

**KESSLER TOPAZ
MELTZER & CHECK, LLP**

Eric L. Zagar (250519)
Robin Winchester
Kristen L. Ross
280 King of Prussia Road
Radnor, PA 19087
Phone: (610) 667-7706
Fax: (267) 948-2512
ezagar@ktmc.com
rwinchester@ktmc.com
kross@ktmc.com

-and-

Eli R. Greenstein (Bar No. 217945)
One Sansome Street, Suite 1850
San Francisco, CA 94104
Phone: (415) 400-3000
Fax: (415) 400-3001
egreenstein@ktmc.com

*Attorneys for Plaintiffs
Curt Hemmingson and Vic Vandegriff*

[Additional counsel listed on signature page]

**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

STIPULATION OF SETTLEMENT

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

Date Action Filed: March 25, 2015

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

3 Plaintiff,

4 v.

5 R. DOUGLAS NORBY; MICHAEL
6 ELKINS; RANDAL KLEIN; BRIAN
7 MULHERN; NADER TAVAKOLI; ILBOK
8 LEE; SANG PARK; MARGARET SAKAI,
9 AVENUE CAPITAL GROUP; and DOES 1-
10 25, inclusive,

11 Defendants,

12 and

13 MAGNACHIP SEMICONDUCTOR
14 CORPORATION,

15 Nominal Defendant.

CASE NO.: 1-15-cv-281284

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

Date Action Filed: June 1, 2015

STIPULATION OF SETTLEMENT

This Stipulation of Settlement ("Stipulation") dated January 22, 2016, is made and entered into by and among the following parties, each by and through their respective counsel: (i) plaintiffs Curt Hemmingson, Vic Vandegriff and Stephen Bushansky (collectively, "Plaintiffs"), on behalf of themselves and derivatively on behalf of MagnaChip Semiconductor Corporation ("MagnaChip" or the "Company"); (ii) Michael Elkins, Randal Klein, Ilbok Lee, Brian Mulhern, R. Douglas Norby, Margaret Sakai, Nader Tavakoli, Avenue Capital Management II, L.P. and Avenue Capital Group (collectively, the "Settling Defendants"); and (iii) nominal defendant MagnaChip (together with Plaintiffs and the Settling Defendants, the "Settling Parties"). This Stipulation is intended by the Settling Parties to fully, finally and forever resolve, discharge and settle the Released Claims (as defined below), upon and subject to the terms and conditions hereof.

I. BACKGROUND AND PROCEDURAL HISTORY

MagnaChip is a Delaware corporation with its principal executive offices in Luxembourg and additional executive offices in Cupertino, California. The Company's business operations are based primarily in South Korea. On March 25, 2015, plaintiffs Hemmingson and Vandegriff filed their Verified Stockholder Derivative Complaint (the "Hemmingson Complaint") in the Superior Court of California, Santa Clara County, captioned *Hemmingson, et al. v. Elkins, et al.*, No. 1-15-cv-278614 (the "Hemmingson Action"). The Hemmingson Complaint alleges various causes of action, including: (1) breach of fiduciary duty against defendants Michael Elkins, Tae Young Hwang, Randal Klein, Ilbok Lee, Brian Mulhern, R. Douglas Norby, Sang Park, Margaret Sakai and Nader Tavakoli (collectively, the "Individual Defendants") in connection with their alleged failure to ensure that the Company implemented and maintained adequate internal controls over its accounting and financial reporting functions and alleged knowing dissemination of false and misleading statements concerning the Company's financial results and internal controls; (2) breach of fiduciary duty against defendants Avenue Capital Management II, L.P. ("Avenue Capital Management"), Elkins, Klein and Mulhern for alleged insider trading; and (3) unjust enrichment against Avenue Capital Management in connection with the improper gains it received as a result of the alleged insider trading.

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 actions¹; (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 ¹ *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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.21 “Related Persons” means each of a Person’s past or present agents, officers, directors, employees, affiliates, attorneys, advisors, underwriters, insurers (and insurers’ respective past and present officers, directors, employees, agents, affiliates, parents, subsidiaries, divisions, 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

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

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

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

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

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

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

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

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

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

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

E. Declassification of the Board

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

F. Corporate Governance Guidelines

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

2.3 Corporate Governance Reforms Adopted Since Actions Were Commenced

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

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

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

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

3. Procedure for Implementing the Settlement

3.1 For a period of four weeks (the "Four-Week Review Period") after the execution of the Term Sheet and subject to the execution of an appropriate confidentiality agreement, Plaintiffs shall be entitled to inspect the following documents to be produced to Plaintiffs by MagnaChip: copies of certain non-privileged (i) final board- and committee-level minutes of meetings, (ii) presentations, summaries, board packages, and other materials circulated or discussed at such meetings, and (iii) final resolutions adopted in connection with those meetings during the period 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

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

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

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

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

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

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

**KESSLER TOPAZ
MELTZER & CHECK, LLP**



Eric L. Zagar (SBN 250519)
Robin Winchester
Kristen L. Ross
280 King of Prussia Road
Radnor, PA 19087
Telephone: (610) 667-7706
Fax: (267) 948-2512
ezagar@ktmc.com
rwinchester@ktmc.com
kross@ktmc.com

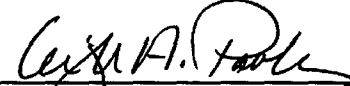
-and-

Eli R. Greenstein (SBN 217945)
One Sansome Street, Suite 1850
San Francisco, CA 94104
Telephone: (415) 400-3000
Fax: (415) 400-3001
egreenstein@ktmc.com

1
2
3 DATED: January 22, 2016

*Attorneys for Plaintiffs Curt Hemmingson and
Vic Vandegriff*

WEISSLAW LLP


Leigh A. Parker (SBN 170565)
1516 South Bundy Drive, Suite 309
Los Angeles, CA 90025
Telephone: (310) 208-2800
Fax: (310) 209-2348
lparker@weisslawllp.com

- and -

Joseph H. Weiss
David C. Katz
1500 Broadway, 16th Floor
New York, NY 10036
Telephone: (212) 682-3025
Fax: (212) 682-3010
jweiss@weisslawllp.com
dkatz@weisslawllp.com

Attorneys for Plaintiff Stephen Bushansky

14 DATED: January __, 2016

JONES DAY

John C. Tang (SBN 212371)
Kelsey Israel-Trummel (SBN 282272)
555 California Street, 26th Floor
San Francisco, CA 94104
Telephone: (415) 626-3939
Fax: (415) 875-5700
jctang@jonesday.com
kitrummel@jonesday.com

*Counsel for Nominal Defendant MagnaChip
Semiconductor Corporation*

*Attorneys for Plaintiffs Curt Hemmingson and
Vic Vandegriff*

DATED: January __, 2016

WEISSLAW LLP

Leigh A. Parker (SBN 170565)
1516 South Bundy Drive, Suite 309
Los Angeles, CA 90025
Telephone: (310) 208-2800
Fax: (310) 209-2348
lparker@weisslawllp.com


- and -

Joseph H. Weiss
David C. Katz
1500 Broadway, 16th Floor
New York, NY 10036
Telephone: (212) 682-3025
Fax: (212) 682-3010
jweiss@weisslawllp.com
dkatz@weisslawllp.com

Attorneys for Plaintiff Stephen Bushansky

DATED: January 22, 2016

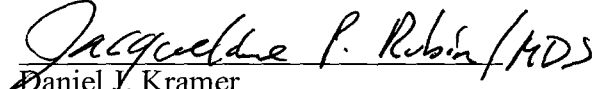
JONES DAY


John C. Tang (SBN 212371)
Kelsey Israel-Trummel (SBN 282272)
555 California Street, 26th Floor
San Francisco, CA 94104
Telephone: (415) 626-3939
Fax: (415) 875-5700
jctang@jonesday.com
kitrummel@jonesday.com

*Counsel for Nominal Defendant MagnaChip
Semiconductor Corporation*

1 DATED: January 22, 2016

**PAUL, WEISS, RIFKIND,
WHARTON & GARRISON LLP**



Daniel J. Kramer
Jacqueline P. Rubin
Meredith A. Arfa
1285 Avenue of the Americas
New York, NY 10019
Telephone: (212) 373-3000
Fax: (212) 757-3990
dkramer@paulweiss.com
jrubin@paulweiss.com
marfa@paulweiss.com

- and -

Alex Young K. Oh
2001 K Street, NW
Washington, DC 20006-1047
Telephone: (202) 223-7300
Fax: (202) 223-7420
aoh@paulweiss.com

*Counsel for Nominal Defendant MagnaChip
Semiconductor Corporation and Defendants
Ilbok Lee and R. Douglas Norby*

15 DATED: January __, 2016

**AKIN GUMP STRAUSS HAUER &
FELD LLP**

Reginald D. Steer (SBN 056324)
Eric G. Ruehe (SBN 284568)
580 California Street, 15th Floor
San Francisco, CA 94104-1036
Telephone: (415) 765-9500
Fax: (415) 765-9501
rsteer@akingump.com
eruehe@akingump.com

- and -

Michael A. Asaro
One Bryant Park
Bank of America Tower
New York, NY 10036
Telephone: (212) 872-1000
Fax: (212) 872-1002
masaro@akingump.com

*Attorneys for Defendants Avenue
Capital Management II, L.P., Randal Klein,
Brian Mulhern, and Michael Elkins*

1
2
3 DATED: January __, 2016
4

**PAUL, WEISS, RIFKIND,
WHARTON & GARRISON LLP**

5
6 Daniel J. Kramer
Jacqueline P. Rubin
Meredith A. Arfa
1285 Avenue of the Americas
New York, NY 10019
Telephone: (212) 373-3000
Fax: (212) 757-3990
dkramer@paulweiss.com
jrubin@paulweiss.com
marfa@paulweiss.com


7
8
9
10 - and -

11
12 Alex Young K. Oh
2001 K Street, NW
Washington, DC 20006-1047
Telephone: (202) 223-7300
Fax: (202) 223-7420
aoh@paulweiss.com

13
14
15 *Counsel for Nominal Defendant MagnaChip*
16 *Semiconductor Corporation and Defendants*
17 *Ibok Lee and R. Douglas Norby*

18 DATED: January 22, 2016

**AKIN GUMP STRAUSS HAUER &
FELD LLP**


19
20 
Reginald D. Steer (SBN 056324)
Eric G. Ruehe (SBN 284568)
580 California Street, 15th Floor
San Francisco, CA 94104-1036
Telephone: (415) 765-9500
Fax: (415) 765-9501
rsteer@akingump.com
eruehe@akingump.com

21
22
23 - and -

24
25 Michael A. Asaro
One Bryant Park
Bank of America Tower
New York, NY 10036
Telephone: (212) 872-1000
Fax: (212) 872-1002
masaro@akingump.com

1 DATED: January 22, 2016

**KASOWITZ BENSON TORRES &
FRIEDMAN LLP**



Jason S. Takenouchi (SBN 234835)
101 California Street, Suite 2300
San Francisco, CA 94111
Telephone: (415) 421-6140
Fax: (415) 398-5030
jtakenouchi@kasowitz.com

- and -

Daniel J. Fetterman
1633 Broadway
New York, NY 10019
Telephone: (212) 506-1700
Fax: (212) 506-1800
dfetterman@kasowitz.com

Attorneys for Defendant Nader Tavakoli

12 DATED: January ___, 2016

KOBRE & KIM LLP

Michael S. Kim
Kimberly Perrotta Cole
800 Third Avenue
New York, NY 10022
Telephone: (212) 488-1201
Fax: (212) 488-1221
michael.kim@kobrekim.com
kimberly.cole@kobrekim.com

Attorneys for Defendant Margaret Sakai

1 DATED: January __, 2016

**KASOWITZ BENSON TORRES &
FRIEDMAN LLP**

2
3 Jason S. Takenouchi (SBN 234835)
4 101 California Street, Suite 2300
5 San Francisco, CA 94111
6 Telephone: (415) 421-6140
7 Fax: (415) 398-5030
8 jtakenouchi@kasowitz.com

- and -

9 Daniel J. Fetterman
10 1633 Broadway
11 New York, NY 10019
12 Telephone: (212) 506-1700
13 Fax: (212) 506-1800
14 dfetterman@kasowitz.com

Attorneys for Defendant Nader Tavakoli

15 DATED: January 22, 2016

KOBRE & KIM LLP

16 *Kimberly P. Cole*
17 Michael S. Kim *ku*
18 Kimberly Perfotta Cole
19 800 Third Avenue
20 New York, NY 10022
21 Telephone: (212) 488-1201
22 Fax: (212) 488-1221
23 michael.kim@kobrekim.com
24 kimberly.cole@kobrekim.com

Attorneys for Defendant Margaret Sakai

EXHIBIT A

**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

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

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

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

NOW THEREFORE, IT IS HEREBY ORDERED that:

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

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

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

a. Determine whether the Settlement should be approved by the Court as fair, reasonable, adequate, and in the best interests of MagnaChip and all Current MagnaChip Stockholders¹;

¹ As defined in the Stipulation, "Current MagnaChip Stockholder" means any holder of shares of 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.

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

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

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

IT IS SO ORDERED.

Dated: _____

THE HONORABLE PETER H. KIRWAN
SANTA CLARA COUNTY SUPERIOR COURT

EXHIBIT B

**KESSLER TOPAZ
MELTZER & CHECK, LLP**

Eric L. Zagar (SBN 250519)
Robin Winchester
Kristen L. Ross
280 King of Prussia Road
Radnor, PA 19087
Telephone: (610) 667-7706
Facsimile: (267) 948-2512
ezagar@ktmc.com
rwinchester@ktmc.com
kross@ktmc.com

-and-

Eli R. Greenstein (SBN 217945)
One Sansome Street, Suite 1850
San Francisco, CA 94104
Phone: (415) 400-3000
Fax: (415) 400-3001
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

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").¹

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.

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 ¹ 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.

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

I. BACKGROUND OF THE ACTIONS AND PROCEDURAL HISTORY

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

Following the filing of the Hemmingson Complaint, counsel for plaintiffs Hemmingson and Vandegriff and certain of the Defendants began negotiations regarding service of the Hemmingson Complaint and scheduling. On May 12, 2015, plaintiffs Hemmingson and Vandegriff, defendants Elkins, Klein, Lee, Mulhern, Norby, Sakai, Tavakoli and Avenue Capital Management and nominal defendant MagnaChip, (the "Stipulating Defendants") entered into a stipulation and proposed order providing that: (1) counsel for the Stipulating Defendants agreed to accept service on behalf of their respective clients; (2) the Hemmingson Action would be stayed pending resolution of two related securities class actions²; (3) notwithstanding the stay, plaintiffs

² *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. 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

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

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

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

The Court

Clerk of the Court
Superior Court of California
County of Santa Clara
191 North First Street
San Jose, CA 95113

Counsel for Plaintiffs Hemmingson and Vandegriff

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

Counsel for the Company and the Settling Defendants

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

JONES DAY LLP
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

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.

1 **X. EXAMINATION OF PAPERS AND INQUIRES**

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

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

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

EXHIBIT C

**KESSLER TOPAZ
MELTZER & CHECK, LLP**

Eric L. Zagar (SBN 250519)
Robin Winchester
Kristen L. Ross
280 King of Prussia Road
Radnor, PA 19087
Telephone: (610) 667-7706
Facsimile: (267) 948-2512
ezagar@ktmc.com
rwinchester@ktmc.com
kross@ktmc.com

-and-

Eli R. Greenstein (SBN 217945)
One Sansome Street, Suite 1850
San Francisco, CA 94104
Phone: (415) 400-3000
Fax: (415) 400-3001
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

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

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

Date Action Filed: March 25, 2015

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.

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

1 Attn: John C. Tang
2 555 California Street, 26th Floor
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4 AKIN GUMP STRAUSS HAUER & FELD LLP
5 Attn: Douglass B. Maynard & Michael A. Asaro
6 One Bryant Park
7 Bank of America Tower
8 New York, NY 10036

9 KASOWITZ BENSON TORRES & FRIEDMAN LLP
10 Attn: Daniel J. Fetterman & Trevor J. Welch
11 1633 Broadway
12 New York, NY 10019

13 KOBRE & KIM LLP
14 Attn: Michael S. Kim & Kimberly Perrotta Cole
15 800 Third Avenue
16 New York, NY 10022

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

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

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

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

EXHIBIT D

**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

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

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

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

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

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

13. The provisions contained in the Stipulation (including any exhibits attached thereto) and all related documents, any negotiations, statements, or court proceedings relating to the Stipulation shall not be deemed a presumption, concession, or admission by any Settling Party of any fault, liability, or wrongdoing, or lack of merit as to any facts or claims alleged or asserted in the Actions or in any other action or proceeding, and shall not be interpreted, construed, deemed, invoked, offered, or received into evidence or otherwise used by any person in the Actions or in any other action or proceeding, whether civil, criminal, or administrative, except in connection with any proceeding to enforce the terms of the Settlement. Any Released Defendant Person or Released Plaintiff Person may file the Stipulation, this Order and Final Judgment, or any judgment or order of the Court in any action that may be brought against them in order to support a defense or 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.

10
11 Dated: _____

12 THE HONORABLE PETER H. KIRWAN
13 SANTA CLARA COUNTY SUPERIOR COURT
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