

**M40 Trains Limited
The Chiltern Railway
Company Limited**

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17 October 2008

Dear Sirs

**NOTICE PURSUANT TO SECTION 55(6) OF THE RAILWAYS ACT 1993 (THE "ACT")
AS AMENDED BY THE TRANSPORT ACT 2000 AND THE RAILWAYS ACT 2005**

The Strategic Rail Authority (the "**SRA**"), M40 Trains Limited (the "**Franchisee**") and Chiltern Railway Company Limited (the "**Franchise Operator**") entered into a franchise agreement (the "**Franchise Agreement**") on 1 March 2002 pursuant to section 23(1) of the Act.

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 SRA used exclusively and 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 16 October 2008 the Franchise Operator was notified by the Secretary of State that it had contravened Clause 12.6 of the Franchise Agreement: Clause 12.6(a)(iii) (the "**Relevant Clause**") by failing to seek Secretary of State approval to amend the terms of any Rolling Stock Related Contract (the "**Contravention**").

The Secretary of State requires the Franchisee to demonstrate there will be no reoccurrence of the contravention by providing details of the systems and procedures the Franchisee has implemented to ensure compliance with the Relevant Clause in the future.

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

The above being the case the Secretary of State hereby gives the Franchisee notice as required under Section 55(6)(a) of the Act, that no provisional or final order shall be made in relation to the Contravention.

This Notice is without prejudice to any action the Secretary of State may take in relation to any future contravention of the Franchise Agreement, including the Contravention identified herein.

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



David Rea

For and on behalf of the Secretary of State

