

In re International Rectifier Corporation Securities Litigation

COURT: United States District Court for the Central District of California
CASE NUMBER: 07-cv-2544
CLASS PERIOD: 07/31/2003 - 02/11/2008

Securities fraud class action on behalf of the class of persons and entities who purchased or acquired the securities of International Rectifier Corp. ("International Rectifier" or the "Company") between July 31, 2003 and February 11, 2008. Plaintiffs allege that the Company systemically used misleading accounting practices over a period of years in order to report inflated earnings.

International Rectifier, headquartered in El Segundo, California, engages in the design, manufacture and marketing of power management products. On April 9, 2007, International Rectifier shocked the market when it informed investors that they should not rely upon the Company's previously issued financial statements for the quarters ended December 31, 2006, September 30, 2006, June 30, 2006, March 31, 2006, December 31, 2005 and September 30, 2005, and for the year ended June 30, 2006. According to the Company, outside counsel and investigators had conducted an investigation of "accounting irregularities at a foreign subsidiary" that included "premature revenue recognition of product sales." As a result, International Rectifier's stock fell 7%, or \$2.83 per share, from \$38.80 per share to \$35.97.

Then, on May 11, 2007, after the close of business, the Company further clarified the nature and extent of the "accounting irregularities" it had discovered, and warned investors that, in addition to the financial statements identified on April 9, the Company's previously issued financial statements for the quarters ended March 31, 2005 and June 30, 2005 and for the year ended June 30, 2005, could no longer be relied upon. The Company stated that a foreign subsidiary had engaged in "the shipment of products and the recording of sales with no obligation by customers to receive and pay for the products" and included "routing certain product shipments to warehouses not on the Company's logistical systems." International Rectifier stock fell an additional 3.5%, or \$1.27 per share on this announcement.

On August 31, 2007 and on November 13, 2007, the Company revealed that the Audit Committee of the Company's Board of Directors had determined the Company's financial statements for the periods ending between September 30, 2003 and December 31, 2006 should not be relied upon. Among other things, the Company has disclosed (i) "The Company's Japan subsidiary circumvented established controls and processes to record false or premature sales by creating fictitious customer purchase orders..."; (ii) "[T]hat certain fictitious customer invoices were sold as part of the Japan subsidiaries accounts receivables financing facilities... in an amount of up to \$23 million per quarter in the Company's fiscal years 2006 and 2007."; (iii) that for fiscal years 2003-2007, the Company had improperly characterized normal operating costs as one-time, restructuring costs; and (iv) the Company had "identified issues associated with its transfer pricing methodology and other tax issues for its fiscal years 2002-2007" and as a result in the quarter ended September 30, 2007 the Company paid \$74 million to the United States Internal Revenue Services and various state agencies in back taxes and interest. The Company's former Chief Financial Officer Michael McGee, former Executive Vice President for Global Sales, Robert Grant, and former Chief Executive Officer, Dr. Alex Lidow have all left the Company in the wake of the investigation.

On July 22, 2007, the Honorable John F. Walter appointed BLB&G client the General Retirement System of the City of Detroit as Co-Lead Plaintiff and BLB&G as Co-Lead Counsel for the Class. On October 17, 2008, Lead Plaintiffs filed the Second Amended Class Action Complaint against the Company, Eric Lidow (International Rectifier's founder and former Chairman), Alexander Lidow, Michael McGee, and Robert Grant. Defendants moved to dismiss the Complaint and on December 31, 2008, Judge Walter granted the motion of defendant Grant but largely sustained claims against the Company and the other defendants. Following the Court's order upholding the majority of claims, discovery commenced.

On July 31, 2009, the parties announced their agreement to settle the action for \$90 million, subject to Court approval. On September 25, 2009, the Court granted preliminary approval of the terms of settlement and certified, for settlement purposes only, the plaintiff class. The Court further appointed the Co-Lead Plaintiff's and Co-Lead Counsel as Class Representatives and Class Counsel, respectively, and directed that notice be provided to the Class via U.S. Mail and publication.

The Court held a final approval hearing on February 8, 2010 and granted final approval to the terms of the settlement.

The claims administration process has concluded and the net settlement fund has been fully disbursed. This matter is considered closed.

Case Documents

- Notice of Pendency of Class Action and Proposed Settlement
- February 8, 2010 - Order Approving Plan of Allocation
- February 8, 2010 - Final Judgment and Order of Dismissal with Prejudice
- February 8, 2010 - Order Awarding Attorneys' Fees and Reimbursement of Litigation Expenses
- September 25, 2009 - Preliminary Approval Order
- December 31, 2008 - Order on Motion to Dismiss
- October 17, 2008 - Second Amended Class Action Complaint