

HICKORY TECH CORP
Form 10-K
March 06, 2003

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, 2002

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, 2002, the aggregate market value of the common stock held by non-affiliates of the registrant was \$198,842,730 based on the last sale price of \$15.00 on The Nasdaq National Market.

The total number of shares of the registrant's common stock outstanding as of February 28, 2003: 14,003,335.

Documents Incorporated by Reference: Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 14, 2003 (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. 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. The Telecom Sector consists of three businesses. One of the Telecom Sector's three 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 dial-up Internet access. This business leverages HickoryTech's telecommunications expertise and expands service into areas served by other ILECs. The third business of the Telecom Sector provides wireless telecommunications services to customers in HickoryTech's ILEC service territory in Minnesota and its surrounding area, including an area surrounding Minneapolis/St. Paul. 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)

INFORMATION SOLUTIONS SECTOR

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 repetitive and recurring, and, as a result, backlog orders and seasonality are not significant factors. Working capital requirements primarily involve the funding of the construction and maintenance of telephone landline and wireless fixed assets, the payroll costs of highly skilled labor and the inventory to service its telephone equipment customers.

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 ILEC and CLEC central office switches and wireless 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.

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 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 the Securities and Exchange Commission.

As of December 31, 2002, HickoryTech had 481 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 include 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. The operations of these PCS licenses are included in the Telecom Sector. All FCC minimum buildout requirements have been met, thus securing the FCC licenses.

On October 9, 2000, HickoryTech acquired the dial-up Internet customer accounts of Internet Connections, a Mankato-based Internet service provider. Internet Connections had approximately 5,000 Internet customers in southern Minnesota. The operations of this Internet services business were immediately integrated into HickoryTech's existing dial-up Internet business, which is part of the Telecom Sector.

DISPOSITIONS

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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 16 to 23 and 43 of this Form 10-K.

INDUSTRY SEGMENTS

Beginning in 2002, HickoryTech has reported the business segments of Telephone, Communications Services and Wireless Services as a single segment referred to as the Telecom Sector versus individual business segments. This new basis of segment reporting reflects the integration of HickoryTech's management, sales, service and support functions in these three areas, as well as reflecting the level at which management now reviews and makes resource allocation and other management decisions regarding the operations of the company. All segment information reported in 2001 and 2000 has been reclassified to conform to this new presentation. The other two business segments are the Information Solutions and Enterprise Solutions Sectors and they continue to be reported as previously.

TELECOM SECTOR

HickoryTech's Telecom Sector (formerly identified as the individual Telephone Sector, Communications Services Sector and Wireless Services Sector) provides local exchange wireline and wireless telephone service, long distance, dial-up 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 dial-up Internet access on a competitive basis. Crystal has customers in eight rural communities in Minnesota and six rural communities in Iowa that are not in HickoryTech's ILEC service areas.

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

The Telecom Sector also owns and operates a wireless telephone business in south central Minnesota. The wireless telephone business consists of the A-side FCC wireless license to operate in Minnesota's Rural Service Area (RSA) 10, the Minneapolis/St. Paul Metro A-2 wireless license and two digital personal communications services (PCS) licenses covering the Minnesota Basic Trading Areas (BTAs) of Mankato-Fairmont and Rochester-Austin-Albert Lea.

The Telecom Sector included the operations of ACTC, which was sold on August 6, 2001. None of the remaining companies in the Telecom Sector experienced major changes in scope or direction of their operations during the past year.

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 work force. 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. However, the Minnesota Public Utilities Commission regulates the prices and service levels provided by MCTC and Mid-Comm because each company's operations fall below the 50,000 customer line minimum level for rate

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regulation in Minnesota. In Iowa, Heartland's operations are not rate regulated by the Iowa Utilities Board. MCTC, Mid-Comm and Heartland are each required to file local service rates as tariffs with the applicable state public utilities commission. 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 long distance interexchange carriers. These relationships allow HickoryTech's telephone subscribers to place long distance telephone calls and gain access to the telephone network. HickoryTech provides long distance access for all of the individual customers who select an alternative long distance carrier. 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, microwave transmission services, wireless communications, 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 59% of that community's telephone business from HickoryTech. The impact of this competition is reflected in HickoryTech's 2002, 2001 and 2000 financial results and HickoryTech management does not believe there will be significant further impact from competition in Hawarden. HickoryTech constantly responds to competitive changes with active programs to market products and to engineer its infrastructure for higher customer satisfaction.

Competition also exists for some of the services provided to interexchange carriers, such as customer billing services, dedicated private lines, and network switching. This competition comes primarily from the interexchange carriers themselves. The provision of these services is of a contractual nature and is primarily controlled by the interexchange carriers. Other services, such as directory advertising and wireless communications, are open to competition. Competition is based primarily on service and experience.

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 new competitive local exchange carrier (CLEC). Crystal offers local service, long distance and dial-up Internet access services on a competitive basis to customers in towns in southern Minnesota and Iowa, which are not served by HickoryTech's Telecom Sector's service area. 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 six rural 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 dial-up Internet access services to HickoryTech's subscribers in both ILEC and CLEC markets.

Crystal is not subject to regulation by the public utilities commissions in the states it serves regarding rates and services. 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 one customer in Crystal accounts for ten percent or more of HickoryTech's consolidated revenues.

HickoryTech, through its subsidiary MSWC, owns and operates wireless telephone businesses in south central Minnesota and in the Minneapolis/St. Paul area. In south central Minnesota, MSWC provides wireless service for Minnesota's Rural Service Area (RSA) 10, under the brand name of HickoryTech Wireless. This business is in HickoryTech's Telecom Sector. This sector owns 100% of the A-side FCC wireless license to operate in seven counties in south central Minnesota. The area overlaps and is larger than HickoryTech's Minnesota ILEC and CLEC service areas and serves a population of approximately 230,000. This sector also owns the Minneapolis/St. Paul Metro A-2 (Metro A-2) wireless license, which was acquired on June 1, 1999. The Metro A-2 property surrounds the metropolitan Minneapolis/St. Paul area and is located in five Minnesota counties and in one Wisconsin county. Metro A-2 provides service to an area with a population of approximately 170,000. In addition, this sector also owns the PCS licenses for the Minnesota BTAs of Mankato-Fairmont and Rochester-Austin-Albert Lea. The two BTAs are located in 16 Minnesota counties and one Iowa county and provide service to an area with a population of approximately 493,000, some of which coincide with the previously mentioned wireless RSA 10 population of 230,000.

MSWC, which owns all four of the Company's FCC wireless licenses, derives its principal revenues and income from providing wireless telephone service to the retail customers in seven counties in south central Minnesota and from wireless roaming traffic. MSWC also derives roaming revenue from the six counties surrounding the metropolitan Minneapolis/St. Paul Metro A-2 area and roaming revenues from the PCS service territory that is comprised of 17 counties. MSWC directly competes against local wireless and PCS companies in southern Minnesota and in the Minneapolis/St. Paul area.

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 NIBI. Competition is based primarily on price and service. HickoryTech's Information Solutions Sector has developed a new integrated billing and management system called SuiteSolution. For internal use, SuiteSolution enables HickoryTech to become a full-service billing provider for all aspects of the telecommunications industry on a fully integrated basis. For external use, SuiteSolution can provide wireline or wireless carriers the individual benefits of a billing platform, or to integrated service providers, such as HickoryTech, a total system solution. SuiteSolution was implemented in the Company's CLEC businesses in 2002, and will be implemented in the wireless business in 2003. Another significant service is the NIBI Carrier Access Billing System (CABS) provided to ILECs and CLECs. CABS systems are important elements to all wireline carriers, and NIBI has recently developed a state of the art version for its internal use by HickoryTech operations.

ENTERPRISE SOLUTIONS SECTOR

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

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Bay Networks (Nortel) equipment on the data side of its business. Enterprise Solutions specializes in the quality custom installation and maintenance of wide area networking, local networking and transport solutions in telecommunications for end user customers.

Revenues are primarily earned by the sales, installation and service of business telephone 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 one customer in the Enterprise Solutions Sector accounts for ten percent or more of HickoryTech's consolidated revenues.

There are companies competing in the equipment sales and service and voice over Internet Protocol communications products market in which Enterprise Solutions operates. Competition is based primarily on price and service. No one company is dominant in this field. Enterprise Solutions offers customer premises telephone and data equipment through well-trained and experienced market representatives with long-term customer relationships. The Enterprise Solutions Sector enjoys a very strong brand awareness and a reputation for quality service. Enterprise Solutions has built a strong base of solid customers with ongoing needs and Enterprise Solutions' goal is to derive 60-70% of its recurring revenue from sales to its existing customer base.

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 one-stop 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' total communications needs. HickoryTech has several competitive advantages: its prices and costs are low; its service reputation is high; its investment in technology is strong and it has a direct billing relationship with almost all of the customers in its service territories; and it is uniquely positioned to offer all forms of 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. HickoryTech has chosen to participate in the competitive trend and enhance its growth by establishing its Crystal operations.

FORWARD-LOOKING STATEMENTS

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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;

the continuation of historical trends;

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 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, 2002, HickoryTech's gross property, plant and equipment of \$247,375,000 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. This sector also owns the switches and wireless/PCS radio equipment which provides its unique wireless network. 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. Portions of this building are leased to HickoryTech for its general offices and to NIBI for its data processing equipment.
- (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 engineering and outside telephone personnel.
- (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 general office space in Rock Valley, Iowa.
- (4) Crystal leases office space in Mankato, Minnesota and West Des Moines, Iowa.
- (5) MSWC leases office space in Mankato, Minnesota for wireless switch equipment and administration. MSWC also leases and owns various wireless and PCS tower sites throughout southern Minnesota and the Minneapolis/St. Paul metropolitan area, and various retail stores and mall kiosks in its service territory.
- (6) NIBI owns a three-story building in Mankato, Minnesota containing approximately 17,000 square feet.
- (7) Collins (Enterprise Solutions Sector) leases 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.

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No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this 2002 Annual Report on Form 10-K.

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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.
2002	4 th Quarter	\$	13.3400	\$	8.3900	\$ 9.5300
	3 rd Quarter	\$	16.0500	\$	11.2100	\$ 13.2500
	2 nd Quarter	\$	17.7990	\$	12.7500	\$ 15.0000
	1 st Quarter	\$	17.8500	\$	13.1400	\$ 16.2700
2001	4 th Quarter	\$	19.0000	\$	14.8000	\$ 16.9500
	3 rd Quarter	\$	18.4000	\$	14.5100	\$ 16.3000
	2 nd Quarter	\$	16.0000	\$	13.5000	\$ 16.0000
	1 st Quarter	\$	20.8125	\$	12.1875	\$ 14.8750

As of February 28, 2003, there were approximately 3,193 holders of record of common stock, registered and in street name accounts.

HickoryTech has declared quarterly dividends on its common stock of \$0.11 per share during the two years ended December 31, 2002. A quarterly cash dividend of \$0.11 per share will be paid on March 5, 2003 to stockholders of record at the close of business on February 15, 2003.

Item 6. Selected Financial Data.

(Dollars in Thousands, Except Per Share Amounts)