STIPULATION OF SETTLEMENT

This Stipulation of Settlement (the “Stipulation”) is made and entered into as of this 26th day of April, 2007, by, between and among (i) plaintiffs Lin Lan and J. William Morris ("Plaintiffs"), on behalf of themselves and all other members of the Class (as defined in paragraph 1(a) below), and (ii) defendants Erie Indemnity Company ("Erie Indemnity"), Erie Insurance Exchange ("Erie Exchange") and Erie Family Life Insurance Company ("EFL") (collectively the "Corporate Defendants"), and (iii) defendants Jeffrey A. Ludrof, F. William Hirt, Susan Hirt Hagen, Jonathan Hirt Hagen, J. Ralph Borneman, Jr., John T. Baily, Patricia Garrison-Corbin, John R. Graham, C. Scott Hartz, Claude C. Lilly, III, Lucian L. Morrison, Thomas W. Palmer and Robert C. Wilburn (collectively the "Individual Defendants") (collectively with the Corporate Defendants referred to as "Defendants"), in the above-captioned class action (the "Action"), by their respective attorneys.

WHEREAS:
A. This Action was commenced in the United States District Court for the Western District of Pennsylvania by the filing of a Class Action Complaint by plaintiff Lin Lan on May 15, 2006, in which plaintiff Lan asserted a claim generally on behalf of all similarly situated owners of the EFL minority shares for breach of fiduciary duty by Defendants in connection with the Tender Offer and going-private Merger transaction for all of the EFL minority shares (the "Tender Offer"). In her complaint, plaintiff Lan alleged that Defendants had breached their fiduciary duties to plaintiff and the similarly situated owners of the EFL minority shares, inter alia, by offering an unfair and inadequate price arrived at by unfair procedures, and by failing to provide sufficient information in the Tender Offer documents and otherwise by which the EFL minority shareholders could make an informed decision as to whether to tender their shares;

B. After Defendants filed an amendment to the Tender Offer documents on May 19, 2006, Plaintiffs filed and served their First Amended Class Action Complaint ("Amended Complaint") against Defendants on May 25, 2006, again asserting a claim generally on behalf of all similarly situated owners of the EFL minority shares for breach of fiduciary duty by Defendants in connection with the Tender Offer. In their Amended Complaint, Plaintiffs alleged that Defendants breached their fiduciary duties to Plaintiffs and the similarly situated owners of the EFL minority shares, inter alia, by offering an unfair and inadequate $32 Tender Offer price arrived at by unfair procedures, and by failing to provide sufficient information in the Tender Offer documents and otherwise by which the EFL shareholders could make an informed decision as to whether to tender their shares. Plaintiffs’ Amended Complaint also identified specific facts and disclosures supporting their allegations that the Tender Offer documents were unreasonably slanted to lead the EFL minority stockholders to believe that the $32 Tender Offer price was fair, and that the price was fairly determined;
C. Defendants filed and served their Answers to the Amended Complaint on June 30, 2006, and therein denied Plaintiffs' allegations and claim for breach of fiduciary duty and asserted numerous affirmative defenses to the Amended Complaint;

D. After the Court inquired during case conferences on August 21, 2006 and September 22, 2006 into whether this case was one where the class certification issues under Fed. R. Civ. P. 23 could be stipulated to by the parties, the parties agreed by stipulation dated and "so ordered by the Court on October 20, 2006 to certify Plaintiffs as class representatives, and William R. Weinstein as Class Counsel, pursuant to Fed. R. Civ. P. 23, with respect to the breach of fiduciary duty claim asserted in their Amended Complaint on behalf of the following class of similarly situated persons:

All shareholders of Erie Family Life on May 25, 2006, except Defendants and any person, firm, trust, corporation, or other entity related to or affiliated with any of the Defendants;

E. On or about August 18, 2006, the Individual Defendants moved to dismiss the Amended Complaint and for judgment on the pleadings pursuant to Fed. R. Civ. P. 12(c) on the grounds that Plaintiffs were precluded under Pennsylvania law from asserting claims for breach of fiduciary duty directly against the Individual Defendants;

F. Following extensive briefing, on November 13, 2006 the Court held oral argument on the Individual Defendants' Rule 12(c) motion, and that motion remained sub judice until withdrawn without prejudice by stipulation and order entered March 2, 2007 following the parties' agreement to the material terms of the settlement embodied herein (the "Settlement");

G. Plaintiffs' counsel have conducted a thorough investigation relating to Plaintiffs' claims that were or could have been asserted in the Amended Complaint, and the underlying events and acts alleged in the Amended Complaint and the circumstances preceding and relating
to the Tender Offer, including (i) analyzing filings made by Defendants with the SEC regarding and in connection with the Tender Offer and Defendants; (ii) analyzing in excess of 20,000 pages of documents requested and/or subpoenaed by Plaintiffs in the prosecution of the Action and thereafter produced by Defendants and their consultants, including financial consultants Cochran Caronia Waller Securities LLC, Houlihan Lokey Howard & Zukin Financial Advisors, Inc., and Archstone Consulting LLC; and (iii) consulting with an expert on, among other things, the damages allegedly suffered by Plaintiffs and the Class;

H. Counsel for the parties to this Settlement have engaged in extensive and protracted arm's-length negotiations with respect to the compromise and settlement of the Action;

I. While Plaintiffs believe their claims have substantial merit, they recognize that the claims are sharply disputed and that the ultimate outcome of the Action is uncertain. Plaintiffs and their counsel have also taken into account the size of the recovery and the length and expense of continued proceedings necessary to prosecute the Action against the Defendants through trial and appeals. Plaintiffs and their counsel therefore desire to settle the Action on the terms and conditions hereinafter set forth, and deem such Settlement to be fair, reasonable and adequate and in the best interests of Plaintiffs and the other members of the Class;

J. Defendants have denied, and continue to deny, each and every allegation of wrongdoing made against them or that could have been made against them in the Amended Complaint, and assert that they have meritorious defenses to those claims, that their conduct has been lawful and proper in all respects, that no person or entity has suffered any harm or damages as a result of any matter that is the subject or underlies any of the claims against them in the
Action, that the Court as a matter of law is precluded from reviewing the Tender Offer from the standpoint of substantial fairness to the shareholders of EFL, and that judgment should be entered dismissing all claims against them with prejudice. Defendants have entered into this Stipulation for the purpose of avoiding the continuing additional expense, inconvenience, distraction and risk of this litigation, without admitting any wrongdoing whatsoever. By so doing, the Defendants desire to settle, compromise and terminate with prejudice the Action, and put to rest forever all claims which have or could have been asserted therein or which arise from or are in any way related to the acts, facts, transactions, occurrences, representations or omissions alleged or that could have been alleged in the Amended Complaint. Plaintiffs and Defendants agree that this Stipulation shall not be deemed or construed to be an admission or evidence of any violation of any statute or law or of any liability or wrongdoing by the Defendants or a concession by Plaintiffs that the claims lack merit.

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED, by and among the undersigned parties, through their respective counsel and subject to all of the terms and conditions set forth herein and the approval of the Court pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, that this Action, as well as any and all of the claims and causes of action of any nature which have or could have been asserted therein or which arise out of or are in any way related to the acts, transactions or occurrences alleged in the Amended Complaint be, and the same hereby are, compromised and settled on the terms and conditions hereinafter set forth:

1. Promptly after the execution of the Stipulation, the parties shall apply to the Court for the entry of an Order Preliminarily Approving Settlement (the “Hearing Order”) substantially in the form annexed as Exhibit A:
(a) certifying the following Class for purposes of this Settlement only:

All shareholders of Erie Family Life Insurance Company ("EFL") on May 25, 2006, excluding (i) Defendants, (ii) the other directors and executive officers of EFL and Erie Indemnity Company as listed in Schedule B to the April 27, 2006 Offer to Purchase, and (iii) the shareholders identified in footnotes 5 and 6 of Schedule B to the April 27, 2006 Offer to Purchase.

(b) scheduling a hearing (the "Hearing") to determine whether the proposed Settlement should be approved as fair, reasonable and adequate to the members of the Class, and the amount of fees and expenses to be awarded to Plaintiffs' counsel and incentive fees to Plaintiffs;

(c) approving as to form the content of the Notice of Pendency and Proposed Settlement of Class Action (the "Notice"); attached hereto as Exhibit B;

(d) directing the mailing of the Notice by first-class mail to members of the Class;

(e) finding that the mailing of the Notice pursuant to paragraph 1(a)(iv) hereof constitutes the best notice practicable under the circumstances and is due and sufficient notice of the matters set forth in the Notice to all members of the Class, pursuant to Rule 23(c)(2) of the Federal Rules of Civil Procedure, and that the Notice fully satisfies the requirements of due process and the Federal Rules of Civil Procedure;

(f) empowering Plaintiffs' Class Counsel, William R. Weinstein, Esq., of Sanford Wittels & Heisler, LLP or other representatives of Plaintiffs, including the designated Settlement Administrator selected by Plaintiffs' Class Counsel for approval by the Court in the Hearing Order (and subject to further court order and this Stipulation), to supervise and
administer the identification and notice procedures of the Settlement, as well as the
administration and disbursement of the Settlement Fund (as further described in Paragraphs 2-3
below); and

(g) pending the final determination of the fairness, reasonableness and
adequacy of the proposed Settlement, enjoining any member of the Class either directly,
representatively, or in any other capacity from prosecuting, instituting or commencing, on behalf
of that Class member or the Class, any claim which has been or could have been asserted in this
Action or any other claim arising out of or in any way related to any acts, facts, transactions,
occurrences, representations or omissions or other subject matter set forth, alleged or embraced
in the Amended Complaint, including but not limited to the action currently pending in the
United States District Court for the Western District of Pennsylvania, Erie Division, captioned

2. The “Settlement Consideration shall consist of an amount equal to $2.45 per
share times the number of shares held by the members of Class, which as accurately reflected in
the records of EFL, totaled 2,136,439.66 shares on May 25, 2006; therefore, the total Settlement
Consideration equals $5,234,277.17. A settlement fund comprised of the Settlement
Consideration (the “Settlement Fund”) shall be created and maintained as follows:

(a) Within five (5) days of entry of the Hearing Order, Erie Exchange on
behalf of all Defendants shall cause the Settlement Consideration to be deposited into an interest-
bearing escrow account maintained by the Administrator with a banking institution that is
acceptable to Plaintiffs’ Class Counsel;

(b) The Settlement Fund will be held initially in the depositary institution
referred to in paragraph 2(a) which shall take no action except upon written instructions signed by Plaintiffs’ Class Counsel. The Settlement Fund, with the exception of $10,000 for the mailing of Notice, shall be invested initially in United States Obligations (specifically U.S. Treasury Notes) with a maturity not greater than 60 days. The Settlement Fund and the interest accrued thereon shall be reinvested as appropriate in accordance with the timing of the administration and distribution of the Settlement Fund.

(c) The costs and expenses necessary to give Notice of the proposed Settlement to members of the Class shall be payable out of the Settlement Fund. Such costs and expenses shall be limited to: (i) the costs of printing and mailing to all EFL holders of record and beneficial owners (and their nominees) comprising the Class; and (ii) the costs incurred by nominees in providing notice to members of the Class.

(d) Subject to further order and direction by the Court, Plaintiffs’ Class Counsel is authorized to execute such documents and procedures for payment of taxes, providing notice to the Class and administering the Settlement as are consistent with the terms of the Stipulation.

(e) The Settlement Fund shall be deemed and considered to be in custodia legis of the Court, and shall remain subject to the jurisdiction of the Court, until such time as such funds shall be distributed pursuant to the Stipulation and/or further order(s) of the Court.

3. The Settlement Fund shall be disbursed in the following manner:

(a) To Plaintiffs’ Class Counsel and the other Plaintiffs’ counsel of record, such fees, expenses and disbursements as may be awarded by the Court, to be allocated among
all counsel representing Plaintiffs and Class members in this Action by Plaintiffs’ Class Counsel in a manner which, in Plaintiffs’ Class Counsel’s good faith judgment, reflects each Plaintiffs’ counsel’s contribution to the institution, prosecution and resolution of the Action. Said fees and expenses may be drawn down from the Settlement Fund and paid to Plaintiffs’ Class Counsel for further allocation and distribution on or after the Effective Date of the Stipulation and Settlement as set forth in Paragraph 8 hereof.

(b) To Plaintiffs for their efforts in connection with the prosecution of the Action such incentive fees as may be awarded by the Court;

(c) To pay all costs and expenses incurred in connection with the administration of the Settlement, including the mailing of the Notice, and the costs to distribute Settlement proceeds to Class members.

(d) To pay any taxes on the interest earned on the Settlement Fund and tax-related fees and expenses;

(e) The balance of the Settlement Fund (the “Net Settlement Fund”) will be distributed by the Settlement Administrator pro rata (i.e., in accordance with the ratio of each Class member’s EFL shares owned on May 25, 2006 to the 2,136,439.66 total minority EFL shares on May 25, 2006) (i) to all Class members who have not validly excluded themselves from the Settlement, and (ii) to Erie Insurance Exchange with respect to those shares owned by Class members who validly exclude themselves. Any Net Settlement Funds (other than the pro rata reversion to Erie Insurance Exchange relating to valid exclusions) not ultimately paid to Class members after the expiration of 180 days from the date of the initial distribution of the Net Settlement Fund and the completion of reasonable follow-up efforts by the Settlement
Administrator will be paid to the following charity agreed to by the parties to the Stipulation: ALS Therapy Development Institute, 215 First Street, Cambridge, MA 02142.

4. (a) The Settlement fund shall, upon the Effective Date (defined in Paragraph 8 hereof), constitute a “qualified settlement fund with the meaning of Treasury Regulation Sections 1.468B-1 through 1.468B-3, 26 C.F.R. §§ 1.468B-1 through 1.468B-3 (1992). The parties and the Settlement Administrator shall treat the Settlement Fund as a qualified settlement fund for all reporting purposes under the federal tax laws.

(b) Earnings on investment of the Settlement Fund may be used at any time to pay the actual amount of taxes assessed against the Settlement Fund. The Settlement Administrator shall pay these taxes (and any other tax-related fees and expenses) without prior approval of the Court. Neither Plaintiffs, Defendants nor their counsel shall have any responsibility for the payment of taxes described in this paragraph.

(c) The Settlement Administrator shall serve as the administrator of the Settlement Fund within the meaning of Treasury Regulation Section 1.468B-2(k)(3), 26 C.F.R. § 1.468B-2(k)(3) (1992). The Settlement Administrator will comply with all applicable reporting, withholding, and filing requirements for a qualified settlement fund, as provided for in Treasury Regulation Sections 1.468B-1 through 1.468B-3, 26 C.F.R. §§ 1.468B-1 through 1.468B-3 (1992). Neither Plaintiffs, Defendants, nor their counsel shall have any responsibility for the payment or withholding of taxes assessed on the Settlement Fund. The parties to this Settlement agree to cooperate with the Settlement Administrator, each other and any tax attorneys or accountants to the extent reasonably necessary to carry out the provisions of this Paragraph 4.

5. (a) The Settlement Administrator, acting under the supervision of Plaintiffs’ Class Counsel, shall be responsible for the administration of the Settlement, including but not
limited to mailing Notice to members of the Class and computing and making distributions to Class members of their pro rata share of the Net Settlement Fund. Defendants and their counsel shall have no responsibility for the administration of the Settlement.

(b) The administration of the Settlement, payments out of the Settlement Fund, and the final computation of each Class member’s pro rata share of the Net Settlement Fund shall be under the authority of the Court.

6. (a) Upon the Effective Date of the Settlement, as defined in Paragraph 8 hereeto, Plaintiffs and all other members of the Class who have not been excluded therefrom, on behalf of themselves, their respective heirs, executors, attorneys and administrators, successors and/or assigns of any person(s) they represent (collectively the “Releasing Parties”), in any and every capacity whatsoever, for good and sufficient consideration, the receipt of which is hereby acknowledged, shall be deemed to have fully, finally, and irrevocably released, relinquished and forever discharged the Defendants and any person, firm, trust, corporation, or other entity related to, affiliated with, employed by, or acting as an officer, director, attorney, insurer or agent for, any of the Defendants, including but not limited to each of the named Defendants and the Erie Pension Plan (collectively, the “Released Parties”) from all claims (including “Unknown Claims, defined below), demands, rights, liabilities and causes of action of every nature and description whatsoever, asserted or that might have been asserted, including, without limitation, claims for breach of fiduciary duty, fraud, negligent misrepresentation, or violations of state or federal statutes, regulations or principles of common law, by any Plaintiff or Class member against Defendants or the Released Parties arising out of, relating to, in connection with or concerning in any respect or any aspect the Tender Offer and going-private Merger transaction for all of the minority shares of EFL, including but not limited to the claims that were brought or
could have been brought in the Action regarding the Tender Offer, the written materials
concerning the Tender Offer or the price offered or paid for the minority shares of EFL in
connection with the Tender Offer, and also including but not limited to any claims that were
brought or could have been brought in the action currently pending in the United States District
Court for the Western District of Pennsylvania, Erie Division, captioned Purchase, et al., v.
Ludrof, et al., 1:06-cv-00130.

(b) “Unknown Claims means any and all settled claims which any Plaintiff
or Class member or Releasing Party does not know or suspect to exist in his, her or its favor at
the time of the release of the Released Parties, and any claims of the Released Parties which any
Defendant does not know or suspect to exist in his, her or its favor, which if known by him, her
or it might have affected his, her or its decision not to object to the Stipulation of Settlement.

7. Upon the approval by the Court of the Settlement, a Final Judgment shall be
entered in the Action, substantially in the form annexed hereto as Exhibit C:

(a) Approving the Settlement, adjudging the terms to be fair, reasonable and
adequate; directing consummation of its terms and provisions; awarding Plaintiffs’ counsel such
attorneys’ fees and expenses and Plaintiffs such incentive fees as the Court deems appropriate to
be paid from the Settlement Fund; and retaining jurisdiction to effectuate the foregoing:

(b) Dismissing the Amended Complaint in the Action on the merits and with
prejudice as against Plaintiffs and the Class and permanently barring the members of the Class
except those persons who excluded themselves therefrom from prosecuting against Defendant
any individual or class claims which are or could have been asserted in the Action, including
without limitation claims that were brought or could have been brought in the Action regarding
the Tender Offer, the written materials concerning the Tender Offer or the price offered or paid for the minority shares of EFL in connection with the Tender Offer, and also including but not limited to any claims that were brought or could have been brought in the action currently pending in the United States District Court for the Western District of Pennsylvania, Erie Division, captioned Purchase, et al., v. Ludrof, et al., 1:06-cv-00130; and

(c) Containing such other and further provisions consistent with the terms and provisions of this Stipulation as the Court may deem advisable.

8. The Settlement embodied in this Stipulation shall not become effective (the “Effective Date”) until all of the following conditions have been satisfied, unless one or more such conditions is expressly waived by the Defendants in writing:

(a) The entry by the Court of a Hearing Order, substantially in the form annexed as Exhibit A hereto;

(b) The entry by the Court of the Final Judgment substantially in the form annexed as Exhibit C hereto approving the Settlement and dismissing the Amended Complaint in the Action on the merits and with prejudice; and

(c) The expiration of any time for appeal or review of the Final Judgment referred to in Paragraph 7 and 8(b), or if any appeal is filed and not dismissed, such Final Judgment is upheld on appeal in all material respects and is no longer subject to review upon appeal or by writ of certiorari, or in the event the Court enters a judgment in a form other than the Final Judgment provided above (“Alternative Judgment”) and none of the parties elects to terminate the Settlement, the date such Alternative Judgment becomes final and no longer
subject to appeal or review. For the purposes of this Paragraph 8(c), an appeal by or on behalf of any Class member or by any person or entity other than Plaintiffs’ counsel pertaining solely to the Court’s determination regarding the application by Plaintiffs’ counsel for an award of attorneys’ fees, expenses and incentive fees to Plaintiffs or the distribution of the amounts awarded will not in any way delay the Effective Date of the Stipulation and Settlement.

9. (a) Upon the Effective Date, as defined in Paragraph 8 hereof, each of the Releasing Parties and each of the Released Parties shall be deemed to have, and by operation of law and the Final Judgment shall have, fully, finally and irrevocably released, relinquished and forever discharged the named Plaintiffs, Class members, Plaintiffs’ Class Counsel, and all other counsel representing Plaintiffs and the Class members in the Action from all claims arising out of, relating to, or in connection with the institution, prosecution, assertion or resolution of the Action and the Released Claims under any state, federal or foreign statute, regulation or principle of common law; provided, however, that nothing in this Stipulation or the Final Judgment shall bar any action or release any claim to enforce the terms of this Stipulation or the Final Judgment.

(b) Defendants, their respective counsel, and the Released Parties shall have no responsibility with respect to the distribution of the Net Settlement Fund. Additionally, no Class member or other person shall have any claim against Plaintiffs’ Class Counsel, and/or all other counsel representing Plaintiffs and Class members in this Action, the Settlement Administrator or other agent designated by Plaintiffs’ Class Counsel, so long as such Class member’s distribution of the Net Settlement Fund is made substantially in accordance with the Stipulation and the Settlement or any further orders of the Court.
10. (a) If the Settlement is not preliminarily approved by the Court by entry of a Hearing Order substantially in the form of Exhibit A annexed hereto, all monies held in escrow pursuant to Paragraph 2(a) hereto shall be returned to Erie Exchange.

(b) If the Settlement does not become effective, all monies paid by Erie Exchange on behalf of Defendants pursuant to Paragraph 2 of this Stipulation and Settlement, less the costs of giving Notice to the Class, identifying the members of the Class and commencing the administration of the Settlement, shall be returned to Erie Exchange within ten (10) business days by remitting a check in the amount of the balance of the Settlement Fund to counsel for Erie Exchange. Plaintiffs’ Class Counsel shall also provide to counsel for Erie Exchange an accounting to support the deduction from the Settlement Fund of any costs paid for giving notice to the Class, identifying the members of the Class, and commencing administration of the Settlement.

(c) Additionally, Defendants may elect to terminate the Settlement if members of the Settlement Class owning, alone or together, 10% or more of the 2,136,439.66 shares held by the Settlement Class file timely and valid requests for exclusion.

11. Neither this Stipulation nor any proceedings taken in accordance with the terms set forth herein shall be construed or deemed to be evidence, or any admission or concession, either (a) on the part of Plaintiffs, of the lack of merit of this Action, or (b) on the part of the Defendants, of any violation of any statute or regulation or principle of common law or of any liability or wrongdoing or that any person or entity has suffered any damages as a result of any matter that underlies any of the allegations or claims that were or could have been brought in the Action. Any such evidence, admission or concession is expressly denied and disclaimed by each of the Plaintiffs and each of the Defendants. Neither this Stipulation, nor the fact of its
execution, nor any of its provisions, shall be offered or received in evidence in any action or proceeding of any nature or otherwise referred to or used in any manner in any court of other tribunal, except as evidence of the fact of the making of this Stipulation in an action or proceeding seeking to enforce its terms.

12. In the event the proposed Settlement is not approved by the Court, or for any reason the parties fail to obtain a Final Judgment as described in Paragraph 7 above, then, in either such events, the Stipulation shall become null and void and of no further force and effect, and shall not be used or referred to for any purpose whatsoever. In such event, the Stipulation and all negotiations shall become null and void, and all proceedings relating thereto shall be withdrawn without prejudice as to the rights of any and all parties thereto who shall be restored to their respective positions existing as of the date of the Stipulation.

13. The parties to this Stipulation and the Settlement embodied herein agree to cooperate in the prompt submission of this Stipulation to the Court, and to take all steps that may be required by the Court and otherwise to use their best efforts to consummate the Settlement and to obtain entry of a Final Judgment. Any inconsistency between this Stipulation and the exhibits attached hereto shall be resolved in favor of this Stipulation.

14. This Stipulation shall be binding and shall inure to the benefit of the parties hereto and their respective successors, assigns, executors, administrators, heirs and legal representatives, as the case may be; provided, however, that no assignment by any party hereto shall operate to relieve such party hereto of his, her, or its obligations hereunder.

15. This Stipulation and the exhibits hereto constitute the sole and entire agreement among the parties hereto with respect to the subject matter hereof, and no representations, warranties, inducements, promises or agreements (oral or otherwise) not embodied or
incorporated herein, can override the terms of this Stipulation and the exhibits hereto. Any an all prior discussions, negotiations, agreements and understandings relating thereto are superseded hereby and merged herein. The provisions of this Stipulation (including any time periods specified herein) may be modified by written agreement of all of the parties with the consent of the Court without further notice to the Class, unless the Court requires such notice. The terms or provisions of this Stipulation may not be changed, waived, modified or varied in any manner whatsoever unless in writing duly signed by all parties hereto. Any failure by any party to this Stipulation to insist on strict performance by any other party of any of the provisions of this Stipulation shall not be deemed a waiver of any of the provisions hereof, and such party, notwithstanding such failure, shall have the right thereafter to insist upon the strict performance of any and all of the provisions of this Stipulation by such other party.

16. This Stipulation, including but not limited to the releases contained herein, shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania, without regard to its conflict of laws principles. This Stipulation and the exhibits hereto shall be considered to have been negotiated, executed and delivered, and to be performed, wholly within the Commonwealth of Pennsylvania. The Court shall retain jurisdiction with respect to the implementation and enforcement of the terms of the Stipulation, and all parties hereto and Released Persons and members of the Class submit to the exclusive jurisdiction of the Court for purposes of implementing and enforcing the settlement embodied in the Stipulation.

17. This Stipulation shall not be construed more strictly against one party than another merely by virtue of the fact that it may have been prepared by counsel for one of the parties, it being recognized that, because of the arm’s-length negotiations between the parties hereto, all parties hereto have contributed substantially and materially to the preparation of this
Stipulation.

18. The undersigned each represent that they have the full authority necessary to execute this Stipulation.

19. This Stipulation may be executed in separate counterparts, and a facsimile or “PDF signature shall be deemed to constitute an original signature for the purposes hereof.
Dated: April 26, 2007

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Co-Counsel for Plaintiffs and the Class
IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

LIN LAN and J. WILLIAM MORRIS,
on behalf of themselves and all others
similarly situated,

Plaintiffs,

v.

JEFFREY A. LUDROF, et al.,

Defendants.

ORDER PRELIMINARILY APPROVING SETTLEMENT

The parties having made application, pursuant to Rule 23(e) of the Federal Rules of Civil
Procedure, for an Order approving the settlement of the above-captioned class action (the
"Action") in accordance with the Stipulation of Settlement dated April 26, 2007 (the
"Stipulation") which, together with the exhibits annexed thereto, sets forth the terms and
conditions for a proposed settlement of this Action and for dismissal of this Action (the
"Settlement"); and the Court having read and considered the Stipulation and the exhibits annexed
thereto; and all parties having consented to the entry of this Order, it is hereby ORDERED:

1. The Court hereby certifies this Action to proceed as a class action for purposes of
settlement only, pursuant to Rule 23(a) and 23(b) of the Federal Rules of Civil Procedure, on
behalf of the class (the "Class") consisting of plaintiffs Lin Lan and J. William Morris
("Plaintiffs"), and all other persons as follows:

All shareholders of Erie Family Life Insurance Company ("EFL") on May 25,
2006, excluding (i) Defendants, (ii) the other directors and executive officers of
EFL and Erie Indemnity Company as listed in Schedule B to the April 27, 2006

EXHIBIT A
Offer to Purchase, and (iii) the shareholders identified in footnotes 5 and 6 of Schedule B to the April 27, 2006 Offer to Purchase.

2. With respect to the Class, for purposes of settlement only, this Court finds and concludes that: (a) the members of the Class are so numerous that joinder of all Class members in the Action is impracticable; (b) there are questions of law and fact common to the Class; (c) the claims of Plaintiffs are typical of the claims of the Class; (d) in negotiating and entering into the Stipulation, Plaintiffs and Plaintiffs' Class Counsel, as designated in the Notice, have and will fairly and adequately represent and protect the interests of all Class members; (e) the questions of law or fact common to the members of the Class predominate over questions affecting only individual members; and (f) certifying this Action as a Class Action is superior to the other available methods for the fair and efficient adjudication of this controversy.

3. The Stipulation and Settlement set forth therein are found preliminarily to be fair, reasonable and adequate to the Class.

4. A hearing (the "Fairness Hearing") shall be held before the Honorable Sean J. McLaughlin on _________________, 2007 at ____ __.m. in Courtroom __ in the United States Courthouse, 17 South Park Row, Erie, Pennsylvania 16501 (i) to determine whether the Settlement is fair, reasonable and adequate and should be approved by the Court and whether final judgment should be entered thereon; and (ii) to consider the application of counsel for Plaintiffs and the Class for an award of attorneys' fees and expenses, and an award of incentive fees to Plaintiffs. The Court may adjourn the Fairness Hearing without further notice to the members of the Class.

5. The Court approves, as to form and content, the Notice of Pendency and Proposed Settlement of Class Action (the "Notice") annexed as Exhibit A hereto and Exhibit B to the Stipulation, and finds that the mailing and distribution of the Notice substantially in the manner
and form set forth in Paragraph 5-6 of this Order meets the requirements of Rule 23 of the Federal Rules of Civil Procedure, due process and the Rules of this Court, and is the best notice practicable under the circumstances and shall constitute due and sufficient notice for all purposes to all persons entitled thereto.

6. Plaintiffs’ Class Counsel, William R. Weinstein of Sanford Wittels & Heisler, LLP, is hereby empowered, subject to Court order, to supervise and administer the notice procedures as more fully set forth below:

   (a) Within 10 days of the entry of this Order, Plaintiffs’ Class Counsel or its designee shall cause of copy of the Notice, substantially in the form annexed hereto as Exhibit A, to be mailed by first class mail to all persons and entities who have been identified as members of the Class;

   (b) To the extent necessary or appropriate in light of the information regarding the identity of Class members in Defendant’s records, Plaintiffs’ Class Counsel or its designee shall use reasonable efforts (i) to obtain from all banks, brokerage firms and other nominees (the “Nominees”) shown by the transfer records of Erie Family Life or others to have been the owners of the shares of EFL on May 25, 2006, the names and addresses of their customers for whom they held such shares as Nominees, and may offer to defray the reasonable costs of identifying such customers; and (ii) to cause a copy of the Notice to be mailed by first-class mail to each such person at the address provided promptly after it is received. Alternatively, Plaintiffs’ Class Counsel or its designee may use reasonable efforts (including offering to defray the reasonable cost of effecting such mailings) to cause the Nominees to make such mailings.
7. Plaintiff's Class Counsel may retain ________________ to act as Settlement Administrator for the Settlement of the Action. The Settlement Administrator shall be responsible, under the direction of Plaintiff's Class Counsel, for (i) the dissemination of notice to the Class in accordance with this Order, (ii) computing the proper amount of each Class member's entitlement to Settlement benefits, and (iii) distributing the Net Settlement Fund to Class members in accordance with Court order after the Settlement becomes final. At or before the Fairness Hearing, Plaintiff's Class Counsel shall file proof, by affidavit, of the dissemination of notice. Insofar as the Settlement Administrator is not qualified to do so, Plaintiff's Class Counsel is authorized to retain tax counsel or accountants in connection with the determination of any tax liability of the Settlement Fund, which liability is to be paid from the Settlement Fund.

8. Class members shall be afforded an opportunity to request exclusion from the Class on or before __________, 2007 in the manner specified in the Notice. If a request for exclusion does not include substantially the information specified in the Notice and/or is not executed or timely submitted as specified in the Notice, it shall not be a valid request for exclusion and any person who tenders an invalid request for exclusion shall be a member of the Class. Persons who timely and validly request exclusion from the Class shall not participate in and shall not be bound by the Settlement.

9. Any member of the Class who does not duly request exclusion therefrom may appear and show cause why the proposed Settlement should not be approved as fair, reasonable and adequate, or why judgment should not be entered thereon, or why Plaintiff's counsels' application for fees and expenses and an award of incentive fees to Plaintiff should not be granted, as requested; provided, however, that that no member of the Class or any other person shall be heard or entitled to object to the approval of the terms and conditions of the proposed
Settlement, the judgment thereon approving same, or if approved, the amount of attorneys' fees and expenses and incentive fees awarded to Plaintiffs, without permission of the Court, unless that person has (i) served by hand or by first-class mail so as to be received on or before ________________, 2007, a notice of intention to appear and a statement identifying the number of EFL shares owned on May 26, 2006 together with any written objection(s) and copies of the papers or briefs on which such objection(s) are based, on Plaintiffs’ Class Counsel, William R. Weinstein, Esq., Sanford Wittels & Heisler, LLP, 950 Third Avenue, 10th Floor, New York, NY 10022, and upon Defendants’ counsel, John J. Soroko, Esq., Duane Morris LLP, 30 South 17th Street, Philadelphia, PA 19103, and John L. Warden, Esq. Sullivan & Cromwell LLP, 125 Broad Street, New York, NY 10004; and (ii) filed said objection(s), papers and briefs with the Clerk of the Court for the United States District Court for the Western District of Pennsylvania, Erie Division (which may be done by first class mail), so as to be received by the Clerk of the Court on or before ________________, 2007. Any member of the Class who does not make his, her or its objection in the manner provided in this paragraph shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness, adequacy or reasonableness of the proposed Settlement or the application of Plaintiffs’ counsel for attorneys’ fees and expenses and an award of incentive fees to Plaintiffs.

10. No claim form shall be required to be entitled to receive Settlement benefits in accordance with the terms of the Stipulation from any Class member who does not request exclusion.

11. All pretrial proceedings in this Action are stayed and suspended until further order of the Court. Pending the final determination of the fairness, reasonableness and adequacy of the proposed Settlement, no member of the Class may either directly, representatively, or in any
other capacity prosecute, institute or commence, on behalf of that Class member or the Class, any claim which has been or could have been asserted in this Action or any other claim arising out of or in any way related to any acts, facts, transactions, occurrences, representations or omissions or other subject matter set forth, alleged or embraced in the Amended Complaint, including but not limited to the action currently pending in the United States District Court for the Western District of Pennsylvania, Erie Division, captioned Purchase, et al., v. Ludrof, et al., 1:06-cv-00130.

12. All reasonable costs incurred in locating, identifying and notifying Class members of the proposed Settlement shall be paid in the manner set forth in Paragraph 3(c) of the Stipulation.

13. In the event the proposed Settlement is not approved by the Court, or for any reason the parties fail to obtain a Final Judgment as described in Paragraph 7 of the Stipulation, then, in either such events, the amounts remaining in the Settlement Fund after payment of the costs of locating, identifying and notifying Class member of the proposed Settlement shall be returned as provided in paragraph 10 of the Stipulation, and the Stipulation shall become null and void and of no further force and effect, and shall not be used or referred to for any purpose whatsoever. In such event, the Stipulation and all negotiations shall become null and void, and all proceedings relating thereto shall be withdrawn without prejudice as to the rights of any and all parties thereto who, in accordance with Paragraph 12 of the Stipulation, shall be restored to their respective positions existing as of the date of the Stipulation.

14. The Court reserves the right to approve the Stipulation with such modifications as may be agreed to by counsel for the parties to the Stipulation and without further notice to the members of the Class.
Dated: ______________________, 2007

________________________
U.S.D.J
IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

LIN LAN and J. WILLIAM MORRIS, on behalf of themselves and all others similarly situated,
Plaintiffs,
v.
JEFFREY A. LUDROF, F. WILLIAM HIRT, SUSAN HIRT HAGEN, JONATHAN HIRT HAGEN, J. RALPH BORNEMAN, JR., JOHN T. BAILY, LUCIAN L. MORRISON, PATRICIA GARRISON-CORBIN, THOMAS W. PALMER, JOHN R. GRAHAM, C. SCOTT HARTZ, CLAUDE C. LILLY, III, ROBERT C. WILBURN, ERIE INDEMNITY COMPANY, ERIE INSURANCE EXCHANGE, and ERIE FAMILY LIFE INSURANCE COMPANY,
Defendants.

Civil Action No. 06-114E-SJM

NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF CLASS ACTION

TO: ALL SHAREHOLDERS OF ERIE FAMILY LIFE INSURANCE COMPANY ("EFL") ON MAY 25, 2006

IMPORTANT: PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. IF YOU ARE A MEMBER OF THE CLASS, YOU MAY BE ENTITLED TO RECEIVE MONEY PURSUANT TO THE PROPOSED SETTLEMENT DESCRIBED HEREIN.

EXHIBIT B
This Notice is given pursuant to an Order of the United States District Court for the Western District of Pennsylvania to inform you of the proposed settlement (the “Settlement”) of the above-captioned class action (the “Action”) for total settlement consideration of $5,234,277.17. There will be a hearing (the “Fairness Hearing”) on ______________, 2007 at ____ ___ m. in Courtroom ___ in the United States Courthouse, 17 South Park Row, Erie, Pennsylvania 16501 to determine whether (1) the proposed Settlement as set forth in the Stipulation of Settlement dated April 26, 2007 (the “Stipulation”) should be approved as fair, reasonable and adequate and in the best interests of class members; (2) a final judgment should be entered dismissing the Action with prejudice as to the Defendants; and (3) the request of Plaintiffs’ counsel for an award of attorneys’ fees and expenses and incentive fees to Plaintiffs should be granted.

NOTICE TO BROKERS AND OTHER NOMINEES

If you were a nominee for any owner of Erie Family Life common stock on May 25, 2006, you are requested, as soon as possible, to: (1) forward this Notice promptly to the Class member or, in the alternative, (2) provide Plaintiffs’ Class Counsel promptly at the above address with the names and addresses of such beneficial owners, preferably on computer-generated mailing labels. Additional copies of this Notice may be requested in writing from Plaintiffs’ Class Counsel. You are entitled to reimbursement of your reasonable expenses actually incurred in connection with the foregoing upon request and submission of appropriate supporting documentation to Plaintiffs’ Class Counsel.

THE CLASS

By Order entered _______________, 2007, the Court certified the following class for purposes of the proposed Settlement (the “Class”):

EXHIBIT B 2
All shareholders of Erie Family Life Insurance Company ("EFL") on May 25, 2006, excluding (i) Defendants, (ii) the other directors and executive officers of EFL and Erie Indemnity Company as listed in Schedule B to the April 27, 2006 Offer to Purchase, and (iii) the shareholders identified in footnotes 5 and 6 of Schedule B to the April 27, 2006 Offer to Purchase.

The above Class definition generally includes all shareholders of EFL on May 25, 2006, except for the Defendants listed in the caption on the front of this Notice, and a limited number of other directors and executive officers of EFL and Erie Indemnity Company and persons or entities closely affiliated with Defendants.

**SUMMARY OF THE SETTLEMENT**

The Stipulation provides for the payment of total Settlement Consideration equal to $5,234,277.17 (or $2.45 per share for 2,136,439.66 total shares held by the members of Class on May 25, 2006) in settlement of all claims that were or could have been asserted in connection with the Tender Offer and going-private Merger transaction for all of the EFL minority shares (the "Tender Offer") completed in May 2006.

Under the terms of the proposed Settlement, if approved by the Court, no claim form or any other document is required to be filed by Class members to be entitled to participate in the Settlement. All Class members who do not request exclusion from the Class will be entitled to receive payment under the Settlement without taking any further action.

The total Settlement Consideration of $5,234,277.17 will be paid into a settlement fund (the "Settlement Fund") which, if the Settlement is approved by the Court, will be used to pay all costs and expenses incurred in connection with the administration of the Settlement, including the dissemination of this Notice, and the costs to distribute Settlement proceeds to Class members. Additionally, if the Settlement is approved by the Court, Plaintiffs’ counsel will seek Court approval for an award of attorneys’ fees and reimbursement of expenses, and incentive

**EXHIBIT B**

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awards for Plaintiffs Lan and Morris, to be paid from the Settlement Fund. To date, Plaintiffs’
counsel have not received payment for their services in prosecuting this case, nor have they been
reimbursed for their out-of-pocket expenses. Assuming that the total amount of attorneys’ fees,
expenses, incentive awards and costs to administer the Settlement do not exceed 33% of the
Settlement Fund, then each Class member who does not request exclusion will be entitled to
receive payment equal to at least $1.64 for each share of EFL stock owned on May 25, 2006.

Class Counsel for Plaintiffs and the Class is William R. Weinstein, Esq., SANFORD
WITTELS & HEISLER, LLP, 950 Third Avenue, 10th Floor, New York, NY 10022, (646) 723-
2451. Class Counsel and his firm are available to answer questions from members of the Class
concerning any matter contained in this Notice.

HISTORY AND BACKGROUND OF THE SETTLEMENT

This action was commenced in the United States District Court for the Western District
of Pennsylvania by the filing of a class action complaint by Plaintiff Lin Lan on May 15, 2006,
in which Plaintiff Lan asserted a claim generally on behalf of all similarly situated owners of the
EFL minority shares for breach of fiduciary duty by Defendants in connection with the Tender
Offer.

After Defendants filed an amendment to the Tender Offer documents on May 19, 2006,
Plaintiffs Lin Lan and J. William Morris filed and served their First Amended Class Action
Complaint (“Amended Complaint”) against Defendants on May 25, 2006. Plaintiffs’ Amended
Complaint again asserted a claim generally on behalf of all similarly situated owners of the EFL
minority shares for breach of fiduciary duty by Defendants in connection with the Tender Offer.
In their Amended Complaint, Plaintiffs alleged that Defendants breached their fiduciary duties to
Plaintiffs and the other similarly situated owners of the EFL minority shares, inter alia, by

EXHIBIT B
offering an unfair and inadequate price of $32 arrived at by unfair procedures, and by failing to provide sufficient information in the Tender Offer documents and otherwise by which the EFL shareholders could make an informed decision as to whether to tender their shares at the price offered. Plaintiffs’ Amended Complaint also identified specific facts and disclosures supporting their allegations that the Tender Offer documents were unreasonably slanted to lead the EFL minority stockholders to believe that the $32 Offer price was fair, and that the price was fairly determined.

Defendants filed and served their Answers to the Amended Complaint on June 30, 2006, and therein denied Plaintiffs’ allegations and claim for breach of fiduciary duty and asserted numerous affirmative defenses to the Amended Complaint.

Plaintiffs’ counsel thereafter served Defendants with requests for the production of documents, and also subpoenaed third parties who, inter alia, had served as consultants to Defendants in connection with the Tender Offer. Defendants and their consultants ultimately produced in excess of 20,000 pages of documents in response to Plaintiffs’ document requests and subpoenas that were carefully reviewed by Plaintiffs’ counsel in connection with the prosecution of the Action.

After the Court inquired during case conferences on August 21, 2006 and September 22, 2006 into whether this case was one where the class certification issues under Fed. R. Civ. P. 23 could be stipulated to by the parties, the parties agreed by stipulation dated and “so ordered by the Court on October 20, 2006 to certify Plaintiffs as class representatives and William R. Weinstein as Class Counsel, pursuant to Fed. R. Civ. P. 23, with respect to the breach of fiduciary duty claim asserted in their Amended Complaint on behalf of the following class of similarly situated persons:

EXHIBIT B
All shareholders of Erie Family Life on May 25, 2006, except Defendants and any person, firm, trust, corporation, or other entity related to or affiliated with any of the Defendants.

On or about August 18, 2006, the Individual Defendants (but not EFL, Erie Indemnity Company and Erie Insurance Exchange) moved to dismiss the Amended Complaint and for judgment on the pleadings pursuant to Fed. R. Civ. P. 12(c) on the grounds that Plaintiffs were precluded under Pennsylvania law from asserting claims for breach of fiduciary duty directly against the Individual Defendants. Following extensive briefing, on November 13, 2006 the Court held oral argument on the Individual Defendants’ Rule 12(c) motion, and that motion remained sub judice until withdrawn without prejudice by stipulation and order entered March 2, 2007 following the parties’ agreement to the material terms of the Settlement.

Shortly after Plaintiffs’ filed their Amended Complaint in May 2006, another action asserting claims relating to the Tender Offer was also commenced in the United States District Court for the Western District of Pennsylvania, captioned Purchase, et al., v. Ludrof, et al., 1:06-cv-00130 (“the Purchase Action”). In addition to a claim for breach of fiduciary duty, the Purchase Action also asserted a claim under Section 14(e) of the Securities Exchange Act of 1934 (commonly known as the “Williams Act”) based on allegations that Defendants knowingly and intentionally committed fraud in connection with the Tender Offer by manipulating downward to $32 the price at which the Tender Offer was consummated, and by failing to disclose such manipulation in the Tender Offer documents, and thereby and otherwise providing false and misleadingly incomplete information to the EFL shareholders in connection with their decision whether or not to tender their EFL shares in the Tender Offer. In October 2006 all Defendants moved to dismiss the Purchase Action in its entirety (1) for failure to state a claim under the William Act upon which relief can be granted with the particularity required by

EXHIBIT B
applicable law; and (2) for lack of jurisdiction with respect to the state law claim for breach of fiduciary duty. Following extensive briefing, on November 13, 2006 the Court held oral argument on the Defendants’ motion to dismiss in the Purchase Action, and that motion has been sub judice since November 13, 2006. No class was ever certified by the Court in connection with the Purchase Action.

From the time that Plaintiffs filed their Amended Complaint in the Lan Action and throughout 2006 and the beginning of 2007, Plaintiffs’ Class Counsel investigated and discussed with Defendants’ Counsel the possibility of resolving the Action through settlement. Plaintiffs’ Class Counsel and Defendants’ Counsel engaged in extensive and protracted arm’s-length negotiations during this period, ultimately resulting in their agreement to enter into the Stipulation and proposed Settlement. The Stipulation expressly agrees to dispose of any claim which has or could have been asserted in this Action or any other claim arising out of or in any way related to any acts, facts, transactions, occurrences, representations or omissions or other subject matter set forth, alleged or embraced in the Amended Complaint, including but not limited to the claims asserted in the Purchase Action.

Plaintiffs’ Class Counsel’s decision to settle the Action and all possible related claims was based on their investigation and analysis of the facts and legal principles relating to claims that were or could have been asserted in the Amended Complaint, and the underlying events and acts alleged in the Amended Complaint and the circumstances preceding and relating to the Tender Offer, including (i) the facts disclosed in the public filings made by Defendants with the SEC regarding and in connection with the Tender Offer and Defendants; (ii) the facts disclosed in the more than twenty thousand pages of documents produced by Defendants and their
consultants in response to Plaintiffs’ document requests and subpoenas that were carefully reviewed by Plaintiffs’ counsel in connection with the prosecution of the Action; (iii) expert analyses on the damages allegedly suffered by Plaintiffs and the Class; and (iv) a thorough study of the legal principles applicable to Plaintiffs’ claims against Defendants that were or could have been brought in the Action and Defendant’s defenses thereto.

Notwithstanding their belief that the breach of fiduciary duty claim asserted in the Amended Complaint has merit, Plaintiffs and their counsel recognize the expense, uncertainty and delay engendered by potential future proceedings in the Action, including a trial and the subsequent inevitable appeals. Plaintiffs and their counsel also have considered the defenses that the Defendants have interposed or could interpose to Plaintiffs’ asserted and other potential claims. In view of the foregoing and the size of the recovery, Plaintiffs and their counsel have concluded that it is desirable to settle the Action on the terms and conditions set forth in the Stipulation.

Defendants have denied, and continue to deny, each and every allegation of wrongdoing made against them or that could have been made against them in the Amended Complaint, and assert that they have meritorious defenses to those claims, that their conduct has been lawful and proper in all respects, and that no person or entity has suffered any harm or damages as a result of any matter that is the subject of or underlies any of the claims against them in the Action. Defendants have entered into the Stipulation for the purpose of avoiding the continuing additional expense, inconvenience, distraction and risk of this Action, without admitting any wrongdoing whatsoever. By so doing, the Defendants desire to settle, compromise and terminate with prejudice the Action, and put to rest forever all claims which have or could have been
asserted therein or which arise from or are in any way related to the acts, facts, transactions, occurrences, representations or omissions alleged or that could have been alleged in the Amended Complaint or any other complaint that was or could have been filed regarding the Tender Offer.

**SUMMARY OF THE PROPOSED SETTLEMENT AND CLASS MEMBER DISTRIBUTIONS**

The terms and conditions of the proposed Settlement are set forth in the Stipulation which has been filed with the Court; the following is only a summary of its terms.

Subject to the terms and conditions of the Stipulation, defendant Erie Insurance Exchange ("Erie Exchange"), on behalf of itself and on behalf of defendants Erie Indemnity Company ("Erie Indemnity"), Erie Family Life Insurance Company ("EFL"), Jeffrey A. Ludrof, F. William Hirt, Susan Hirt Hagen, Jonathan Hirt Hagen, J. Ralph Borneman, Jr., John T. Baily, Patricia Garrison-Corbin, John R. Graham, C. Scott Hartz, Claude C. Lilly, III, Lucian L. Morrison, Thomas W. Palmer and Robert C. Wilburn (collectively referred to as "Defendants"), has agreed to pay into the Settlement Fund total Settlement Consideration equal to $5,234,277.17 ($2.45 per share for the 2,136,439.66 total shares held by the members of Class on May 25, 2006) in settlement of all claims that were or could have been asserted in connection with the EFL Tender Offer completed in May 2006. The Settlement Fund plus any interest earned before distribution, less the costs of notice to the Class, administration of the Settlement, any applicable taxes and related expenses, the award of attorneys’ fees and reimbursement of expenses to Plaintiffs’ counsel, and any incentive fees awarded to Plaintiffs, is referred to as the "Net Settlement Fund.

No claim form will be required to be completed or filed in connection with the Settlement for a Class member to be entitled to receive the payment of Settlement benefits.
If the Settlement is approved by the Court, the Net Settlement Fund will be distributed by the Settlement Administrator pro rata (i.e., in accordance with the ratio of each Class member’s EFL shares owned on May 25, 2006 to the 2,136,439.66 total minority EFL shares on May 25, 2006) (i) to all Class members who have not validly excluded themselves from the Settlement, and (ii) to Erie Insurance Exchange with respect to those shares owned by Class members who validly exclude themselves. Any Net Settlement Funds (other than the pro rata reversion to Erie Insurance Exchange relating to valid exclusions) not ultimately paid to Class members after the expiration of 180 days from the date of the initial distribution of the Net Settlement Fund and the completion of reasonable follow-up efforts by the Settlement Administrator will be paid to the following charity agreed to by the parties to the Stipulation: ALS Therapy Development Institute, 215 First Street, Cambridge, MA 02142.

Assuming that the total amount of attorneys’ fees, expenses, Plaintiffs’ incentive awards and costs to administer the Settlement do not exceed 33% of the Settlement Fund, then each Class member who does not request exclusion will receive payment equal to at least $1.64 for each share of EFL stock owned on May 25, 2006.

Payment as set forth above pursuant to the Stipulation shall be conclusive against all Class members. No Class member or person shall have any claim against Plaintiffs’ Counsel, the Settlement Administrator or other agents designated by Plaintiffs’ Counsel, or any Defendant or their counsel, or the Released Parties, so long as the Class member’s distribution of the Net Settlement Fund is made substantially in accordance with the Stipulation and the Settlement or any further orders of the Court.

All Class members who do not validly request exclusion will be bound by all of the terms of the Stipulation, including the terms of any judgment and release.

EXHIBIT B
ATTORNEYS’ FEES AND EXPENSES, AND INCENTIVE AWARDS TO PLAINTIFFS

Plaintiffs’ counsel intend to make a joint application to the Court for an award of attorneys’ fees in an amount not exceeding 30% of the Settlement Fund (including accrued interest) and for reimbursement of Plaintiffs’ counsels’ costs and expenses (including, without limitation, the fees and expenses of Plaintiffs’ expert).

Additionally, Plaintiffs’ counsel will seek Court approval for payment from the Settlement Fund of an incentive award of $5,000 to Plaintiff Lin Lan, and $2,000 to Plaintiff J. William Morris, for their efforts in connection with the prosecution of the Action.

EXCLUSION FROM THE CLASS

You may, if you so desire, request to be excluded from the Class. To do so, you must mail a written exclusion request to:

William R. Weinstein, Esq.                                   John J. Soroko, Esq.,
SANFORD WITTELS & HEISLER, LLP                                DUANE MORRIS LLP
950 Third Avenue, 10th Floor                                   30 South 17th Street
New York, NY 10022                                            Philadelphia, PA 19103

PLAINTIFFS’ CLASS COUNSEL                                    ERIE DEFENDANTS’ COUNSEL

John L. Warden, Esq.                                          John J. Soroko, Esq.,
SULLIVAN & CROMWELL LLP                                       DUANE MORRIS LLP
125 Broad Street                                               30 South 17th Street
New York, NY 10004                                            Philadelphia, PA 19103

INDIVIDUAL DEFENDANTS’ COUNSEL

The written request for exclusion must be signed and dated, and state: (1) your name, address and telephone number; (2) the number of shares of EFL owned on May 25, 2006, and if owned in a brokerage account, then the name of the broker and the account number in which those shares were beneficially owned; and (3) that you wish to be excluded from the Class.

EXHIBIT B
BE VALID, A REQUEST FOR EXCLUSION MUST BE SIGNED AND DATED AND STATE ALL OF THE FOREGOING INFORMATION.

Your exclusion request must be postmarked on or before ________________, 2007.

All persons who submit valid and timely requests for exclusion will have no rights under the Stipulation, will not share in the distribution of the Net Settlement Fund, and will not be bound by any judgment or release.

THE FAIRNESS HEARING

As described above, the Court has scheduled a hearing on ________________, 2007 to consider the fairness, reasonableness and adequacy of the proposed Settlement and to consider the application of Plaintiffs’ counsel for an award of attorneys’ fees and expenses and incentive fees to Plaintiffs. The Fairness Hearing may be adjourned by the Court without further notice to the members of the Class.

It is not necessary for any member of the Class to appear at the Fairness Hearing. If you do not appear, you will be represented by Plaintiffs’ Class Counsel, William R. Weinstein, Esq., SANFORD WITTELS & HEISLER, LLP, 950 Third Avenue, 10th Floor, New York, NY 10022.

Any member of the Class who does not timely request exclusion may, however, appear at the Fairness Hearing, in person or by counsel, and show cause why the proposed Settlement should not be approved as fair, reasonable and adequate, or why judgment should not be entered thereon, or why Plaintiffs’ counsels’ application for fees and expenses and an award of incentive fees to Plaintiffs should not be granted as requested; provided, however, that that no member of the Class or any other person shall be heard or entitled to object to the approval of the terms and conditions of the proposed Settlement, the judgment thereon approving same, or if approved, the amount of attorneys’ fees and expenses and incentive fees awarded to Plaintiffs, unless that

EXHIBIT B
person has served by hand or by first-class mail in writing, so as to be received on or before ______________, 2007: (a) a notice of intention to appear; (b) a statement identifying the number of EFL shares owned on May 26, 2006; (c) a statement specifying the Class member’s objections to the Settlement, and/or the application of Plaintiffs’ counsel for fees and expenses and an award of incentive fees to Plaintiffs; and (d) all other documents and writings which such Class member desires the Court to consider, upon:

William R. Weinstein, Esq.
SANFORD WITTELS & HEISLER, LLP
950 Third Avenue, 10th Floor
New York, NY 10022

John J. Soroko, Esq.,
DUANE MORRIS LLP
30 South 17th Street
Philadelphia, PA 19103

PLAINTIFFS’ CLASS COUNSEL

John L. Warden, Esq.
SULLIVAN & CROMWELL LLP
125 Broad Street
New York, NY 10004

INDIVIDUAL DEFENDANTS’ COUNSEL

and filed said objection(s), papers and briefs with the Clerk of the Court for the United States District Court for the Western District of Pennsylvania, Erie Division, United States Courthouse, 17 South Park Row, Erie, Pennsylvania 16501 (which may be done by first class mail), so as to be received by the Clerk of the Court on or before ______________, 2007. Any such objection should bear the caption “Lan v. Ludrof, et al., No. 06-114E-SJM.

Any member of the Class who does not make his, her or its objection in this manner shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness, adequacy or reasonableness of the proposed Settlement or the

EXHIBIT B
application of Plaintiffs' counsel for attorneys' fees and expenses and an award of incentive fees to Plaintiffs.

THE JUDGMENT AND RELEASE

If the Court approves the Settlement provided for in the Stipulation, a final judgment or judgments will be entered (1) approving the proposed Settlement; (2) dismissing with prejudice as to all Defendants the Amended Complaint; and (3) awarding Plaintiffs' counsel such attorneys' fees and expenses, and awarding Plaintiffs such incentive fees, as the Court deems appropriate.

Additionally, Plaintiffs and all other members of the Class who have not been excluded from the Class, on behalf of themselves, their respective heirs, executors, attorneys and administrators, successors and/or assigns of any person(s) they represent (collectively the "Releasing Parties"), in any and every capacity whatsoever, shall be deemed to have fully, finally, and irrevocably released, relinquished and forever discharged the Defendants and any person, firm, trust, corporation, or other entity related to, affiliated with, employed by, or acting as an officer, director, attorney, insurer or agent for, any of the Defendants, including but not limited to each of the named Defendants and the Erie Pension Plan (collectively, the "Released Parties") from all claims (including unknown claims), demands, rights, liabilities and causes of action of every nature and description whatsoever, asserted or that might have been asserted, including, without limitation, claims for breach of fiduciary duty, fraud, negligent misrepresentation, or violations of state or federal statutes, regulations or principles of common law, by any Plaintiff or Class member against Defendants or the Released Parties arising out of, relating to, in connection with or concerning in any respect or any aspect the Tender Offer and going-private Merger transaction for all of the minority shares of EFL, including but not limited
to the claims that were brought or could have been brought in the Action regarding the Tender Offer, the written materials concerning the Tender Offer or the price offered or paid for the minority shares of EFL in connection with the Tender Offer, and also including but not limited to any claims that were brought or could have been brought in the action currently pending in the United States District Court for the Western District of Pennsylvania, Erie Division, captioned Purchase, et al., v. Ludrof, et al., 1:06-cv-00130.

**NO CLAIM FORM IS REQUIRED TO BE ENTITLED TO RECEIVE PAYMENT UNDER THE SETTLEMENT**

Under the terms of the proposed Settlement, if approved by the Court, no claim form or any other document is required to be filed by Class members to be entitled to participate in the Settlement. All Class members who do not request exclusion from the Class will be entitled to receive payment under the Settlement without taking any further action.

Assuming that the total amount of attorneys’ fees, expenses, incentive awards and costs to administer the Settlement do not exceed 33% of the Settlement Fund, then each Class member who does not request exclusion will be entitled to receive payment equal to at least $1.64 for each share of EFL stock owned on May 25, 2006.

**INQUIRIES**

For more information regarding the Action, you may review the pleadings, the Stipulation and other papers on file with the Court. These documents may be inspected during normal business hours at the Office of the Clerk of the Court for the United States District Court for the Western District of Pennsylvania, Erie Division, United States Courthouse, 17 South Park Row, Erie, Pennsylvania 16501.

**EXHIBIT B**
Additionally, a copy of the Amended Complaint and Stipulation can be viewed on the internet by going to the website of Plaintiffs’ Class Counsel: www.nydclaw.com.

ALL QUESTIONS CONCERNING THIS NOTICE, THE ACTION OR THE PROPOSED SETTLEMENT AND THE FAIRNESS HEARING SHOULD BE DIRECTED TO PLAINTIFFS’ CLASS COUNSEL:

William R. Weinstein, Esq.
SANFORD WITTELS & HEISLER, LLP
950 Third Avenue, 10th Floor
New York, NY 10022
(646) 723-2451

PLEASE DO NOT CONTACT THE COURT OR THE CLERK OF THE COURT.

Dated: Erie, Pennsylvania
________________________, 2007

BY ORDER OF THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF PENNSYLVANIA
IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

LIN LAN and J. WILLIAM MORRIS,
on behalf of themselves and all others
similarly situated,

Plaintiffs,

v.

JEFFREY A. LUDROF, et al.,

Defendants.

Civil Action No. 06-114 Erie (SJM)

ORDER AND FINAL JUDGMENT APPROVING SETTLEMENT
AND AWARDING ATTORNEYS’ FEES AND EXPENSES

WHEREAS:

A. On ____________, 2007, Plaintiffs and Defendants applied to the Court pursuant to Rule 23 of the Federal Rules of Civil Procedure for an Order implementing the settlement of this litigation (the “Action”) in accordance with the Stipulation of Settlement dated April 26, 2007 (the “Stipulation”) that, together with the exhibits annexed thereto, sets forth the terms and conditions for a proposed settlement of this Action (the “Settlement”) and for a judgment dismissing this Action with prejudice upon the terms and conditions set forth in the Stipulation.

B. In the Order Preliminarily Approving Settlement, dated ____________, 2007 (the “Hearing Order”), this Court, among other things: (i) certified the Class for purposes of Settlement only; (ii) preliminarily approved the Settlement; (iii) scheduled a hearing for ____________, 2007 to consider whether to approve the Settlement as being fair,
reasonable and adequate, to enter final judgment thereon and to consider any application by Plaintiffs’ counsel for attorneys’ fees and expenses and an award of incentive fees to Plaintiffs (the “Fairness Hearing”); and (iv) directed that Notice of certification of the Class, the proposed Settlement and the Fairness Hearing, substantially in the form annexed as Exhibit B to the Stipulation (the “Notice”), be disseminated to all Class Members who could be identified with reasonable effort.

C. Plaintiffs’ Class Counsel have submitted an affidavit from the Settlement Administrator appointed in the Hearing Order attesting that the Notice was disseminated in accordance with the Court’s Hearing Order.

D. Plaintiffs’ Class Counsel have submitted a list of all Class members who properly and timely requested exclusion from the Class (a copy of which is attached as Exhibit 1 hereto).

E. The Court held a Fairness Hearing on ________________, 2007 and has considered all prior proceedings in the Action, the Stipulation and the exhibits annexed thereto, any submissions made in connection with the proposed Settlement and all proceedings during the Fairness Hearing.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED as follows:

1. To the extent not defined herein, this Order and Final Judgment (the “Final Judgment”) incorporates by reference the definitions in the Stipulation and all terms not otherwise defined herein shall have the same meanings as set forth in the Stipulation.

2. The Court hereby determines that the Notice complied with the requirements of Rules 23(c)(2) and 23(e) of the Federal Rules of Civil Procedure and due process and was the best notice practicable under the circumstances and constituted due and sufficient notice to all persons entitled thereto, including individual notice to all members of the Class who could be

EXHIBIT C
identified through reasonable effort. The Notice provided due and adequate notice of these proceedings, the Settlement, the application of Plaintiffs’ counsel for an award of attorneys’ fees and expenses and an award of incentive fees to Plaintiffs, and the other matters set forth therein, to all persons entitled to such notice.

3. Due and adequate notice of the proceedings having been given to the members of the Class, and a full opportunity having been offered to members of the Class to object to the proposed Settlement, to participate in the Fairness Hearing thereon, or to request exclusion from the Class, it is hereby determined that all members of the Class who have not requested exclusion are bound by this Final Judgment (whether or not any Class member has objected to the Settlement).

4. Those persons identified in Exhibit 1 hereto shall be excluded from the Class and any benefits under the Settlement.

5. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, the Court finds that the Settlement is in all respects fair, reasonable and adequate to each of the Releasing Parties and each member of the Class, and the Settlement is hereby approved by the Court. In making this determination, the Court has considered, among other things, the benefits conferred on the Class by the Settlement, the risks faced by the Class in establishing liability and damages, and the likely probable duration, complexity and further expense of this litigation in the absence of a settlement. The Court further finds that the Settlement has been the product of arm’s-length negotiations and has been entered into in good faith. The parties thereto are directed to consummate the Settlement in accordance with the terms and conditions of the Stipulation.

[(a) In determining that the Settlement is in all respects fair, reasonable and adequate to each of the Releasing Parties and each member of the Class, and in approving the

EXHIBIT C

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settlement, the court has considered any objections raised by class members to the settlement, and those objections are hereby overruled.]

6. the amended complaint in this action is dismissed on the merits and with prejudice as to the defendants, with each party to bear his, her or its own costs, except for the payment of attorneys' fees and reimbursement of expenses and the award of incentive fees to plaintiffs as otherwise provided for in paragraph 9 below.

7. (a) the named plaintiffs in this action and all other members of the class who have not been excluded therefrom, on behalf of themselves, their respective heirs, executors, attorneys and administrators, successors and/or assigns of any person(s) they represent (collectively the "releasing parties"), in any and every capacity whatsoever, for good and sufficient consideration, the receipt of which is hereby acknowledged, shall be deemed to have fully, finally, and irrevocably released, relinquished and forever discharged the defendants and any person, firm, trust, corporation, or other entity related to, affiliated with, employed by, or acting as an officer, director, attorney, insurer or agent for, any of the defendants, including but not limited to each of the named defendants and the erie pension plan (collectively, the "released parties") from all claims (including "unknown claims," defined below), demands, rights, liabilities and causes of action of every nature and description whatsoever, asserted or that might have been asserted, including, without limitation, claims for breach of fiduciary duty, fraud, negligent misrepresentation, or violations of state or federal statutes, regulations or principles of common law, by any plaintiff or class member against defendants or the released parties arising out of, relating to, in connection with or concerning in any respect or any aspect the tender offer and going-private merger transaction for all of the minority shares of efl, including but not limited to the claims that were brought or could have been brought in the

exhibit c 4
Action regarding the Tender Offer, the written materials concerning the Tender Offer or the price offered or paid for the minority shares of EFL in connection with the Tender Offer, and also including but not limited to any claims that were brought or could have been brought in the action currently pending in the United States District Court for the Western District of Pennsylvania, Erie Division, captioned Purchase, et al., v. Ludrof, et al., 1:06-cv-00130.

(b) "Unknown Claims means any and all settled claims which any Plaintiff or Class member or Releasing Party does not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties, and any claims of the Released Parties which any Defendant does not know or suspect to exist in his, her or its favor, which if known by him, her or it might have affected his, her or its decision not to object to the Stipulation of Settlement. With respect to any and all claims, the parties stipulate and agree that upon the Effective Date of the Settlement, the Plaintiffs and the Defendants shall expressly, and each Class member shall be deemed to have, and by operation of this Final Judgment shall have, expressly waived any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or any other state, sovereign or jurisdiction, or principle of common law which is similar, comparable, or equivalent to Cal. Civ. Code §1542 which provides:

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

8. (a) Without further action by anyone, on and after the Effective Date of the Settlement, each of the Releasing Parties and each of the Released Parties shall be deemed to have, and by operation of law and this Final Judgment shall have, fully, finally and irrevocably released, relinquished and forever discharged the named Plaintiffs, Class members, Plaintiffs' Class Counsel, and all other counsel representing Plaintiffs and the Class members in the Action
from all claims arising out of, relating to, or in connection with the institution, prosecution, assertion or resolution of the Action and the Released Claims under any state, federal or foreign statute, regulation or principle of common law; provided, however, that nothing in this Final Judgment shall bar any action or release any claim to enforce the terms of the Stipulation or this Final Judgment.

(b) Defendants, their respective counsel, and the Released Parties shall have no responsibility with respect to the distribution of the Net Settlement Fund. Additionally, no Class member or other person shall have any claim against Plaintiffs' Class Counsel, and/or all other counsel representing Plaintiffs and Class members in this Action, the Settlement Administrator or other agent designated by Plaintiffs' Class Counsel, so long as such Class member's distribution of the Net Settlement Fund is made substantially in accordance with the Stipulation and the Settlement or any further orders of the Court.

9. (a) The application by Plaintiffs' Class Counsel on behalf of all counsel representing Plaintiffs and Class members in this Action for the award of attorneys' fees and reimbursement of expenses is granted, and said counsel are awarded legal fees of $____________ and expenses of $____________. The Court hereby finds the amount of fees and expenses to be fair and appropriate for the services performed and to be performed by Plaintiffs' counsel in connection with the prosecution of the Action and administration of the Settlement. Said fees and expenses shall be allocated among all counsel representing Plaintiffs and Class members in this Action by Plaintiffs' Class Counsel (William R. Weinstein of Sanford Wittels & Heisler, LLP) in a manner which, in Plaintiffs' Class Counsel's good faith judgment, reflects each Plaintiffs' counsel's contribution to the institution, prosecution and resolution of the Action. Said fees and expenses may be drawn down from the
Settlement Fund and paid to Plaintiffs’ Class Counsel for further allocation and distribution on or after the Effective Date of the Stipulation and Settlement.

(b) The application by Plaintiffs’ Class Counsel for an award of incentive fees to Plaintiffs for their efforts in connection with the prosecution of the Action is granted, and Plaintiff Lin Lan is awarded an incentive fee of $5,000 and Plaintiff J. William Morris is awarded an incentive fee of $2,000, to be paid from the Settlement Fund.

10. Neither the Stipulation nor any proceedings taken in accordance with the terms set forth therein shall be construed or deemed to be evidence, or any admission or concession, either (a) on the part of Plaintiffs, of the lack of merit of this Action, or (b) on the part of the Defendants, of any violation of any statute or regulation or principle of common law or of any liability or wrongdoing or that any person or entity has suffered any damages as a result of any matter that underlies any of the allegations or claims that were or could have been brought in the Action. Any such evidence, admission or concession is expressly denied and disclaimed by each of the Plaintiffs and each of the Defendants.

11. Without in any way affecting the finality of this Final Judgment, this Court shall retain continuing jurisdiction over this Action and the parties to the Stipulation in order to enter any further orders as may be necessary to effectuate the Stipulation, the Settlement provided for therein, and the provisions of this Order and Final Judgment.

Dated: Erie, Pennsylvania

_________________________, 2007

_________________________ U.S.D.J.
EXHIBIT 1

Persons requesting exclusion from the settlement in the action captioned *Lan, et al. v. Ludrof, et al.*: