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August 22, 2008

Ms. Beth Salak, Director
Division of Regulatory Compliance
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

HAND DELIVERY

RE: Docket No. 080529-TP
Joint application for approval of indirect transfer of control of telecommuncations facilities by Smart City Finance LLC and Hargray-Smart City Acquisition Co., LLC.

Dear Ms. Salak:

Enclosed for filing on behalf of Hargray-Smart City Acquisition Co., LLC ("Hargray") is Hargray's response to Staff's Data Request No. 1, dated August 14, 2008.

Certain portions of Hargray's response constitute proprietary confidential business information for which Hargray claims confidential classification. Accordingly, confidential information has been redacted from this letter, and will be filed with under confidential cover pursuant to Section 364.183(1), Florida Statutes, and Rule 25-22.006(5), Florida Administrative Code.

Please feel free to contact me if you have any questions or would like further information.

Sincerely,

Marsha E. Rule

Marsha E. Rule

COM ___
ECR ___
GCL ___
OPC ___
RCP 1
SSC ___
SGA ___
ADM ___
CLK ___

Encl.
cc:
Andrew Maury
Dale Buys
Ray Kennedy
Kiwanis Curry

DOCUMENT NUMBER-DATE
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FPSC-COMMISSION CLERK

1. Provide a copy of Hargray-Smart City Acquisition Co., LLC's financial statements for each of the previous three years (2007, 2006 and 2005).

Hargray-Smart City Acquisition Co., LLC ("Hargray") was formed in July 2008 for the purpose of acquiring Smart City Telecommunications LLC ("SCT") and certain other subsidiaries of Smart City Finance LLC (the "Acquisition"). Hargray is a wholly-owned subsidiary of Hargray-Smart City Holdings LLC ("HSCH"), which through its subsidiary Hargray Communication Group, Inc. (a wholly-owned subsidiary of Hargray Holdings LLC), also will provide telecommunications services in South Carolina and Georgia. We have attached as Exhibit A hereto an organizational chart showing the ownership of HSCH and its subsidiaries upon closing of the Acquisition. Attached hereto as Confidential Exhibit B are confidential financial statements of Hargray Holdings LLC or Hargray Communications Group, Inc. for the three year period ended September 30, 2007 and for the six month period ended March 31, 2008.

2. Provide a copy of the most recent Standard & Poor's Rating Service research report for Hargray-Smart City Acquisition Co., LLC.

Please see Standard & Poor's report dated June, 2007 attached as Exhibit C.

3. Provide a copy of the most recent Moody's Investor Service research report for Hargray-Smart City Acquisition Co., LLC.

Please see Moody's Investor Services report dated June, 2007 attached as Exhibit D.

4. Provide a copy of the most recent Fitch Ratings research report for Hargray-Smart City Acquisition Co., LLC.

Not applicable.

5. Provide documentation that demonstrates Hargray-Smart City Acquisition Co., LLC's capitalization (relative percentages of common equity and debt) after the transfer of controlling stock is complete.

Hargray has received a debt commitment letter from CoBank, ACB, Royal Bank of Canada and General Electric Capital Corporation (the "Lenders") pursuant to which the Lenders have agreed to provide Hargray with credit facilities totaling [redacted] (the "Credit Facilities") in the form of a [redacted] senior secured term loan (the "Term Loan") and a [redacted] senior secured revolving loan (the "Revolver"). The proceeds from the Term Loan will be used to finance the Acquisition. The proceeds from the Revolver will be used for working capital, capital expenditures and for other general corporate purposes. The Credit Facilities will be secured by (i) guarantees from all present and future direct and indirect subsidiaries of Hargray (including from SCT), (ii) a perfected first priority security interest granted by Hargray in all tangible and intangible, present and future assets of Hargray (including the capital stock now owned or hereafter acquired by Hargray in all of its subsidiaries, including SCT); and (iii) a perfected first priority security interest granted by each guarantor (including SCT) in all tangible and intangible, present and future assets of such guarantor (including the capital stock now owned or hereafter acquired by each guarantor in all of its subsidiaries).

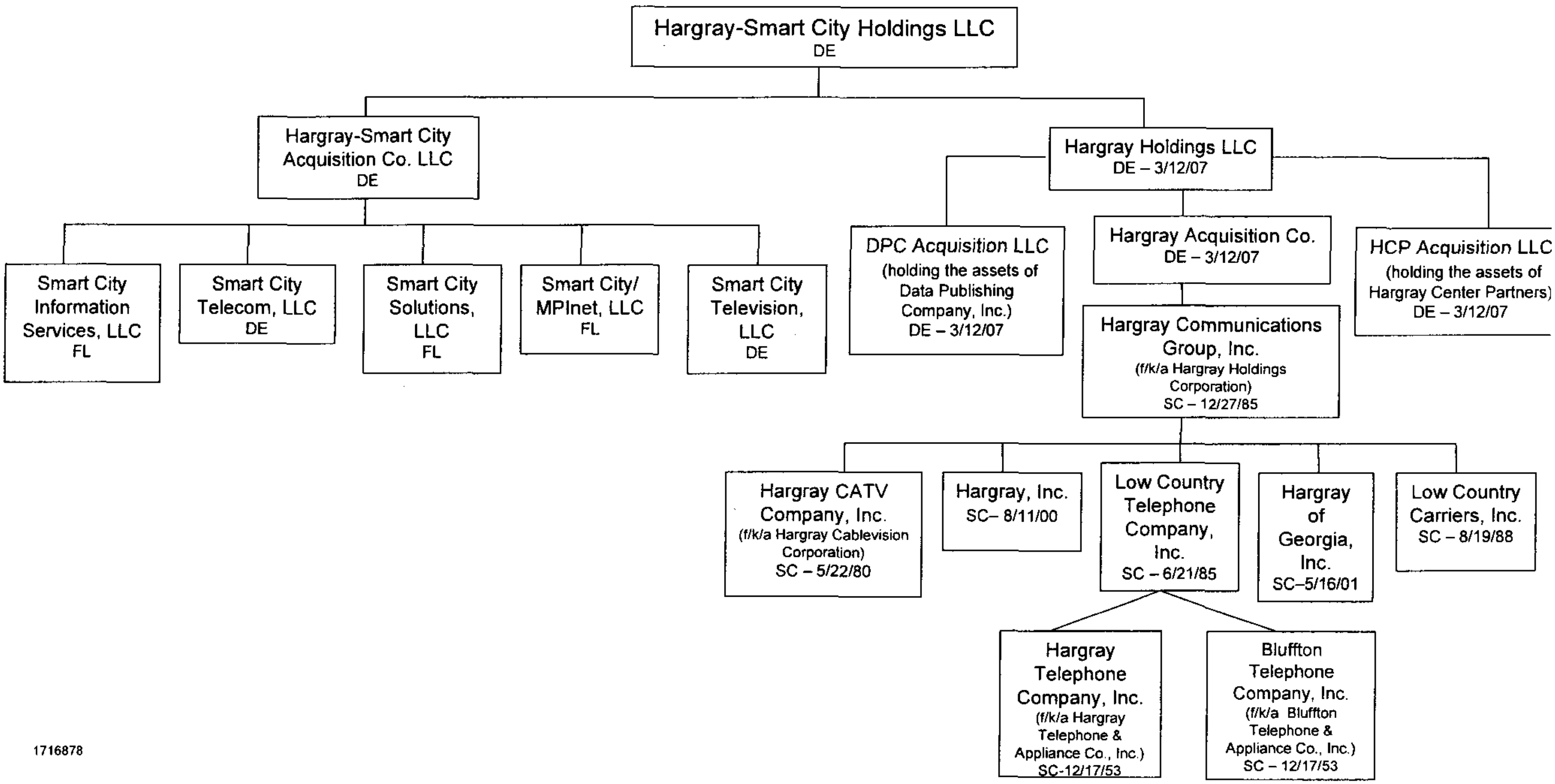
6. Provide any other documentation that demonstrates Hargray-Smart City Acquisition Co., LLC's financial viability on a going forward basis after the transfer of controlling stock is complete.

Hargray will be well capitalized at closing and will have access to up to [redacted] to support its business through the Revolver. Finally, as previously disclosed, Hargray will be a member of the Hargray family of companies that is owned by investment funds affiliated with Quadrangle Group LLC. Quadrangle invests in media and communications companies through separate private and public investment vehicles. Since 2000, Quadrangle has completed over 20 investments in the communications industry, including investment in rural local exchange carriers, competitive local exchange carriers, cable operators and wireless providers.

EXHIBIT A

Exhibit A

POST-TRANSACTION STRUCTURE



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CONFIDENTIAL
EXHIBIT B

(FILED UNDER CONFIDENTIAL COVER)

EXHIBIT C

RESEARCH

Recovery Report:

Hargray Holdings' $315 Million Secured Financing

Publication date: 05-Jun-2007
Primary Credit Analyst: Allyn Arden, CFA, New York (1) 212-438-7832; mailto:allyn_arden@standardandpoors.com

On June 5, 2007, Standard & Poor's Ratings Services assigned its bank loan and recovery ratings to co-borrowers Hargray Communications Group Inc., HCP Acquisition LLC, and DPC Acquisition LLC's $315 million aggregate facilities. These entities are financing conduits for Hilton Head, S.C.-based Hargray Holdings LLC, an incumbent local exchange carrier (ILEC).

The $25 million senior secured first-lien revolver and $195 million first-lien term loan B are rated 'B' (same as the corporate credit rating on Hargray) with a recovery of '3', which indicates expectations for meaningful (50%-80%) recovery in the event of payment default. The $95 million senior secured second-lien term loan C is rated 'CCC+', two notches below the corporate credit rating, based on the significant amount of priority obligations from the first-lien term loan and revolver. The recovery rating is '5', indicating negligible (0%-25%) recovery in the event of payment default.

Bank proceeds of $290 million, coupled with a $130 million equity contribution from Quadrangle Capital Partners, will be used to finance the $269 million equity purchase price of Hargray by Quadrangle, refinance about $134 million of existing debt, and to pay $17.5 million in related transaction fees and expenses.

(For the corporate credit rating rationale on Hargray Holdings, see the research update published earlier today.)

Table 1

Hargray Holdings LLC--Credit Profile

Corporate credit rating	B/Stable/--				
Facility/ Issue*	**Issue rating**	**Recovery rating**	**Expected recovery (%)**	**Term (years)**	**Repayment**
$195 million first-lien term loan B	B	3	50-80	7	1% amortization and bullet at maturity.
$25 million first-lien revolver	B	3	50-80	6	Due at maturity.
$95 million second-lien term loan C	CCC+	5	0-25	7.5	Due at maturity.

*Borrowers are Hargray Communications Group Inc., HCP Acquisition LLC., and DPC Acquisition LLC.

Recovery Analysis

Simulated default scenario

Factors likely to contribute to a simulated default include:

- Low- to mid-single-digit revenue declines due to increased competition from wireless substitution and cable telephony in markets where the company is not also the incumbent cable provider.
- Execution missteps from the expansion into new markets.
- These factors strain Hargray's already highly leveraged financial profile.
- The company's EBITDA margin declines to the low-20% area.

- Capital expenditures are assumed to be cut to maintenance levels by the year of default in order to preserve cash.
- That the revolving credit is fully drawn at time of default.

Valuation

Despite the factors contributing to our default scenario, we believe that the company would be in a position to reorganize following a payment default, given its status as an ILEC and incumbent cable provider, and demand for telephony, broadband, and video services.

Results

Standard & Poor's assigned a 5x multiple of EBITDA for valuation purposes. The resultant value was reduced by administrative expenses of 5%. Our assumptions yield an enterprise value of about $139 million. Adjusting for administrative expenses, the enterprise value is around $132 million against about $213 million of total senior secured first-lien debt outstanding at default. Therefore, under the simulated default scenario, lenders would be expected to realize meaningful (50-80%) recovery of principal for the senior secured first-lien term loan and revolver. Given that the enterprise value at default is not sufficient to satisfy the first-lien lenders, we expect recovery for the second-lien would be negligible (0%-25%) in the event of a payment default.

Transaction Summary

Table 2

Transaction Summary

	First-lien facility	Second-lien facility
Borrowers	Hargray Communications Group Inc., HCP Acquisition LLC., and DPC Acquisition LLC.	Hargray Communications Group Inc., HCP Acquisition LLC., and DPC Acquisition LLC.
Guarantor(s)	All existing and future direct and indirect subsidiaries.	Same
Structure	The term loan will amortize by 1% per year, with a bullet at maturity. The revolving credit will have no amortization. There will be mandatory prepayments of 50% of net proceeds from the sale of wireless assets if leverage is greater than 5x; 100% of asset sales that are not reinvested; 100% of net proceeds from equity issuance; 50% of net proceeds from debt issuance if leverage is greater than 5x; and 50% of excess cash flow.	The term loan has no amortization and a bullet at maturity.
Security package	First-priority perfected lien on all assets and pledge of capital stock of the borrowers and each domestic guarantor.	Second-priority perfected lien on all assets and pledge of capital stock of the borrowers and each domestic guarantor.
Legal jurisdictions/issues	New York	New York
Key covenants	Maximum total debt to EBITDA with stepdowns, maximum first-lien debt to EBITDA with stepdowns, minimum interest coverage with stepups.	To be determined.

RESEARCH

Research Update:

Hargray Holdings LLC Assigned 'B' Corporate Credit Rating With Positive Outlook

Publication date: 05-Jun-2007
Primary Credit Analyst: Allyn Arden, CFA, New York (1) 212-438-7832; allyn_arden@standardandpoors.com

Rationale

On June 5, 2007, Standard & Poor's Ratings Services assigned its 'B' corporate credit rating to Hilton Head, S.C.-based telecommunications provider Hargray Holdings LLC (Hargray). The outlook is positive.

The company derives about 56% of its revenue from its business as an incumbent local exchange carrier (ILEC), 11% from "edge out" markets, 22% from wireless, and 11% from directories. Hargray is being acquired by private equity firm Quadrangle Capital Partners and the acquisition is expected to close this month.

In addition, we assigned bank loan ratings to the proposed $315 million aggregate facilities of Hargray's funding conduits, Hargray Communications Group Inc., DPC Acquisition LLC, and HCP Acquisition LLC. A 'B' bank loan rating was assigned to the $25 million senior secured first-lien revolver and $195 million term loan B, and a 'CCC+' rating was assigned to the $95 million senior secured second lien-term loan C. The recovery rating for the first-lien revolver and term loan B is '3', suggesting meaningful (50%-80%) recovery in the event of payment default. The second-lien term loan is rated two notches below the corporate credit rating, based on the significant amount of priority obligations from the first-lien term loan and revolver. The recovery rating for the second-lien term loan is '5', indicating negligible (0%-25%) recovery in the event of payment default. The bank loan rating is based on preliminary documentation and is subject to receipt of final information. Pro forma total debt is approximately $302 million on an operating lease adjusted basis.

Initial bank proceeds of $290 million, coupled with a $130 million equity contribution from Quadrangle Capital Partners, will be used finance the $269 million equity purchase price of Hargray by Quadrangle, refinance about $134 million of debt, and pay $17.5 million in related transaction fees and expenses.

The ratings on Hargray reflect its concentrated services area and small size, a new management team, below-industryaverage profitability, a weak wireless business with significant competition, and a highly leveraged financial risk profile. Mitigating factors include Hargray's solid position as an ILEC, which represents about 90% of its access lines, with limited competition and favorable demographics.

Hargray is the ILEC in the Hilton Head Island area and other markets in South Carolina. The company is also the incumbent cable provider in a portion of its ILEC territory, which limits competition from alternative telecommunications providers, and allows it to offer telephony, high-speed data, and video services. Hargray also provides a triple play bundle in more competitive "edge out" markets. These are markets outside of the company's core service territory and account for about 11% of sales. The company has about 78,000 access lines, 24,000 cable video subscribers, and 26,000 high-speed data customers. It also provides wireless services, which are predominantly prepaid, and owns a directories business.

Hargray's ILEC operations face little competition partly because it is also the incumbent cable provider in about one-third of its service area. Those markets are growing rapidly and should account for a greater percentage of total access lines over the next few years. As a result, in contrast to many of its peers, Hargray's access lines are growing in the ILEC territory by about 1% annually.

Nevertheless, the overall ILEC business is essentially mature and revenue growth is expected to be in the low-single-digit area over the next few years. Additionally, this segment could experience increased competition from Time Warner Cable in Hilton Head, which recently acquired Adelphia's operations and plans to deploy cable telephony in that market, which accounts for a large portion of Hargray's ILEC access-line base.

Hargray is expanding into "edge out" markets where population growth is driven by new residential developments. These markets account for about 11% of sales but should increase as a percentage of total revenue over the next few years. The "edge-out" operations compete against better-capitalized ILECs such as Embarq Corp. and AT&T Inc. as well as incumbent cable providers Charter Communications Inc. and Comcast Corp. Still, Hargray has managed to increase voice access lines, high-speed data customers, and video subscribers at double-digit annual growth rates since 2004. Hargray is also one of the few companies to have deployed Internet protocol (IP) TV. Hargray's strategy is to sign exclusivity agreements with new developments, which are typically 10 to 15 years in length and yield incumbent-like characteristics.

Hargray's wireless business provides almost 25% of revenue. It serves roughly 63,000 customers, most of which are prepaid. This segment is highly competitive and churn is elevated at more than 5%. As a result, the company has struggled to operate at break-even levels, and Hargray is exploring strategic alternatives. The directories business is stable with a solid market position and healthy free cash flow generating characteristics.

Hargray's has a highly leveraged financial profile. Ratings incorporate the expectation of low-single-digit revenue growth driven mainly by cable services and expansion in "edge out" markets. Margins should show moderate improvement from the high-20% area due to the elimination of family-related expenses and additional cost initiatives, including the reduction of employee benefits and headcount reductions, following the acquisition.

Pro forma debt to EBITDA is about 6.2x, which is somewhat higher than that of Hargray's peers, but we expect moderate improvement in credit measures over the next couple of years. Annual capital spending requirements should moderate after 2007 to around $20 million to $25 million following some system upgrades and expansion into new residential developments. EBITDA interest coverage is thin at about 2x, but acceptable for the rating.

Liquidity

Liquidity is adequate. Hargray will have about $5 million in cash and an undrawn $25 million revolving credit when the financing transaction is completed. We do not expect the company to generate any meaningful discretionary cash flow until 2009 due to capital spending requirements and interest expense associated with the bank loan transaction. Debt maturities are manageable, consisting of about 1% annual amortization of the first-lien term loan. The credit facility has a maximum first-lien leverage and total leverage covenant as well as a minimum interest coverage covenant, which have yet to be determined, although we anticipate that the company will have adequate cushion.

Recovery analysis

The $25 million senior secured first-lien revolver and $195 million term loan B are rated 'B', same as the corporate credit rating, with a '3' recovery rating indicating meaningful (50%-80%) recovery in the event of payment default. The $95 million senior secured second lien-term loan C is rated

'CCC+', two notches below the corporate credit rating, based on the significant amount of priority obligations from the first-lien term loan and revolver. The recovery rating is '5', indicating negligible (0%-25%) recovery in the event of payment default. (For the complete recovery analysis, see "Recovery Report: Hargray Holdings' $315 Million Secured Financing," to be published on RatingsDirect immediately following the release of this report.)

Outlook

The outlook is positive. We expect modest revenue growth over the next couple of years from improving subscriber trends. Cost-saving initiatives should result in margin expansion. If Hargray is able to generate meaningful discretionary cash flow and improve leverage to the 5x area, the rating could be raised. Conversely, the outlook could be revised to stable if the company experiences higher churn and weaker-than-expected EBITDA following an erosion of access lines due to increased triple play competition or execution missteps while expanding into new residential developments.

Ratings List

Ratings Assigned

Hargray Holdings LLC	
Corporate credit rating	B/Positive/--
$25 Million Senior Secured Revolver	B
$195 Million First-Lien Term Loan B	B
Recovery Rating	3
$95 Million Second-Lien Term Loan C	CCC+
Recovery Rating	5

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation bar, select Find a Rating, then Credit Ratings Search.

EXHIBIT D

Issuer Comment: Hargray Communications Group, Inc.

Acquisition of SmartCity does not impact Hargray's ratings

Approximately $325 million of rated debt

The recently announced agreement under which an affiliate of Hargray Communications Group (Hargray) will purchase the Central Florida operations of Smart City does not impact Hargray's ratings at this time. Moody's anticipates the affiliate will fund the acquisition with a combination of equity from Quadrangle Group LLC, which currently owns Hargray, and debt at an entity separate from the rated Hargray debt. We do not expect Hargray to guarantee this debt, and given limited capacity for money to flow from Hargray to its parent company, we do not believe the acquisition impacts Hargray lenders at this time.

Hargray's B2 corporate family rating continues to reflect high financial risk, lack of scale, increasing competition from Time Warner in its core Hilton Head market, and the historically low EBITDA margins, a result of the high operating costs under its previous owners. The company's business diversification among telecom, cable and directory publishing, the growth profile of the company's service areas in the Hilton Head vicinity, and expectations for EBITDA margin enhancement, driven primarily by operating cost improvements, support the ratings.

Headquartered in Hilton Head Island, SC, Hargray provides telecommunications and cable services to residential and business customers in the region surrounding Hilton Head, SC, where the company has operated as the incumbent local exchange carrier ("ILEC") for approximately 50 years. The company also has a telephone directory publishing operation. Hargray is owned by an affiliate of Quadrangle Group.

Contacts	Phone
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Moody's Investors Service

Global Credit Research
Rating Action
4 JUN 2007

Rating Action: Hargray Communications Group, Inc.

Moody's assigns B2 corporate family rating to Hargray; outlook is stable

Approximately $315 Million of Debt Affected

New York, June 04, 2007 -- Moody's Investors Service has assigned a B2 corporate family rating, a B1 rating for the proposed $25 million senior secured revolving credit, a B1 rating for the proposed $195 million first lien term loan and a Caa1 rating for the proposed $95 million second lien term loan at Hargray Communications Group, Inc. ("Hargray" or the "company"). The outlook is stable. The rating notching reflects both the overall probability of default of Hargray, to which Moody's assigns a PDR of B2 and a family recovery of 50%. The bank facilities, along with $130 million in sponsor equity will be used to fund the acquisition of Hargray from its family owners by Quadrangle Group and to refinance existing debt.

The B2 corporate family rating reflects Hargray's financial risk, as the company's debt is relatively high among peer ILECs, small size, as it gears up for pending competition from Time Warner in its core Island of Hilton Head market, and the relatively low profitability of its current operations, driven by the high operating costs under the previous owners. The ratings benefit somewhat from the company's business diversification among telecom, cable and directory publishing and by the growth profile of the company's service areas in the Hilton Head vicinity and the expected EBITDA growth driven by operating cost improvements.

Moody's has assigned the following ratings:

Issuer -- Hargray Communications Group, Inc. (DPC Acquisition LLC and HCP Acquisition LLC as co-borrowers)

Corporate Family Rating -- Assigned B2

Probability of Default Rating, Assigned B2

Senior Secured Revolving Credit Facility, Assigned B1 (LGD3 -- 36%)

1st Lien Senior Secured Term Loan, Assigned B1 (LGD3 -- 36%)

2nd Lien Senior Secured Term Loan, Assigned Caa1 (LGD5 -- 87%)

Outlook - Stable

The company's adjusted leverage, expected to be 6.6x Debt to EBITDA (1Q07 TTM) at closing, is high relative to its ILEC peers. In addition, Moody's estimates that high capital expenditures driven by edge out market expansion and system upgrades will result in negative cash flow through at least 2008.

The stable rating outlook considers the likelihood that the company will complete its upgrade initiatives and will be able to pare much of the legacy operating costs, such that its EBITDA margins are in line with industry norms, giving it a stable foundation to commence deleveraging.

Hargray Communications, headquartered in Hilton Head, SC, is an ILEC serving about 80,000 access line equivalents, and about 26,000 cable subscribers.

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