Exhibit 10.37  
  
  
  
 PLEDGE AGREEMENT  
  
 PLEDGE AGREEMENT dated as of July 31, 2002 (the "Agreement") by EDISON  
SCHOOLS INC. ("Pledgor") in favor of EDISON RECEIVABLES COMPANY LLC ("Pledgee").  
  
  
 WHEREAS, the parties hereto have entered into that certain Purchase  
Agreement dated as of October 31, 2001 (the "Original Purchase Agreement");  
  
  
 WHEREAS, pursuant to the Original Purchase Agreement, the Pledgor has  
certain obligations to the Pledgee, including the obligation to sell, from time  
to time, Receivables to the Pledgee;  
  
  
 WHEREAS, Pledgor wishes to induce Pledgee to purchase additional  
Receivables and to extend the existing commitment under the Original Purchase  
Agreement;  
  
  
 WHEREAS, the parties have agreed to enter into that certain Amended and  
Restated Purchase and Contribution Agreement of even date herewith (the  
"Purchase Agreement") conditioned upon the parties entering into this Agreement  
simultaneously with the Purchase Agreement;  
  
  
 WHEREAS, Pledgee has requested, and Pledgor has agreed to provide,  
collateral security for the performance of Pledgor's obligations under the  
Purchase Agreement; and  
  
 WHEREAS, Pledgor and Pledgee desire to provide for the release or  
subordination of the security interest granted hereby upon the occurrence of  
certain conditions as set forth herein;  
  
  
 NOW THEREFORE, for good and valuable consideration, the receipt and  
sufficiency of which is hereby acknowledged, the parties hereto hereby agree as  
follows:  
  
 1. Defined Terms. Except where otherwise specifically provided, all  
capitalized terms which are not defined herein but which are defined in the  
Purchase Agreement are used herein as so defined.  
  
 2. Grant of Security Interest. As collateral security for (a) the  
prompt and complete payment and performance when due of Pledgor's obligations  
under Section 2.05, Section 6.07 and Section 8.03 of the Purchase Agreement  
(collectively, the "Secured Obligations") and (b) all costs and expenses  
incurred by Pledgee in connection with the enforcement of Pledgee's rights  
against the Pledgor under the Facility Documents, Pledgor hereby assigns,  
transfers, pledges and grants to Pledgee a security interest in and to (all of  
such property being hereinafter collectively referred to as the "Collateral"):  
  
 (a) (i) all of Pledgor's membership interest in 110th and 5th  
 Associates, LLC, a New York limited liability company ("110th and  
 5th"), (ii) any and all additional interests and/or membership  
 interests issued from time to time in respect thereof, (iii) all  
 certificates, instruments, or other writings representing or evidencing  
 any of the foregoing or any portion thereof, (iv) any other claims  
 which the Pledgor now has or may acquire in its capacity as a member of  
 110th and 5th and (v) any and all proceeds of the foregoing (the  
 membership and all other interests above, the "Pledged LLC Interest");  
 and  
  
 (b) (i) all of Pledgor's right, title and interest under, in  
 and to all of the loans evidenced by promissory notes listed on  
 Schedule I attached hereto, (ii) any and all additional interests  
 and/or promissory notes issued from time to time in respect thereof,  
 (iii) all notes, instruments, or other writings representing or  
 evidencing the foregoing or any portion thereof, (iv) any other claims  
 which the Pledgor now has or may acquire in its capacity as lender  
 and/or holder with respect to such promissory notes, and (v) any and  
 all proceeds of the foregoing (the promissory notes and all other  
 interests above, the "Promissory Notes").  
  
 3. Release and Subordination of Security Interest.  
  
 (a) If (i) "Special Condition (a)" (as defined in the Real  
 Estate Agreement) occurs, (ii) the conditions precedent to the $10  
 million Term Loan (as defined in the Real Estate Agreement) and a $10  
 million revolving loan as contemplated by Section 2 of the Real Estate  
 Agreement (the "Revolving Loan") have been satisfied, and (iii) such  
 $10 million Term Loan has been fully drawn in accordance with the terms  
 thereof and $5 million of the Revolving Loan has been drawn in  
 accordance with the terms thereof, then Pledgee shall release the  
 security interest in the Collateral granted hereby.  
  
 (b) If (i) "Special Condition (b)" (as defined in the Real  
 Estate Agreement) occurs, (ii) the conditions precedent to the loan by  
 the lender under the Real Estate Agreement (the "Real Estate Lender")  
 of all or any portion of the up to $10 million Term Loan have been  
 satisfied, and (iii) $5 million of such Term Loan has been drawn in  
 accordance with the terms thereof, then Pledgee shall permit Pledgor to  
 cause 110th and 5th to grant a mortgage on the real estate assets of  
 110th and 5th listed on Exhibit C (the "Harlem Property") in favor of  
 the Real Estate Lender to secure such Term Loan. If the events under  
 the foregoing clauses (i) and (ii) occur, simultaneously with the  
 Pledgor's draw of $10 million of such Term Loan in accordance with the  
 terms thereof, the Pledgee shall release the security interest in the  
 Pledged LLC Interest.  
  
 (c) If (i) "Special Condition (b)" occurs, (ii) Pledgor has  
 satisfied the conditions precedent for the Second Closing Date with  
 respect to all or any portion of the Revolving Loan, (iii) Pledgor has  
 drawn $10 million under the Term Loan, and (iv) $1 million of the  
 Revolving Loan has been drawn in accordance with the terms thereof,  
 then Pledgee shall permit Pledgor to grant a security interest in the  
 Promissory Notes in favor of the Real Estate Lender and Pledgee shall  
 subordinate its interest therein to the security interest of the Real  
 Estate Lender therein (the "Real Estate Lender Lien"). If the events  
 under the foregoing clauses (i), (ii) and (iii) occur and Pledgor has  
 drawn $15 million in the  
  
 aggregate under the Term Loan and the Revolving Loan, then Pledgee  
 shall release the security interest in the Promissory Notes.  
  
 (d) Pledgor may cause 110th and 5th to sell the Harlem  
 Property to a purchaser or grant a mortgage thereon to a lender other  
 than the Real Estate Lender as set forth herein. When no mortgage in  
 favor of the Real Estate Lender exists on the Harlem Property, if the  
 proceeds of any such sale or financing are not less than $7 million,  
 then Pledgee shall, simultaneously with the delivery to Pledgee of 25%  
 of the proceeds of such sale or financing as cash collateral, permit  
 Pledgor to consent to such sale or mortgage. When a mortgage on the  
 Harlem Property in favor of the Real Estate Lender exists, if an amount  
 equal to the lesser of (1) 25% of the sale proceeds received by 110th  
 and 5th and (2) the excess of (x) the sale proceeds received by 110th  
 and 5th over (y) the amount of the mortgage in favor of the Real Estate  
 Lender is delivered to Pledgee as cash collateral, then the Pledgee  
 shall, simultaneously with the delivery to the Pledgee of such amount,  
 permit Pledgor to cause 110th and 5th to sell the Harlem Property.  
  
 (e) If all or any portion of the principal amount of any one  
 or more of the Promissory Notes is paid in connection with a  
 refinancing of the debt evidenced thereby prior to the pledge thereof  
 to the Real Estate Lender, then the Pledgor shall cause 25% of the  
 proceeds of such principal payment to be delivered to Pledgee as cash  
 collateral. If all or any portion of the principal amount of any one or  
 more of the Promissory Notes is paid in connection with a refinancing  
 of the debt evidenced thereby after the pledge thereof to the Real  
 Estate Lender, then the Pledgor shall cause to be delivered to Pledgee  
 as cash collateral an amount equal to the lesser of (1) 25% of the  
 proceeds of such principal payment, and (2) the excess of (x) the  
 proceeds received by Pledgor over (y) the amount paid to the Real  
 Estate Lender.  
  
 (f) Amounts held by Pledgee pursuant to Section 3(d) and/or  
 3(e) shall be invested in such investments as Pledgor and Pledgee shall  
 agree, and any proceeds of such investments shall be held by Pledgee as  
 additional collateral. Such amounts shall be retained by Pledgee as  
 additional collateral notwithstanding any subsequent release by Pledgee  
 of Collateral upon the occurrence of "Special Condition (a)" or any  
 mortgage granted to the Real Estate Lender on the Harlem Property or  
 granting of the Real Estate Lender Lien upon the occurrence of "Special  
 Condition (b)"; provided, however, that if the Term Loan is fully drawn  
 and Pledgor has satisfied the conditions precedent to draw an amount  
 under the Revolving Loan such that the aggregate amount Pledgor has  
 borrowed or is then permitted to borrow under the Real Estate Agreement  
 is greater than or equal to $15 million and the aggregate amount  
 Pledgor has drawn under the Real Estate Agreement is greater than or  
 equal to $10 million then Pledgee shall release the security interest  
 in the Collateral and all proceeds thereof.  
  
 4. Certain Understandings of the Parties.  
  
 (a) (i) The parties acknowledge and agree that the Pledged LLC  
 Interest constitutes general intangibles (as defined in Section  
 9-102(a)(42) of the UCC); and (ii) the Pledgor represents and warrants  
 that (1) neither the Pledged LLC Interest nor any portion thereof is or  
 will be traded in and/or dealt in on securities exchanges or securities  
  
 markets, (2) neither the Pledged LLC Interest nor the Articles of  
 Organization of 110th and 5th will provide that the Pledged LLC  
 Interest constitutes securities governed by the UCC, (3) the Pledged  
 LLC Interest is not and will not be investment company securities  
 within the meaning of Section 8-103 of the UCC and (4) the Pledged LLC  
 Interest is not held in a securities account by the Pledgor.  
  
 (b) To better assure the perfection of the security interest  
 of the Pledgee in the Pledged LLC Interest, concurrently with the  
 execution and delivery of this Agreement, the Pledgor shall send  
 written instructions in the form of Exhibit A hereto to 110th and 5th,  
 and shall cause 110th and 5th to, and 110th and 5th shall, deliver to  
 the Pledgor the Confirmation Statement and Instruction Agreement in the  
 form of Exhibit B hereto pursuant to which 110th and 5th will confirm  
 that it has registered the pledge effected by this Agreement on its  
 books and agrees to comply with the instructions of Pledgee in respect  
 of the Pledged LLC Interest without further consent of the Pledgor or  
 any other Person. Notwithstanding the foregoing, but subject to Section  
 8 hereof, Pledgor shall continue to act as manager of 110th and 5th.  
  
 5. Representations, Warranties and Covenants of Pledgor -  
General. Pledgor hereby represents, warrants and covenants as follows:  
  
 (a) Pledgor (i) is a corporation duly incorporated, validly  
 existing and in good standing under the laws of the State of Delaware  
 and has all corporate powers and all material governmental licenses,  
 authorizations, consents and approvals required to carry on its  
 business as now conducted, and (ii) has filed or caused to be filed all  
 federal and state tax returns which are required to be filed and has  
 paid or caused to be paid all amounts of taxes required to be paid by  
 it, except for such taxes (x) as are being contested in good faith by  
 proper proceedings and (y) against which adequate reserves shall have  
 been established in accordance with and to the extent required by GAAP.  
  
 (b) The execution, delivery and performance by the Pledgor of  
 this Agreement will not contravene or constitute a default under any  
 provision of applicable law or regulation or of the certificate of  
 incorporation or by-laws of the Pledgor, the Amended and Restated  
 Limited Liability Operating Agreement of 110th and 5th dated as of the  
 date hereof, 2002 (the "LLC Agreement") or any material agreement to  
 which the Pledgor or 110th and 5th is a party or by which any property  
 of either of them is bound, and will not result in the creation or  
 imposition of any Lien on any of the Collateral pursuant to any  
 requirement of law or contractual obligation except for (i) the Liens  
 created pursuant to this Agreement (including Liens contemplated by  
 Section 3), and (ii) Liens (x) securing taxes, assessments,  
 governmental charges or levies not yet delinquent or the payment of  
 which is being contested in good faith by appropriate proceedings  
 diligently conducted and with respect to which adequate reserves have  
 been established in accordance with GAAP and which do not, singly or in  
 the aggregate, adversely affect in any material respect the Collateral  
 or the Pledgee's ownership interest therein, and (y) arising by  
 operation of law securing any amount not yet delinquent or the payment  
 of which is being contested in good faith by appropriate proceedings  
 diligently conducted and with respect to which adequate reserves have  
 been established in accordance with GAAP and which do not, singly or in  
 the aggregate, adversely affect in any material respect the  
  
 Collateral or the Pledgee's ownership interest therein (the Liens  
 described in the foregoing clauses (i) through (ii), collectively, the  
 "Permitted Liens").  
  
 (c) Pledgor acknowledges that UCC financing statements have  
 been or will be filed in connection with the perfection of the security  
 interest granted hereby. Pledgor understands that Pledgee has relied on  
 Pledgor's representations set forth in the Purchase Agreement and the  
 Officer's Certificate delivered in connection therewith as to  
 jurisdiction of organization, location of chief executive offices,  
 name, and transactions involving merger in order to conduct appropriate  
 UCC financing statement searches with respect to the Pledgor. Pledgor  
 covenants and agrees that Pledgor will not change its name, identity or  
 corporate structure at any time during the term of this Agreement in  
 any way that would make any financing statement or continuation  
 statement filed in connection with this Agreement seriously misleading  
 within the meaning of Section 9-506, 9-507 or 9-508 of the UCC unless  
 it shall have given the Pledgee at least 30 days' prior written notice  
 thereof and causes such financing statements or continuation statement  
 to be amended or a new financing statement to be filed. The Pledgor  
 shall give the Pledgee 15 days' prior written notice of any relocation  
 of its chief executive office or jurisdiction of incorporation.  
  
 (d) This Agreement is the valid and binding obligation of  
 Pledgor, enforceable in accordance with its terms, except as  
 enforcement may be limited by bankruptcy and other similar laws  
 affecting creditors' rights generally.  
  
 (e) No consent or authorization of, filing with, or other act  
 by any governmental authority and no consent of any other person or  
 entity is required in connection with the execution, delivery,  
 performance, validity or enforceability of this Agreement.  
  
 (f) No litigation, investigation or proceeding of or before  
 any arbitrator or governmental authority is pending or, to the  
 knowledge of the Pledgor, threatened by or against Pledgor or against  
 any of its properties.  
  
 (g) Except as expressly provided for herein, Pledgor shall not  
 sell, assign, transfer, pledge or otherwise dispose of any portion of  
 the Collateral, or contract to do so without the written consent of the  
 Pledgee.  
  
 (h) Pledgor will advise Pledgee promptly, in reasonable  
 detail, of (i) any Lien on, or claim asserted against, any portion of  
 the Collateral, other than Permitted Liens, and (ii) the occurrence of  
 any other event which could reasonably be expected to have a material  
 adverse effect on the value of the Collateral or on the Liens created  
 hereunder.  
  
 (i) Pledgor will not take or omit to take any action, the  
 taking or the omission of which would result in an alteration or  
 impairment of the Collateral or the security of this Agreement.  
  
 6. Representations, Warranties and Covenants of Pledgor -  
Pledged LLC Interest. Pledgor hereby represents, warrants and covenants as  
follows:  
  
 (a) 110th and 5th (i) is a limited liability company duly  
 organized, validly existing and in good standing under the laws of the  
 State of New York, and has all company powers and all material  
 governmental licenses, authorizations, consents and approvals required  
 to carry on its business as now conducted, and (ii) has filed or caused  
 to be filed all federal and state tax returns which are required to be  
 filed and has paid or caused to be paid all amounts of taxes required  
 to be paid by it, except for such taxes (x) as are being contested in  
 good faith by proper proceedings and (y) against which adequate  
 reserves shall have been established in accordance with and to the  
 extent required by GAAP.  
  
 (b) Pledgor is the sole member of 110th and 5th.  
  
 (c) Pledgor owns the Pledged LLC Interest free and clear of  
 any Liens, other than Permitted Liens.  
  
 (d) Subject to Section 3 hereof, Pledgee has and shall have a  
 valid, enforceable and perfected first priority Lien on the Pledged LLC  
 Interest and the proceeds thereof. No security agreement, financing  
 statement or other public notice with respect to all or any part of the  
 Pledged LLC Interest is on file or of record in any public office,  
 except as may be filed pursuant to the terms of this Agreement.  
  
 (e) Pledgor's membership interest in 110th and 5th has been  
 duly authorized, validly issued and is fully paid and non-assessable.  
 Pledgor has paid in full its capital contribution to 110th and 5th as  
 recorded on the books and records of 110th and 5th, and Pledgor is not  
 required to contribute any additional amounts to the capital of 110th  
 and 5th.  
  
 (f) No litigation, investigation or proceeding of or before  
 any arbitrator or governmental authority is pending or, to the  
 knowledge of the Pledgor, threatened by or against 110th and 5th or  
 against any of its properties.  
  
 (g) Pledgor will not create, incur or permit to exist, will  
 defend the Pledged LLC Interest against, and will take such other  
 action as is necessary to remove, any Lien or claim on or to the  
 Pledged LLC Interest, other than the Lien created by this Agreement and  
 any other Permitted Liens, and will defend the right, title and  
 interest of the Pledgee in, to and under the Pledged LLC Interest  
 against the claims and demands of all persons whomsoever.  
  
 (h) The assets of 110th and 5th are listed on Exhibit C  
 hereto. Such assets are not and will not be subject to any Liens during  
 the term of this Agreement, other than as contemplated by Section 3  
 above and Permitted Liens.  
  
 (i) There is no claim or liability, or to the knowledge of the  
 Pledgor, any pending or threatened litigation, investigation,  
 proceeding or arbitration affecting 110th and 5th or its properties or  
 assets.  
  
 (j) The LLC Agreement does not and will not prohibit, restrict  
 or otherwise interfere with Pledgee's rights under this Agreement,  
 including, but not limited to Pledgee's right, in the event of a  
 default by Pledgor, under Section 8 of this Agreement, to exercise any  
 and all voting and other consensual rights pertaining to the Pledged  
 LLC Interest and to receive and retain as additional collateral all  
 distributions and interest in respect thereof.  
  
 (k) Pledgor will not cause or permit 110th and 5th to violate  
 the terms of the LLC Agreement. Except as contemplated by Section 3  
 above, Pledgor will not cause or permit 110th and 5th to (i) acquire  
 any assets, (ii) transfer or dispose of all or any portion of any asset  
 (including by license, lease, participation or encumbrance of any  
 kind), (iii) incur any indebtedness, (iv) issue any guarantees, or (v)  
 otherwise incur or contract to incur any obligation of any kind  
 whatsoever.  
  
 7. Representations, Warranties and Covenants of Pledgor -  
Promissory Notes. Pledgor hereby represents, warrants and covenants as follows:  
  
 (a) Pledgor owns the Promissory Notes free and clear of any  
 Liens, other than Permitted Liens.  
  
 (b) Pledgee has, and, subject to Section 3 above, at all times  
 during the term of this Agreement, shall have a valid, enforceable and,  
 upon the filing of the necessary financing statements under the UCC as  
 in effect in the jurisdiction whose law governs the perfection of  
 Pledgee's security interests in the Promissory Notes and/or taking  
 possession of such Promissory Notes, perfected Lien on the Promissory  
 Notes and the proceeds thereof, and such Promissory Notes are and will  
 be subject to no Liens other than Permitted Liens. No security  
 agreement, financing statement or other public notice with respect to  
 all or any part of the Promissory Notes is on file or of record in any  
 public office, except as may be filed pursuant to the Real Estate  
 Lender Lien or the terms of this Agreement.  
  
 (c) Pledgor shall do all things necessary to preserve the  
 Promissory Notes so that they remain subject to the security interest  
 granted hereunder, subject, however, to Section 3 hereof. Without  
 limiting the foregoing, Pledgor will comply with all rules, regulations  
 and other laws of any governmental authority and cause the Promissory  
 Notes to comply with all applicable rules, regulations and other laws.  
 Pledgor will not allow any default for which Pledgor is responsible to  
 occur under any of the Promissory Notes and Pledgor shall fully perform  
 or cause to be performed when due all of its obligations under the  
 Promissory Notes.  
  
 (d) Simultaneously with the execution and delivery of this  
 Agreement, Pledgor shall deliver to the Pledgee or a designated  
 assignee of the Pledgee (i) the Promissory Notes, together with an  
 effective endorsement in blank, (ii) full and complete copies of the  
 mortgages together with the assignments thereof in recordable form, and  
 (iii) full and complete copies of any other documents relating to  
 collateral for the Promissory Notes, together with appropriate  
 assignments thereof (collectively, the "Loan Documents"). Upon the  
 occurrence of the events contemplated by Section 3(a) or 3(c) above,  
 such Loan  
  
 Documents shall be delivered to the Pledgor or the Real Estate Lender,  
 as applicable. Upon the occurrence of the events contemplated by  
 Section 3(e) the Promissory Notes and the related Loan Documents shall  
 be delivered to Pledgor simultaneously with the delivery by Pledgor of  
 the cash collateral as contemplated by such Section 3(e).  
  
 (e) Each Promissory Note is valid and enforceable against its  
 respective obligor.  
  
 (f) No provision of any Promissory Note in any manner  
 restricts the ability of the Pledgor or the Pledgee to assign,  
 participate, grant security interests in, or otherwise transfer all or  
 any portion of the Pledgor's or the Pledgee's interest in the  
 Promissory Notes.  
  
 (g) No obligor is in default in any material respect under or  
 with respect to any of its obligations under the Promissory Notes.  
  
 (h) Pledgor shall not amend, refinance, cancel or forgive any  
 indebtedness evidenced by the Promissory Notes or release or impair any  
 collateral related thereto, provided, however, that the Promissory  
 Notes may be refinanced as contemplated in Section 3. Pledgor shall  
 service the portfolio of Promissory Notes with the degree of care and  
 skill that would be expected of a reasonably prudent person.  
  
 8. Default; Remedies.  
  
 (a) If Pledgor fails to perform any of the Secured Obligations  
 in accordance with their terms, (i) the Pledgee may exercise, in  
 addition to all other rights and remedies granted to it in the Purchase  
 Agreement and this Agreement, all rights and remedies of a secured  
 party under the applicable UCC, (ii) Pledgee shall be entitled to  
 exercise any and all voting and other consensual rights pertaining to  
 the Pledged LLC Interest and to receive and retain as additional  
 collateral all distributions and interest in respect thereof, (iii)  
 Pledgee shall be entitled to receive and collect payments of principal  
 and interest in respect of the Promissory Notes and to exercise  
 remedies for nonpayment provided therein and in any documents providing  
 collateral security for the payment of the Promissory Notes, and (iv)  
 Pledgor shall pay Pledgee's costs of collection, including the  
 reasonable fees and expenses of counsel, and the obligation to pay such  
 costs shall constitute an additional obligation secured by the  
 Collateral.  
  
 (b) If any notice of a proposed sale or other disposition of  
 the Pledged LLC Interest and/or the Promissory Notes shall be required  
 by Law, such notice shall be deemed reasonable and proper if given as  
 provided herein at least 10 Business Days before such sale or other  
 disposition.  
  
 9. Miscellaneous.  
  
 (a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN  
 ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE. The parties hereto  
 hereby submit to the nonexclusive jurisdiction of the courts of the  
 State of New York and the courts of the United States located in the  
 State of New York for the purpose of adjudicating any claim or  
 controversy arising under this Agreement, and for such  
  
  
 purpose, to the extent they may lawfully do so, waive any objection  
 which they may now or hereafter have to such jurisdiction or to venue  
 therein and any claim of inconvenient forum with respect thereto.  
 Nothing in this Section 9(a) shall affect the right of Pledgee (or its  
 assignee) to bring any action or proceeding against the Pledgor in the  
 courts of other jurisdictions. EACH PARTY HERETO HEREBY KNOWINGLY,  
 VOLUNTARILY, INTENTIONALLY AND IRREVOCABLY WAIVES, TO THE FULLEST  
 EXTENT PERMITTED BY LAW, ANY RIGHT TO HAVE A JURY PARTICIPATE IN  
 RESOLVING ANY DISPUTE ARISING OUT OF, IN CONNECTION WITH, RELATED TO,  
 OR INCIDENTAL TO THE RELATIONSHIP BETWEEN THEM ESTABLISHED BY THIS  
 AGREEMENT OR ANY OTHER CONTRACT, INSTRUMENT, DOCUMENT OR AGREEMENT  
 ENTERED IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS  
 CONTEMPLATED HEREBY OR ANY COURSE OF CONDUCT, COURSE OF DEALING,  
 STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTIONS OF ANY OTHER PERSON.  
  
 (b) All notices, requests, consents and demands hereunder  
 shall be in writing and shall together with any payments be personally  
 delivered or sent postage prepaid to the intended party at the address  
 set forth below or such other address as a party may specify by written  
 notice to the other party:  
  
 If to Pledgor:  
  
 Edison Schools Inc.  
 000 Xxxxx Xxxxxx, 00xx Xxxxx  
 Xxx Xxxx, Xxx Xxxx 00000  
 Attention: Xxxx X. Xxxxx  
 Telephone: (000) 000-0000  
 Telecopy: (000) 000-0000  
 E-mail: xxxxxx@xxxxxxxxxxxxx.xxx  
  
  
 If to Pledgee:  
  
 Edison Receivables Company LLC  
 000 Xxxxx Xxxxxx, 00xx Xxxxx  
 Xxx Xxxx, Xxx Xxxx 00000  
 Attention: Xxxxxxxxxxx X. Xxxxxxxx  
 Telephone: (000) 000-0000  
 Telecopy: (000) 000-0000  
  
  
 with a copy to the Lender, at the following address:  
  
 Xxxxxxx Xxxxx Mortgage Capital Inc.  
 4 World Xxxxxxxxx Xxxxxx  
 00xx Xxxxx  
 Xxx Xxxx, Xxx Xxxx 00000  
 Attention: Xxxx Xxxxxx  
 Telephone: (000) 000-0000  
 Telecopy: (000) 000-0000  
 E-mail: xxxxxxxxxx@xxxxxxxx.xx.xxx  
  
 The date or mailing of a notice or other statement shall be deemed the  
date the notice is given or statement rendered.  
  
 (c) The terms of this Agreement may be waived, altered or amended only  
in writing signed by the parties hereto.  
  
 (d) This Agreement shall be binding on the parties hereto and their  
respective successors and assigns; provided, however, that the Pledgor may not  
assign any of its rights or delegate any of its duties hereunder without the  
prior written consent of the Pledgee and the Lender. No provision of this  
Agreement shall in any manner restrict the ability of the Pledgee to assign,  
participate, grant security interests in, or otherwise transfer all or any  
portion of the Pledgee's interest in the Agreement and the Collateral to the  
Lender. The Pledgor hereby agrees and consents to the assignment as security by  
the Pledgee of all of its rights under, interest in and title to this Agreement  
to the Lender.  
  
 (e) This Agreement may be executed in counterparts, which together  
shall constitute one and the same instrument.  
  
 (f) No delay or failure by the Pledgee in the exercise of any right or  
remedies shall constitute a waiver thereof, and no single or partial exercise by  
the Pledgee of any right or remedy shall preclude other or further exercise  
thereof or the exercise of any other right or remedy.  
  
 (g) The invalidity or unenforceability of any provision(s) of this  
Agreement shall not affect any other provision hereof, and this Agreement shall  
be construed in all respects as if such invalid or unenforceable provision were  
omitted.  
  
 (h) All representations and warranties of Pledgor contained in this  
Agreement shall be true and correct at the time of execution of this Agreement  
and until this Agreement terminates.  
  
 (i) This Agreement contains the entire agreement between the parties  
hereto with respect to the subject matter hereof and supersedes all prior  
arrangements or understandings, oral or written, with respect to the subject  
matter hereof, including the Receivables Financing Commitment Letter, dated June  
4, 2002 from the Lender to the Pledgor and the Pledgee.  
  
 (j) When the obligations secured hereby are paid in full or released in  
writing by the Pledgee (or its assignees), this Agreement shall terminate.  
  
 (k) The parties hereto agree that the Lender shall be the third-party  
beneficiary of this Agreement and shall have full right, power and authority to  
enforce the Pledgee's rights and the Pledgor's obligations under this Agreement.  
  
 (l) The Pledgor shall, upon the request of the Pledgee, from time to  
time, execute, acknowledge and deliver, or cause to be executed, acknowledged  
and delivered, within a reasonable period following such request, further  
information, instruments or documentation and take such further action as may  
reasonably be requested by Pledgee to effectuate the intention, performance and  
provisions of this Agreement.  
  
 IN WITNESS WHEREOF, the parties hereto have executed this Agreement on  
the date first above written.  
  
  
  
  
 EDISON SCHOOLS INC.  
  
 By: /s/ Xxxxx Xxxxx  
 -------------------------------------  
 Name: Xxxxx Xxxxx  
 Title: Senior Vice President and General  
 Counsel  
  
  
 EDISON RECEIVABLES COMPANY LLC  
  
  
 By: /s/ Xxx X. Xxxxxxxxx  
 -------------------------------------  
 Name: Xxx X. Xxxxxxxxx  
 Title: Treasurer