

Settlement Agreement and Release of Claims

This Settlement Agreement and Release of Claims is made and entered into by and among NAMED PLAINTIFFS AND CLASS REPRESENTATIVES Gary Milner, Toni Bjerke and Annette Barrett, on behalf of themselves and the CERTIFIED CLASS, and PLAINTIFFS' COUNSEL, on the one hand, and Defendant Farmers Insurance Exchange, on the other hand.

Definitions

CERTIFIED CLASS: This term, as used herein, means the class of personal lines claims representatives certified on December 16, 2002, in the LITIGATION, and includes those individuals identified on Exhibit 2 hereto.

CLI: This term, as used herein, means the Minnesota Commissioner of Labor and Industry.

COURT: This term, as used herein, means the District Court of Minnesota, Fourth Judicial District, and any appellate court which may review any orders entered with respect to this SETTLEMENT AGREEMENT.

CY PRES FUND: This term, as used herein, means all portions of the SETTLEMENT FUND refused or returned to FIE or PLAINTIFFS' COUNSEL by members of the CERTIFIED CLASS.

FIE: This term, as used herein, means Defendant Farmers Insurance Exchange.

FINAL JUDGMENT: This term, as used herein, refers to the final judgment approving this SETTLEMENT AGREEMENT and dismissing the LITIGATION with prejudice.

LITIGATION: This term, as used herein, means the lawsuit commenced on October 3, 2001, in the District Court of Minnesota, Fourth Judicial District, entitled *Milner, et al., v. Farmers Insurance Exchange*, Case No. EM 01-15004.

MDL-A ACTION: This term, as used herein, means the class action styled as *In Re: Farmers Insurance Exchange Claims Representatives' Overtime Pay Litigation*, in the District of Oregon, MDL Docket No. 1439A, which included a Rule 23 opt-out subclass of Minnesota personal lines claims representatives asserting claims under the MFLSA.

MDL-A MINNESOTA CLASS: This term, as used herein, means the Rule 23 opt-out subclass of Minnesota personal lines claims representatives certified on May 19, 2003, by the MDL COURT in the MDL-A ACTION.

MDL COURT: The term, as used herein, means the United States District Court for the District of Oregon handling the MDL-A ACTION.

MFLSA: This term, as used herein, means the Minnesota Fair Labor Standards Act, Minn. Stat. Sections 177.21-.35.

NAMED PLAINTIFFS AND CLASS REPRESENTATIVES: This term, as used herein, means Gary Milner, Toni Bjerke, and Annette Barrett, who the COURT appointed, on December 16, 2002, as the Class Representatives in this LITIGATION.

NOTICE: This term, as used herein, means a document substantively in the form of the Notice of Proposed Settlement of Class Action attached hereto as Exhibit 1, which has been agreed to by the PARTIES subject to COURT approval, and which PLAINTIFFS' COUNSEL will mail to each CERTIFIED CLASS member to explain the terms of the settlement and objection process.

PARTIES: This term, as used herein, means PLAINTIFFS, PLAINTIFFS' COUNSEL, and FIE.

PLAINTIFFS: This term, as used herein, means the NAMED PLAINTIFFS AND CLASS REPRESENTATIVES and members of the CERTIFIED CLASS.

PLAINTIFFS' COUNSEL: This term, as used herein, means the counsel of record for PLAINTIFFS in this case—Zimmerman Reed, P.L.L.P.; the Branch Law Firm; and Climaco, Lefkowitz, Peca, Wilcox & Garofoli, Co., LPA.

RELEASEES: This term, as used herein, means FIE and its subsidiaries (whether or not wholly owned), divisions, units, component entities, affiliates, and any of its past, present or future parents, subsidiaries, divisions, units, component entities, affiliates, officers, officials, directors, shareholders, policyholders, employees, owners, agents, representatives, attorneys, attorneys-in-fact, insurers, successors, predecessors, servants, executors, administrators, accountants, investigators, partners, heirs, and assigns, including their respective pension, profit sharing, savings, health and other employee benefit plans of any nature, and those plans' respective trustees, administrators, and fiduciaries.

SETTLEMENT AGREEMENT: This term, as used herein, means this Settlement Agreement and Release of Claims, including the Recitals, and any and all documents referred to herein as Exhibits to the Settlement Agreement and Release of Claims.

SETTLEMENT EFFECTIVE DATE: This term, as used herein, means the first day following the last of the following occurrences: (A) the date the time to appeal, to seek permission to appeal, or to seek other judicial review of the entry of a FINAL JUDGMENT approving this SETTLEMENT AGREEMENT has expired with no appeal or other judicial review having been taken or sought; or (B) if an appeal or other judicial review of the entry of a FINAL JUDGMENT approving this SETTLEMENT AGREEMENT has been taken or sought: (i) the date the FINAL JUDGMENT is finally affirmed by an appellate court with no possibility of subsequent appeal or other judicial review therefrom; (ii) the date the appeal(s) or other judicial review of the FINAL JUDGMENT are finally dismissed with no possibility of subsequent appeal or other judicial review; or (iii) if remanded to the COURT or to a lower appellate court following an appeal or other review, the date the FINAL JUDGMENT is entered by the COURT after remand and the time to appeal or seek permission to appeal or seek other judicial review of the entry of that FINAL JUDGMENT has expired with no further appeal or

other judicial review having been taken or sought. If further appeal is sought after a remand, the time periods in Section (B) shall apply.

SETTLEMENT FUND: This term, as used herein, means the total sum of One Million Five Hundred Thousand Dollars (\$1,500,000) to be paid by FIE pursuant to the terms of this SETTLEMENT AGREEMENT.

Recitals

NAMED PLAINTIFFS and CLASS REPRESENTATIVES commenced the LITIGATION on October 3, 2001, alleging various claims—including but not limited to claims for unpaid overtime, unjust enrichment, pre-judgment and post-judgment interest, penalties, attorneys' fees, and costs under the Minnesota Fair Labor Standards Act—on behalf of all Minnesota personal lines claims representatives.

On December 16, 2002, the COURT certified a class of personal lines claims representatives, the CERTIFIED CLASS. Under supervision of the COURT, a notice of class certification, which offered an opportunity to opt out, was sent to the CERTIFIED CLASS on March 15, 2003. No member of the CERTIFIED CLASS opted out.

Following a jury trial, the jury returned a verdict indicating that FIE had failed to establish that PLAINTIFFS were exempt from the overtime pay requirements of the MFLSA, but that PLAINTIFFS were not entitled to any damages or any alleged unpaid overtime compensation under the MFLSA.

After the verdict was entered, the MDL COURT handling the MDL-A ACTION entered an order under the All Writs Act enjoining the COURT from taking any action with respect to the MDL-A MINNESOTA CLASS that would be inconsistent with the judgment in the MDL-A ACTION.

Based on the verdict, the COURT entered orders enjoining FIE from “misclassifying” PLAINTIFFS, directing FIE to pay civil penalties to those PLAINTIFFS who were not impacted by the injunction entered by the MDL COURT, and awarding to PLAINTIFFS' COUNSEL those attorney fees and costs stated in its order. A judgment incorporating the COURT's orders was entered on December 29, 2005.

On January 23, 2006, FIE appealed from the judgment and raised several issues, including but not limited to verdict nullification, the lack of a statutory or procedural basis for finding “misclassification” civil penalties, and the propriety of the attorneys' fees award. PLAINTIFFS did not appeal the judgment or the verdict.

After the COURT entered its December 29, 2005, judgment, the United States Court of Appeals for the Ninth Circuit, on October 26, 2006, vacated the All Writs Act injunction issued by the MDL COURT.

On May 15, 2008, the Minnesota Supreme Court vacated the December 29, 2005, judgment against FIE and remanded the case to the COURT for reconsideration of the awards of civil penalties and attorneys' fees and costs.

On remand from the Minnesota Supreme Court, the COURT directed the PARTIES to mediate the remaining issues.

Accordingly, the PARTIES have engaged in extensive mediation with the assistance of retired Judge Richard B. Solum, and have mutually agreed to the terms set forth in this SETTLEMENT AGREEMENT.

Based on their own independent investigation, research and evaluation, PLAINTIFFS' COUNSEL are of the opinion that this SETTLEMENT AGREEMENT is fair, reasonable, and adequate in light of all known facts and circumstances, including the jury's verdict and the ruling of the Minnesota Supreme Court and the defenses asserted by FIE.

Settlement Terms

In consideration of the promises, obligations, undertakings, statements, and covenants contained herein, and for good and valuable consideration, the adequacy of which is hereby acknowledged, the PARTIES, and each of them, covenant and agree as follows:

1. SETTLEMENT FUND. Subject to COURT approval, at the time and in the manner set forth below, FIE shall pay the total sum of One Million Five Hundred Thousand Dollars (\$1,500,000). The PARTIES agree that this consideration constitutes the entire consideration provided to PLAINTIFFS under this SETTLEMENT AGREEMENT and that PLAINTIFFS shall not seek any further compensation or consideration from FIE and/or any other RELEASEE for any claimed damages, compensation, costs or attorneys' fees in connection with the LITIGATION or any other claims specifically encompassed and released by this SETTLEMENT AGREEMENT. PLAINTIFFS and PLAINTIFFS' COUNSEL agree to execute this SETTLEMENT AGREEMENT as a condition precedent to payment of any portion of the SETTLEMENT FUND.

2. Distribution of SETTLEMENT FUND. Subject to and following final approval of this SETTLEMENT AGREEMENT by the COURT and entry of the FINAL JUDGMENT, and at the time set forth below, the SETTLEMENT FUND shall be distributed as follows:

2.1 FIE shall pay Four Hundred and Fifty Thousand Dollars (\$450,000.00) to PLAINTIFFS as wages and liquidated damages on an equal basis. FIE shall make this payment by issuing two checks to each member of the CERTIFIED CLASS—one wage check in the amount of \$1,119.41 less all lawfully required taxes and withholdings, including, but not limited to, customary and normal payroll deductions, and one liquidated damages check in the amount of \$1,119.40. FIE will reflect the wage payment and amounts withheld in a W-2 Form to be issued to each member of the CERTIFIED CLASS. FIE will reflect the liquidated damages payment in a 1099 or other applicable form to be issued to each member of the CERTIFIED CLASS. The members of the CERTIFIED CLASS and the amount of the SETTLEMENT FUND that they will receive are set forth in Exhibit 2 hereto. FIE's payment obligations shall be satisfied upon delivery of the checks to PLAINTIFFS' COUNSEL. PLAINTIFFS' COUNSEL shall deliver the checks to the last-known address of each member of the CERTIFIED CLASS.

Should any members of the CERTIFIED CLASS reject and return their portion of the SETTLEMENT FUND, fail to cash their wage or liquidated damages checks within six months, or should PLAINTIFFS' COUNSEL be unable to contact and deliver the wage check to any members of the CERTIFIED CLASS, those CERTIFIED CLASS members shall have no right to payment and their portions of the SETTLEMENT FUND shall be paid to the CY PRES FUND as directed in paragraph 2.5 of this SETTLEMENT AGREEMENT, but this SETTLEMENT AGREEMENT nevertheless will be binding on those CERTIFIED CLASS members.

2.2 FIE shall pay Twenty-Five Thousand Dollars (\$25,000) to the three NAMED PLAINTIFFS AND CLASS REPRESENTATIVES as compensation for their services to the CERTIFIED CLASS in such proportion as the COURT shall approve. The PARTIES agree that FIE will report these payments to the IRS and/or other taxing authorities.

2.3 FIE shall pay Twenty-Five Thousand Dollars (\$25,000.00) to the CLI on behalf of the State of Minnesota as a civil penalty for failure to keep records of hours worked by PLAINTIFFS. If the CLI rejects and returns this payment, these funds shall revert to FIE.

2.4 FIE shall pay One Million Dollars (\$1,000,000) to PLAINTIFFS' COUNSEL as full compensation for PLAINTIFFS' attorneys' fees, costs and expenses, including, but not limited to, any expenses incurred in negotiating, documenting, implementing, or administering this SETTLEMENT AGREEMENT, or securing approval of this SETTLEMENT AGREEMENT. The PARTIES agree that FIE will report this payment to the IRS and/or other taxing authorities. PLAINTIFFS' COUNSEL agrees that they are responsible for allocating this portion of the SETTLEMENT FUND among themselves, and FIE shall have no further obligations to PLAINTIFFS' COUNSEL or any other counsel related to this LITIGATION. PLAINTIFFS' COUNSEL shall indemnify and hold FIE harmless for any liability that solely and exclusively relates to the payment, distribution or allocation of attorneys' fees and cost discussed in this paragraph. In the event an attorneys' lien is asserted relating to this SETTLEMENT AGREEMENT or any portion of the SETTLEMENT FUND, FIE shall tender the SETTLEMENT FUND to the COURT and shall thereafter be released from any attorneys'-lien claim.

2.5 FIE shall notify PLAINTIFFS' COUNSEL of any settlement checks issued pursuant to paragraphs 2.1 and 2.2 that remain uncashed after six months or that were returned to FIE, and PLAINTIFFS' COUNSEL shall alert the COURT by letter of the existence of the remaining funds. Upon notice of these funds, the COURT shall Order that the remaining funds be distributed to a CY PRES FUND at the COURT'S discretion. Any PARTY to this LITIGATION may petition the COURT to distribute the funds to a particular charitable institution prior to the distribution of the CY PRES FUND. Within fourteen (14) days of notice of the designated charitable institution, PLAINTIFFS' COUNSEL

shall distribute any remaining funds to the designated CY PRES FUND. There shall be no right to object or appeal any distribution of the CY PRES FUNDS.

3. Dismissal and Entry of Judgment. Following the final approval of this SETTLEMENT AGREEMENT, the COURT shall enter a FINAL JUDGMENT, in a form substantially similar to that attached as Exhibit 4 hereto, dismissing all claims asserted by PLAINTIFFS in the LITIGATION, on the merits and with prejudice, without further costs to any PARTY.

4. Timing of Payment of SETTLEMENT FUND. The payments described in Sections 2 through 2.4 above shall be made within forty-five (45) days of the SETTLEMENT EFFECTIVE DATE. No payment of any portion of the SETTLEMENT FUND shall be made prior to the SETTLEMENT EFFECTIVE DATE.

5. Release. By their execution of this SETTLEMENT AGREEMENT and upon approval thereof by the COURT, and for the good and valuable consideration set forth herein, the sufficiency of which is hereby acknowledged, the NAMED PLAINTIFFS AND CLASS REPRESENTATIVES Gary Milner, Toni Bjerke and Annette Barrett, and every CERTIFIED CLASS member, on behalf of themselves, their heirs, agents, attorneys, representatives, executors, administrators, successors, and assigns, hereby unconditionally, irrevocably, and forever release, acquit, absolve, relieve, and discharge FIE and all other RELEASEES of and from any and all claims, rights, penalties, demands, damages, losses, actions, disputes, controversies, promises, debts, accounts, duties, suits, costs and expenses (including, but not limited to, attorneys' fees and costs), judgments, orders, agreements, liens, charges, complaints, causes of action, obligations, or liabilities of any and every kind, in law or in equity, whether known or unknown, past or present, suspected or unsuspected, matured or unmatured, fixed or contingent, apparent or concealed, based on any act, omission, event, occurrence, or nonoccurrence to the date of execution hereof, including but not limited to any claims or causes of action asserted in the LITIGATION, that could have been asserted in the LITIGATION, that arise or may arise out of, or are directly or indirectly related to the LITIGATION or the transactions, events, occurrences, acts, or omissions that are or were involved in the facts, circumstances, or incidents giving rise to the LITIGATION, or any claims or causes of action based on any federal, state, or local statute, rule, regulation, order, or law, or on any other grounds whatsoever, including, without limitation, the Minnesota Fair Labor Standards Act, the Employee Retirement Income and Security Act ("ERISA"), Minnesota Wage and Hour statutes, or Minnesota state common law, whether or not previously brought before any state or federal court or before any state or federal or any other governmental agency. The released claims include claims under any common law, statutory or equitable doctrine or theory and consist of claims regarding: (i) the failure to pay for overtime hours or other wages, including claims related to how overtime is calculated; (ii) accurate creation, retention, and preservation of records; and (iii) improper termination pay and improper pay after determining that payment was due. This release also includes any claim for penalties or other damages arising from a claim for late payment of wages or benefits under any applicable state or federal law, and any claim for contribution to any FIE profit-sharing or other employee benefit plan. This release also includes a release of all claims for attorneys' fees and costs incurred by CERTIFIED CLASS members or by PLAINTIFFS' COUNSEL in connection with the LITIGATION and settlement of the LITIGATION. This release does not include any claims that cannot be waived as a matter of

law. The claims released under this Section are referred to as the “CERTIFIED CLASS MEMBER RELEASED CLAIMS.”

5.1 PLAINTIFFS acknowledge that they may hereafter discover facts or law different from, or in addition to, the facts or law they know or believe to exist with respect to a released claim. They agree, nonetheless, that this SETTLEMENT AGREEMENT and the releases contained in it shall be and remain effective in all respects notwithstanding such different or additional facts or law. Upon execution of this SETTLEMENT AGREEMENT, PLAINTIFFS shall be deemed to have fully, finally, and forever settled, released, and assumed the risk of any and all such claims.

6. No Prior Assignments or Undisclosed Liens. NAMED PLAINTIFFS AND CLASS REPRESENTATIVES and PLAINTIFFS’ COUNSEL represent and warrant that they have not assigned, transferred, conveyed, or otherwise disposed of, or purported to assign, transfer, convey, or otherwise dispose of any released claims. NAMED PLAINTIFFS AND CLASS REPRESENTATIVES and PLAINTIFFS’ COUNSEL further represent and warrant that they are not aware of any liens or claims against any of the amounts being paid by FIE as provided in this SETTLEMENT AGREEMENT. NAMED PLAINTIFFS AND CLASS REPRESENTATIVES and PLAINTIFFS’ COUNSEL agree to defend, indemnify and hold FIE harmless from any and all liens or claims against any of the amounts being paid by FIE to the NAMED PLAINTIFFS AND CLASS REPRESENTATIVES or PLAINTIFFS’ COUNSEL.

7. Tax Consequences. FIE is not providing any legal or tax advice and makes no representations as to the taxability of the SETTLEMENT FUND, or any portion thereof. Further, a dispute regarding the tax status of the amounts paid to PLAINTIFFS or PLAINTIFFS’ COUNSEL under this SETTLEMENT AGREEMENT shall not affect the validity of this SETTLEMENT AGREEMENT. PLAINTIFFS have had an opportunity to discuss the potential tax consequences of this SETTLEMENT AGREEMENT with their own counsel.

8. No Admissions. By entering into this SETTLEMENT AGREEMENT, FIE, and all other RELEASEES, do not admit that they have engaged in, or are now engaging in, any unlawful conduct. It is understood and agreed that neither this SETTLEMENT AGREEMENT, nor the payment of any consideration hereunder, is an admission of liability or wrongdoing on the part of FIE or any other RELEASEE and that FIE specifically denies liability in the LITIGATION, and denies that it has any liability to PLAINTIFFS whatsoever. It is understood and agreed that this SETTLEMENT AGREEMENT does not constitute an admission by FIE as to any interpretation of laws or as to the merits, validity, or accuracy of any claims made against it in the LITIGATION. Each of the PARTIES has entered into this SETTLEMENT AGREEMENT with the intention to avoid further disputes and litigation with the attendant inconvenience and expenses. The PARTIES further agree that it is their mutual intention that neither this SETTLEMENT AGREEMENT or any terms hereof, nor any related documents or other actions taken in implementation of the SETTLEMENT AGREEMENT, including any statements, discussions, or communications, and any materials prepared, exchanged, issued, or used during the course of the negotiations leading to this SETTLEMENT AGREEMENT shall be admissible for any purpose in any other pending or future proceedings against FIE or any other RELEASEE, except as necessary to enforce this SETTLEMENT AGREEMENT. The

PARTIES agree, however, that to the extent permitted by law, this SETTLEMENT AGREEMENT may be pleaded as a full and complete defense to, and may be used as the basis for an injunction against any action, suit or other proceeding that may be instituted, prosecuted or attempted in breach of this SETTLEMENT AGREEMENT.

8.1 Any documents produced or created by any CERTIFIED CLASS member in connection with the implementation of this SETTLEMENT AGREEMENT, and any actions taken by FIE in response to such documents do not constitute, are not intended to constitute, and will not be deemed to constitute an admission by FIE of any violation of any federal, state, or local law, statute, ordinance, regulation, rule, or executive order, or any obligation or duty at law or in equity.

9. Notice. To implement the terms of this SETTLEMENT AGREEMENT, FIE shall provide to PLAINTIFFS' COUNSEL its most current and best listing of the CERTIFIED CLASS members' last known addresses and telephone numbers (the "Class List"). The Class List shall be provided in Excel or Access format no later than five (5) days after preliminary approval.

9.1 PLAINTIFFS' COUNSEL will bear the cost of providing NOTICE. PLAINTIFFS' COUNSEL shall send NOTICE to all CERTIFIED CLASS members by first class mail, within ten (10) days following the date on which the COURT enters an order granting preliminary approval of the SETTLEMENT AGREEMENT (the "Mailing Date").

9.2 It shall be conclusively presumed that if an envelope containing the NOTICE is not returned within thirty (30) days of the Mailing Date, the CERTIFIED CLASS member received the NOTICE. With respect to NOTICES that are returned as undeliverable, but with a forwarding address provided by the U.S. Postal Service, PLAINTIFFS' COUNSEL shall forward the NOTICE to the forwarding address. With respect to NOTICES that are returned as undeliverable without a forwarding address, PLAINTIFFS' COUNSEL shall use standard skip tracing devices based on either the U.S. Postal Service databases or another reasonably-available database, to obtain forwarding address information and to forward returned mail to ensure that the NOTICES are sent to all CERTIFIED CLASS members. If forwarding or re-mailing in accordance with this section is necessary, the NOTICES must be forwarded or re-mailed within ten (10) days of the receipt by PLAINTIFFS' COUNSEL of the returned envelopes containing the NOTICES. NOTICES shall only be forwarded or re-mailed once; if the NOTICES are returned after forwarding or re-mailing, it shall be presumed that the Class Member cannot be located.

9.3 The NOTICES and other materials as agreed to by the PARTIES and approved by the COURT shall also be available at PLAINTIFFS' COUNSEL'S website.

9.4 The NOTICE shall inform CERTIFIED CLASS members of the date for the final approval hearing and shall also inform CERTIFIED CLASS members of

their right to object to the settlement and how to make such objections. The date for the final approval hearing shall be set by the COURT, subject to the COURT'S calendar, to take place approximately sixty (60) days from the date on which the COURT enters an order granting preliminary approval of the SETTLEMENT AGREEMENT. The deadline for CERTIFIED CLASS members to object to the settlement (the "Objection Date") shall be set forty-five (45) days from the date on which the COURT enters an order granting preliminary approval of the settlement. The deadline by which CERTIFIED CLASS members must cash their checks is six months from the date of the check. Any checks that are not cashed within six months or that are rejected and returned to FIE or PLAINTIFFS' COUNSEL shall be made a part of the CY PRES FUND discussed in Paragraph 2.5.

9.5 Prior to trial, all members of the CERTIFIED CLASS were offered the opportunity to opt out as members of the CERTIFIED CLASS and declined to do so. The LITIGATION has already resulted in a verdict and the NOTICE shall not provide an opportunity to opt out of this SETTLEMENT AGREEMENT. This SETTLEMENT AGREEMENT is expressly conditioned upon this paragraph 9.5.

10. Distribution and Objections. The PARTIES agree that the dollar values allocated to each CERTIFIED CLASS member are for purposes of this settlement only and are not admissible as evidence, as an admission by FIE, or for any other purpose in this LITIGATION, and are not intended to be admissible in any other judicial, arbitral, administrative, investigative, or other court, tribunal, forum, or other proceeding, including any wage and hour litigation, or other litigation, against FIE. The PARTIES acknowledge that the jury returned a verdict indicating that PLAINTIFFS are not entitled to any damages or any alleged unpaid overtime compensation under the MFLSA.

10.1 A CERTIFIED CLASS member who wishes to object to the settlement must notify the COURT and the PARTIES of his or her objection, in writing, on or before the Objection Date. The NOTICE shall provide instructions regarding how to make objections. A CERTIFIED CLASS member who submits an objection remains bound by the SETTLEMENT AGREEMENT.

11. Benefit Plans. It is agreed that any amounts paid under this SETTLEMENT AGREEMENT will not impact or modify the PLAINTIFFS' previously credited hours of service or compensation taken into account under any employee benefit plan sponsored, or contributed to, by FIE or any affiliated or jointly-trusted benefit plans. And such amounts will not form the basis for additional contributions to, benefits under, or any other monetary entitlement under FIE sponsored or any affiliated or jointly-trusted benefit plans.

11.1 FIE retains the right to modify the language of its employee benefit plans, to seek to have modified the language of any affiliated or jointly-trusted benefit plans, and to make clear that any amounts paid pursuant to this SETTLEMENT AGREEMENT will not be taken into account when calculating "hours of service" (or any similar term) and are not "compensation" (or any similar term) as defined

by the applicable benefit plans and that additional contributions or benefits are not required by this SETTLEMENT AGREEMENT.

11.2 This SETTLEMENT AGREEMENT and any distributions made pursuant to it will have no effect on benefit plan eligibility, vesting, contributions, or benefits of or on behalf of current or former employees covered by this SETTLEMENT AGREEMENT.

11.3 For purposes of this SETTLEMENT AGREEMENT, "BENEFIT PLAN" means each and every "employee benefit plan" as defined in 29 U.S.C. § 1002(3), and each and every other plan, fund, program, or arrangement that relates to bonus, pension, stock option, stock purchase, stock appreciation, welfare, profit-sharing, retirement, disability, vacation, severance, hospitalization, insurance, incentive, deferred compensation, or any other similar benefit for one or more current or former employees or their beneficiaries.

12. Duties of the PARTIES Prior to COURT Approval.

12.1 PLAINTIFFS' COUNSEL shall use their best efforts to apply to the COURT, within five (5) days of the Execution of this SETTLEMENT AGREEMENT, for the entry of an order:

12.1.1 Granting preliminary approval of the SETTLEMENT AGREEMENT and NOTICE;

12.1.2 Scheduling a fairness hearing on the question of whether the SETTLEMENT AGREEMENT should be finally approved as fair, reasonable, and adequate as to the CERTIFIED CLASS;

12.1.3 Approving as to form and content the proposed NOTICE; and

12.1.4 Directing the mailing of the NOTICE by first class mail to the CERTIFIED CLASS members.

12.2 FIE shall cooperate with PLAINTIFFS' COUNSEL as necessary to obtain preliminary approval.

13. Duties of the PARTIES Following Preliminary COURT Approval.

13.1 Following preliminary approval by the COURT of the SETTLEMENT AGREEMENT, PLAINTIFFS' COUNSEL will apply to the COURT for entry of a proposed Final Judgment and Order of Dismissal substantially in the form attached hereto as Exhibit 4. The proposed Final Judgment and Order of Dismissal shall:

13.1.1 Approve the SETTLEMENT AGREEMENT, adjudging the terms thereof to be fair, reasonable, and adequate and directing consummation of its terms and provisions;

13.1.2 Approve PLAINTIFFS' COUNSEL's application for an award of attorneys' fees and reimbursement of costs in the amount set forth in Section 2.4;

13.1.3 Approve the Incentive Awards to the NAMED PLAINTIFFS AND CLASS REPRESENTATIVES; and

13.1.4 Dismiss this LITIGATION on the merits and with prejudice and permanently bar PLAINTIFFS from further prosecuting any of the CERTIFIED CLASS MEMBER RELEASED CLAIMS against FIE and the other RELEASEES.

13.2 FIE shall cooperate with PLAINTIFFS' COUNSEL as necessary to obtain final approval and the dismissal of the LITIGATION.

13.3 The PARTIES shall have the opportunity to request that any objector who appeals a decision of the COURT denying an objection to the SETTLEMENT AGREEMENT shall be responsible for posting an appropriate bond.

14. Mutual Full Cooperation. The PARTIES agree to cooperate fully with each other to accomplish the terms of this SETTLEMENT AGREEMENT, including but not limited to, execution of all necessary documents, and to take such other action as may reasonably be necessary to implement the terms of this SETTLEMENT AGREEMENT. The PARTIES shall use their best efforts, including all efforts contemplated by this SETTLEMENT AGREEMENT and any other efforts that may become necessary by order of the COURT, or otherwise, to effectuate the terms of this SETTLEMENT AGREEMENT. As soon as practicable after execution of this SETTLEMENT AGREEMENT, PLAINTIFFS' COUNSEL shall, with the assistance and cooperation of FIE and its counsel, take all necessary steps to secure the COURT'S FINAL JUDGMENT.

15. Papers to be filed with the COURT. All papers to be filed with the COURT by FIE or PLAINTIFFS' COUNSEL in connection with this SETTLEMENT AGREEMENT shall be submitted to the other PARTY prior to filing. The other PARTY shall have no right to object to the papers unless they do not conform to the terms and conditions of this SETTLEMENT AGREEMENT.

16. Public Statements. None of the PARTIES shall issue a public statement or press release regarding the SETTLEMENT AGREEMENT or the LITIGATION without meeting and conferring with the other PARTIES about the accuracy of the statement. The other PARTIES shall have no right to object to any public statement or press release unless it does not conform with the terms and conditions of this SETTLEMENT AGREEMENT.

17. Representations. Each signatory hereto warrants that s/he/it is legally competent and/or authorized to execute this SETTLEMENT AGREEMENT and has not relied on any statements or explanations in connection therewith. Moreover, each PARTY hereby acknowledges that s/he/it has been afforded the opportunity to be advised by independent legal counsel regarding the terms of this SETTLEMENT AGREEMENT, including the release of claims and waiver of rights, and has entered into this SETTLEMENT AGREEMENT

voluntarily. NAMED PLAINTIFFS AND CLASS REPRESENTATIVES acknowledge that no threats were made and no duress was used to encourage the execution of this SETTLEMENT AGREEMENT. NAMED PLAINTIFFS AND CLASS REPRESENTATIVES further acknowledge that they are signing this SETTLEMENT AGREEMENT on their own behalf and on behalf of the CERTIFIED CLASS. PLAINTIFFS' COUNSEL acknowledges that they will sign this SETTLEMENT AGREEMENT on their own behalf and on behalf of the CERTIFIED CLASS.

18. Attorneys' Fees and Costs. The PARTIES agree to bear their own attorneys' fees and expenses incurred in connection with the LITIGATION, the negotiation or execution of this SETTLEMENT AGREEMENT, or any released claim, except as may otherwise be set forth herein. No further claims or demands for attorneys' fees or costs shall be made.

19. Waiver. No provision of this SETTLEMENT AGREEMENT may be waived unless in writing and signed by all the PARTIES to this SETTLEMENT AGREEMENT. Waiver of any one provision shall not constitute waiver of any other provision.

20. Entire Agreement. This SETTLEMENT AGREEMENT contains the entire agreement between the PARTIES and recites the whole consideration for the promises exchanged herein. It fully supersedes any and all prior agreements or understandings, written or oral, between the PARTIES hereto pertaining to the subject matter hereof.

21. Interpretation and Construction. All terms of this SETTLEMENT AGREEMENT are contractual and not mere recitals. The headings set forth in this SETTLEMENT AGREEMENT are for convenience only and shall not be used in interpreting this SETTLEMENT AGREEMENT. All PARTIES have had an opportunity to participate in the drafting of this SETTLEMENT AGREEMENT, and acknowledge that they have had an opportunity to review and discuss each term of this SETTLEMENT AGREEMENT with legal counsel. Therefore, the normal rules of construction to the effect that any ambiguities are to be resolved against the drafting PARTY shall not be employed in the interpretation of this SETTLEMENT AGREEMENT.

22. Binding on Heirs and Successors. The terms of this SETTLEMENT AGREEMENT are and shall be binding upon and inure to the benefit of each of the PARTIES, their agents, attorneys, employees, successors and assigns, executors, administrators, heirs, and upon all other persons claiming any interest in the subject to it through any of the PARTIES hereto, including any member of the CERTIFIED CLASS.

23. Amendments and Modifications. This SETTLEMENT AGREEMENT may be amended or modified only by a written instrument signed by all PARTIES. The PARTIES agree that they shall make no claim at any time that this SETTLEMENT AGREEMENT has been orally amended or modified. Amendments and modifications may be made without additional notice to members of the CERTIFIED CLASS unless such notice is required by the COURT.

24. Applicable Law, Jurisdiction, and Enforcement. This SETTLEMENT AGREEMENT shall be subject to, governed by, construed, and enforced pursuant to the laws of the State of Minnesota. The PARTIES stipulate that the COURT will retain jurisdiction over the

PARTIES to enforce the SETTLEMENT AGREEMENT, and that the COURT has sole and exclusive jurisdiction over the Parties with respect to this SETTLEMENT AGREEMENT. After the SETTLEMENT EFFECTIVE DATE, the COURT will retain jurisdiction over this action solely for the purpose of interpreting, implementing, and enforcing this SETTLEMENT AGREEMENT. A PARTY that breaches the SETTLEMENT AGREEMENT may be subject to any of the remedies available at law or in equity.

25. Severability. Should any provision of this SETTLEMENT AGREEMENT be declared or determined by any court or other tribunal to be illegal or invalid, the validity of the remaining parts, terms or provisions shall not be affected thereby and said illegal or invalid part, term or provision shall be deemed not to be a part of this SETTLEMENT AGREEMENT.

26. Date of Execution. This SETTLEMENT AGREEMENT shall be deemed to have been executed upon the last date of execution by all the undersigned counsel.

27. Counterparts. This SETTLEMENT AGREEMENT may be executed in two or more counterparts, each of which shall constitute an original, but such counterparts together shall constitute but one and the same instrument.

28. Agreement Contingent Upon Final Approval. This SETTLEMENT AGREEMENT is contingent upon final approval of its terms and entry of the FINAL JUDGMENT. If the COURT disapproves any provision of this SETTLEMENT AGREEMENT, FIE may elect to void this SETTLEMENT AGREEMENT, in which case the settlement shall be deemed null, void and unenforceable and shall not be used nor shall it be admissible in any subsequent proceedings before this COURT and is not intended to be admissible in any other judicial, arbitral, administrative, investigative, or other court, tribunal, forum, or other proceeding, including without limitation any wage and hour, or other litigation against FIE. The PARTIES agree, however, to continue, for a reasonable period, to attempt to resolve any issues raised by the COURT.

29. Notices. Unless otherwise specifically provided herein, all notices, demands, or other communications given hereunder shall be in writing and shall be deemed to have been duly given as of: (i) the date given, if given by hand delivery or email; (ii) within one (1) business day, if sent by overnight delivery services such as Federal Express or similar courier; or (iii) the third business day after mailing by United States registered or certified mail, return receipt requested. All notices given under this SETTLEMENT AGREEMENT shall be addressed as follows:

To the Class:

Charles S. Zimmerman
Timothy J. Becker
Zimmerman Reed PLLP
651 Nicollet Mall, #501
Minneapolis, MN 55402

To FIE:

George E. Preonas, Esq.
Seyfarth Shaw LLP
2029 Century Park East, Suite 3300
Los Angeles, CA 90067

30. Confidentiality. The negotiations, terms, and existence of this SETTLEMENT AGREEMENT will remain strictly confidential until the time the COURT grants preliminary approval and shall not be discussed with anyone other than the PARTIES of record, their accountants and other financial advisors, counsel of record, their retained consultants, and the mediator Judge Richard B. Solum, or another mediator agreed to by the PARTIES. All submissions to the COURT regarding preliminary approval of this SETTLEMENT AGREEMENT or the terms of this SETTLEMENT AGREEMENT prior to the time the COURT grants preliminary approval shall be made under seal, unless either side obtains prior written approval from the other side to file documents not under seal, or as the COURT may otherwise order. Notwithstanding the provisions of this section, FIE may disclose the SETTLEMENT AGREEMENT in any filings that it is required to make with any governmental entities.

30.1 Except for negotiations and discussions preceding submission of the SETTLEMENT AGREEMENT to the COURT for preliminary approval, and any negotiations and discussions between the time of preliminary approval and final approval (which shall remain strictly confidential unless otherwise ordered by the COURT), any confidentiality associated with the terms of this SETTLEMENT AGREEMENT, including the motion papers in support of preliminary approval, shall expire upon preliminary approval by the COURT of the SETTLEMENT AGREEMENT.

31. Documents and Discovery. Within sixty (60) days after the SETTLEMENT EFFECTIVE DATE, each PLAINTIFFS' COUNSEL shall return to FIE all documents and data produced by FIE to each PLAINTIFFS' COUNSEL in connection with this LITIGATION or destroy said documents, to the extent said documents and data have not previously been provided to counsel of record in other wage and hour litigation against FIE pursuant to a previously-existing confidentiality agreement. Each PLAINTIFFS' COUNSEL shall certify to FIE their good faith efforts to comply with this provision. In the event one or more PLAINTIFFS' COUNSEL do not comply with this provision, that non-compliance shall have no effect upon, or subject any complying PLAINTIFFS' COUNSEL to, any form of liability. Additionally, PLAINTIFFS' COUNSEL shall be entitled to keep a copy of all pleadings, memoranda, affidavits, depositions, trial materials and any exhibits attached thereto, as well as any other materials required to be retained by the individual PLAINTIFFS' COUNSEL insurance or indemnity carrier.

32. PLAINTIFFS' and PLAINTIFFS' COUNSEL Signatories. It is agreed that because the CERTIFIED CLASS members are so numerous, it is impossible or impractical to have each CERTIFIED CLASS member execute this SETTLEMENT AGREEMENT. The NOTICE shall advise class members that COURT approval of the SETTLEMENT

AGREEMENT and entry of the stipulated judgment will extinguish and release all claims of the CLASS MEMBERS as to claims asserted in the LITIGATION and covered by the release.

IN WITNESS HEREOF, the undersigned individuals have executed this Settlement Agreement and Release of Claims on behalf of the PARTIES on the day and year set forth below their respective signatures.

THE UNDERSIGNED HEREBY CERTIFY THAT THEY HAVE READ THIS ENTIRE SETTLEMENT AGREEMENT AND UNDERSTAND IT AND HAVE HAD THE OPPORTUNITY TO DISCUSS WITH COUNSEL ALL THE TERMS AND CONSEQUENCES OF THE SETTLEMENT AGREEMENT, INCLUDING THE RELEASE OF CLAIMS.

On Behalf of the Class:

Dated: June ____, 2009

ZIMMERMAN REED, P.L.L.P.

By: _____
Timothy J. Becker

Dated: June ____, 2009

THE BRANCH LAW FIRM

By: _____
Turner W. Branch

Dated: June ____, 2009

CLIMACO, LEFKOWITZ, PECA, WILCOX &
GAROFOLI, CO., LPA

By: _____
John R. Climaco

Individually and on behalf of the Class:

Dated: _____, 2009

Gary Milner

Dated: _____, 2009

Toni Bjerke

Dated: _____, 2009

Annette Barrett

Dated: _____, 2009

On Behalf of FIE:

FARMERS INSURANCE EXCHANGE

By: _____
[Name]

Dated: _____, 2009

SEYFARTH SHAW LLP

By: _____
George E. Preonas