

1 ROSMAN & GERMAIN LLP
2 Daniel L. Germain (Bar No. 143334)
3 16311 Ventura Boulevard, Suite 1200
4 Encino, CA 91436-2152
5 Telephone: (818) 788-0877
6 Facsimile: (818) 788-0885

7 BARROWAY TOPAZ KESSLER
8 MELTZER & CHECK, LLP
9 Eric L. Zagar (Bar No. 250519)
10 Michael J. Hynes
11 Tara P. Kao
12 280 King of Prussia Road
13 Radnor, PA 19087
14 Telephone: (610) 667-7706
15 Facsimile: (610) 667-7056

16 *Counsel for Plaintiff*

11 SUPERIOR COURT OF THE STATE OF CALIFORNIA
12 FOR THE COUNTY OF LOS ANGELES

14 DONALD R. MAYERS, derivatively on behalf
15 of nominal defendant INTERNATIONAL
16 RECTIFIER CORPORATION,

17 Plaintiff,

18 v.

19 ERIC LIDOW, ALEXANDER LIDOW, PH.D.,
20 ROBERT GRANT, MICHAEL P. MCGEE,
21 ROBERT S. ATTIYEH, JAMES D.
22 PLUMMER, JACK O. VANCE and ROCHUS
23 E. VOGT,

24 Defendants,

25 and

26 INTERNATIONAL RECTIFIER
27 CORPORATION,

28 Nominal Defendant.

Case No. BC395652

STIPULATION OF SETTLEMENT

1 This Stipulation of Settlement, dated July 16, 2010 (the "Stipulation"), is made and
2 entered into by and among the following Parties (as defined in ¶1.12 *infra*), each by and through
3 their respective counsel: Plaintiff Donald R. Mayers (on behalf of himself and derivatively on
4 behalf of Nominal Defendant International Rectifier Corporation ("IR" or the "Company")), IR,
5 and the Individual Defendants (as defined in ¶1.8 *infra*). The Stipulation is intended by the
6 Parties to fully, finally and forever resolve, discharge and settle the Released Claims (as defined
7 in ¶1.18 *infra*), upon and subject to the terms and conditions hereof.

8 I. INTRODUCTION

9 On August 1, 2008, Plaintiff brought a shareholder derivative action on behalf of IR
10 against the Individual Defendants, alleging breaches of fiduciary duty, unjust enrichment and
11 violations of California's insider trading laws. Specifically, Plaintiff alleged that the Individual
12 Defendants breached their fiduciary duties to the Company and to its shareholders by improperly
13 recognizing revenues and misreporting expenses and taxes at IR, resulting in a multi-million
14 dollar restatement of the Company's prior financial statements. On December 22, 2008, IR filed
15 a demurrer based on Plaintiff's failure to make a pre-suit demand, which Plaintiff opposed on
16 January 29, 2009. On January 15, 2009, Plaintiff propounded discovery requests on IR
17 demanding documents related to the issue of demand futility. On February 18, 2009, IR provided
18 Plaintiff with documents regarding the issue of demand futility.

19 Before a hearing on IR's initial demurrer, on April 3, 2009, Plaintiff filed his First
20 Amended Verified Shareholder Derivative Complaint (the "Amended Complaint"). On May 8,
21 2009, IR filed a demurrer on the Amended Complaint, again on the grounds of demand futility.
22 On June 5, 2009, Plaintiff filed his opposition to the demurrer. After hearing oral argument, on
23 August 13, 2009, the Court entered a Ruling and Order sustaining IR's demurrer on the Amended
24 Complaint, without leave to amend. On September 1, 2009, the Court entered a Final Judgment
25 ("9/1/09 Final Judgment") dismissing the Amended Complaint with prejudice. On September 14,
26 2009, Plaintiff filed a notice of appeal of the Court's order dismissing the Action (as defined in
27 ¶1.1).

1 In an effort to begin a dialogue concerning a possible resolution of Plaintiff's claims, on
2 October 2, 2009, Plaintiff's Counsel sent a settlement demand letter to IR's counsel, requesting
3 that IR adopt and/or implement certain corporate governance enhancements. Specifically,
4 Plaintiff requested that the Company implement new or enhanced processes for tracking,
5 recording and verifying revenues and also adopt corporate governance changes designed to
6 strengthen the Company's internal controls and Board independence. Thereafter, Plaintiff's
7 Counsel and IR's counsel engaged in good faith, arm's length settlement negotiations in an
8 attempt to resolve the Action. Unfortunately, this first round of negotiations did not result in a
9 resolution.

10 On January 11, 2010, Plaintiff withdrew his appeal and shortly thereafter sent a letter to
11 IR's Board demanding that the Board take action against the Individual Defendants for allegedly
12 breaching their fiduciary duties to the Company and its shareholders by engaging in, among other
13 things, the alleged improper revenue recognition practices. In response to Plaintiff's Demand (as
14 defined in ¶1.5), the Board formed a Special Committee to investigate Plaintiff's claims set forth
15 in the Demand.

16 In or about March 2010, IR and Plaintiff continued their settlement discussions. On
17 March 4, 2010, Plaintiff sent another settlement demand letter to IR's counsel setting forth
18 corporate governance reforms necessary to resolve Plaintiff's claims. Specifically, Plaintiff
19 further requested that, among other things, the Company establish key positions in order to
20 improve oversight of the Company's internal controls worldwide, which was designed to prevent
21 future occurrence of the alleged misconduct. Following IR's receipt of the settlement demand
22 letter, the Parties continued discussing a potential settlement. IR and Plaintiff engaged in good
23 faith, arm's-length negotiations concerning the possible terms of resolution. As a result of these
24 discussions, IR and Plaintiff agreed to settle the Action and the Demand on terms and conditions
25 set forth in this Stipulation. The Individual Defendants have agreed to join this Stipulation solely
26 to facilitate the settlement; however, neither the fact of this settlement nor anything in this
27 Stipulation is intended to be or should be construed to suggest any wrongdoing whatsoever on the
28 part of any Individual Defendant.

1 **II. PLAINTIFF'S RESEARCH AND INVESTIGATION**

2 Plaintiff, through Plaintiff's Counsel (as defined in ¶1.15), conducted an extensive
3 investigation during the development and prosecution of the Action and issuance of the Demand.
4 This investigation has included, *inter alia*, (i) inspecting, reviewing and analyzing the Company's
5 financial filings and other publicly-available documents as well as documents produced to
6 Plaintiff's Counsel; (ii) researching corporate governance issues; (iii) responding to IR's
7 demurrer; (iv) participating in extensive discussions with IR's counsel; and (v) researching the
8 applicable law with respect to the claims asserted in the Action, the Demand and the potential
9 defenses thereto.

10 **III. CLAIMS OF THE PLAINTIFF AND BENEFITS OF SETTLEMENT**

11 Plaintiff believes that the claims he has asserted in the Litigation on behalf of IR have
12 merit. However, Plaintiff's Counsel recognizes and acknowledges the expense and length of
13 continued proceedings necessary to prosecute the Litigation against the Individual Defendants
14 through trial and through appeals. Plaintiff's Counsel has also taken into account the uncertain
15 outcome and the risk of any litigation, especially in complex actions such as the Litigation, the
16 strength of defenses that would be asserted by the Individual Defendants, as well as the
17 difficulties and delays inherent in such litigation. In that regard, Plaintiff's Counsel is also
18 mindful of the problems of proof and possible defenses to the claims asserted in the Litigation or
19 which may be asserted. Based on their evaluation, Plaintiff and Plaintiff's Counsel have
20 determined that the Settlement set forth in the Stipulation confers substantial benefits upon IR and
21 its shareholders and is in the best interests of IR and its shareholders.

22 **IV. DEFENDANTS' DENIAL OF WRONGDOING AND LIABILITY**

23 The Individual Defendants have denied and continue to deny each and all of the claims
24 and contentions alleged by the Plaintiff on behalf of IR in the Litigation. The Individual
25 Defendants believe there is no substance to any of the claims in this action and have agreed to this
26 settlement solely to put an end to this litigation and on the basis that the settlement may not be
27 construed to imply any wrongdoing on their part. IR has taken into account the uncertainty and
28 risks inherent in any litigation, especially in complex cases such as this one. IR has determined

1 that it is desirable that the Litigation, and all of the Parties' disputes related thereto, be fully and
2 finally settled in the manner and upon the terms and conditions set forth in this Stipulation. IR is
3 entering into the Stipulation because it believes that the corporate governance enhancements set
4 forth in the Stipulation confer substantial benefits upon IR and its shareholders and is in the best
5 interests of IR and its shareholders.

6 **V. TERMS OF THE STIPULATION AND AGREEMENT OF SETTLEMENT**

7 NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and between
8 the undersigned counsel for the Parties, in consideration of the benefits flowing to the Parties
9 from the Settlement, and subject to the approval of the Court, that all Released Claims shall be
10 and hereby are compromised, settled, discontinued and dismissed with prejudice and without
11 costs (except as defined herein) as to all Released Parties upon the terms and conditions herein.

12 **1. Definitions**

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

14 1.1 "Action" means the derivative action captioned *Donald R. Mayers v. Eric Lidow,*
15 *et al.*, Case No. BC395652 (Cal. Sup. Ct. filed Aug. 1, 2008), previously pending in the Superior
16 Court of California, County of Los Angeles, and its subsequent appeal.

17 1.2 "Board" means IR's Board of Directors.

18 1.3 "Court" means Superior Court of California, County of Los Angeles.

19 1.4 "Defendants" means, collectively, nominal defendant IR and the Individual
20 Defendants.

21 1.5 "Demand" means the shareholder demand made by Plaintiff on January 25, 2010.

22 1.6 "Effective Date" means the first date by which all of the events and conditions
23 specified in ¶5.1 of the Stipulation have been met and have occurred.

24 1.7 "Final" means the time when the Judgment that has not been reversed, vacated, or
25 modified in any way is no longer subject to appellate review, either because of disposition on
26 appeal and conclusion of the appellate process or because of passage, without action, of time for
27 seeking appellate review. More specifically, it is that situation when: (1) either no appeal has
28 been filed and the time has passed for any notice of appeal to be timely filed in the Litigation; or

1 (2) an appeal has been filed and the courts of appeal has/have either affirmed the Judgment or
2 dismissed that appeal and the time for any reconsideration or further appellate review has passed;
3 or (3) a higher court has granted further appellate review and that court has either affirmed the
4 underlying Judgment or affirmed the court of appeals' decision affirming the Judgment or
5 dismissing the appeal.

6 1.8 "Individual Defendants" means Eric Lidow, Alexander Lidow, Ph.D., Robert
7 Grant, Michael P. McGee, Robert S. Attiyeh, James D. Plummer, Jack O. Vance and Rochus E.
8 Vogt.

9 1.9 "Judgment" means the order and judgment to be rendered by the Court,
10 substantially in the form attached hereto as Exhibit C.

11 1.10 "Litigation" means the Action and the Demand.

12 1.11 "Notice" means the Notice of Proposed Settlement of the Action and of the
13 Settlement Hearing, substantially in the form attached hereto as Exhibit B.

14 1.12 "Parties" means, collectively, each of the Individual Defendants, IR and Plaintiff,
15 on behalf of himself and derivatively on behalf of IR.

16 1.13 "Person" means an individual, corporation, limited liability corporation,
17 professional corporation, partnership, limited partnership, limited liability partnership,
18 association, joint stock company, estate, legal representative, trust, unincorporated association,
19 government or any political subdivision or agency thereof, and any business or legal entity and
20 their spouses, heirs, predecessors, successors, representatives, or assignees.

21 1.14 "Plaintiff" means Donald R. Mayers.

22 1.15 "Plaintiff's Counsel" means Barroway Topaz Kessler Meltzer & Check, LLP and
23 Rosman & Germain LLP.

24 1.16 "Preliminary Approval Order" means the Preliminary Approval Order
25 substantially in the form of Exhibit A hereto, requesting preliminary approval of the Settlement
26 set forth in the Stipulation.

27 1.17 "Related Persons" means each of the Individual Defendants' respective present or
28 former spouses, heirs, executors, estates, or administrators; each of the Individual Defendants'

1 respective present and former attorneys, legal representatives, and assigns in connection with the
2 Litigation; and all of the Nominal Defendants' past and present directors, officers, agents,
3 advisors, employees, affiliates, predecessors, successors, parents, subsidiaries, divisions, and
4 related or affiliated entities.

5 1.18 "Released Claims" means all claims, demands, rights, liabilities, suits and causes
6 of action of every nature and description whatsoever, including Unknown Claims, that have been
7 or could have been asserted in the Litigation by Plaintiff, IR, or any IR shareholder derivatively
8 on behalf of IR, against any Individual Defendant arising out of or relating in any way to any of
9 the transactions, disclosures, acts, or occurrences, statements, or omissions, or failures to act that
10 were alleged in the Litigation, or any claims in connection with, based upon, or arising out of, or
11 relating to the Settlement; *provided, however*, that "Released Claims" shall expressly exclude (a)
12 any claims, demands, rights, liabilities, suits and causes of action to enforce the terms of the
13 Settlement; (b) any and all claims, demands, rights, liabilities, suits and causes of action asserted
14 or that could be asserted by IR in an action captioned *International Rectifier Corporation v.*
15 *Alexander Lidow, et al.*, Case No. BC409749 (Cal. Sup. Ct. filed Mar. 16, 2009), pending in the
16 Superior Court of California, County of Los Angeles, and in an action captioned *International*
17 *Rectifier Corporation v. Alexander Lidow, et al.*, Case No. 08-cv-05869 (C.D. Cal. filed Sept. 8,
18 2008), formerly pending in the United States District Court for the Central District of California;
19 (c) any and all defenses, claims, demands, rights, liabilities, suits and causes of action asserted or
20 that could be asserted by IR in an action captioned *Alexander Lidow v. International Rectifier*
21 *Corporation*, Case No. BC409750 (Cal. Sup. Ct. filed Mar. 16, 2009), pending in the Superior
22 Court of California, County of Los Angeles, and (d) with respect to the excluded matters
23 identified in (b) and (c) of this definition, any claims, demands, rights, liabilities, suits and causes
24 of action to enforce an undertaking provided by an Individual Defendant to IR to secure
25 advancement and indemnification obligations owed by IR to the Individual Defendant.

26 1.19 "Released Persons" means each and all of the Individual Defendants and their
27 Related Persons.

1 1.20 “Settlement” means the settlement and compromise of the Litigation as provided
2 for herein.

3 1.21 “Settlement Hearing” means the hearing or hearings at which the Court will review
4 the adequacy, fairness and reasonableness of the Settlement.

5 1.22 “Stipulation” means this Stipulation of Settlement.

6 1.23 “Unknown Claims” means any of the Released Claims, which any Party or Related
7 Person does not know or suspect to exist in his, her or its favor at the time of the release of the
8 Released Persons, including claims which, if known by him, her or it, might have affected his, her
9 or its settlement with and release of the Released Persons, or might have affected his, her or its
10 decision not to object to this settlement. With respect to any and all Released Claims, the Parties
11 stipulate and agree that, upon the Effective Date, the Parties shall expressly waive, and by
12 operation of the Judgment shall have, expressly waived, the provisions, rights and benefits of
13 California Civil Code § 1542, which provides:

14 A general release does not extend to claims which the creditor does not know or
15 suspect to exist in his or her favor at the time of executing the release, which if
16 known by him or her must have materially affected his or her settlement with the
debtor.

17 Upon the Effective Date, the Parties shall be deemed to have, and by operation of the
18 Judgment shall have, expressly waived any and all provisions, rights and benefits conferred by
19 any law of any jurisdiction or any state or territory of the United States, or principle of common
20 law, which is similar, comparable or equivalent to California Civil Code §1542. The Parties may
21 hereafter discover facts in addition to or different from those which he, she or it now knows or
22 believes to be true with respect to the subject matter of the Released Claims, but, upon the
23 Effective Date, each Party shall expressly settle and release, and each IR shareholder shall be
24 deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled
25 and released, any and all Released Claims, known or unknown, suspected or unsuspected,
26 contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore
27 have existed upon any theory of law or equity now existing or coming into existence in the future,
28 including, but not limited to, conduct that is negligent, intentional, with or without malice, or a

1 breach of any duty, law or rule, without regard to the subsequent discovery or existence of such
2 different or additional facts. The Parties acknowledge that the foregoing waiver was separately
3 bargained for and is a key element of the Settlement of which this release is a part.

4 **2. Settlement Consideration.**

5 2.1 After extensive settlement negotiations, IR and Plaintiff have reached an
6 agreement regarding various corporate governance issues, including measures that relate to and
7 address many of the underlying issues in the Litigation. IR acknowledges that the Litigation was
8 a material causal factor in the adoption and/or implementation of the corporate governance
9 reforms set forth below, and that such measures confer substantial benefits to IR and its
10 shareholders.

11 2.2 Accordingly, IR agrees that, as a result of the Litigation and as part of the
12 Settlement of the Litigation, IR shall adopt the corporate governance reforms set forth below:

13 a. The Company shall employ a qualified individual as the Director or Vice
14 President of Internal Auditing, who shall report directly to the Audit
15 Committee. The responsibilities of this individual shall include, among
other things:

- 16 • documentation and evaluation of the Company's internal controls (as
required by section 404 of the Sarbanes-Oxley Act);
- 17 • quarterly evaluation of material changes to internal controls over
18 financial reporting;
- 19 • planning and performing annual testing of key controls over financial
reporting;
- 20 • annual risk assessment and development of an annual internal audit
21 plan;
- 22 • planning and performing annual operational, financial and IT audits;
- 23 • producing reports and recommendations on observations related to the
24 evaluations to the Audit Committee, the Board, and/or senior
management, as necessary;
- 25 • determining areas of potential risk and evaluating their significance in
26 relation to operational factors and objectives;
- 27 • communicating effectively with management throughout the audit
28 process through timely communication of audit issues and
recommendations both verbally and in writing;

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- reporting audit issues and recommendations to the Audit Committee periodically throughout the audit process;
- maintaining effective relationships with management, external auditors and the Audit Committee;
- presenting the status of internal audit projects and internal controls to the Audit Committee (at least quarterly); and
- monitoring the implementation of internal audit recommendations.

b. The Company shall employ qualified individuals as (a) a worldwide or global controller and (b) a director of public reporting, who shall each report directly to the Chief Financial Officer of the Company. The responsibilities of these individuals, depending upon the position, shall include:

- consolidating subsidiary accounting results;
- maintaining the Company's public reporting packages templates;
- interpreting U.S. Generally Accepted Accounting Principles ("GAAP"), including writing technical memoranda, authoring IR accounting policies (as applicable to IR reporting segments), documenting and distributing accounting policies to subsidiary finance teams and educating subsidiary finance teams;
- ensuring subsidiary compliance with GAAP and public reporting requirements;
- conducting research on accounting and public reporting issues to meet external requirements, including implementing recently issued, applicable accounting pronouncements;
- determining appropriate accounting treatment for transactions and drafting technical memoranda to support accounting treatment;
- monitoring and gauging the impact of new and upcoming changes in accounting standards on the Company at a consolidated level and internationally;
- directly overseeing the corporate accounting team;
- indirectly overseeing the accounting process worldwide;
- exercising direct or indirect responsibilities for the internal control structure; and
- participating in and supporting the annual and quarterly audits and maintaining a productive working relationship with external auditors.

c. At least annually the Audit Committee shall meet with the Company's Director or Vice President of Internal Auditing and independent auditors. Through its review and approval of the Company's quarterly and annual financial statements, the Audit Committee shall review and approve the Company's reporting of sales and accounting for revenues.

- 1 d. Each independent director shall certify in writing annually that he or she is
2 an "Independent Director" as defined by the Company's then-current
3 Amended and Restated Corporate Governance Principles and applicable
4 exchange listing rules, if any, and shall promptly inform the Chairman of
5 the Nominating and Governance Committee of the Board and the General
6 Counsel of the Company of any change in his or her independent status.
- 7 e. The Board and the Company have taken appropriate steps to eliminate the
8 Board's longstanding practice of having a staggered board.
- 9 f. Each member of the Board shall be expected to attend each annual
10 shareholder meeting, either in person, by videoconference or by telephone.
- 11 g. During the annual shareholder meeting, shareholders shall have the right to
12 ask questions, and where appropriate, the Chief Executive Officer and
13 members of the Board shall respond to those questions.
- 14 h. The Company has also adopted a "Recoupment Policy," which states:

15 If the Company restates all or a portion of its financial statements, the Board, or
16 the appropriate committee designated by the Board, will review the bonus and
17 other awards made to each of the Executive Officers based on financial results
18 during the period subject to the restatement, and the Board or the committee will,
19 to the extent it deems it appropriate, seek reimbursement of any bonus or incentive
20 compensation paid to the officer after May 11, 2009, cause the cancellation of
21 restricted or deferred stock awards and outstanding stock options, and seek
22 reimbursement of any gains realized on the exercise of stock options attributable to
23 such awards, if and to the extent that (a) the amount of incentive compensation is
24 calculated based upon the achievement of certain financial results that are
25 subsequently reduced due to the restatement, and (b) the amount of the bonus or
26 incentive compensation that would have been awarded to the officer had the
27 financial results been properly reported would have been lower than the amount
28 actually awarded. In determining the appropriateness of taking any such action
with respect to any officer, the Board, or an appropriate committee, may consider
all factors the Board, or the committee, deems relevant, including (i) whether the
officer caused or contributed to the need for the restatement, (ii) whether fraud or
misconduct caused or contributed to the need for the restatement, (iii) the officer's
contribution to discovering the need for the restatement and effecting the
restatement, (iv) the officer's past and ongoing contributions to the Company, (v)
the potential impact of any such action on the ability of the Company to achieve its
business and legal objectives, (vi) the financial ability of the officer to pay any
reimbursement amounts that may be sought, and (vii) any legal impediments to
taking any such action.

In addition, if the Board, or any appropriate committee, determines that any fraud,
negligence, or intentional misconduct by an Executive Officer is a significant
contributing factor to the Company having to restate all or a portion of its financial
statement(s), the Board or committee shall take, in its discretion, such other action
as it deems appropriate to remedy the misconduct and prevent its recurrence. In
that connection, the Board or the committee may dismiss the officer, authorize
legal action, or take such other action to enforce the officer's obligations to the
Company as it may deem appropriate in view of all the facts surrounding the
particular case. The Board or the committee may, in determining the appropriate
action take into account penalties or other remedies imposed by third parties, such
as law enforcement agencies, regulators or other authorities. The Board's or

1 committee's power to determine the appropriate actions for the wrongdoer is in
2 addition to, and not in replacement of, remedies imposed by such entities.

3 For purposes of this policy, "Executive Officer" means any officer who has been
4 designated an executive officer by the Board.

3. Attorneys' Fees and Expenses

5 3.1 After negotiation of the material terms of the Settlement, IR's counsel and
6 Plaintiff's Counsel engaged in an arm's length negotiation regarding the attorneys' fees and
7 expenses to be paid to Plaintiff's Counsel for the benefits conferred upon the Company as a part
8 of the Settlement. As a result of those negotiations, the Company has agreed to pay to Plaintiff's
9 Counsel fees and expenses in the amount of \$550,000, subject to Court approval (the "Fee and
10 Expense Award").

11 3.2 Within ten (10) business days of issuance of an order by the Court finally
12 approving the Settlement, IR will pay the Fee and Expense Award to Barroway Topaz Kessler
13 Meltzer & Check, LLP. Each Plaintiff's Counsel receiving an allocation of the Fee and Expense
14 Award agrees to make a refund or repayment of the principal amount and any accrued interest
15 thereon it received if and when, as a result of any further order of the Court, appeal, further
16 proceedings on remand, or successful collateral attack, the Settlement does not become Final.

17 3.3 Defendants shall also waive costs awarded to Defendants pursuant to California
18 Code of Civil Procedure §1032(b) and California Rule of Court 3.1700 in the amount of
19 \$11,390.00 in connection with the Court's dismissal of the Action on August 13, 2009.

20 3.4 Except as expressly provided herein, Plaintiff and Plaintiff's Counsel shall bear
21 their own fees, costs and expenses, and no Party shall assert any claim for expenses, costs and
22 fees against Plaintiff or Plaintiff's Counsel.

4. Preliminary Order and Settlement Hearing

23 4.1 Promptly after execution of the Stipulation, the Parties shall submit the Stipulation
24 and its Exhibits to the Court and apply for entry of the Preliminary Approval Order.

25 4.2 Within ten (10) days of the issuance of the Preliminary Approval Order, IR shall
26 cause the Notice and Stipulation to be filed with the Securities and Exchange Commission on a
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1 Form 8-K and shall post the Stipulation on its website. IR shall be responsible for the cost and
2 dissemination of the Notice to its shareholders of record after approval of the form by the Court.

3 4.3 The Parties will request that, after Notice is disseminated, the Court hold the
4 Settlement Hearing and approve the Settlement of the Litigation as set forth herein and enter the
5 Judgment: (a) approving the terms of the Settlement as fair, reasonable and adequate, including
6 attorneys' fees and expenses in the amount negotiated by the Parties; and (b) dismissing with
7 prejudice all Released Claims against any of the Released Persons.

8 **5. Effective Date of Settlement, Waiver, or Termination**

9 5.1 The Effective Date of this Stipulation shall be conditioned on the occurrence of all
10 of the following events:

- 11 a. approval of the Settlement by IR's Board;
12 b. entry of the Judgment by the Court in the Litigation approving the
13 Settlement and dismissing with prejudice the Litigation, as to the
14 Parties, without awarding costs to any party, except as provided
15 herein;
16 c. payment of the awarded attorneys' fees and expenses; and
17 d. the passing of the date upon which the Judgment becomes Final.

18 5.2 If any of the conditions specified in ¶5.1 are not met, then the Stipulation shall be
19 canceled and terminated subject to ¶5.3 unless counsel for the Parties mutually agree in writing to
20 proceed with the Stipulation.

21 5.3 In the event that the Stipulation of Settlement is not approved by the Court, or the
22 Settlement is terminated for any reason, the Parties shall be restored to their respective positions
23 as of the date of the execution of this Stipulation (including, without limitation, the reinstatement
24 and re-entry of the 9/1/09 Final Judgment), and all negotiations, proceedings, documents prepared
25 and statements made in connection herewith shall be without prejudice to the Parties, shall not be
26 deemed construed to be an admission by any Party of any act, matter, or proposition and shall not
27 be used in any manner for any purpose in any subsequent proceeding in the Litigation or in any
28 other action or proceeding.

6. Releases

1 6.1 Upon the entry of the Judgment, Plaintiff, derivatively on behalf of IR, and IR
2 shall have, and by operation of the Judgment shall be deemed to have, fully, finally, and forever
3 released, relinquished and discharged all Released Claims against the Released Persons. Nothing
4 herein shall in any way impair or restrict the rights of any Party to enforce the terms of the
5 Stipulation.

6 6.2 Upon the entry of the Judgment, each of the Released Persons and IR shall be
7 deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released,
8 relinquished and discharged Plaintiff and Plaintiff's Counsel from all claims (including Unknown
9 Claims), arising out of, relating to, or in connection with the institution, prosecution, assertion,
10 settlement or resolution of the Litigation or the Released Claims. Nothing herein shall in any way
11 impair or restrict the rights of any Party to enforce the terms of the Stipulation.

12 **7. Miscellaneous Provisions**

13 7.1 The Parties (a) acknowledge that it is their intent to consummate this Stipulation;
14 and (b) agree to cooperate to the extent reasonably necessary to effectuate and implement all
15 terms and conditions of the Stipulation and to exercise their best efforts to accomplish the
16 foregoing terms and conditions of the Stipulation.

17 7.2 The Parties intend this Settlement to be a final and complete resolution of all
18 disputes between them with respect to the Litigation. The Settlement compromises claims that
19 are contested and shall not be deemed an admission by any of the Parties as to the merits of any
20 claim, allegation or defense. The Parties further agree that the claims are being settled voluntarily
21 after consultation with competent legal counsel.

22 7.3 Neither the Stipulation nor the Settlement, nor any act performed or document
23 executed pursuant to or in furtherance of the Stipulation or the Settlement: (a) is or may be
24 deemed to be or may be offered, attempted to be offered or used in any way by the Parties or any
25 other Person as a presumption, a concession or an admission of, or evidence of, jurisdiction over,
26 fault, wrongdoing or liability of the Individual Defendants or of the validity of any Released
27 Claims; or (b) is intended by the Parties to be offered or received as evidence or used by any other
28 Person in any other actions or proceedings, whether civil, criminal or administrative.

1 7.4 The Released Persons may file the Stipulation and/or the Judgment in any action
2 that may be brought against them in order to support a defense or counterclaim based on
3 principles of *res judicata*, collateral estoppel, full faith and credit, release, good faith settlement,
4 judgment bar or reduction or any other theory of claim preclusion or issue preclusion or similar
5 defense or counterclaim, except in those actions specified in ¶1.18 herein, and in which actions
6 this Stipulation and the Judgment shall not be admissible for any purpose.

7 7.5 The Exhibits to this Stipulation are material and integral parts hereof and are fully
8 incorporated herein by this reference.

9 7.6 The Stipulation may be amended or modified only by a written instrument signed
10 by or on behalf of all Parties or their respective successors-in-interest.

11 7.7 This Stipulation and the Exhibits attached hereto constitute the entire agreement
12 among the Parties and no representations, warranties or inducements have been made to any Party
13 concerning the Stipulation or any of its Exhibits other than the representations, warranties and
14 covenants contained and memorialized in such documents. Except as otherwise provided herein
15 and subject to applicable indemnities and policies of insurance, each of the Parties shall bear their
16 own costs.

17 7.8 Plaintiff's Counsel, derivatively on behalf of IR, are expressly authorized by
18 Plaintiff to take all appropriate action required or permitted to be taken pursuant to the Stipulation
19 to effectuate its terms and also are expressly authorized by Plaintiff to enter into any
20 modifications or amendments to the Stipulation that they deem appropriate on behalf of Plaintiff.

21 7.9 Each counsel or other Person executing the Stipulation or its Exhibits on behalf of
22 any Party hereby warrants that such Person has the full authority to do so on behalf of that Party.
23 Moreover, each Party hereby warrants that such Person has the full authority to enter into this
24 Stipulation.

25 7.10 The Stipulation may be executed in one or more counterparts. All executed
26 counterparts and each of them shall be deemed to be one and the same instrument. A complete
27 set of counterparts, either originally executed or copies thereof, shall be filed with the Court.
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7.11 The Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the Parties and the Released Persons.

7.12 The Court shall retain jurisdiction with respect to implementation and enforcement of the terms of the Stipulation, and the Parties submit to the jurisdiction of the Court solely for purposes of implementing and enforcing the settlement embodied in the Stipulation.

7.13 This Stipulation and the Exhibits attached hereto shall be considered to have been negotiated, executed and delivered, and to be wholly performed, in the State of California, and the rights and obligations of the parties to the Stipulation shall be construed and enforced in accordance with, and governed by, the internal, substantive laws of the State of California without giving effect to that State's choice-of-law principles.

7.14 Neither the Settlement nor any of its terms shall constitute an admission or finding of wrongful conduct, acts or omissions.

IN WITNESS WHEREOF, the Parties have caused the Stipulation to be executed by their duly authorized attorneys and dated July 16, 2010.

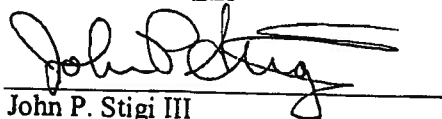
BARROWAY TOPAZ KESSLER
MELTZER & CHECK, LLP



Michael J. Hynes
mhynes@btkmc.com
Tara P. Kao
tkao@btkmc.com
280 King of Prussia Road
Radnor, PA 19087
Telephone: (610) 667-7706
Facsimile: (610) 667-7056

Counsel for Plaintiff

SHEPPARD, MULLIN, RICHTER
& HAMPTON LLP



John P. Stigi III
jstigi@sheppardmullin.com
1901 Avenue of the Stars
Sixteenth Floor
Los Angeles, CA 90067
Telephone: (310) 228-3700
Facsimile: (310) 228-3701

Counsel for Robert Attiyeh, James D. Plummer, Jack O'Vance, Rochus E. Vogt, Richard J. Dahl, Oleg Khaykin, Mary B. Cranston, Tom Lacey, and International Rectifier Corp.

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SULLIVAN & CROMWELL LLP

Robert A. Sacks
sacksr@sullcrom.com
1888 Century Park East
Los Angeles, CA 90067-1725
Telephone: (310) 712-6600
Facsimile: (310) 712-8800

Counsel for Alex Lidow

LATHAM & WATKINS LLP



Pamela S. Palmer
pamela.palmer@lw.com
355 South Grand Avenue
Los Angeles CA 90071-1560
Telephone: (213) 891-8435
Facsimile: (213) 891-8763

Counsel for Michael McGee

MUNGER, TOLLES & OLSON
LLP

Robert Dell Angelo
Robert.DellAngelo@mto.com
355 South Grand Avenue
35th Floor
Los Angeles, CA 90071
Telephone: (213) 683-9100
Facsimile: (213) 683-3702

Counsel for Robert Grant

GIBSON, DUNN & CRUTCHER
LLP

Joel A. Feuer
JFeuer@gibsondunn.com
2029 Century Park East
Los Angeles, CA 90067-3026
Telephone: (310) 552-8500
Facsimile: (310) 551-8741

Counsel for Eric Lidow

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sacksr@sullcrom.com
1888 Century Park East
Los Angeles, CA 90067-1725
Telephone: (310) 712-6600
Facsimile: (310) 712-8800

Counsel for Alex Lidow

LATHAM & WATKINS LLP

Pamela S. Palmer
pamela.palmer@lw.com
355 South Grand Avenue
Los Angeles CA 90071-1560
Telephone: (213) 891-8435
Facsimile: (213) 891-8763

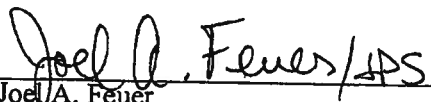
Counsel for Michael McGee

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LLP

Robert Dell Angelo
Robert.DellAngelo@mto.com
355 South Grand Avenue
35th Floor
Los Angeles, CA 90071
Telephone: (213) 683-9100
Facsimile: (213) 683-3702

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Joel A. Feuer
JFeuer@gibsondunn.com
2029 Century Park East
Los Angeles, CA 90067-3026
Telephone: (310) 552-8500
Facsimile: (310) 551-8741

Counsel for Eric Lidow

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Robert A. Sacks
sacksr@sullcrom.com
1888 Century Park East
Los Angeles, CA 90067-1725
Telephone: (310) 712-6600
Facsimile: (310) 712-8800

Counsel for Alex Lidow

LATHAM & WATKINS LLP

Pamela S. Palmer
pamela.palmer@lw.com
355 South Grand Avenue
Los Angeles CA 90071-1560
Telephone: (213) 891-8435
Facsimile: (213) 891-8763

Counsel for Michael McGee

MUNGER, TOLLES & OLSON
LLP



Robert Dell Angelo
Robert.DellAngelo@mto.com
355 South Grand Avenue
35th Floor
Los Angeles, CA 90071
Telephone: (213) 683-9100
Facsimile: (213) 683-3702

Counsel for Robert Grant

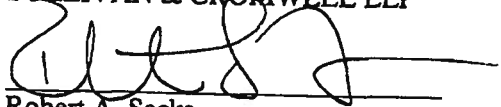
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LLP

Joel A. Feuer
JFeuer@gibsondunn.com
2029 Century Park East
Los Angeles, CA 90067-3026
Telephone: (310) 552-8500
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Counsel for Eric Lidow

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SULLIVAN & CROMWELL LLP


Robert A. Sacks
sacksr@sullcrom.com
1888 Century Park East
Los Angeles, CA 90067-1725
Telephone: (310) 712-6600
Facsimile: (310) 712-8800

Counsel for Alex Lidow

LATHAM & WATKINS LLP

Pamela S. Palmer
pamela.palmer@lw.com
355 South Grand Avenue
Los Angeles CA 90071-1560
Telephone: (213) 891-8435
Facsimile: (213) 891-8763

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LLP

Robert Dell Angelo
Robert.DellAngelo@mto.com
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35th Floor
Los Angeles, CA 90071
Telephone: (213) 683-9100
Facsimile: (213) 683-3702

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GIBSON, DUNN & CRUTCHER
LLP

Joel A. Feuer
JFeuer@gibsondunn.com
2029 Century Park East
Los Angeles, CA 90067-3026
Telephone: (310) 552-8500
Facsimile: (310) 551-8741

Counsel for Eric Lidow

EXHIBIT A

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ROSMAN & GERMAIN LLP
Daniel L. Germain (Bar No. 143334)
16311 Ventura Boulevard, Suite 1200
Encino, CA 91436-2152
Telephone: (818) 788-0877
Facsimile: (818) 788-0885

**BARROWAY TOPAZ KESSLER
MELTZER & CHECK, LLP**
Eric L. Zagar (Bar No. 250519)
Michael J. Hynes
Tara P. Kao
280 King of Prussia Road
Radnor, PA 19087
Telephone: (610) 667-7706
Facsimile: (610) 667-7056

Counsel for Plaintiff

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

DONALD R. MAYERS, derivatively on behalf
of nominal defendant INTERNATIONAL
RECTIFIER CORPORATION,

Plaintiffs,

v.

ERIC LIDOW, ALEXANDER LIDOW, PH.D.,
ROBERT GRANT, MICHAEL P. MCGEE,
ROBERT S. ATTIYEH, JAMES D.
PLUMMER, JACK O. VANCE, and ROCHUS
E. VOGT,

Defendants,

and

INTERNATIONAL RECTIFIER
CORPORATION,

Nominal Defendant.

Case No. BC395652

**[PROPOSED] ORDER
PRELIMINARILY APPROVING
DERIVATIVE SETTLEMENT AND
PROVIDING FOR NOTICE**

Date: July 22, 2010
Time: 2:00 p.m.
Dept: 322
Before: Hon. Carl J. West

1 The parties to the above-captioned derivative action (the "Action") have moved for an
2 Order to approve the proposed settlement of the Action in accordance with the Stipulation of
3 Settlement entered into by the parties, dated as of July 16, 2010 (the "Stipulation"). The Court
4 having read and considered the Stipulation and accompanying documents, and all parties having
5 consented to the entry of this Order,

6 **NOW, THEREFORE**, this _____ day of _____, 2010, upon the joint motion of
7 the parties, **IT IS HEREBY ORDERED** as follows:

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

10 2. The Settlement appears to be the product of serious, informed, non-collusive
11 negotiations, has no obvious deficiencies, provides substantial value to the Company, and falls
12 within the range of possible approval and, therefore, merits further consideration.

13 3. The Court preliminarily finds that the Settlement is fair, reasonable, adequate, and
14 in the best interests of the Company and its shareholders.

15 4. The Court is scheduling a Settlement Hearing, to be held on _____, at ____:00
16 ____m. before the Honorable Carl J. West, in Department 322, located at 600 S. Commonwealth
17 Ave., Los Angeles, CA 90005, to:

18 a. consider whether the Settlement as fair, reasonable, adequate, and in the best
19 interests of the Company and its shareholders;

20 b. consider Final Judgment and Order of Dismissal dismissing the Action with
21 prejudice, with each party to bear its, his or her own costs, except as provided for in the Stipulation,
22 and release and enjoin prosecution of any and all Released Claims; and

23 c. hear other such matters as the Court may deem necessary and appropriate.

24 5. The Court reserves the right to adjourn the Settlement Hearing or modify any of the
25 dates set forth herein without further notice to the Company's shareholders.

1 6. The Court reserves the right to approve the Settlement at or after the Settlement
2 Hearing with such modifications as may be consented to by the Parties to the Action and without
3 further notice to the Company's shareholders.

4 7. The Court approves, as to form and content, the Notice of Proposed Settlement of
5 Shareholder Derivative Action and Hearing Thereon (the "Notice"), annexed as Exhibit C to the
6 Stipulation.

7 8. No later than _____ day of _____, 2010, IR shall cause a copy of the
8 Notice, substantially in the form annexed as Exhibit C to the Stipulation, to be filed with the
9 Securities and Exchange Commission via Form 8-K. International Rectifier shall also cause the
10 Stipulation to be published on the Company's website. All costs incurred in notifying the
11 Company's shareholders of the Settlement shall be paid by the Company.

12 9. The Court finds that the form and the method of Notice specified herein meets the
13 requirements of California law and due process and any other applicable laws and is the best notice
14 practicable under the circumstances, and shall constitute due and sufficient notice of all matters
15 relating to the Settlement.

16 10. At least seven (7) days prior to the Settlement Hearing, Defendants' Counsel shall
17 file with the Court and serve on Plaintiff's Counsel proof, by affidavit or declaration, of such
18 notice.

19 11. All proceedings in the Action, other than such proceedings as may be necessary to
20 carry out the terms and conditions of the Stipulation and the Settlement, are hereby stayed and
21 suspended until further order of this Court. Pending final determination of whether the Stipulation
22 should be approved, Plaintiff, the Company, and all of the Company's shareholders, and any of
23 them, are barred and enjoined from commencing, prosecuting, instigating, or in any way
24 participating in the commencement or prosecution of any action asserting any Released Claims
25 against any Released Parties.

26 12. Any IR shareholder may appear and show cause, if he, she, or it has any reason why
27 the proposed Settlement of the Action should not be approved as fair, reasonable, and adequate, or
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1 why a Judgment should not be entered thereon; provided, however, that no IR shareholder shall be
2 heard or entitled to contest the approval of the terms and conditions of the proposed Settlement, or,
3 if approved, the Final Judgment and Order of Dismissal to be entered thereon approving the same
4 unless, no later than fourteen (14) days prior to the Settlement Hearing, that person files with the
5 Court and serves upon counsel of record in this Action his, her, or its objection or opposition in
6 writing, together with copies of any supporting papers and briefs upon which he, she or it intends
7 to rely and a sworn statement attesting to the date of purchase by such person of his or her or its IR
8 common stock and documentation of his, her or its continued ownership thereof. In addition, such
9 person shall serve and show due proof of service, on or before the aforesaid date, of copies of such
10 objection or opposition, supporting papers and briefs, and sworn statement of purchase and
11 continued ownership upon each of the following counsel:

12 BARROWAY TOPAZ KESSLER
13 MELTZER & CHECK, LLP
14 Michael J. Hynes
15 280 King of Prussia Road
16 Radnor, PA 19087
17 Telephone: (610) 667-7706
18 Fax: (267) 948-2512

SHEPPARD, MULLIN, RICHTER &
HAMPTON LLP
John P. Stigi III
1901 Avenue of the Stars
Suite 1600
Los Angeles, CA 90067
Telephone: (310) 228-3717
Fax: (310) 228-3917

19 13. All papers in support of the proposed Settlement shall be filed no later than seven
20 (7) days prior to the Settlement Hearing.

21 14. All papers responding to any shareholder opposition or objection filed hereto shall
22 be filed no later than five (5) Court days prior to the Settlement Hearing.

23 15. Any person who fails to object in the manner prescribed above shall be deemed to
24 have waived such objection and forever shall be barred from raising such objection or otherwise
25 contesting the Settlement in this or any other action or proceeding.

26 16. If the Settlement provided for in the Stipulation shall be approved by the Court
27 following the Settlement Hearing, a Final Judgment shall be entered as described in the Stipulation.

28 17. If the Stipulation is not approved by the Court, is terminated, or shall not become
effective for any reason, the Action shall revert to its prior status, as if the Stipulation had not been

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made and had not been submitted to the Court, and neither the Stipulation, any provision contained in the Stipulation, any action undertaken pursuant thereto, nor the negotiation thereof by any party shall be deemed an admission or offered or received in evidence at any proceeding in the Action or any other action or proceeding.

IT IS SO ORDERED.

Dated: July ____, 2010

The Honorable Carl J. West
Judge of the Superior Court of the State of California

EXHIBIT B

1 **ROSMAN & GERMAIN LLP**
2 Daniel L. Germain (Bar No. 143334)
3 16311 Ventura Boulevard, Suite 1200
4 Encino, CA 91436-2152
5 Telephone: (818) 788-0877
6 Facsimile: (818) 788-0885

7 **BARROWAY TOPAZ KESSLER**
8 **MELTZER & CHECK, LLP**
9 Eric L. Zagar (Bar No. 250519)
10 Michael J. Hynes
11 Tara P. Kao
12 280 King of Prussia Road
13 Radnor, PA 19087
14 Telephone: (610) 667-7706
15 Facsimile: (610) 667-7056

16 *Counsel for Plaintiff*

17 SUPERIOR COURT OF THE STATE OF CALIFORNIA
18 FOR THE COUNTY OF LOS ANGELES

19 DONALD R. MAYERS, derivatively on behalf
20 of nominal defendant INTERNATIONAL
21 RECTIFIER CORPORATION,

22 Plaintiffs,

23 v.

24 ERIC LIDOW, ALEXANDER LIDOW, PH.D.,
25 ROBERT GRANT, MICHAEL P. MCGEE,
26 ROBERT S. ATTIYEH, JAMES D.
27 PLUMMER, JACK O. VANCE, and ROCHUS
28 E. VOGT,

Defendants,

and

INTERNATIONAL RECTIFIER
CORPORATION,

Nominal Defendant.

Case No. BC395652

**NOTICE OF PROPOSED
SETTLEMENT OF SHAREHOLDER
DERIVATIVE ACTION AND HEARING
THEREON**

Date: July 22, 2010
Time: 2:00 p.m.
Dept: 322
Before: Hon. Carl J. West

1 **TO: ALL CURRENT RECORDHOLDERS AND BENEFICIAL OWNERS OF**
2 **INTERNATIONAL RECTIFIER CORPORATION ("IR" OR THE "COMPANY")**
3 **COMMON STOCK AS OF _____, 2010**

4 **THIS NOTICE IS GIVEN** pursuant to an Order of the Superior Court of the State of
5 California, County of Los Angeles (the "Court"), dated _____ day of _____, 2010, in
6 the above captioned putative derivative action (the "Action"). Plaintiff brought claims in the
7 Action and sought to pursue them derivatively on behalf of IR.

8 **YOU ARE HEREBY NOTIFIED** that the above-captioned Action is being settled on the
9 terms set forth in a Stipulation of Settlement dated July 16, 2010 (the "Stipulation").¹ The
10 proposed Settlement, which is subject to Court Approval, consists of (1) the adoption and/or
11 implementation of a variety of corporate governance measures, including measures that relate to
12 and address the underlying claims in the Action; and (2) the payment of Plaintiff's Counsel's
13 attorneys' fees and expenses in the amount of \$550,000.

14 **IF YOU ARE A CURRENT OWNER OF IR COMMON STOCK, YOUR RIGHTS**
15 **MAY BE AFFECTED BY PROCEEDINGS IN THE LITIGATION. PLEASE NOTE,**
16 **HOWEVER, THAT BECAUSE THIS IS A SHAREHOLDER DERIVATIVE ACTION AND**
17 **NOT A CLASS ACTION, NO INDIVIDUAL STOCKHOLDER HAS A RIGHT TO BE**
18 **COMPENSATED AS A RESULT OF THE PROPOSED SETTLEMENT.**

19 On the _____ day of _____, 2010 at _____.m., a hearing (the "Settlement
20 Hearing") will be held before the Honorable Carl J. West, in Department 322, located at 600 S.
21 Commonwealth Ave., Los Angeles, CA 90005, to determine: (1) whether the terms of the
22 Settlement should be approved as fair, reasonable and adequate; and (2) whether the Action should
23 be dismissed on the merits and with prejudice.

24 Any shareholder of IR that objects to the Settlement of the Action shall have a right to
25 appear and to be heard at the Settlement Hearing, provided that he, she, or it was a shareholder of
26 record or beneficial owner as of _____ day of _____, 2010. Any shareholder of IR who
27 satisfies this requirement may enter an appearance through counsel of such shareholder's own
28 _____

¹This notice should be read in conjunction with, and is qualified in its entirety by reference to, the text of the Stipulation, which has been filed with the Court, attached to the Company's Current Report on the Company's Form 8-K filed with the United States Securities and Exchange Commission on dated _____ day of _____, 2010 and published on the Company's website. All capitalized terms herein have the same meanings as set forth in the Stipulation.

1 choosing and at such member's own expense or may appear on their own. However, no
2 shareholder of IR shall be heard at the Settlement Hearing unless no later than 14 days prior to the
3 date of the Settlement Hearing, such shareholder has filed with the Court and delivered to
4 Plaintiff's Counsel and Defendants' Counsel a written notice of objection, their ground for
5 opposing the Settlement, and proof of both their status as a shareholder and the dates of stock
6 ownership in IR. Only shareholders who have filed and delivered valid and timely written notices
7 of objection will be entitled to be heard at the Settlement Hearing unless the Court orders
8 otherwise.

9 If you wish to object to the Settlement, you must file a written objection setting forth the
10 grounds for such an objection with the Court on or before _____ day of _____, 2010
11 with service on the following parties:

12 Michael J. Hynes
13 BARROWAY TOPAZ KESSLER
14 MELTZER & CHECK, LLP
15 280 King of Prussia Road
16 Radnor, PA 19087

17 *Counsel for Plaintiff*

18 John P. Stigi III
19 SHEPPARD, MULLIN, RICHTER &
20 HAMPTON LLP
21 1901 Avenue of the Stars
22 Suite 1600
23 Los Angeles, CA 90067

24 *Counsel for Defendants*

25 Inquiries may be made to Plaintiff's Counsel: Michael J. Hynes, 280 King of Prussia Road,
26 Radnor, PA 19087; telephone: (610) 667-7706.

27 DATED July ____, 2010

28 BY ORDER OF THE SUPERIOR COURT OF
THE STATE OF CALIFORNIA, COUNTY
OF LOS ANGELES

EXHIBIT C

1 **ROSMAN & GERMAIN LLP**
Daniel L. Germain (Bar No. 143334)
2 16311 Ventura Boulevard, Suite 1200
Encino, CA 91436-2152
3 Telephone: (818) 788-0877
Facsimile: (818) 788-0885
4

5 **BARROWAY TOPAZ KESSLER**
MELTZER & CHECK, LLP
Eric L. Zagar (Bar No. 250519)
6 Michael J. Hynes
Tara P. Kao
7 280 King of Prussia Road
Radnor, PA 19087
8 Telephone: (610) 667-7706
Facsimile: (610) 667-7056
9

Counsel for Plaintiff

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
11 FOR THE COUNTY OF LOS ANGELES
12

13 DONALD R. MAYERS, derivatively on behalf
of nominal defendant INTERNATIONAL
14 RECTIFIER CORPORATION,

15 Plaintiffs,

16 v.

17 ERIC LIDOW, ALEXANDER LIDOW, PH.D.,
ROBERT GRANT, MICHAEL P. MCGEE,
18 ROBERT S. ATTIYEH, JAMES D.
PLUMMER, JACK O. VANCE, and ROCHUS
19 E. VOGT,

20 Defendants,

21 and

22 INTERNATIONAL RECTIFIER
CORPORATION,

23 Nominal Defendant.
24
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Case No. BC395652

**[PROPOSED] FINAL JUDGMENT
AND ORDER OF DISMISSAL**

Date: July 22, 2010
Time: 2:00 p.m.
Dept: 322
Before: Hon. Carl J. West

1 **NOW, THEREFORE, IT IS ORDERED, ADJUDGED AND DECREED** that:

2 1. The terms and definitions employed in the Stipulation are incorporated by reference
3 and adopted herein.

4 2. This Court has jurisdiction over the subject matter of the Action, over all parties to
5 the Action and over those persons and entities, if any, that objected to the Settlement.

6 3. The Settlement of the Action is, in all respects, fair, reasonable and adequate, and is
7 in the best interest of IR and its shareholders and should be approved. Accordingly, the Stipulation
8 and Settlement are hereby approved.

9 4. The Notice provided for in the Preliminary Order constitutes the best notice
10 practicable under the circumstances and is in full compliance with the notice requirements of due
11 process.

12 5. The Action is hereby dismissed in its entirety, with prejudice and without costs to
13 any party, other than as set forth in the Stipulation and this Final Judgment and Order of Dismissal.

14 6. The Court hereby approves the release provisions of the Stipulation in favor of the
15 Individual Defendants and others, and directs that, in consideration of the terms and conditions of
16 the Stipulation, upon the Effective Date, Plaintiff and any other present stockholders of the
17 Company (claiming by, through, in the right of, or on behalf of the Company), and the Company
18 (or any person claiming by, through, in the right of, or on behalf of the Company, by subrogation,
19 assignment or otherwise) fully, finally and forever release, relinquish and discharge all Released
20 Claims against the Released Persons and any Related Persons.

21 7. The Court hereby approves the release provisions of the Stipulation in favor of
22 Plaintiff and others, and directs that, in consideration of the terms and conditions of the Stipulation,
23 upon the Effective Date, each of the Defendants, the Released Persons and any Related Persons,
24 fully, finally and forever release, relinquish and discharge Plaintiff and his counsel from all claims
25 arising out of, or relating to or in connection with, their institution, prosecution, assertion or
26 resolution of the Action or the Released Claims.

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1 8. IR shall pay to Plaintiff's Counsel attorneys' fees and expenses in the amount of
2 \$550,000, with such payment to be made in accordance with the terms of the Stipulation.

3 9. This Final Judgment and Order of Dismissal, the Stipulation, all exhibits thereto,
4 and any and all negotiations, papers, writings, statements and/or proceedings related to the
5 Settlement are not, and shall not in any way be used or construed as (a) an admission, or evidence
6 of, the validity of any Released Claim or of any wrongdoing or liability of the Individual
7 Defendants; or (b) an admission of, or evidence of, any fault or omission of any of the Individual
8 Defendants in any civil, criminal or administrative proceeding in any court, administrative agency
9 or other tribunal, other than in such proceedings as may be necessary to consummate or enforce the
10 Stipulation, the Settlement or this Final Judgment and Order of Dismissal, *provided, however*, that
11 the Defendants may file the Stipulation and/or the Final Judgment and Order of Dismissal in any
12 action that may be brought against them in order to support a defense or counterclaim based on
13 principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment reduction or
14 any other theory of claim preclusion or issue preclusion or similar defense or counterclaim, except
15 in those actions specified in ¶1.18 of the Stipulation, and in which actions the Stipulation and this
16 Final Judgment and Order of Dismissal shall not be admissible for any purpose.

17 10. Without affecting the finality of this Final Judgment and Order of Dismissal in any
18 way, this Court hereby retains jurisdiction with respect to implementation and enforcement of the
19 terms of the Stipulation, including effectuating the release of claims in related proceedings, and all
20 parties hereto submit to the jurisdiction of the Court for the purposes of implementing and
21 enforcing the Settlement embodied in the Stipulation.

22 11. In the event that the Effective Date does not occur in accordance with the terms of
23 the Stipulation, including effectuating the release of claims in related proceedings, this Final
24 Judgment and Order of Dismissal shall be vacated, and all Orders entered and releases delivered in
25 connection with the Stipulation and Final Judgment and Order of Dismissal shall be null and void,
26 except as otherwise provided for in the Stipulation.

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IT IS SO ORDERED.

Dated: July __, 2010

The Honorable Carl J. West
Judge of the Superior Court of the State of California