality of information shall survive the Stipulation.

8

9 IT IS SO ORDERED.

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11 Dated: \_\_\_\_\_

\_\_\_\_\_  
THE HONORABLE PETER H. KIRWAN  
SANTA CLARA COUNTY SUPERIOR COURT

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