Notice for Issuer Participation in Auction Process

CITY OF HOUSTON, TEXAS

Combined Utility System First Lien Revenue Refunding Bonds, Series 2004C2E

CUSIP 442435BW2

Statement of Intent:

The City intends to bid for the amount of Bonds specified below, at the interest rate set forth below on the Auction Date set forth below.

City Representation:

The City hereby represents that (a) the interest rate set forth below is not less than the interest rate reflected on the date of this notice by the SIFMA Auction Rate 7-Day Index, (b) this notice is not inconsistent with the Official Statement by which the Bonds were offered and sold, (c) this notice complies with the no-action letter of the Securities and Exchange Commission dated March 14, 2008 re Municipal Auction Rate Securities ("No-action Letter"), (d) this notice is not inconsistent with City of Houston Ordinance 2004-300 authorizing issuance of the Bonds, (e) the City will provide timely dissemination of the information required by clause (vi) of the No-action Letter, and (f) with respect to the Auction Date that is the subject of this notice, the City shall promptly give notice for such Auction Date of the same information as is outlined below for the immediately preceding Auction Date.

Capitalized Terms:

Capitalized terms used in this notice have the definitions set forth in the Reoffering Circular of the City dated November 20, 2007 relating to the Bonds, and the auction procedures are described in such document.

Details regarding Proposed Bid

Auction Date on which City intends to bid: Wednesday, May 14, 2008

Interest Rate being bid by the City: 4.50%

amount of Bonds being bid for by the City: $ 42,000,000 (This represents 86% of principal.)

Information regarding *immediately preceding* Auction Date:

Auction Date: May 7, 2008

total dollar amount of Bonds for sale in the auction was $41,925,000

(Note that this excludes $8,175,000 Bid to Hold)

number of Bids received was 6, which aggregated $ 35,725,000

number of Bidders (other than the City and the Broker-Dealers) was 6

With respect to Bids submitted by the Broker-Dealers, the respective number of Bids, interest rates on such Bids, and amount of Bids *for each Broker-Dealer* were as follows:

Broker-Dealer: JPMorgan Securities, Inc.
number of Bids: 0
interest rates: N/A
amount of Bids: N/A

Broker-Dealer: Lehman Brothers
number of Bids: 6
interest rates: 3.90-5.20%
amount of Bids: $35,725,000

With respect to Bids submitted by the City, the number of Bids, interest rates on such Bids, and amount of Bids were as follows:
number of Bids: 0
interest rates: NA
amount of Bids: NA

Clearing Rate: 5.243% (Note that this is the Failed Rate.)

High Bid: 5.20%
Low Bid: 3.90%
median bid: 5.20%

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Intention: The City may, but it not required to, submit bids in future auctions based on then-prevailing market conditions. The City will provide notice at least two business days prior to any bid in a future auction.

The City intends to hold these bonds no longer than 180 days. The City intends to refund these bonds with another Mode of Bonds within that period.

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Investment Officer

City of Houston

May 12, 2008