

National Express Group plc  
10th and 11th Floor  
207 Old Street  
London SW1P 4DR

Managing Director

c2c Rail Limited  
10th and 11th Floor  
207 Old Street  
London SW1P 4DR

Managing Director

10th November 2006

**NOTICE PURSUANT TO SECTION 55(6) OF THE RAILWAYS ACT 1993 AS  
AMENDED BY THE TRANSPORT ACT 2000 ("the Act")**

The Director of Passenger Rail Franchising and National Express entered into a franchise agreement on 26th May 1996 pursuant to section 23(1) of the Railways Act 1993 and in respect of those passenger services operated by LTS Rail Limited now c2c Rail Limited (the "**Franchise Agreement**").

Under the Transport Act 2000 the responsibilities and powers of the Director of Passenger Rail Franchising were transferred to the Strategic Rail Authority.

Pursuant to a transfer scheme made under Section 1(2) and Schedule 2 of the Railways Act 2005, the property, rights and liabilities of the Strategic Rail Authority used exclusively or primarily in or for the purposes of the Designated Undertaking (as defined by the transfer scheme) were transferred to the Secretary of State for Transport (the "Secretary of State") on 22 July 2005.

Words and expressions defined in the Franchise Agreement have the same meaning when used herein unless the context otherwise implies.

By letter dated 6th November 2006 you were notified by the Secretary of State that you had contravened Clauses 14.4 (b) and (d), 21.8 (b) and 22.1 (the "Relevant Clauses") of the Franchise Agreement by failing to supply to the Secretary of State no later than three Reporting Periods before the end of each Bond Year your estimate of the amount of the Season Ticket Bond for each Reporting Period during the following Bond Year, failing to ensure the Secretary of State received the Bond no less than one Reporting Period before the expiry of the preceding Bond Year, failing to notify the Secretary of State of becoming aware of an Event of Default.

The Franchise Operator is taking the following steps in order to secure compliance with the Relevant Clauses:

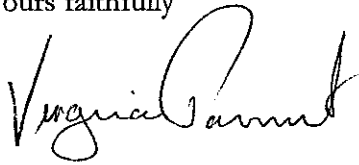
1. Demonstrate that processes are in place for ensuring these breaches and Event of Default are not repeated by 31st December 2006.

The Secretary of State, in accordance with section 55(5B)(a) of the Act, is satisfied, having regard to the above-mentioned steps, that the Franchise Operator is for the time being taking appropriate steps for the purposes of securing compliance with the Relevant Clauses.

The above being the case, the Secretary of State hereby gives the Franchisee and the Franchise Operator notice as required under Section 55(6)(a) of the Act, that a provisional or final order shall only be made in relation to the contravention of the Relevant Clauses if the Secretary of State considers it appropriate to do so.

Please note that a copy of this letter shall be placed on the Secretary of State's public register as required by Section 73(2)(e) of the Act.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Virginia Pamment', with a large, stylized initial 'V'.

Virginia Pamment  
Acting Divisional Manager, West & Anglia  
For and on behalf of  
The Secretary of State for Transport