

HICKORY TECH CORP  
Form 10-K  
March 09, 2004

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2003**

**Commission File Number: 0-13721**

**HICKORY TECH CORPORATION**

**Minnesota**

(State or other jurisdiction of  
incorporation or organization)

**41-1524393**

(I.R.S. Employer  
Identification No.)

**221 East Hickory Street**

**P.O. Box 3248**

**Mankato, Minnesota 56002**

(Address of principal executive offices and zip code)

**Registrant's telephone number, including area code: 800-326-5789**

**Securities registered pursuant to Section 12(b) of the Act: None**

**Securities registered pursuant to Section 12(g) of the Act:**

**Common Stock, No Par Value  
Preferred Stock Purchase Rights  
Title of Class**

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by a check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes  No

As of June 30, 2003, the aggregate market value of the common stock held by non-affiliates of the registrant was \$153,317,388 based on the last sale price of \$11.21 on The Nasdaq National Market.

The total number of shares of the registrant's common stock outstanding as of February 27, 2004: 12,967,886.

Documents Incorporated by Reference: Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 26, 2004 ( Proxy Statement ) are incorporated by reference in Part III of this Form 10-K.

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**PART I**

**Item 1. Business.**

**GENERAL**

Hickory Tech Corporation (HickoryTech) is a diversified communications company headquartered in Mankato, Minnesota. Incorporated in Minnesota in 1985, HickoryTech has over a 100-year history in the local telephone exchange business. From those roots, it has expanded into three business segments: Telecom Sector, Information Solutions Sector, and Enterprise Solutions Sector. HickoryTech's core business is its Telecom Sector, which consists of two businesses. One of these businesses is the operation of three incumbent local exchange carriers (ILECs). This business consists of connecting customers to the telephone network, providing switched service and dedicated private lines, connecting customers to long distance service providers and providing many other services commonly associated with ILECs. The second business of the Telecom Sector is competitive local exchange carrier (CLEC) services, which HickoryTech initiated in 1998, and its associated competitive businesses of long distance service and Internet access. This business leverages HickoryTech's expertise and expands its telecommunications service into areas served by other ILECs. In December of 2003, HickoryTech sold what had been a third business of the Telecom Sector, which provided wireless telecommunications services to customers in southern Minnesota and its surrounding area, along with an area surrounding Minneapolis/St. Paul. The wireless operations are reported as part of the Telecom Sector. All financial statements and schedules have been restated to reflect wireless operations as discontinued operations. In addition to the Telecom Sector, HickoryTech provides data processing services to the telecommunications industry (Information Solutions Sector) and provides telephone and data equipment sales and service as well as the sale, installation and ongoing service of voice over Internet Protocol equipment (Enterprise Solutions Sector).

The eight subsidiaries of HickoryTech and the business segments in which they operate are:

**TELECOM SECTOR**

Mankato Citizens Telephone Company (MCTC)

Mid-Communications, Inc. (Mid-Comm)

Heartland Telecommunications Company of Iowa, Inc. (Heartland)

Cable Network, Inc. (CNI)

Crystal Communications, Inc. (Crystal)

Minnesota Southern Wireless Company (MSWC) Discontinued Operations

**INFORMATION SOLUTIONS SECTOR**

**GENERAL**

National Independent Billing, Inc. (NIBI)

**ENTERPRISE SOLUTIONS SECTOR**

Collins Communications Systems Co. (Collins)

HickoryTech and its subsidiaries are engaged in businesses that provide services to their customers for a fee. Many of these services are recurring, and, as a result, backlog orders and seasonality are not significant factors. Working capital requirements primarily involve the funding of the construction of networks and switches and maintenance of a relatively high amount of fixed assets. Other working capital requirements include the payroll costs of highly skilled labor, the inventory to service its telephone equipment customers and the carrying value of trade accounts receivable for periods up to ninety days in the normal course of business.

The materials and supplies that are necessary for the operation of the businesses of HickoryTech and its subsidiaries are available from a variety of sources, and no future supply problems are anticipated. All of HickoryTech's central office switches, as well as a majority of HickoryTech's equipment sold in its Enterprise Solutions Sector, are supplied by Nortel. Nortel is a leading supplier of communications equipment, and HickoryTech's dependence on this brand is not viewed as a significant risk. An additional layer of network infrastructure equipment for broadband services is provided by Nextlevel. Nextlevel, a subsidiary of Motorola, is a newer supplier of communications equipment and the Company is monitoring the risk of maintaining Nextlevel as a supplier.

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HickoryTech makes available, free of charge, copies of its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended (the Exchange Act). These reports are available on HickoryTech's Internet website <http://www.hickorytech.com> as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission.

As of December 31, 2003, HickoryTech had 414 full-time equivalent employees.

### ACQUISITIONS

On June 26, 2001, HickoryTech acquired two digital personal communications services (PCS) licenses from McLeodUSA Incorporated for \$11,100,000 in cash. The PCS licenses acquired by HickoryTech included the Minnesota Basic Trading Areas (BTAs) of Mankato-Fairmont and Rochester-Austin-Albert Lea, an area covering a population of approximately 493,000 people. The acquisition was a purchase of the licenses only. There were no customers, existing revenue stream or physical property and equipment included with this acquisition, as the BTAs were undeveloped. All FCC minimum buildout requirements were met, thus securing the FCC licenses. The operations of these PCS licenses are included in wireless operations, which are part of the Telecom Sector. As described below, the wireless business was sold in December 2003.

### DISPOSITIONS

On December 15, 2003, HickoryTech sold its wireless business, Minnesota Southern Wireless Company (MSWC), to Western Wireless Corporation (WWC). The selling price was comprised of \$16,246,000 in cash and 1,038,927 shares of HickoryTech common stock that were returned to HickoryTech by WWC and subsequently retired. The market value of these shares was \$12,207,000 at December 15, 2003. Included in the cash proceeds above is \$3,401,000 of cash received for construction in progress assets. HickoryTech recorded a pre-tax loss on the sale of \$25,642,000 (\$22,758,000 net of income taxes). HickoryTech used the proceeds from the sale to repay a portion of its outstanding debt. The wireless operations are reported as part of the Telecom Sector. The consolidated statements of operations for all periods presented have been restated to reflect wireless operations as discontinued operations (see Note 3 of the Notes to the Consolidated Financial Statements).

On August 6, 2001, HickoryTech sold its local telephone exchange in Amana, Iowa to South Slope Cooperative Telephone Company, Inc. for \$6,500,000 in cash. The Amana operation, known as Amana Colonies Telephone Company (ACTC), served approximately 1,500 access lines in the seven communities of the Amana Colonies in east central Iowa. HickoryTech recorded a pre-tax gain on the sale of \$1,015,000 (\$566,000 net of tax). HickoryTech used the proceeds from the sale to repay a portion of its outstanding debt. The operations of ACTC were included in the Telecom Sector. For the years ended December 31, 2001 and 2000, ACTC generated revenues of \$832,000 and \$1,467,000, and generated an operating income (loss) of (\$13,000) and \$70,000, respectively.

### INDUSTRY SEGMENTS FINANCIAL DATA

Financial information about HickoryTech's industry segments is included on pages 14 to 21 and pages 43 to 45 of this Form 10-K.

### GENERAL

**INDUSTRY SEGMENTS**

HickoryTech reports the business operations of Telephone, Communications Services, and Wireless Services as a single segment referred to as the Telecom Sector. However, the consolidated statements of operations for all periods presented have been restated to reflect wireless operations as discontinued operations (see Note 3 of the Notes to the Consolidated Financial Statements). The other two business segments are the Information Solutions and Enterprise Solutions Sectors and they continue to be reported as previously stated.

## TELECOM SECTOR

HickoryTech's Telecom Sector provides local exchange wireline telephone service, long distance, Internet access and owns and operates fiber optic cable facilities. This sector includes three incumbent local exchange carriers (ILECs), MCTC, Mid-Comm and Heartland. MCTC and Mid-Comm provide telephone service in south central Minnesota, specifically Mankato (a regional hub) and eleven rural communities surrounding Mankato. The third ILEC, Heartland, provides telephone service for eleven rural communities in northwest Iowa.

The Telecom Sector also includes Crystal, a competitive local exchange carrier (CLEC). Crystal provides local telephone service, long distance and Internet access on a competitive basis. Crystal has customers in eight rural communities in Minnesota and two rural communities in Iowa that are not in HickoryTech's ILEC service areas. HickoryTech discontinued its service to four other Iowa communities in 2003.

HickoryTech also owns and operates fiber optic cable facilities in Minnesota in its subsidiary CNI. These facilities are used to transport interexchange communications as a service to telephone industry customers. HickoryTech's Minnesota ILECs and CLEC are the primary users of the fiber optic cable facilities.

The Telecom Sector included the operations of MSWC, which was sold December 15, 2003, and ACTC, which was sold on August 6, 2001. None of the remaining companies in the Telecom Sector experienced major changes in operations during 2003.

MCTC derives its principal revenues and income from local services charged to subscribers in its service area, access services charged to interexchange carriers and the operation of a toll tandem switching center in Mankato, Minnesota. Revenues and income for Mid-Comm are also derived from local service charges in its area of operation and by providing access to long distance services for its subscribers through the toll center in Mankato. Local and interexchange telephone access for the two companies is provided on an integrated basis. The local and interexchange telephone access for both telephone companies utilize the same facilities and equipment and is managed and maintained by a common workforce. Heartland derives its principal revenues and income from local services charged to subscribers in its service area in Iowa, as well as from providing interexchange access for its subscribers. Interexchange telephone access is provided by all three of HickoryTech's telephone subsidiaries by connecting the communications networks of interexchange and wireless carriers with the equipment and facilities of end users through its switched networks or private lines.

MCTC and Mid-Comm are Minnesota public utilities operating pursuant to indeterminate permits issued by the Minnesota Public Utilities Commission. Heartland is also a public utility, which operates pursuant to a certificate of public convenience and necessity issued by the Iowa Utilities Board. These state agencies regulate the services provided by MCTC, Mid-Comm and Heartland. CNI's operations are not subject to regulation by the state regulatory authority. Neither the Minnesota Public Utilities Commission nor the Iowa Utilities Board regulates the rate of return or profits of each of HickoryTech's ILEC operations due to the size of these companies relative to state regulation. In Minnesota, MCTC and Mid-Comm's price and service levels are monitored by regulators. MCTC's and Mid-Comm's local service rates are below those of most Minnesota ILECs. Regardless of whether a particular rate is subject to regulatory review, the ability of HickoryTech and its subsidiaries to change rates will be determined by various factors, including economic and competitive circumstances.

As local exchange telephone companies, MCTC, Mid-Comm and Heartland provide end office switching and dedicated circuits to interexchange carriers. These relationships allow HickoryTech's telephone subscribers to place long distance telephone calls and gain access to the telephone network. HickoryTech provides interexchange access for all of the individual customers who select an alternative long distance carrier. This



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interexchange access business is separate and distinct from HickoryTech's own long distance retail business, which is operated in its Crystal subsidiary. The long distance interexchange carriers are significant customers of HickoryTech, but no carrier represents more than ten percent of HickoryTech's consolidated revenues.

Alternatives to HickoryTech service include customers leasing private line switched voice and data services in or adjacent to the territories served by HickoryTech, which permits the bypassing of local telephone switching facilities. In addition, wireless communications, microwave transmission services, fiber optic and coaxial cable deployment and other services provided by other companies permit bypass of the local exchange network. These alternatives to local exchange service represent a potential threat to HickoryTech's long-term ability to provide local exchange service at economical rates.

Competition in HickoryTech's ILEC service area exists in one of Heartland's exchanges. In the city of Hawarden, Iowa, the municipal city government overbuilt the city's telephone service infrastructure and is providing an alternative to HickoryTech's telephone service. The Hawarden CLEC has acquired approximately 1,000 access lines or approximately 60% of that community's telephone business from HickoryTech. HickoryTech management does not believe there will be significant further impact from competition in Hawarden. HickoryTech responds to competitive changes with active programs to market products and to engineer its infrastructure for customer satisfaction.

Competition also exists for some of the HickoryTech services provided to interexchange carriers, such as customer billing services, dedicated private lines, network switching and network routing. This competition comes primarily from the interexchange carriers themselves, in that carriers may decide that the services provided by HickoryTech may be redirected or handled on their own network. The provision of these services is of a contractual nature or is month-to-month service out of a general tariff, which is a schedule of terms, rates and conditions that is approved by the appropriate state or federal agency. In either case, the use of these services is primarily controlled by the interexchange carriers. As interexchange carriers make these service decisions, they have the potential to reduce the Company's revenue in the Telecom Sector. Other services, such as directory advertising and end user equipment, are open to competition. This type of competition is based primarily on service and experience.

In September 2003, a potential competitor filed a request to negotiate interconnection arrangements with HickoryTech's Minnesota ILECs, MCTC & Mid-Comm. This potential competitor is a multi-state communications company with the ability to offer bundled services. MCTC and Mid-Comm have made a filing with the Minnesota Public Utilities Commission exerting their rural exemption from certain components of this request. The potential competitor has not, as yet, followed through with its competitive filings in any other jurisdiction, which makes it difficult to assess whether this filing will ultimately result in competition.

The passage of the 1996 Telecommunications Act created the opportunity for HickoryTech to offer communications service in territories served by other telephone companies, and Crystal began operations in January 1998 as a competitive local exchange carrier (CLEC). Crystal offers local service, long distance and Internet access services on a competitive basis to customers in towns in southern Minnesota and Iowa, which are not served by HickoryTech's ILEC operations. These service offerings provide customers alternatives to the incumbent telephone carrier in various communities and are offered under the brand name HickoryTech wireline service. These services are currently being offered to customers in eight rural communities in Minnesota, as well as two communities in Iowa. Crystal's primary strategy is to provide service by overbuilding with new telecommunications switching networks and telephone lines. Crystal also provides the long distance service and Internet access services to HickoryTech's subscribers in both ILEC and CLEC markets.

CLEC activities require Crystal to file for authority to operate with the appropriate public utilities commission in each state it serves. Crystal competes directly against existing ILECs in the areas in which Crystal operates. Crystal is not dependent upon any single customer or small group of customers. No single customer in Crystal accounts for ten percent or more of HickoryTech's consolidated revenues.

It is common in the ILEC industry for carriers to dispute certain access charges. There is currently a multi-state ILEC industry dispute with a large RBOC (Regional Bell Operating Company) regarding certain access charges. The ILEC industry in Minnesota has jointly filed a formal complaint regarding this dispute with the Minnesota Public Utilities Commission.

On December 15, 2003, HickoryTech sold its wireless business, Minnesota Southern Wireless Company (MSWC), to Western Wireless Corporation (WWC). The selling price was comprised of \$16,246,000 in cash and 1,038,927 shares of HickoryTech common stock that were returned to HickoryTech by WWC and subsequently retired. The market value of these shares was \$12,207,000 at December 15, 2003. Included in the cash proceeds above is \$3,401,000 of cash received for construction in progress assets. The wireless operations are reported as part of the Telecom Sector. HickoryTech recorded a pre-tax loss on the sale of \$25,642,000 (\$22,758,000 net of income taxes). HickoryTech used the

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proceeds from the sale to repay a portion of its outstanding debt. The wireless operations are reported as part of the Telecom Sector. The consolidated statements of operations for all periods presented have been restated to reflect wireless operations as discontinued operations (see Note 3 of the Notes to Consolidated Financial Statements).

In connection with the determination by management in the third quarter of 2003 that it would pursue the sale of its wireless operations and that the selling price would likely be less than the current carrying value of the wireless net assets, the Company completed an impairment test in the third quarter of 2003 for the FCC licenses pursuant to the requirements of SFAS No. 142, Goodwill and Other Intangible Assets. Management estimated the fair value of the FCC licenses using a discounted cash flow technique consistent with the method used by the Company in performing its most recent impairment analysis at December 31, 2002. As a result of this assessment, management determined that the FCC licenses were impaired and recorded an impairment charge of \$21,000,000 (\$18,638,000 net of income taxes), in the third quarter of 2003. This impairment charge is recorded as a component of the loss on discontinued operations in HickoryTech's consolidated statement of operations for the year ended December 31, 2003. HickoryTech believes that the decline in the fair value of its FCC licenses was due principally to the rapid pace of technological change being undertaken by the major wireless service providers to adopt new protocols (i.e. GSM or CDMA) and potentially move away from HickoryTech's current primary protocol called TDMA, which greatly hindered HickoryTech's position in finding a future roaming partner. Other factors include declining roaming revenues, increasing price competition, and the protracted downturn in the wireless market. The FCC licenses were tested for impairment on an aggregate basis, which was consistent with HickoryTech's management of the wireless business.

Pursuant to SFAS No. 144, Accounting for Impairment or Disposal of Long-Lived Assets, (SFAS No. 144), the Company recorded an impairment charge during the third quarter of 2003 related to the other long-lived assets of the wireless business of \$4,345,000 (\$3,856,000 net of income taxes). This charge is also recorded as a component of the loss on discontinued operations in HickoryTech's consolidated statement of operations for the year ended December 31, 2003.

#### INFORMATION SOLUTIONS SECTOR

Through NIBI, HickoryTech's Information Solutions Sector provides data processing and related services, principally for HickoryTech, other local exchange telephone companies, CLECs, interexchange network carriers, wireless companies, municipalities and utilities. The Information Solutions Sector's principal activity is the provision of monthly batch processing of computerized data for HickoryTech as well as non-affiliated companies. Services for telephone company customers include the processing of long distance telephone calls from data sources and telephone switches, the preparation of the subscriber telephone bills, customer record keeping, carrier access bills and general accounting and payroll services. NIBI, under the brand name HickoryTech Information Solutions, also provides certain billing clearinghouse functions for interexchange carriers.

There are a number of companies engaged in supplying data processing services comparable to those furnished by the Information Solutions Sector. Competition is based primarily on price and service. HickoryTech's Information Solutions Sector has developed an integrated billing and management system called SuiteSolution. SuiteSolution can provide wireline and wireless carriers the individual benefits of a billing platform or a total system solution. Management is unable to quantify what effect, if any, the sale of the wireless business may have on the marketplace for this product.

#### ENTERPRISE SOLUTIONS SECTOR

Through Collins, HickoryTech's Enterprise Solutions Sector provides telephone and data equipment sales and services as well as the sale, installation and service of voice over Internet Protocol business systems to companies primarily based in metropolitan Minneapolis/St. Paul, Minnesota. This sector also supports the business telephone system service for HickoryTech ILEC and CLEC operations in southern Minnesota and in Iowa. The customers in the Enterprise Solutions Sector's market are the individual business end users of telecommunications service with ongoing service requirement offerings. Products consist of telecommunication platforms such as Nortel on the voice side of the Enterprise Solutions' business, and Cisco and Bay Networks (Nortel) equipment on the data side of its business. Enterprise Solutions specializes in the

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quality custom installation and maintenance of data wide area networking solutions.

Revenues are primarily earned by the sales, installation and service of business telephone and data systems. Enterprise Solutions continues its commitment to service and support its core product, Nortel, while identifying new opportunities such as call centers, computer telephone integration voice mail and interactive voice response systems.

HickoryTech's Enterprise Solutions Sector is not dependent upon any single customer or small group of customers. No single customer in the Enterprise Solutions Sector accounts for ten percent or more of HickoryTech's consolidated revenues.

Enterprise Solutions does business in a competitive market where a large number of companies compete for the sale, installation and servicing of telecommunications equipment and voice over Internet Protocol communications products. Competition is based primarily on price and service. No single company is dominant in this market.

#### **OTHER REGULATION**

HickoryTech does not anticipate any material effects on its earnings, capital expenditures or competitive position because of laws pertaining to the protection of the environment.

#### **OTHER COMPETITION**

Since the mid-1980's, HickoryTech's business strategy has been to position itself as a quality telecommunications services provider. Long-term business relationships with its customers have strengthened HickoryTech's business position. HickoryTech believes that its customers value the fact that it is the local company whose goal is to meet the customers' communications needs. HickoryTech has several competitive advantages: its prices; its service; its investment in technology; it has a direct billing relationship with almost all of the customers in its service territories; and it is positioned to offer a wide range of wired telecommunications service from one source.

The long-range effect of competition on the provision of telecommunications services and equipment will depend on technological advances, regulatory actions at both the state and federal levels, court decisions, and possible additional future state and federal legislation. The trend resulting from past legislation has been to expand competition in the telecommunications industry. It is imperative to HickoryTech that competition in this industry remains open on an equal basis to all providers.

#### **FORWARD-LOOKING STATEMENTS**

This Form 10-K Annual Report, Management's Discussion and Analysis and other sections of this Annual Report contain forward-looking statements that are based on current expectations, estimates and projections about the industry in which HickoryTech operates and management's beliefs and assumptions. Such forward-looking statements are subject to uncertainties that could cause HickoryTech's future actual results to differ materially from such statements. Forward-looking statements include the information concerning our future financial performance, continuation of historical trends, business strategy, projected plans and objectives, future liquidity and capital resource needs, the effect of regulatory changes on the business, the effect of decisions by other telecommunications carriers, the economy in general, and the future of the communications industry and communications services. These statements are not guarantees of future performance and involve certain risks, uncertainties and probabilities, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements, whether as a result of new information, future events or otherwise. Factors that might cause such a difference include:

increased competition in core business sectors which may decrease market share and or affect the pricing of the products and services offered;

sufficient cash generation from current operations to fund future liquidity needs;

the investment in technological innovations which may affect future capital resource needs;

the effect of legal and both federal and state regulatory changes which may have an effect on business;

the effect of decisions by other telecommunications carriers which currently utilize services of the Company and may affect future operations and future capital resource needs;

the economy in general or the future of the communications industry and communications services;

changing market conditions which may affect growth rates within the industry;

stock market volatility which may affect the stock price and the ability to fund the future expansion and operations through a public stock offering;

the ability to secure financing for future expansion and operations;

the ability to improve the operations with new technologies and efficiencies;

the ability to retain key employees;

other risks and uncertainties which may affect the operating results.

Additional information concerning these and other factors that could cause actual results or events to differ materially from current expectations are contained in Exhibit 99, which is incorporated herein by reference. You are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date on which they were made. Except as otherwise required by law, HickoryTech undertakes no obligation to update any of its forward-looking statements for any reason.

## **Item 2. Properties.**

HickoryTech's business is primarily focused on the provision of services and its properties are used for administrative support and to store and safeguard equipment. At December 31, 2003, HickoryTech's gross property, plant and equipment of \$230,490,000 consisted primarily of telephone switches, cable and network equipment. HickoryTech owns or leases the telephone property, plant and equipment which it utilizes to operate its telephone systems. The three ILEC subsidiaries of HickoryTech in Minnesota and Iowa own central telephone offices with related real estate in all of the communities they serve. HickoryTech's Telecom Sector owns the telephone network, including telephone outside plant, fiber optic cable and central office equipment, over which they provide services to their customers. It is the opinion of HickoryTech's management that the properties of HickoryTech are suitable and adequate to provide modern and effective telecommunications services within its service areas, including both local and long distance service. The capacity for furnishing these services both currently and in the future is under ongoing review by HickoryTech's engineering staff. Facilities are placed in full use after installation and appropriate testing under the guidance associated with multi-year capital expenditure plans.

HickoryTech's principal property locations are the following:



- (1) MCTC's general offices and principal central office exchange building are located in downtown Mankato, Minnesota. This facility is owned by MCTC and is a three-level brick and stone building containing approximately 60,000 square feet of floor space.
- (2) MCTC's main warehouse is located in Mankato, Minnesota. The warehouse, built in 1996, is owned by MCTC and is a two-story concrete building containing approximately 48,000 square feet. The warehouse is used to store vehicles and supplies and is also used as office space for engineers and technicians.
- (3) Heartland's main central office equipment is located in a one-story brick structure owned by Heartland in Rock Rapids, Iowa containing approximately 1,500 square feet. Heartland also leases approximately 2,000 square feet of general office space in Rock Valley, Iowa.
- (4) Crystal leases office space of approximately 6,800 square feet in Mankato, Minnesota and approximately 2,000 square feet in West Des Moines, Iowa.
- (5) NIBI owns a four-level building in Mankato, Minnesota containing approximately 17,000 square feet.
- (6) Collins leases approximately 26,000 square feet of office building and warehouse space in Roseville, Minnesota.

**Item 3. Legal Proceedings.**

There are no material pending legal or governmental proceedings directly involving HickoryTech or its subsidiaries, other than ordinary routine litigation or ordinary routine utility matters, incidental to the business of HickoryTech and its subsidiaries.

**Item 4. Submission of Matters to a Vote of Security Holders.**

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this 2003 Annual Report on Form 10-K.

**PART II****Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.**

The common stock of HickoryTech is traded on The Nasdaq National Market under the symbol HTCO .

The following table sets forth for the period indicated, the high and low closing sales price of the common stock.

		High		Low		End of Qtr.
<b>2003</b>	4 <sup>th</sup> Quarter	\$ 12.20	\$	10.76	\$	11.47
	3 <sup>rd</sup> Quarter	\$ 12.35	\$	10.82	\$	11.60
	2 <sup>nd</sup> Quarter	\$ 11.48	\$	8.43	\$	11.21
	1 <sup>st</sup> Quarter	\$ 10.61	\$	7.90	\$	8.97
<b>2002</b>	4 <sup>th</sup> Quarter	\$ 13.34	\$	8.39	\$	9.53
	3 <sup>rd</sup> Quarter	\$ 16.05	\$	11.21	\$	13.25
	2 <sup>nd</sup> Quarter	\$ 17.80	\$	12.75	\$	15.00
	1 <sup>st</sup> Quarter	\$ 17.85	\$	13.14	\$	16.27

As of February 27, 2004, there were approximately 3,249 holders of record of common stock, registered and in street name accounts.

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HickoryTech has declared quarterly dividends on its common stock of \$0.11 per share during the two years ended December 31, 2003. A quarterly cash dividend of \$0.11 per share was paid on March 5, 2004 to stockholders of record at the close of business on February 15, 2004.

**Item 6. Selected Financial Data.**

*(Dollars in Thousands, Except Per Share Amounts)*

2003	2002	2001	2000	1999
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