

**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WISCONSIN**

FREEDOM FROM RELIGION)
FOUNDATION, INC.; ANNE NICOL)
GAYLOR; ANNE LAURIE GAYLOR;)
and DAN BARKER,)

Plaintiffs,)

v.)

Cause No. 05 C 0247 S

MARGARET SPELLINGS,)
Secretary of the United States Department)
Department of Education,)

Defendant.)

SETTLEMENT AGREEMENT

The parties to the above captioned proceedings, Plaintiffs Freedom from Religion Foundation, Inc., Anne Nicol Gaylor, Anne Laurie Gaylor, and Dan Barker, and Defendant Margaret Spellings, hereby settle the above-captioned complaint filed by Plaintiffs and docketed by the U.S. District Court for the Western District of Wisconsin as Cause Number 05 C 0247 S. The following sets forth a complete statement of the terms and conditions of settlement:

1. Within three days of the execution of this settlement agreement, the parties will sign and file with the Court the Stipulation of Dismissal pursuant to Federal Rule of Civil Procedure 41(a)(1)(ii), attached as Exhibit 1 to this agreement. This dismissal will be with prejudice. Each party will bear their own costs and attorneys' fees.

2. The Department of Education will suspend the Congressional earmark grants to Alaska Christian College ("ACC"), grant numbers P116Z040131 and P116Z050102, for Fiscal Years 2004 and 2005, respectively, pending submission by ACC of a corrective action plan and approval of that plan by the Department of Education, and will provide a copy of any letter

suspending those grants to plaintiffs. Unless or until the grants are reinstated by the Department of Education, ACC would not be able to further draw down grant funds.

3. If either or both of the grants are reinstated by the Department of Education, the Department of Education will notify plaintiffs, through plaintiffs' counsel.

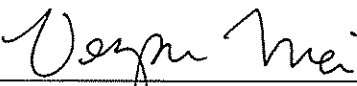
4. By this agreement, plaintiffs are not foregoing their rights to challenge the reinstatement of these grants, if that should occur.

5. The parties hereby confirm that this is the entire agreement and that no other agreement(s) exist that concern the above-captioned proceeding.

Respectfully submitted,

Richard L. Bolton
Boardman, Suhr, Curry & Field LLP
P.O. Box 927
Madison, WI 53701-0927
Telephone: (608) 257-9521
Facsimile: (608) 283-1709
rbolton@boardmanlawfirm.com

Attorney for Plaintiffs



Sheila M. Lieber
Vesper Mei
U.S. Department of Justice
Civil Division – Federal Programs Branch
20 Massachusetts Ave., N.W.
Washington, D.C. 20001
Telephone: (202) 514-3367
Facsimile: (202) 616-8470
vesper.mei@usdoj.gov

Attorneys for Defendant

Dated: _____