Proposed Middle Mile Service Offerings

Greater Minnesota Broadband Collaborative - Enventis
Easy Grants ID: 4866

Name of Service Offering	Distance Band or Point to Point	Minimum Peak Load Network Bandwidth Capacity (Mbps)	Monthly Recurring Charge - 12 Month	Monthly Recurring Charge - 24 Month	Monthly Recurring Charge - 36 Month	Monthly Recurring Charge - 60 Month	Other Comments/Description/Features or Limitations
Community Anchor Ethernet 100MB	FLAT -On-net to On-net	100MB					Community Anchor Price Only
Partner 10G DWDM*	FLAT -On-net to On-net	10GB					State of MN and U of M Rate - ONLY
Service Provider Ethernet 100MB	FLAT -On-net to On-net	100MB					Wholesale service provider rate
Service Provider 10GB DWDM*	FLAT -On-net to On-net	10GB					Wholesale service provider rate

*Linear long haul only

Competitor Data

Greater Minnesota Broadband Collaborative - Enventis

Easy Grants ID: 4866

Competitor Data - Middle Mile Service Providers

Service Provider	Service Areas Where Service Available	Technology Platform	Service Tiers	Type	Monthly Pricing
	Highway 10 corridor, Wadena, Moorhead, St. Paul, Duluth, Owatonna, Rochester, Windom	SONET/TDM	T1 - OC48	Point-to-point	Unknown - No market visibility - Pricing not public information
	Highway 10 corridor, Brainerd, Wadena, Duluth, Little Falls, Owatonna, Red Wing, Rochester, Winona	SONET/TDM	T1 - OC48	Point-to-point	Unknown - No market visibility - Pricing not public information
	Rochester	SONET/TDM	T1 - OC48	Point-to-point	Unknown - No market visibility - Pricing not public information
	Rochester, Owatonna, Faribault	SONET/TDM	T1 - OC48	Point-to-point	Unknown - No market visibility - Pricing not public information
	Winona, Rochester, Red Wing	SONET/TDM	T1 - OC48	Point-to-point	Unknown - No market visibility - Pricing not public information
	Highway 10 corridor, Brainerd, Wadena, Detroit Lakes, Moorhead	SONET/TDM	T1 - OC48	Point-to-point	Unknown - No market visibility - Pricing not public information
	All communities/ILEC	SONET/TDM	T1 - OC48	Point-to-point	Unknown - No market visibility - Pricing not public information

BTOP CCI Service Area Template

Title: Greater Minnesota Broadband Collaborative - Enventis
Easy Grants ID: 4866

Service Area Name	Tract or Block Group #
Albert Lea Community	27047980800
Albert Lea Community	27047980600
Albert Lea Community	27047980500
Austin Community	27099000200
Austin Community	27099000300
Becker Community	27141304010
Faribault Community	27131970700
Hwy 10 Corridor	27005950900
Hwy 10 Corridor	27027302010
Hwy 10 Corridor	27005950800
Hwy 10 Corridor	27005950400
Hwy 10 Corridor	27027301040
Hwy 10 Corridor	27027020100
Hwy 10 Corridor	27027202020
Hwy 10 Corridor	27027302020
Hwy 10 Corridor	27027020300
Hwy 10 Corridor	27005950500
Hwy 10 Corridor	27005950600
Hwy 10 Corridor	27005950700
Hwy 10 Corridor	27005950300
Hwy 10 Corridor	27111960100
Hwy 10 Corridor	27111960500
Hwy 10 Corridor	27111960600
Hwy 10 Corridor	27021960800
Hwy 10 Corridor	27159980200
Hwy 10 Corridor	27159980300
Hwy 10 Corridor	27035951300
Hwy 10 Corridor	27153990100
Hwy 35 Corridor	27137001900
Hwy 35 Corridor	27137002000
Hwy 35 Corridor	27137002700
Hwy 35 Corridor	27017970300
Hwy 35 Corridor	27137002800
Hwy 35 Corridor	27137010100
Hwy 35 Corridor	27137010200
Hwy 35 Corridor	27137003000
Hwy 35 Corridor	27137003200
Hwy 35 Corridor	27137002900
Hwy 35 Corridor	27017970400
Hwy 35 Corridor	27017970100
Hwy 35 Corridor	27017970200
Hwy 35 Corridor	27017970500
Hwy 35 Corridor	27115950200
Hwy 35 Corridor	27115950100
Hwy 35 Corridor	27115950300
Hwy 35 Corridor	27115950400
Hwy 35 Corridor	27115950500
Hwy 35 Corridor	27115950700
Hwy 35 Corridor	27115950600
Hwy 35 Corridor	27025110200
Hwy 35 Corridor	27025110300
Hwy 35 Corridor	27025110400
Hwy 35 Corridor	27163701030

BTOP CCI Service Area Template

Title: Greater Minnesota Broadband Collaborative - Enventis
Easy Grants ID: 4866

Service Area Name	Tract or Block Group #
Hwy 35 Corridor	27163701040
Hwy 35 Corridor	27163701060
Hwy 35 Corridor	27163702030
Hwy 35 Corridor	27163702040
Hwy 35 Corridor	27123040100
Hwy 35 Corridor	27123405020
Hwy 35 Corridor	27123040200
Hwy 35 Corridor	27123403010
Hwy 35 Corridor	27123403020
Hwy 35 Corridor	27123404010
Hwy 35 Corridor	27123406040
Hwy 35 Corridor	27123423010
Hwy 35 Corridor	27123423020
Hwy 35 Corridor	27123306020
Hwy 35 Corridor	27123030500
Hwy 35 Corridor	27123030900
Hwy 35 Corridor	27123031400
Hwy 35 Corridor	27123032900
Hwy 35 Corridor	27123034200
Janesville Community	27161990100
Kasson Community	27039950500
Lake Crystal Community	27013971000
Le Sueur Community	27079950200
Little Falls Community	27097980600
Luverne Community	27133970300
Madelia Community	27165950100
New Richland Community	27161990200
Owatonna Community	27101980100
Red Wing Community	27049980200
Red Wing Community	27049980101
Red Wing Community	27049980102
Red Wing Community	27127950100
Rochester Community	27109170200
Rochester Community	27109000500
Rochester Community	27109000100
St. James Community	27165950200
Wabasha Community	27157990100
Waseca Community	27161990500
Windom Community	27033970400
Winona Community	27169970500
Worthington Community	27105990100
Worthington Community	27105990500
Worthington Community	27105990400
Worthington Community	27105990600

U.S. Department of Commerce
Broadband Technology Opportunities Program
Authentication and Certifications

1. I certify that I am the duly Authorized Organization Representative (AOR) of the applicant organization, and that I have been authorized to submit the attached application on its behalf.

2. I certify that I have examined this application, that all of the information and responses in this application, including certifications, and forms submitted, all of which are part of this grant application, are material representations of fact and true and correct to the best of my knowledge, that the entity(ies) that is requesting grant funding pursuant to this application and any subgrantees and subcontractors will comply with the terms, conditions, purposes, and federal requirements of the grant program; that no kickbacks were paid to anyone; and that a false, fictitious, or fraudulent statements or claims on this application are grounds for denial or termination of a grant award, and/or possible punishment by a fine or imprisonment as provided in 18 U.S.C. §1001 and civil violations of the False Claims Act.

3. I certify that the entity(ies) I represent has and will comply with all applicable federal, state, and local laws, rules, regulations, ordinances, codes, orders and programmatic rules and requirements relating to the project. I acknowledge that failure to do so may result in rejection or deobligation of the grant or loan award. I acknowledge that failure to comply with all federal and program rules could result in civil or criminal prosecution by the appropriate law enforcement authorities.

4. I certify that the entity(ies) I represent has and will comply with all applicable administrative and federal statutory, regulatory, and policy requirements set forth in the Department of Commerce Pre-Award Notification Requirements for Grants and Cooperative Agreements ("DOC Pre-Award Notification"), published in the Federal Register on February 11, 2008 (73 FR 7696), as amended; DOC Financial Assistance Standard Terms and Conditions (Mar. 8, 2009); the Department of Commerce American Recovery and Reinvestment Act Award Terms (Apr. 9, 2009); and any Special Award Terms and Conditions that are included by the Grants Officer in the award.

5. I certify that any funds awarded to the entity(ies) I represent as a result of this application will not result in any unjust enrichment of such entity(ies) or duplicate any funds such entity(ies) receives under federal universal service support programs administered by the Universal Service Administrative Corporation (USAC).

6. I certify that the entity(ies) I represent has secured access to pay the 20% of total project cost or has petitioned the Assistant Secretary of NTIA for a waiver of the matching requirement.

3/25/10

Date

Authorized Organization Representative Signature

Greg T. Flanagan

Print Name

Director of Business Development & Wholesale Services

Title

BTOP Comprehensive Community Infrastructure
Project Plan and Build-out Timeline

GREATER MINNESOTA BROADBAND COLLABORATIVE – ENVENTIS
EASY GRANTS ID: 4866

PROJECT PLAN

- Use the following table to list the major network build-out phases and milestones that can demonstrate that your entire project will be substantially complete by the end of Year 2 and fully complete by the end of Year 3. This is to be done at the aggregate level (combining all proposed funded service areas.)
- Indicated how the milestones listed below will demonstrate these completion objectives. The applicant should consider such project areas as: a) network design; b) securing all relevant licenses and agreements; c) site preparation; d) inside plant deployment; e) outside plan deployment; f) deployment of business & operational support systems; g) network testing; f) network operational. The applicant may provide any other milestones that it believes showcase progress.
- Project inception (Year 0) starts at the date when the applicant receives notice that the project has been approved for funding.
- In the table, provide any information (e.g., facts, analysis) to: a) demonstrate the reasonableness of these milestones; b) substantiate the ability to reach the milestones by the quarters indicated.

Time Period	Quarter	Milestones	Support for Reasonableness/Data Points
Year 0	-	• List all relevant milestones Inside and outside plant engineering network design completion 1. Extension of middle mile laterals 2. New fiber construction: Twin Cities-Duluth 3. New fiber construction: Brainerd-Moorhead	• Enventis regularly completes large scale long haul network builds and customer lateral builds from our existing network. All time tables are based on previous experience building new networks. • Enventis' Engineering team has over 75 years of combined experience in the deployment and operation of Optical Networks.
Year 1	Qtr. 1	• List all relevant milestones Complete permitting & obtain easements for new fiber construction between Twin Cities-Duluth and all lateral builds from I35 corridor	• Enventis has working relationships with various local, county and state municipalities and regularly obtains permits and easements for projects. Permits and easements are expected to take 8 weeks to

		Finalize land purchase for regeneration sites at Sandstone and Pine City Order buildings for regen sites Finalize bill of materials to order customer premise and transport equipment for Twin Cities-Duluth corridor and lateral routes (10 weeks)	obtain. • Enventis operates a 2,400 mile self-healing, physically diverse fiber network throughout Minnesota and western Wisconsin which required numerous land and site acquisitions for POP's and regeneration facilities. Land acquisition will take place during the permitting stage. • Enventis uses an open bidding process along with Lab testing to insure that the best price/performance products will be used within the Network as well as at the customer premise. The complete process of bid receipt/approval will take 10 weeks and will run concurrently to the permitting process.
	Qtr. 2	• List all relevant milestones Receive & stage customer premise and transport equipment for Twin Cities-Duluth fiber construction and lateral routes at existing warehouse and data center facilities Begin OSP construction for Twin Cities-Duluth fiber construction & lateral routes	• Enventis has multiple on-site secure warehouse facilities which are used to stage and pre-test all equipment prior to deployment in the field to ensure equipment is in working order prior to installation. Receipt and staging of equipment will take place over a 12 week period. • Enventis has an in house OSP construction department and has existing relationships to employ the services of contract construction services as needed. Due to weather, only 8 weeks are generally available during the 2nd quarter to devote to OSP construction.
	Qtr. 3	• List all relevant milestones Complete OSP construction for lateral routes Complete installation/ make ready of regen building Complete installation of transport network equipment including buildings and transport facilities for new fiber construction between the Twin Cities - Duluth Begin installation of customer premise equipment	• Project plans are created for all builds to ensure a timely completion. OSP lateral route construction will take place over the entire 12 weeks of the 3rd quarter. • Enventis employs multiple technicians throughout Minnesota who are continually trained on the installation, activation and testing of multiple types of telecommunications equipment. Equipment will be installed over the final 8 weeks of the quarter as each segment is ready.
	Qtr. 4	• List all relevant milestones	

		Complete test and turn up of new fiber construction between the Twin Cities - Duluth (6weeks) Complete installation, test and turn up of customer premise locations (6weeks) Refine inside and OSP design & equipment requirements for new fiber construction: Brainerd – Moorhead	• Enventis employs multiple technicians throughout Minnesota who are continually trained on the installation, activation and testing of multiple types of telecommunications equipment. Complete testing and activation of transport and customer premise services will take place over the quarter.
Year 2	Qtr. 1	• List all relevant milestones Complete permitting & obtain easements for new fiber construction between Brainerd – Moorhead and extension of middle mile laterals Finalize bill of materials to order customer premise and transport equipment for Brainerd - Moorhead corridor and extension of middle mile laterals (10 weeks) Secure collocation agreements at Detroit Lakes and Wadena Central Offices	• Enventis has working relationships with various local, county and state municipalities and regularly obtains permits and easements for projects. Permits and easements are expected to take 8 weeks to obtain. • Enventis uses an open bidding process along with Lab testing to insure that the best price/performance products will be used within the Network as well as at the customer premise. The complete process of bid receipt/approval will take 10 weeks and will run concurrently to the permitting process. • Enventis has established multiple collocations with RBOC's and CLEC's in the region. Securing collocation space takes 12 weeks.
	Qtr. 2	• List all relevant milestones Receive & stage customer premise and transport equipment for Brainerd - Moorhead fiber construction and extension of middle mile laterals at existing warehouse and data center facilities Begin OSP construction for Brainerd - Moorhead fiber construction & extension of middle mile laterals Install core equipment at Central Office locations	• Enventis has multiple on-site secure warehouse facilities which are used to stage and pre-test all equipment prior to deployment in the field to ensure equipment is in working order prior to installation. Receipt and staging of equipment will take place over a 12 week period. • Enventis has an in house OSP construction department and has existing relationships to employ the services of contract construction services as needed. Due to weather, only 8 weeks are generally available during the 2nd quarter to devote to OSP construction.
	Qtr. 3	• List all relevant milestones	

		Complete OSP construction for Brainerd - Moorhead fiber construction & extension of middle mile laterals Complete installation/ make ready of Central Office locations Complete installation of transport network equipment including buildings and transport facilities for new fiber construction between Brainerd - Moorhead Begin install of customer premise equipment	• Project plans are created for all builds to ensure a timely completion. OSP construction will take place over the entire 12 weeks of the 3rd quarter. • Enventis employs multiple technicians throughout Minnesota who are continually trained on the installation, activation and testing of multiple types of telecommunications equipment. Equipment will be installed over the final 8 weeks of the quarter as each segment is ready.
	Qtr. 4	• List all relevant milestones Complete test and turn up of new fiber construction between Brainerd – Moorhead Complete installation, test and turn up of customer premise locations	• Enventis employs multiple technicians throughout Minnesota who are continually trained on the installation, activation and testing of multiple types of telecommunications equipment. Complete testing and activation of transport and customer premise services will take place over the quarter.
Year 3	Qtr. 1	• List all relevant milestones	
	Qtr. 2	• List all relevant milestones	
	Qtr. 3	• List all relevant milestones	
	Qtr. 4	• List all relevant milestones	

BUILD-OUT TIMELINE

Complete the following schedule for *each* Last Mile or Middle Mile Service Area to note the degree of build-out, based on: a) infrastructure funds awarded; b) entities passed (households, businesses, and community anchor institutions.). In addition, please complete a schedule that aggregates the build-out timeline across all of the Proposed Funded Service Area.

Service Area	**Greater Minnesota Broadband Collaborative**												
		YEAR 1				**YEAR 2**				**YEAR 3**			
	YEAR 0	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Infrastructure Funds													
Infrastructure Funds Advanced (estimate)	$.5M	$1.6M	$2.7M	$2.7M	$1.6M	$1.6M	$3.5M	$2.1M	$.5M	0	0	0	0
Percentage of Total Funds	3%	13%	27%	45%	54%	64%	85%	97%	100%				
Entities Passed & %													
Households	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Percentage of Total Households	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Businesses	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Percentage of Total Businesses	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Community Anchor Institutions	0	0	20	20	19	0	5	5	5	0	0	0	0
Percentage of Total Institutions	0	0	27%	54%	80%	80%	86%	93%	100%	0	0	0	0

Broadband Subscriber Estimates

Greater Minnesota Broadband Collaborative - Enventis
Easy Grants ID: 4866

Name of Service Offering	Customer Type	Year 0	Cumulative/Net Add	Year 1				Year 2				Year 3				Year 4				Year 5				Year 6			
				Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Community Anchor Ethernet 100Mb	Community Anchor Inst.	0	Cumulative	0	20	40	59	59	64	69	74	74	74	74	74	74	74	74	74	74	74	74	74	74	74	74	74
			Net Add	0	20	20	19	0	5	5	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Partner 10G DWDM	Community Anchor Inst.	0	Cumulative	0	0	0	3	3	3	3	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
			Net Add	0	0	0	3	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ethernet 100Mb	Third Party Service Provider	0	Cumulative	0	0	0	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
			Net Add	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Service Provider 10G DWDM	Third Party Service Provider	0	Cumulative	0	0	0	0	0	0	0	1	1	1	1	2	2	2	2	3	3	3	3	4	4	4	4	4
			Net Add	0	0	0	0	0	0	0	1	0	0	0	1	0	0	0	1	0	0	0	1	0	0	0	0
Cumulative Totals (excluding Indirect)	Residential/Individual		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Business		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Community Anchor Inst.		Total	0	20	20	22	0	5	5	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Third Party Service Provider		Total	0	0	0	0	1	1	1	2	1	1	1	2	1	1	1	2	1	1	1	2	1	1	1	1
Cumulative Totals (including Indirect)	Residential/Individual		Total	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
	Business		Total	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
	Community Anchor Inst.		Total	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD

Table of Customer Types

Residential/Individual
Business
Community Anchor Inst.
Third Party Service Provider
Indirect - Res./Ind.
Indirect - Business
Indirect - Com. Anchor Inst.

Explanation of Methodology: The Enventis proposal is being supported by two state wide institutions (State of Minnesota OET and University of Minnesota OIT) who in turn support a number of community anchors each of which is viewed as a direct subscriber and Mayo Clinic who has 12 facilities within the proposal, each of which is viewed as a direct subscriber. The ability to project the amount of indirect subcribers would require addition collaboration between Enventis and these organizations in order to quantify because it could include all state agency employees and in some cases large groups of people from the general public sector they support, all students at University facilites and in the case of Mayo all patients at the facilities serviced. Beyond these three partner organizations estimates were made based on the number of service providers that would obtain 100Mb Ethernet services. Our construction build-out timeline is over the 2011 (assumed year 1) and 2012 (assumed year 2) build seasons and therefore different routes built to provide 10G DWDM services or 100Mb laterials to anchor institutions are reflected in relationship to that schedule. Note Minnesota weather generally makes 1st qtr ground work difficult due to frost so laterials are reflected in 2nd - 4th qtrs. Also note while growth of bandwidth from 100Mb to an additonal 100Mb or more at a specific laterial sites would increase reveune it would not increase subscriber count. For the above mentioned reasons the totals for indirect subscribers has not yet been calculated.

Broadband Subscriber Estimates

Greater Minnesota Broadband Collaborative - Enventis
Easy Grants ID: 4866

Name of Service Offering	Customer Type	Year 7				Year 8			
		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Community Anchor Ethernet 100Mb	Community Anchor Inst.	74	74	74	74	74	74	74	74
		0	0	0	0	0	0	0	0
Partner 10G DWDM	Community Anchor Inst.	4	4	4	4	4	4	4	4
		0	0	0	0	0	0	0	0
Ethernet 100Mb	Third Party Service Provider	21	22	23	24	25	26	27	28
		1	1	1	1	1	1	1	1
Service Provider 10G DWDM	Third Party Service Provider	4	4	4	4	4	4	4	4
		0	0	0	0	0	0	0	0
Cumulative Totals (excluding Indirect)	Residential/Individual	0	0	0	0	0	0	0	0
	Business	0	0	0	0	0	0	0	0
	Community Anchor Inst.	0	0	0	0	0	0	0	0
	Third Party Service Provider	1	1	1	1	1	1	1	1
Cumulative Totals (including Indirect)	Residential/Individual	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
	Business	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
	Community Anchor Inst.	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD

Table of Customer Types

Residential/Individual
Business
Community Anchor Inst.
Third Party Service Provider
Indirect - Res./Ind.
Indirect - Business
Indirect - Com. Anchor Inst.

REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS

Board of Directors and Shareholders
Hickory Tech Corporation

We have audited the accompanying consolidated balance sheet of Hickory Tech Corporation and subsidiaries (the "Company") as of December 31, 2007, and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss), and cash flows for the year then ended. Our audit of the basic consolidated financial statements included the financial statement schedule under Item 15(a)(2). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hickory Tech Corporation and subsidiaries as of December 31, 2007, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 11 to the consolidated financial statements, effective January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 29, 2008, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ Grant Thornton LLP

Minneapolis, Minnesota
February 29, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS

Board of Directors and Shareholders
HickoryTech Corporation

We have audited the accompanying consolidated balance sheets of HickoryTech Corporation and subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of operations, shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2009. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of HickoryTech Corporation and subsidiaries as of December 31, 2009, and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), HickoryTech Corporation and subsidiaries' internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 2, 2010, expressed an unqualified opinion.

/s/ Grant Thornton LLP

Minneapolis, Minnesota
March 2, 2010

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS

Board of Directors and Shareholders
Hickory Tech Corporation

We have audited Hickory Tech Corporation and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit. Our audit of, and opinion on, the Company's internal control over financial reporting does not include internal control over financial reporting of Computer Pro, Inc., dba CP Telecom, a wholly-owned subsidiary, whose financial statements reflect total assets and revenues constituting 4 and 3 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2009. As indicated in Management's Report, Computer Pro, Inc. dba CP Telecom, was acquired during 2009 and therefore, management's assertion on the effectiveness of the Company's internal control over financial reporting excluded internal control over financial reporting of Computer Pro, Inc. dba CP Telecom.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Hickory Tech Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Hickory Tech Corporation and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2009, and our report dated March 2, 2010, expressed an unqualified opinion on those consolidated financial statements.

/s/ Grant Thornton LLP

Minneapolis, Minnesota
March 2, 2010

Item 8. Financial Statements and Supplementary Data

HICKORY TECH CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31

(Dollars in thousands, except share and per share amounts)

	2009	2008	2007
Operating Revenue:			
Enventis Sector			
Equipment	$ **27,857**	$ 43,514	$ 51,046
Services	**40,826**	36,462	28,756
Total Enventis Sector	**68,683**	79,976	79,802
Telecom Sector	**70,419**	73,199	76,847
Total operating revenue	**139,102**	153,175	156,649
Costs and expenses:			
Cost of sales, excluding depreciation and amortization	**24,869**	37,355	45,340
Cost of services, excluding depreciation and amortization	**52,211**	52,004	44,881
Selling, general and administrative expenses	**22,260**	22,984	24,244
Depreciation	**20,176**	19,479	17,847
Amortization of intangibles	**1,001**	1,127	1,157
Total costs and expenses	**120,517**	132,949	133,469
Operating income	**18,585**	20,226	23,180
Other income and expense:			
Interest and other income	**105**	93	287
Interest expense	**(6,918)**	(6,870)	(8,121)
Total other (expense)	**(6,813)**	(6,777)	(7,834)
Income from continuing operations before income taxes	**11,772**	13,449	15,346
Income tax provision	**499**	5,420	6,711
Income from continuing operations	**11,273**	8,029	8,635
Discontinued operations (Note 3)			
(Loss) from operations of discontinued component	-	-	(40)
Income tax benefit	-	-	(16)
(Loss) on discontinued operations	-	-	(24)
Net income	$ **11,273**	$ 8,029	$ 8,611
Basic earnings per share	$ **0.86**	$ 0.61	$ 0.65
Weighted average common shares outstanding	**13,061,266**	13,248,731	13,258,369
Diluted earnings per share	$ **0.86**	$ 0.61	$ 0.65
Weighted average common and equivalent shares outstanding	**13,061,861**	13,259,933	13,260,087
Dividends per share	$ **0.52**	$ 0.49	$ 0.48

The accompanying notes are an integral part of the consolidated financial statements.

HICKORY TECH CORPORATION
CONSOLIDATED BALANCE SHEETS
As of December 31

(Dollars in thousands except share and per share amounts)	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,420	$ 1,626
Receivables, net of allowance for doubtful accounts of $643 and $905	19,729	26,292
Inventories	5,069	8,674
Income taxes receivable	-	566
Deferred income taxes, net	2,423	2,064
Prepaid expenses	1,751	1,409
Other	1,039	1,114
Total current assets	32,431	41,745
Investments	4,306	4,066
Property, plant and equipment	357,607	338,510
Accumulated depreciation	(204,129)	(187,157)
Property, plant and equipment, net	153,478	151,353
Other assets:		
Goodwill	27,423	25,239
Intangible assets, net	3,025	856
Deferred costs and other	1,820	2,249
Total other assets	32,268	28,344
Total assets	$ 222,483	$ 225,508
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities:		
Extended term payable	$ 6,788	$ 10,474
Accounts payable	2,883	3,133
Accrued expenses and other	7,792	8,001
Accrued income taxes	642	-
Deferred revenue	6,016	6,205
Current maturities of long-term obligations	620	1,621
Total current liabilities	24,741	29,434
Long-term liabilities:		
Debt obligations, net of current maturities	119,871	125,384
Financial derivative instruments	1,908	3,286
Accrued income taxes	3,218	7,517
Deferred income taxes	21,895	18,282
Deferred revenue	2,095	1,646
Accrued employee benefits and deferred compensation	14,209	10,210
Total long-term liabilities	163,196	166,325
Total liabilities	187,937	195,759
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value, $.10 stated value		
Shares authorized: 100,000,000		
Shares issued and outstanding: 13,100,568 in 2009 and 12,992,376 in 2008	1,310	1,299
Additional paid-in capital	12,975	11,504
Retained earnings	24,687	20,199
Accumulated other comprehensive (loss)	(4,426)	(3,253)
Total shareholders' equity	34,546	29,749
Total liabilities and shareholders' equity	$ 222,483	$ 225,508

The accompanying notes are an integral part of the consolidated financial statements.

HICKORY TECH CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31

(Dollars in thousands)

	2009	2008	2007
OPERATING ACTIVITIES:			
Net income	$ **11,273**	$ 8,029	$ 8,611
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss from discontinued operations	-	-	24
Depreciation and amortization	**21,177**	20,606	19,004
Amortization of gain on sale of financial derivative instrument	-	(664)	(1,272)
Deferred income tax provision	**1,968**	3,660	1,523
Stock-based compensation	**1,021**	415	688
Accrued patronage refunds	**(512)**	(563)	(230)
Other	**867**	731	889
Changes in operating assets and liabilities net of effects of acquisitions:			
Receivables	**6,779**	1,780	(7,814)
Prepaids	**(125)**	304	190
Inventories	**3,605**	(1,620)	4,239
Accounts payable and accrued expenses	**(1,696)**	(1,135)	2,190
Deferred revenue, billings and deposits	**195**	1,165	601
Income taxes	**(3,091)**	218	1,237
Other	**793**	844	851
Net cash provided by operating activities	**42,254**	33,770	30,731
INVESTING ACTIVITIES:			
Additions to property, plant and equipment	**(17,893)**	(17,691)	(17,500)
Acquisitions	**(6,625)**	-	-
Other	-	420	100
Net cash (used in) investing activities	**(24,518)**	(17,271)	(17,400)
FINANCING ACTIVITIES:			
Net change in extended term payables arrangement	**(3,687)**	(3,969)	6,724
Change in cash overdraft	-	-	(1,475)
Borrowings on credit facility	-	34,500	15,500
Payments on credit facility and capital lease obligations	**(6,930)**	(37,132)	(29,906)
Proceeds from the sale of financial derivative instrument	-	-	1,936
Proceeds from issuance of common stock	**460**	412	358
Dividends paid	**(6,785)**	(6,492)	(6,357)
Stock repurchase	-	(2,363)	-
Net cash (used in) financing activities	**(16,942)**	(15,044)	(13,220)
DISCONTINUED OPERATIONS:			
Net cash (used in) operating activities	-	-	(24)
Net cash (used in) discontinued operations	-	-	(24)
Net increase in cash and cash equivalents	**794**	1,455	87
Cash and cash equivalents at beginning of the year	**1,626**	171	84
Cash and cash equivalents at the end of the year	$ **2,420**	$ 1,626	$ 171
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ **7,094**	$ 7,962	$ 9,319
Net cash paid for income taxes	$ **1,622**	$ 1,542	$ 3,935
Non-cash investing activities:			
Property, plant and equipment acquired with capital leases	$ **417**	$ 433	$ 522
Change in other comprehensive income from financial derivatives and post-retirement benefits	$ **1,173**	$ 2,186	$ 1,517

The accompanying notes are an integral part of the consolidated financial statements.

HICKORY TECH CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME
Years Ended December 31
(Dollars in thousands)

	Common Stock		Additional Paid - In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity	Total Comprehensive Income
	Shares	Amount					
Balance, December 31, 2006	13,207,970	$ 1,321	$ 9,992	$18,323	$ 450	$ 30,086	
Stock Award Plans	27,590	3	196			199	
Employee Stock Purchase Plan	13,792	1	275			276	
Directors' Stock Retainer Plan	7,586	1	232			233	
Dividend Reinvestment Plan	27,965	3	233			236	
Stock based compensation			103			103	
Net Income				8,611		8,611	$ 8,611
Dividends Paid				(6,357)		(6,357)	
Adoption of ASC 740				62		62	
Other Comprehensive Loss, Net of Income Taxes					(1,517)	$ (1,517)	(1,517)
Total Comprehensive Income							$ 7,094
Balance, December 31, 2007	13,284,903	1,329	11,031	20,639	(1,067)	31,932	
Stock Award Plans	10,493	1	110			111	
Employee Stock Purchase Plan	23,992	2	268			270	
Directors' Stock Retainer Plan	13,803	1	22			23	
Directors' Incentive Stock Plan	18,000	2	166			168	
Dividend Reinvestment Plan	34,185	3	241			244	
Stock Repurchase	(393,000)	(39)	(347)	(1,977)		(2,363)	
Stock based compensation			13			13	
Net Income				8,029		8,029	8,029
Dividends Paid				(6,492)		(6,492)	-
Other Comprehensive Loss, Net of Income Taxes					(2,186)	(2,186)	(2,186)
Total Comprehensive Income							$ 5,843
Balance, December 31, 2008	12,992,376	1,299	11,504	20,199	(3,253)	29,749	
Stock Award Plans	16,303	2	914			916	
Employee Stock Purchase Plan	20,561	2	183			185	
Directors' Stock Retainer Plan	13,121	1	-			1	
Directors' Incentive Stock Plan	20,000	2	101			103	
Dividend Reinvestment Plan	38,207	4	269			273	
Stock based compensation			4			4	
Net Income				11,273		11,273	$ 11,273
Dividends Paid				(6,785)		(6,785)	
Other Comprehensive Loss, Net of Income Taxes					(1,173)	(1,173)	(1,173)
Total Comprehensive Income							$ 10,100
Balance, December 31, 2009	13,100,568	$ 1,310	$ 12,975	$24,687	$ (4,426)	$ 34,546	

The accompanying notes are an integral part of the consolidated financial statements.

Note 1. Summary of Significant Accounting Policies

The accounting policies of HickoryTech conform with generally accepted accounting principles and, where applicable, to the accounting principles as prescribed by federal and state telephone utility regulatory authorities. We presently give accounting recognition to the actions of regulators where appropriate, as prescribed by ASC Topic 980 – Regulated Operations. Topic 980 provides guidance in preparing general purpose financial statements for most public utilities. In general, the type of regulation covered by this statement permits rates (prices) for some services to be set at levels intended to recover the estimated costs of providing regulated services or products, including the cost of capital (interest costs and a provision for earnings on shareholders' investments).

Principles of Consolidation

Our consolidated financial statements report the financial condition and results of operations for HickoryTech Corporation and its subsidiaries in two business segments: Enventis Sector and Telecom Sector. Inter-company transactions have been eliminated from the consolidated financial statements.

Classification of Costs and Expenses

Cost of sales for the Enventis Sector includes the costs associated with the installation of products for customers. These costs are primarily for equipment and materials. Labor associated with installation work is not included in this category, but is included in cost of services (excluding depreciation and amortization) described below.

Cost of services includes all costs related to delivery of communication services and products for all sectors. These operating costs include all costs of performing services and providing related products including engineering, customer service, billing and collections, network monitoring and transport costs.

Selling, general and administrative expenses include direct and indirect selling expenses, advertising and all other general and administrative costs associated with the operations of the business.

Use of Estimates

Preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from these estimates and assumptions.

Revenue Recognition

We recognize revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery of the product has occurred or service has been provided, (iii) the price is fixed or determinable and (iv) collectibility is reasonably assured. Revenue is reported net of all applicable sales tax.

Enventis Sector Revenue Recognition: Revenue is generated from the following primary sources: i) the sale of voice and data communications equipment provided primarily through Cisco, ii) providing design, configuration and installation services related to voice and data equipment, iii) the provision of Cisco maintenance support contracts, iv) the sale of professional support services related to customer voice and data systems, v) the sale of fiber and data services over the Company-owned and leased fiber optic network, and vi) the sale of managed voice and data services, including resale of long distance services. Our revenue recognition policy for each of these types of products and services is as follows:

- In instances where we sell Cisco voice and data communications equipment with no installation obligations (equipment only sales), all warranty obligations reside with Cisco. Therefore, revenue is recognized when the equipment is delivered to the customer site. In instances where we sell Cisco voice and data communications equipment with installation obligations, terms of the agreements typically provide for installation services without customer-specific acceptance provisions, but sometimes may provide customer-specific acceptance provisions. For arrangements with no customer-specific acceptance arrangements, we recognize revenue when title passes to the customer. For contracts with customer specific acceptance provisions, we defer revenue recognition until the receipt of formal customer acceptance, assuming that all other revenue recognition criteria have been met. When a sale involves multiple elements, revenue is allocated to each respective element in accordance with ASC Topic 605, Subtopic 25 – Multiple Element Arrangements, which prescribes accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. ASC 605-25 provides guidance on how an arrangement involving multiple deliverables should be divided into separate units of accounting, but does not change otherwise applicable revenue recognition criteria. In the event that we enter into a multiple element arrangement and there are undeliverable elements as of the balance sheet date, we assess whether the elements are separable and have determinable fair values in assessing the amount of revenue to record. Allocation of revenue to elements of the arrangement is based on fair value of the element being sold on a stand-alone basis.

- When we sell equipment to customers, we also typically sell Cisco support contracts ("SmartNet" contracts). These support contracts state that Cisco will provide all support services, product warranty and updates directly to the customer. Because we have no service obligations under these types of contracts, the earnings process has culminated for us upon the sale of the contract and therefore revenue is recognized immediately. Further, we are serving in an agency relationship to the customer for the sale of the contract and therefore the revenue is recorded net of the cost that we pay Cisco for the contract. Support services also include "24x7" support of a customer's voice and data systems. Most of these contracts are billed on a time and materials basis and revenue is recognized either as services are provided or over the term of the contract. Support services also include professional support services, which are typically sold on a time and materials basis, but may be sold as a pre-paid block of time. This revenue is recognized as the services are provided (deferred and recognized as utilized if pre-paid). In the event that these services are part of a multiple element arrangement, the fair value of the services are measured and deferred in accordance with ASC 605-25 mentioned above. Allocation of revenue to elements of the arrangement is based on fair value of the element being sold on a stand-alone basis.

- Fiber and data services are sold through a contractual flat monthly fee. The revenue generated by these services is typically billed one month in advance and is deferred until the appropriate month of recognition.

- We also manage customer voice and/or data services. Under these arrangements, we bill either a flat monthly fee or a fee that is variable based on the number of "seats" that the customer has. This revenue is recognized on a monthly basis as the services are provided.

Telecom Sector Revenue Recognition: Revenue is earned from monthly billings to customers for telephone services, long distance, digital TV, DSL, Internet services, and hardware and other services. Revenue is also derived from charges for network access to our local exchange telephone network from subscriber line charges and from contractual arrangements for services such as billing and collection and directory advertising. Some revenue is realized under pooling arrangements with other telephone companies and is divided among the companies based on respective costs and investments to provide the services. The companies that take part in pooling arrangements may adjust their costs and investments for a period of two years, which causes the dollars distributed by the pool to be adjusted retroactively. We believe that recorded amounts represent reasonable estimates of the final distribution from these pools. However, to the extent that the companies participating in these pools make adjustments, there will be corresponding adjustments to our recorded revenue in future periods. Revenue is recognized in the period in which service is provided to the customer. With multiple billing cycles and cut-off dates, we accrue for revenue earned but not yet billed at the end of a quarter. We also defer services billed in advance and recognize them as income when earned.

Shipping and Handling

Amounts billed to a customer in a sales transaction related to shipping and handling are classified as revenue. Shipping and handling costs are included in cost of services.

Advertising Expense

Advertising is expensed as incurred. Advertising expense charged to operations was $1,043,000, $1,415,000 and $1,335,000 in 2009, 2008 and 2007, respectively.

Cash and Cash Equivalents

At December 31, 2009, cash equivalents totaled $2,420,000 including short-term investments with original maturities of three months or less. The carrying value of cash and cash equivalents approximates its fair value due to the short maturity of the instruments. Our cash deposits may occasionally exceed federally insured limits. Our commercial paper is valued using level 2 inputs which are observable inputs other than quoted prices in active markets for identical assets and liabilities.

Accounts Receivable

As of December 31, 2009, consolidated accounts receivable totaled $19,729,000, net of the allowance for doubtful accounts. As of December 31, 2009, we believe accounts receivable are recorded at their fair value. As there may be exposure or risk with accounts receivable, we routinely monitor our accounts receivable and adjust the allowance for doubtful accounts when certain events occur that may potentially impact the collection of accounts receivable.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. To estimate the appropriate allowance for doubtful accounts, we consider specific accounts, historical write-offs, changes in customer financial condition and credit worthiness and concentrations of credit risk. Specific accounts receivable are written off once we determine that the account is uncollectible. The allowance for doubtful accounts was $643,000 and $905,000 as of December 31, 2009 and 2008, respectively.

Inventories

Inventory includes parts, materials and supplies stored in our warehouses to support basic levels of service and maintenance as well as scheduled capital projects and equipment awaiting configuration for customers. Inventory also includes parts and equipment shipped directly from vendors to customer locations while in transit and parts and equipment returned from customers which is being returned to vendors for credit, as well as maintenance contracts associated with customer sales which have not yet transferred to the customer. The inventory value in the Enventis Sector, comprised of finished goods in transit to customers as of December 31, 2009 and December 31, 2008 was $2,770,000 and $5,110,000, respectively. The inventory value in the Telecom Sector, comprised of raw materials, as of December 31, 2009 and December 31, 2008 was $2,299,000 and $3,564,000, respectively.

We value inventory using the lower of cost (perpetual weighted average-cost or specific identification) or market method. Similar to our allowance for doubtful accounts, we make estimates related to the valuation of inventory. We adjust our inventory carrying value for estimated obsolescence or unmarketable inventory to the estimated market value based upon assumptions about future demand and market conditions. As market and other conditions change, we may establish additional inventory reserves.

Investments

Investments include $2,612,000 of non-interest bearing Subordinated Capital Certificates from RTFC and $1,694,000 from CoBank which are accounted for under the cost method of accounting. This method requires us to periodically evaluate whether a non-temporary decrease in the value of the investment has occurred, and if so, to write this investment down to its net realizable value.

Property, Plant and Equipment

Property, plant and equipment are recorded at original cost of acquisition or construction. Included in the Enventis property, plant and equipment is fiber optic cable and indefeasible right of use of fiber installed by others accompanied by ownership rights. Both of these categories of assets have depreciable lives of 16 to 20 years. When regulated ILEC telephone assets are sold or retired, the assets and related accumulated depreciation are removed from the accounts and any gains or losses on disposition are amortized with the remaining net investment in telephone plant. When other plant and equipment is sold or retired, the cost and related accumulated depreciation or amortization are removed from the respective accounts and any resulting gain or loss is included in operating income. Maintenance and repairs are charged to expense as incurred.

The components of property, plant and equipment as of December 31, 2009 and 2008, respectively are summarized as follows:

(Dollars in thousands)	2009	2008
Enventis property and equipment *(1)*	$ 53,942	$ 41,235
Enventis indefeasable rights of use	5,394	5,394
Telecom property and equipment	283,770	278,138
Other property and equipment	14,501	13,743
Total	357,607	338,510
Accumulated depreciation	(204,129)	(187,157)
Property, plant, and equipment, net	$ 153,478	$ 151,353

(1) Enventis property and equipment includes $3,986,000 of assets acquired with CP Telecom.

Depreciation for financial statement purposes is determined using the straight-line method based on the lives of the various classes of depreciable assets. The composite depreciation rates on ILEC telephone plant were 4.5%, 5.0% and 4.8% for 2009, 2008 and 2007, respectively. All other property, plant and equipment are depreciated over estimated useful lives of three to 20 years.

The Telecom Sector leases certain computer equipment under capital lease arrangements. We have recorded the present value or fair value of the future minimum lease payments as a capitalized asset and related lease obligation. Assets under this capital lease are included in property, plant and equipment and amounted to $547,000 and $561,000 ($1,740,000 and $1,323,000 asset, net of accumulated depreciation of $1,193,000 and $762,000) as of December 31, 2009 and 2008, respectively.

Capitalized Software Costs

Software costs associated with software that is developed or purchased for internal use only are accounted for in accordance with ASC Topic 350 – Intangible–Goodwill and Other, Subtopic 40 – Internal-Use Software. We capitalize costs (including right to use fees) associated with acquired software for internal use. Costs associated with internally developed software are segregated into three project stages: preliminary project stage, application development stage and post-implementation stage. Costs associated with both the preliminary project stage and post-implementation stage are expensed as incurred. Costs associated with the application development stage are capitalized. Software maintenance and training costs are expensed as incurred. Amortization of software costs commences when the software is ready for its intended use, and is amortized over a period of three to ten years.

During 2009, 2008 and 2007, we capitalized $449,000, $134,000, and $403,000, respectively, of costs associated with software purchased or developed for internal use only. The 2009 costs primarily relate to redevelopment of our corporate website and software purchased for desktop applications. The 2008 costs primarily relate to software purchased for enterprise software and desktop applications. The 2007 costs primarily relate to software purchased to support the Enventis Sector VoIP monitoring and managed services. Total capitalized software for internal use of $8,686,000, $8,237,000 and $8,103,000 are included in property, plant and equipment at December 31, 2009, 2008 and 2007, respectively. Amortization expense relating to these costs amounted to $659,000, $583,000 and $686,000 in 2009, 2008 and 2007, respectively, resulting in accumulated amortization of $5,980,000, $5,321,000 and $4,727,000 at December 31, 2009, 2008 and 2007, respectively. Capitalized internal software costs, net of accumulated amortization of $2,706,000, $2,916,000 and $3,376,000 are included in property, plant and equipment at December 31, 2009, 2008 and 2007, respectively.

Goodwill and Intangible Assets

Goodwill and intangible assets with indefinite useful lives are not amortized, but tested for impairment at least annually. See Note 2 to the Notes to the Consolidated Financial Statements for a more detailed discussion of the intangible assets and goodwill. The carrying value of our goodwill and intangible assets increased in 2009 due to our acquisition of CP Telecom. Our goodwill balance was $27,423,000 and $25,239,000 as of December 31, 2009 and 2008, respectively. We expect $25,239,000 of the $27,423,000 goodwill balance to be deductible for tax purposes. As of December 31, 2009 and 2008, we completed our annual impairment tests for acquired goodwill. This testing resulted in no impairment charges to goodwill. Our acquisition price for CP Telecom included intangible assets of $1,070,000 in customer relationships and contracts and $2,100,000 of other intangibles including long-term lease rights to a fiber network. The valuations of intangible assets obtained in our CP Telecom acquisition were evaluated with the assistance of a study performed by an independent valuation expert.

Long-Lived Assets

We review long-lived assets for impairment if certain events or changes in circumstances indicate that impairment may be present. Impairment exists if the carrying value of a long-lived asset exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposal of the asset at the date it is tested.

Accrued Incentive Compensation

Our employee incentive compensation plans provide for distributions based on achievement of specific organizational operating results or individual employee objectives. Accrued expenses included amounts accrued for employee incentive compensation of $1,765,000 and $1,777,000 at December 31, 2009 and December 31, 2008, respectively.

Income Taxes

We account for income taxes in accordance with ASC Topic 740 – Income Taxes, which requires an asset and liability approach to financial accounting and reporting for income taxes. Accordingly, deferred tax assets and liabilities arise from the difference between the tax basis of an asset or liability and its reported amount in the financial statements. Deferred tax amounts are determined using the tax rates expected to be in effect when the taxes will actually be paid or refunds received, as provided under currently enacted tax law. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense or benefit is the tax payable or refundable, respectively, for the period plus or minus the change in deferred tax assets and liabilities during the period.

ASC 740 requires us to recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. See Note 11 to the Notes to the Consolidated Financial Statements for additional information regarding income taxes.

Post-Retirement Benefits

We provide retirement savings benefits and post-retirement health care and life insurance benefits for eligible employees. We are not currently funding these post-retirement benefits, but have accrued these liabilities. The post-retirement benefit expense and liability are calculated utilizing various actuarial assumptions and methodologies. These assumptions include, but are not limited to, the discount rate and the expected health care cost trend rate.

Post-retirement benefits were calculated using the following methods specified in ASC Topic 715 – Compensation – Retirement Benefits, Subtopic 10 – Overall, Subtopic 20 – Defined Benefit Plans – General and Subtopic 60 – Defined Benefit Plans – Other Postretirement. Any prior service cost or cumulative net gains and losses in excess of 10% of the Topic 715 corridor are amortized on a straight-line basis over the average future service lives of the covered group. There are no substantive commitments for benefits other than as stated in the written plan. The assumed discount rate represents the discounted value of necessary future cash flows required to pay the accumulated benefits when due. The rate was determined based on available market data regarding the spot rate yields in half year increments on high-quality fixed income securities with the effects of puts and calls removed that provide cash flows at the same time and in the same amount as the projected cash flows of the plan.

The health care cost trend rate is based upon an evaluation of the historical trends and experience, taking into account current and expected market conditions. The health care cost trend rate represents the expected annual rate of change in the cost of health care benefits currently provided due to factors other than changes in the demographics of plan participants. If the assumptions utilized in determining the post-retirement benefit expense and liability differ from actual events, the results of operations for future periods could be impacted. When actual events differ from the assumptions or when the assumptions used change, an unrecognized actuarial gain or loss results.

Stock Compensation

We apply a fair value based measurement method in accounting for share based payment transactions with employees and record compensation cost for all stock awards granted. Compensation charges are realized when management concludes it is probable that the participant will earn the award and recognized during the service period specified by the stock award plan.

Share-based compensation expense recognized during a period is based on the value of the portion of share-based payment awards that are ultimately expected to vest during the period. Share-based compensation expense recognized in the Consolidated Statements of Operations includes compensation expense for share-based payment awards granted prior to, but not yet vested as of December 31, 2005, based on the grant date fair value estimated in accordance with the fair value provisions of ASC Topic 718. Because share-based compensation expense recognized in the Consolidated Statements of Operations is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. We use historical data to estimate pre-vesting forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The fair value of each option award is estimated on the date of grant using a Black-Scholes option valuation model. We use a seven-year period to calculate the historical volatility of its stock price for use in the valuation model. The dividend yield rate is based on our current dividend payout pattern and current market price. The risk-free rate for options is based on a U.S. Treasury rate commensurate with the expected terms. The expected term of options granted is derived from historical experience and represents the period of time that options granted are expected to be outstanding. See Note 7 to the Notes to the Consolidated Financial Statements for more information regarding stock-based compensation.

Earnings Per Share

Basic earnings per share are computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Shares used in the earnings per share assuming dilution calculation are based on the weighted average number of shares of common stock outstanding during the year increased by potentially dilutive common shares. Potentially dilutive common shares include stock options and stock subscribed under the HickoryTech Corporation Amended and Restated Employee Stock Purchase Plan. Dilution is determined using the treasury stock method.

(Dollars in thousands, except share and eamings per share amounts)	2009	2008	2007
Net Income	$ 11,273	$ 8,029	$ 8,611
Weighted Average Shares Outstanding	13,061,266	13,248,731	13,258,369
Stock Options (dilutive only)	595	958	1,718
Stock Subscribed (ESPP)	-	10,244	-
Total dilutive shares outstanding	13,061,861	13,259,933	13,260,087
Earnings per share:			
Basic	$ 0.86	$ 0.61	$ 0.65
Diluted	$ 0.86	$ 0.61	$ 0.65

Options to purchase 395,950 shares as of December 31, 2009, 456,200 shares as of December 31, 2008 and 441,000 shares as of December 31, 2007 were not included in the computation of earnings per share assuming dilution because their effect on earnings per share would have been anti-dilutive.

Dividends per share are based on the quarterly dividend per share as declared by the HickoryTech Board of Directors.

Recent Accounting Developments

Issued in January 2010, ASU Update 2010-06, Fair Value Measures and Disclosures, provides amendments to Topic 820 that will provide more robust disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in level 3 fair value measurements, and (4) the transfers between levels 1, 2, and 3. ASC Update 2010-06 is effective for fiscal years beginning after December 15, 2010. We do not expect adoption of ASU Update 2010-06 to have a material effect to our financial statements or our disclosures.

Issued in October 2009, ASU Update 2009-13, Revenue Recognition Topic 605 - Multiple-Deliverable Revenue Arrangements provides guidance for separating consideration in multiple-deliverable arrangements. ASC Number 2009-13 is effective for fiscal years beginning on or after June 15, 2010. We do not expect adoption of ASU Update 2009-13 to have a material effect on our financial statements.

Issued in December 2008, the FASB issued the disclosure requirements within ASC 715 providing guidance on an employer's disclosures about plan assets of a defined benefit pension or post-retirement plan. Disclosure requirements within ASC 715 are effective for fiscal years beginning after December 15, 2009, and will be adopted by us in the first quarter of 2010. Additional disclosures required within ASC 715 are not expected to have a material effect on our disclosures.

Effective February 2010, we adopted ASU Update 2010-09, Subsequent Events, which provides amendments to Topic 855 removing the requirement for SEC filers to disclose the date through which an entity has evaluated subsequent events. The adoption of ASU Update 2010-09 did not have a significant impact on our disclosures.

Effective October 1, 2009, we adopted ASU Update 2009-05, Fair Value Measurement and Disclosures Topic 820 which provides further guidance on the fair value measurement of liabilities. The adoption of ASU 2009-05 did not have a material effect on our consolidated financial statements.

Effective September 15, 2009, we adopted ASC 105 making the FASB Accounting Standards Codification, ("Codification") the single source of authoritative nongovernmental U.S. generally accepted accounting principles. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. All other accounting literature not included in the Codification is non-authoritative.

Effective June 15, 2009, we adopted disclosure requirements within ASC 825, which require fair value disclosures in both interim as well as annual financial statements in order to provide more timely information about the effects of the current market conditions on financial instruments. Requirements within ASC 825 did not have a significant impact on our disclosures.

Effective June 15, 2009, we adopted requirements within ASC 855 which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before financial statements are issued or are available to be issued. ASC 855 sets forth (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The adoption of the requirements within ASC 855 did not have a material effect on our consolidated financial statements. Subsequent events have been evaluated through the filing date of this Annual Report on Form 10-K.

Effective January 1, 2009, we adopted requirements within ASC 805 which establish principles and requirements for how an acquirer recognizes and measures in its financial statements, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired company and the goodwill acquired. ASC 805 also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. The adoption of the requirements within ASC 805 did not have a material effect on our consolidated financial statements.

Effective January 1, 2009, we adopted disclosure requirements within ASC 815 requiring enhanced disclosures about an entity's derivative and hedging activities in order to improve the transparency of financial reporting. The adoption of the disclosure requirements within ASC 815 did not have a significant impact on our disclosures.

Effective January 1, 2009, we adopted the requirements within ASC 820 related to our non-financial assets and non-financial liabilities. This adoption requires us to provide additional disclosures related to the valuation of non-financial assets and liabilities that occur during the year, primarily goodwill impairment. The adoption of these requirements within ASC 820 did not have a significant impact on our disclosures.

Note 2. Goodwill and Other Intangible Assets

We have goodwill in two of our reporting units. In our Enventis Sector, we have $4,375,000 of goodwill carrying value as of December 31, 2009, resulting from our acquisition of Enventis Telecom in 2005 and our acquisition of CP Telecom in 2009. In our Telecom Sector, we have $23,048,000 of goodwill carrying value as of December 31, 2009, resulting from our acquisition of Heartland Telecommunications in 1997. The changes to goodwill in 2009 are summarized below.

(Dollars in thousands)		2009
Goodwill as of December 31, 2008	$	25,239
Goodwill adjustments associated with the purchase of CP Telecom		2,184
Goodwill as of December 31, 2009	$	27,423

Goodwill assets are not amortized, but are subject to an impairment test annually, as well as upon certain events that indicate that impairment may be present. We use a fair value approach when reviewing our goodwill for potential impairment testing. Using goodwill impairment tests, as guided by ASC Topic 350 – Intangibles–Goodwill and Other we determined there were no instances where fair value had fallen below the asset carrying value in any of our reporting units during 2009 or 2008. We make estimates of the fair value of the assets in our reporting units based on application of a discounted cash flow analysis, using the best available information at the time estimation of fair value is made. Our estimates of fair value could change based on general market or industry conditions, or the performance of our specific assets, and could result in a determination of impairment charges to reduce the carrying value of goodwill in our reporting units in the future.

The fair value of assets including goodwill which are covered by the impairment tests is in excess of the asset carrying value for all of our reporting units. We have concluded that no asset impairment valuation charges are warranted.

Our acquisition price for CP Telecom included intangible assets of $1,070,000 in customer relationships and contracts and $2,100,000 of other intangibles including long-term lease rights to a fiber network. The valuations of intangible assets obtained in our CP Telecom acquisition were evaluated with the assistance of a study performed by an independent valuation expert.

Intangible assets with finite lives are amortized over their respective estimated useful lives to their estimated residual values. Identifiable intangible assets that are subject to amortization are evaluated for impairment. The components of intangible assets are as follows:

(Dollars in thousands)		As of December 31, 2009		As of December 31, 2008	
	Useful Lives	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Definite-lived intangible assets					
Customer relationships	1 - 8 years	$ 5,299	$ 4,318	$ 4,229	$ 3,379
Other intangibles	1 - 5 years	2,830	786	730	724
Total		$ 8,129	$ 5,104	$ 4,959	$ 4,103

As outlined by ASC Topic 350 – Intangibles— Goodwill and Other, we periodically reassess the carrying value, useful lives and classifications of identifiable assets. Amortization expense related to the definite-lived intangible assets for 2009, 2008 and 2007 was $1,001,000, $1,127,000, and $1,157,000, respectively. Total estimated amortization expense for the five years subsequent to 2009 is as follows: 2010 - $357,000; 2011 - $354,000; 2012 - $354,000; 2013 – $354,000; 2014 - $265,000.

Note 3. Disposition and Acquisition

Disposition

Effective December 31, 2006, we sold all of the outstanding capital stock in Collins to Skyview Capital, LLC. The Collins results of operations were formerly reported in the Enterprise Solutions Sector. The consolidated statements of operations for all periods reflect the Collins operations as discontinued operations.

Acquisition

On August 1, 2009, we purchased all of the capital stock of CP Telecom for an adjusted purchase price of $6,625,000 to grow our small to medium sized business customer base. This acquisition was funded with cash on hand. CP Telecom was formerly a privately held facilities-based telecom provider serving Minneapolis, St. Paul and northern Minnesota.

The table below sets forth the final CP Telecom purchase price allocation. The fair value of the property and equipment were determined based on level 1 inputs. The valuation of intangible assets was evaluated using level 2 inputs. The valuation of net working capital and other assets and liabilities were evaluated using level 3 inputs.

(Dollars in thousands)	2009
Property and equipment	$ 3,986
Identifiable intangible assets:	
Customer relationships and contracts	1,070
Supplier relationship	2,100
Goodwill	2,184
Other assets and liabilities	(653)
Deferred income tax	(2,062)
Allocation of purchase consideration	$ 6,625

Of the identified intangible assets above, customer relationships and contracts have useful lives of five years and the supplier relationship has a useful life of 15 years. Useful lives for identifiable intangible assets were estimated at the time of the acquisition based on the periods of time from which we expect to derive benefits from the identifiable intangible assets. The identifiable intangible assets are amortized using the straight-line method, which reflects the pattern in which the assets are consumed.

Goodwill from our CP Telecom acquisition is a result of the value of acquired employees along with the expected synergies from the combination of CP Telecom and our operations. Goodwill resulting from the acquisition of CP Telecom is not deductible for tax purposes.

CP Telecom operations have been integrated with our Enventis fiber and data product line. While complete identifiable operational results attributable to the CP Telecom business are not available, revenue from August 1, 2009 through December 31, 2009 was approximately $3,800,000 and is included in our results of operations.

Note 4. Fair Value of Financial Instruments

The fair value of our long-term obligations, after deducting current maturities, is estimated to be $127,637,000 at December 31, 2009 and $132,157,000 at December 31, 2008, compared to carrying values of $119,871,000 and $125,384,000, respectively. The fair value estimates are based on the overall weighted average interest rates and maturity compared to rates and terms currently available in the long-term financing markets. Our financial instruments also include cash equivalents, trade accounts receivable, and accounts payable for which current carrying amounts approximate fair market value.

Note 5. Accumulated Other Comprehensive Income (Loss)

We follow the provisions of ASC Topic 220 – Comprehensive Income, which established rules for the reporting of comprehensive income (loss) and its components. In addition to net income, our comprehensive income includes changes in the market value of the cumulative unrealized gain or loss, net of tax, on financial derivative instruments qualifying and designated as cash flow hedges and unrecognized Net Periodic Benefit Cost related to our Post-Retirement Benefit Plans. Comprehensive income for the year ended December 31, 2009 and 2008 was $10,100,000 and $5,843,000, respectively.

In March 2007, we terminated our two outstanding interest-rate swap agreements with original maturities in June 2008, in exchange for $1,936,000 in proceeds. Immediately following the termination of these two agreements, we executed a new interest-rate swap agreement, effectively locking in the interest rate on $60,000,000 of variable-interest rate debt through March 2010. In March 2008, we entered into a second interest-rate swap agreement, effectively locking in the interest rate on an additional $40,000,000 of variable interest rate debt through February 2010. Due to the February and March 2010 expirations on the above swaps, we entered into an interest-rate swap agreement in March 2009, effectively locking in the interest rate on $80,000,000 from March 2010 to September 2011.The cumulative gain or (loss) on the market value of financial derivative instruments is reported as a component of accumulated other comprehensive income (loss) in shareholders' equity.

The following summary sets forth the components of accumulated other comprehensive income (loss), net of tax:

(Dollars in thousands)	Unrecognized Net Actuarial Loss *(1)*	Unrecognized Prior Service Credit *(1)*	Unrecognized Transition Asset *(1)*	Unrealized Gain/(Loss) on Derivatives	Accumulated Other Comprehensive Income/(Loss)
December 31, 2006	$ (867)	$ 37	$ (217)	$ 1,497	$ 450
2007 Activity	(87)	242	36	(1,708)	(1,517)
December 31, 2007	(954)	279	(181)	(211)	(1,067)
2008 Activity	(421)	(33)	36	(1,768)	(2,186)
December 31, 2008	(1,375)	246	(145)	(1,979)	(3,253)
2009 Activity	(2,005)	(33)	36	829	(1,173)
December 31, 2009	$ (3,380)	$ 213	$ (109)	$ (1,150)	$ (4,426)

(1) Amounts pertain to our post-retirement benefit plans.

The increase (decrease) in income tax benefits associated with each component of accumulated other comprehensive income (loss) is as follows:

(Dollars in thousands)	2009	2008	2007
Income tax (liability) related to OCI components beginning of year	$ 2,150	$ 1,141	$ (301)
Income tax (liability) changes related to:			
Unrecognized net actuarial loss	1,327	281	57
Unrecognized prior service credit	21	21	(159)
Unrecognized transition asset	(24)	(24)	(24)
Unrecognized gain (loss) on derivatives	(548)	731	1,568
Income tax related to OCI components end of year	$ 2,926	$ 2,150	$ 1,141

Note 6. Business Segments

Our operations are conducted in two business segments as: (i) Enventis Sector and (ii) Telecom Sector.

Enventis serves business customers across a five-state region with IP-based voice, transport, data and network solutions, managed services, network integration and support services. Enventis specializes in providing integrated unified communication solutions for businesses of all sizes - from enterprise multi-office organizations to small and medium-sized businesses, primarily in the upper Midwest. Enventis also provides fiber and data services to wholesale service providers, such as national and regional carriers and wireless carriers within the telecommunications business. Enventis is focused on providing services specifically to business customers.

The Telecom Sector provides telephone services to Mankato and adjacent areas of south central Minnesota and to eleven rural communities in northwest Iowa as an ILEC. The Telecom Sector operates fiber optic cable transport facilities in Minnesota and Iowa. The Telecom Sector offers an alternative choice for local telecommunications service, known as CLEC service in the telecommunications industry, to customers in Minnesota and Iowa not currently in HickoryTech's ILEC service area. In addition, the Telecom Sector resells long distance service to Minnesota and Iowa subscribers in its ILEC and CLEC markets. The Telecom Sector, through NIBI, also provides data processing and related services to HickoryTech's other product lines and to other external telephone companies, municipalities, utilities and wireless and cable TV providers.

Business segment information for the years ended December 31, 2009, 2008 and 2007 is as follows:

For Year Ended December 31
(Dollars in thousands)

2009	Enventis	Telecom	Corporate and Eliminations	Consolidated
Revenue from unaffiliated customers	$ 68,683	$ 70,419	$ -	$ 139,102
Intersegment revenue	500	1,217	(1,717)	-
Total operating revenue	69,183	71,636	(1,717)	139,102
Depreciation and amortization	5,413	15,680	84	21,177
Operating income (loss)	5,627	13,587	(629)	18,585
Interest expense	2	95	6,821	6,918
Income taxes	2,299	5,451	(7,251)	499
Income (loss) from continuing operations	3,362	8,068	(157)	11,273
Identifiable assets	72,856	140,494	9,133	222,483
Property, plant and equipment, net	46,867	106,328	283	153,478
Capital expenditures	8,738	9,068	87	17,893

For Year Ended December 31

(Dollars in thousands)

2008	Enventis	Telecom	Corporate and Eliminations	Consolidated
Revenue from unaffiliated customers	$ 79,976	$ 73,199	$ -	$ 153,175
Intersegment revenue	515	644	(1,159)	-
Total operating revenue	80,491	73,843	(1,159)	153,175
Depreciation and amortization	4,417	16,136	53	20,606
Operating income	7,024	13,045	157	20,226
Interest expense	-	85	6,785	6,870
Income taxes	2,660	4,879	(2,119)	5,420
Income (loss) from continuing operations	4,369	8,104	(4,444)	8,029
Identifiable assets	68,481	148,238	8,789	225,508
Property, plant and equipment, net	38,575	112,497	281	151,353
Capital expenditures	6,408	11,102	181	17,691

2007	Enventis	Telecom	Corporate and Eliminations	Consolidated
Revenue from unaffiliated customers	$ 79,802	$ 76,847	$ -	$ 156,649
Intersegment revenue	440	467	(907)	-
Total operating revenue	80,242	77,314	(907)	156,649
Depreciation and amortization	3,755	15,218	31	19,004
Operating income (loss)	6,904	17,796	(1,520)	23,180
Interest expense	-	72	8,049	8,121
Income taxes	2,904	7,287	(3,480)	6,711
Income (loss) from continuing operations	4,074	10,460	(5,899)	8,635
Identifiable assets	66,842	152,961	7,692	227,495
Property, plant and equipment, net	35,700	117,078	153	152,931
Capital expenditures	5,928	11,489	83	17,500

NOTE 7. STOCK COMPENSATION

Employee Stock Purchase Plan

Under the terms of our employee stock purchase plan, participating employees may acquire shares of common stock through payroll deductions of not more than 10% of their compensation. The price at which shares can be purchased is 85% of the fair market value for shares on one specified date, the end of the plan year. As of December 31, 2009, there were 500,000 common shares reserved for this plan and 441,655 shares still available for issuance. As of December 31, 2009 employees had subscribed to purchase approximately 21,477 shares for the plan year ended August 31, 2010. Employees purchased 20,561 shares for the plan year ended August 31, 2009. We recorded stock compensation expense in the amount of $27,000, $26,000 and $24,000 during 2009, 2008 and 2007 respectively, related to this plan.

Retainer Stock Plans for Directors

Under the terms of a corporate retainer stock plan for directors, participating directors may acquire shares of common stock in exchange for their quarterly retainers. The price at which the shares can be purchased is 100% of the fair market value for such shares on the date of purchase. In 2009, in addition to any voluntary acquisitions of shares in exchange for quarterly retainers, directors received $7,500 of their annual retainer solely in shares of HickoryTech stock from this plan. As of December 31, 2009, there were 300,000 common shares reserved for this plan and 203,498 shares still available for future issuance. Beginning in January 2010, directors will receive $25,000 of their annual retainer solely in shares of HickoryTech stock.

Non-Employee Directors' Incentive Plan

Beginning in May 2005, we began offering a Directors' Incentive Plan to attract and retain outside directors. The plan provides for each director to receive 2,000 shares of our common stock contingent upon HickoryTech meeting pre-established objectives. The plan paid out 20,000 shares, 18,000 shares and 0 shares in 2009, 2008, and 2007, respectively. As of December 31, 2009 there were 200,000 common shares reserved for this plan and 152,000 shares available for future grants. This plan was discontinued as of January 1, 2010. Undistributed shares reserved for this plan will no longer be available for use.

Stock Award Plan

HickoryTech's stock award plan provides for the granting of non-qualified stock options, stock awards and restricted stock awards to employees. The plan provides for stock awards based on the attainment of certain financial targets and for individual achievements. Stock options issued under the stock option component of the stock award plan may be exercised no later than ten years after the date of grant, with one-third of the options vesting each year. As of December 31, 2009, there were 1,750,000 common shares reserved for this plan and 976,865 shares available for future grants.

We recognize stock compensation charges related to stock award plans when management concludes it is probable that the participant will earn the award. Such compensation charges are recorded based upon the fair value of our stock and is recognized during the service period specified by the stock award plan. Changes in estimated compensation are recorded in the period in which the change occurs. Stock based compensation expense recognized was $1,021,000, $415,000 and $688,000 in 2009, 2008 and 2007, respectively. Stock based compensation expense recognized in 2009 primarily increased due to the increase in our stock price from $5.44 as of December 31, 2008 to $8.83 as of December 31, 2009.

As of December 31, 2009, all compensation costs related to stock options granted under the Company's Stock Award Plan have been recognized.

Stock options, last granted in September 2006, are fully vested as of December 31, 2009. The Stock Award Plan provides for the issuance of stock options, but no current compensation plans have options as a component.

A summary of all stock option activity for the three-year period ended December 31, 2009 is as follows:

	Options			Weighted Average Exercise Price		
	2009	2008	2007	2009	2008	2007
Outstanding at Beginning of Year	471,200	476,000	515,884	$12.79	$12.79	$12.75
Granted	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Forfeited	-	-	(499)	-	-	10.76
Expired	(40,250)	(4,800)	(39,385)	11.87	13.38	12.22
Outstanding at End of Year	430,950	471,200	476,000	$12.87	$12.79	$12.79
Exercisable at End of Year	430,950	466,200	454,335	$12.87	$12.85	$12.97
Fair Value of Options Vesting During the Year	$ 7,000	$ 41,000	$156,000			

The following table provides certain information with respect to stock options outstanding and exercisable at December 31, 2009:

Range of Exercise Prices	Stock Options Outstanding	Stock Options Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
$6.00 - $8.00	15,000	15,000	$ 6.95	6.7 years
$8.00 - $12.00	156,950	156,950	10.22	3.9 years
$12.00 - $16.00	205,250	205,250	13.95	1.3 years
$16.00 - $21.00	53,750	53,750	18.18	1.2 years
	430,950	430,950	$ 12.87	2.4 years
Aggregate Intrinsic Value			$ 44,000	

Note 8. Extended Term Payable

The Enventis Sector has a $20,000,000 wholesale financing agreement with a financing company to fund the equipment provisioning portion of the equipment sales product line from certain approved vendors. Advances under this financing arrangement are collateralized by the accounts receivable and inventory of Enventis and a guaranty of an amount up to $18,000,000 by HickoryTech. The financing agreement provides 60 day interest-free payment terms for working capital and can be terminated at any time by either party. The balance outstanding under the financing arrangement was $6,788,000 and $10,474,000 at December 31, 2009 and 2008, respectively. These balances are classified as current liabilities in the accompanying Balance Sheets and are not considered part of our debt financing.

Note 9. Debt and Other Obligations

Our long-term obligations as of December 31, 2009 were $119,871,000, excluding current maturities of $200,000 on debt and $420,000 on current maturities of capital leases. Long-term obligations as of December 31, 2008 were $125,384,000 excluding current maturities of $1,300,000 on debt and $321,000 of capital leases.

	As of December 31	
(Dollars in thousands)	2009	2008
Credit facility, average interest at 5.5%, maturing in varying amounts through 2013	$119,900	$126,400
Capitalized lease obligations, average interest at 11.4%, maturing March 2011	591	605
Total	120,491	127,005
Less current maturities	620	1,621
Long-term obligations	$119,871	$125,384

On December 30, 2005, we entered into a $160,000,000 credit agreement with a syndicate of banks (subsequently reduced to a $149,780,000 facility as of December 31, 2009 through normal quarterly amortization), which amended our previous credit facility. The credit facility is comprised of a $30,000,000 revolving credit component ($29,880,000 available to borrow as of December 31, 2009) that expires on December 31, 2011 and a $130,000,000 term loan component (subsequently reduced to $119,900,000 as of December 31, 2009 through normal quarterly amortization).

The term loan is comprised of two components which are defined as term loan B and term loan C. The outstanding principal balance of term loan B is $100,700,000 as of December 31, 2009, and is held in varying amounts by three lenders in the syndicate, US Bank, GE Commercial Distribution Finance Corporate and CoBank. Under the terms of term loan B, we are required to make quarterly principal payments of $275,000 from December 31, 2009 through December 31, 2011 with the remainder of the aggregate principal due in two payments on March 31, 2012 and June 30, 2012. Due to the pay down of debt in 2009, we will not be required to make quarterly principal payments in 2010. The outstanding principal balance of term loan C is $19,200,000 as of December 31, 2009, and is held entirely by RTFC. Under the terms of term loan C, we are required to make quarterly principal payments of $50,000 on the aggregate principal amount from December 31, 2009 through December 31, 2012 with the remainder of the aggregate principal due in two payments on March 31, 2013 and June 30, 2013.

The term loan component has a provision whereby we periodically receive patronage capital refunds. This patronage refund is recorded as an offset to interest expense and amounted to $512,000 in 2009, $563,000 in 2008 and $230,000 in 2007.

Our credit facility requires us to comply, on a consolidated basis, with specified financial ratios and tests. These financial ratios and tests include maximum leverage ratio and maximum capital expenditures. The terms of our credit facility include certain restrictions regarding the payment of dividends. The dividend restriction provides that we will not make dividend distributions or repurchase stock in an aggregate amount in excess of 100% of the previous year's net income. At December 31, 2007, we were in violation of this dividend restriction, but a waiver was obtained. At December 31, 2009, we were in full compliance with our debt covenants.

Our obligations under the credit facility are secured by a first-priority lien on all property and assets, tangible and intangible of HickoryTech and its current subsidiaries, including, but not limited to accounts receivable, inventory, equipment and intellectual property, general intangibles, cash and proceeds of the foregoing. We have also given a first-priority pledge of the capital stock of our current subsidiaries to secure the credit facility. The credit facility contains certain restrictions that, among other things, limit or restrict our ability to create liens or encumbrances; incur additional debt; issue stock; make asset sales, transfers, or dispositions; and engage in mergers and acquisitions over a specified maximum value.

The credit facility also requires us to maintain interest rate protection agreements on at least 50% of the term loan components outstanding balance in order to manage our exposure to interest rate fluctuations. We continually monitor the interest rates on our bank loans. We currently have fixed interest rates on $19,200,000 of our debt with these rates. expiring in February 2010. Listed below are our current interest-rate swap agreements which lock in our interest rates on existing variable-interest rate debt.

Interest-Rate Swap Agreement Effective Dates	Coverage Amount	Rate
March 2007 - March 2010	$ 60,000,000	4.89%
March 2008 - February 2010	$ 40,000,000	2.54%
March 2010 - September 2011	$ 80,000,000	2.15%

Our effective interest rate was 5.47%, 5.22% and 5.97% in 2009, 2008 and 2007, respectively. Annual requirements for principal payments for the years subsequent to 2009 are as follows: 2010 - $200,000; 2011 - $1,300,000; 2012 - $99,800,000; and 2013 - $18,600,000.

Note 10. Employee Retirement Benefits

Employees who meet certain service requirements are covered under a defined contribution retirement savings plan, which includes IRS Section 401(k) provisions. We contribute up to 6.0% of the employee's eligible compensation, based on the employee's voluntary contribution. Our contributions and costs for the retirement savings plan were $1,497,000 in 2009, $1,366,000 in 2008 and $1,432,000 in 2007.

In addition to providing retirement savings benefits, we provide post-retirement health care and life insurance benefits for eligible employees. We are not currently funding these post-retirement benefits, but have accrued these liabilities. New employees hired on or after January 1, 2007 are not eligible for post-retirement health care and life insurance benefits. At December 31, 2009, post-retirement benefits expected to be paid for the next five years and thereafter are as follows: 2010 - $256,000; 2011- $266,000; 2012 - $268,000; 2013 - $270,000; 2014 – $269,000 and thereafter – $1,307,000.

ASC Topic 715 requires that we recognize the funded status of our postretirement benefit plans on the consolidated balance sheet and recognize as a component of accumulated other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period, but are not recognized as components of net periodic benefit cost.

The following table summarizes the balance sheet impact, including the benefit obligations and assets associated with our postretirement benefit plans as of December 31, 2009 and 2008, respectively.

(Dollars in thousands)	2009	2008
Change in benefit obligation		
Benefit obligation at beginning of year	$ 9,225	$ 7,958
Service cost	309	254
Interest cost	547	487
Actuarial loss	3,466	781
Benefits paid	(277)	(255)
Benefit obligation at end of year	$ 13,270	$ 9,225

	As of December 31		
(Dollars in thousands)	2009	2008	2007
Components of net periodic benefit cost			
Service cost	$ 309	$ 254	$ 286
Interest cost	547	487	455
Expected return on plan assets	-	-	-
Amortization of transition obligation	60	60	60
Amortization of prior service cost	(55)	(55)	(12)
Recognized net actuarial loss	134	79	70
Net periodic benefit cost	$ 995	$ 825	$ 859
Discount rate used to determine benefit obligation As of December 31:	5.50%	6.00%	6.20%

In 2010, we expect to recognize approximately $60,000 of the transition obligation, ($55,000) of the prior service credit and $391,000 of the net actuarial loss as a component of total period post-retirement benefit expense.

Health Care Trend Rates for the Year Ending December 31, 2009	Year	Trend Rate
	2010-2011	7.90%
	2011-2012	6.60%
	2012-2013	5.80%
	2013-2014	5.80%
	2014-2015	5.70%
	2015-2016	5.70%
	2016-2017	5.70%
	2017-2018	5.70%
	2018-2019	5.60%
	2019-2084	5.6%-4.00%
	2085	4.00%

(Dollars in thousands)

Effect of 1% Increase and 1% Decrease in Trend Rate	1% Increase	1% Decrease
Accum. post-retirement benefit oblig. as of December 31, 2009		
Dollar	$ 2,350	$ (1,873)
Percentage change in retiree medical	18.0%	(15.0%)
Service cost and interest cost for fiscal 2009		
Dollar	$ 174	$ (137)
Percentage change in retiree medical	21.0%	(17.0%)

As of December 31, 2008, we adopted a new methodology for applying health care trend rates when measuring the accumulated post-retirement benefit obligation. This methodology is based on guidance published by the Society of Actuaries titled "How Health Care Trend Rates are Best Measured" and is the methodology adopted by our third party consultants. Under the new method, health care rates trend downward in the calculations in smaller increments over a longer period of time. The health care cost trend rate used in determining the accumulated post-retirement benefit obligations was 7.9% in 2010 and decreases gradually until it reaches 5.6% in 2018 and ultimately 4.0% in 2085. These initial trend rate assumptions were provided based on a study of the ten-year history of our self-funded medical benefits plan.

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 was enacted, which introduced a prescription drug benefit under Medicare, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to the Medicare plan. Topic 715 requires current recognition of the federal subsidy that employers may receive for providing prescription drug coverage to retirees. Substantial portions of the prescription drug benefits provided under its post-retirement benefit plan are deemed actuarially equivalent to the benefits provided under Medicare Part D. Consequently, we re-measured our accumulated post-retirement benefit obligation as of June 30, 2004 to account for the federal subsidy. As of December 31, 2009 and 2008, the reduction in the accumulated post-retirement benefit obligation due to the subsidy was $1,676,000 and $1,134,000, respectively.

Note 11. Income Taxes

The income tax provision (benefit) for operations for the years ended December 31, 2009, 2008 and 2007 include the following components:

(Dollars in thousands)	2009	2008	2007
Current income taxes (benefits):			
Federal	$ (1,144)	$ 1,370	$ 4,027
State	(325)	390	1,145
Deferred income taxes (benefits):			
Federal	2,020	3,356	1,031
State	(52)	304	492
Total income tax provision	$ 499	$ 5,420	$ 6,695

Income tax expense (benefit) is included in the financial statements as follows:

(Dollars in thousands)	2009	2008	2007
Continuing operations	$ 499	$ 5,420	$ 6,711
Discontinued operations	-	-	(16)
Total income tax provision	$ 499	$ 5,420	$ 6,695

Deferred tax liabilities and assets are comprised of the following at December 31:

(Dollars in thousands)	2009	2008
Tax liabilities:		
Depreciation and fixed assets	$ 21,445	$ 17,924
Intangible assets	7,475	6,075
Gross deferred tax liability	$ 28,920	$ 23,999
Tax Assets:		
Deferred compensation and post-retirement benefits	$ 6,534	$ 4,461
Receivables and inventories	501	460
Accrued liabilities	1,112	1,167
Derivatives	760	1,309
State net operating loss	1,767	1,767
Other	469	304
Gross deferred tax asset	11,143	9,468
Valuation allowance	(1,695)	(1,687)
Net deferred tax liability	19,472	16,218
Current deferred tax asset	2,423	2,064
Net non-current deferred tax liability	$ 21,895	$ 18,282

We have Iowa net operating loss carry-forwards for tax purposes available to offset future income of approximately $26,687,000 at December 31, 2009. The Iowa net operating loss carry-forwards expire in varying amounts between 2018 and 2029. Due to the continued generation of net operating losses by our subsidiaries operating in Iowa, the utilization of these net operating loss carry-forwards is doubtful. A valuation allowance has been established to reduce the carrying value of the benefits associated with the Iowa net operating losses incurred by our subsidiaries in the state of Iowa. We also have a net operating loss carry-forward of approximately $3,700,000 incurred by the parent company in the state of Minnesota. Management believes that it is unlikely that we will realize all of the benefits associated with the Minnesota net operating loss prior to the expiration of the carry forward period. Therefore, a valuation allowance was established to reduce the carrying value of the benefits associated with the net operating losses incurred by the parent company in Minnesota. Future events and changes in circumstances could cause this valuation allowance to change.

The reconciliation of the U.S. income tax rate to the effective income tax rate for continuing operations is as follows:

	For Year Ended December 31		
	2009	2008	2007
Statutory tax rate	35.0%	35.0%	35.0%
Effect of:			
State income taxes net of federal tax benefit	6.2	6.0	6.1
Release of income tax reserve and prior Year adjustments	(37.5)	(7.8)	0.6
Medicare part D subsidy	(0.6)	(0.4)	(0.3)
ASC 740	1.5	3.2	2.50
Acquisition costs	0.8	-	-
Expiration of capital loss	-	5.2	-
Other, net	(1.2)	(0.9)	(0.2)
Effective tax rate	4.2%	40.3%	43.7%

We apply the provisions of ASC Topic 740 which provides guidance to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing a minimum recognition threshold that income tax positions must achieve before being recognized in the financial statements. As of the date of adoption, we had approximately $7,242,000 of unrecognized tax benefits (excluding interest), of which approximately $748,000 relates to a deferred tax asset that is fully reserved for financial reporting purposes.

As of December 31, 2009, we had unrecognized tax benefits totaling $2,875,000 (net of tax) excluding interest. The amount of unrecognized tax benefits, if recognized, that would affect the effective income tax rate in future periods is $2,859,000. During 2009, we recognized approximately $3,900,000 of previously unrecognized tax benefits and approximately $601,000 of associated interest as a result of the expiration of statute of limitations and settlements with taxing authorities. It is reasonably possible that the total amount of unrecognized tax benefits may decrease by approximately $2,685,000 during the next 12 months as a result of expirations of statute of limitations.

We recognize interest and penalties related to income tax matters as income tax expense. As of the date of the adoption, we had $172,000 (net of tax) accrued for interest and nothing accrued for penalties related to tax matters. As of December 31, 2009 we have accrued $343,000 (net of tax) for interest related to unrecognized tax benefits of which $175,000 (net of tax) was accrued in 2009.

The following roll-forward of unrecognized tax benefits excludes interest accrued on unrecognized tax benefits and is presented gross of any expected federal tax benefits related to unrecognized state tax benefits as required by ASC 740.

(Dollars in thousands)	2009	2008
Unrecognized tax benefits opening balance (excluding interest)	$ 7,239	$ 7,591
Increases:		
Tax positions taken in current period	23	41
Tax position taken in prior periods	3	357
Decreases:		
Tax positions taken in prior periods	-	(750)
Settlements	(48)	-
Lapse of statute limitations	(4,002)	-
Unrecognized tax benefits	-	-
Ending balance (excluding interest)	$ 3,215	$ 7,239

We file consolidated income tax returns in the United States federal jurisdiction and combined or separate income tax returns in various state jurisdictions. In general, we are no longer subject to United States federal income tax examinations and examinations by state tax authorities for the years prior to 2006 except to the extent of losses utilized in subsequent years. In June 2009, the Internal Revenue Service completed an examination of our 2006 federal consolidated income tax return. The results of that audit did not have a material effect on the amounts already recorded in the financial statements.

Note 12. Financial Derivative Instruments

We utilize interest-rate swap agreements that qualify as cash-flow hedges to manage our exposure to interest rate fluctuations on a portion of our variable-interest rate debt. Our interest-rate swaps increase or decrease the amount of cash paid for interest depending on the increase or decrease of interest required on the variable rate debt. We account for derivative instruments on the balance sheets at fair value.

Fair value is the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Three levels of inputs may be used to measure fair value:

- Level 1 – quoted prices in active markets for identical assets and liabilities.
- Level 2 – observable inputs other than quoted prices in active markets for identical assets and liabilities.
- Level 3 – unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The fair value of our interest rate swap agreements were determined based on level 2 inputs. Listed below are our current interest-rate swap agreements which lock in our interest rates on existing variable-interest rate debt.

Interest-Rate Swap Agreement Effective Dates	Coverage Amount	Rate
March 2007 - March 2010	$ 60,000,000	4.89%
March 2008 - February 2010	$ 40,000,000	2.54%
March 2010 - September 2011	$ 80,000,000	2.15%

The fair value of our derivatives at December 31, 2009 and 2008 are recorded as financial derivative instruments under the long-term liabilities section of our balance sheets. The cumulative gain or (loss) on the market value of financial derivative instruments is reported as a component of accumulated other comprehensive income (loss) in shareholders' equity, net of tax. If we were to terminate our interest rate swap positions, the cumulative change in fair value at the date of termination would be reclassified from accumulated other comprehensive income (loss), which is classified in shareholder's equity, into earnings in the Consolidated Statements of Operations.

In March 2007, we terminated two outstanding interest-rate swap agreements, with original maturities of June 2008, in exchange for $1,936,000 in proceeds. Proceeds of $664,000 and $1,272,000 were recognized as an offset to interest expense in 2008 and 2007, respectively. Immediately following the termination of the two swap agreements discussed above, we executed a new interest-rate swap agreement, effectively locking in the interest rate on $60,000,000 of variable-interest rate debt through March 2010. In March 2008, we entered into a second interest-rate swap agreement, effectively locking in the interest rate on an additional $40,000,000 of variable-interest rate debt through February 2010. In March 2009, we entered into a an interest-rate swap agreement, effectively locking in the interest rate on $80,000,000 of variable-interest rate debt starting March 2010 through September 2011.

The cumulative gain or (loss) on the market value of financial derivative instruments is reported as a component of accumulated other comprehensive income (loss) in shareholders' equity. The fair value of our derivatives at December 31, 2009 and 2008 is a net liability of $1,908,000 and $3,286,000, respectively. The table below illustrates the effect of derivative instruments on consolidated operations for the years ended December 31, 2009, 2008 and 2007.

(Dollars in thousands) Derivatives in ASC 815	Gain/(Loss) Reported in Accumulated Other Comprehensive Loss			Location of Gain/Proceeds Reclassified from Accumulated Other Comprehensive Income	Amount of Gain/Proceeds Recognized in Income on Derivative		
Cash Flow Hedging Relationships	2009	2008	2007	into Income	2009	2008	2007
Interest Rate Contracts	$ 829	$(1,768)	$(1,708)	Interest Expense	$ -	$ 664	$1,272

Note 13. Commitments, Contingencies, and Concentrations

We are involved in certain contractual disputes in the ordinary course of business, but do not believe the ultimate resolution of any of these existing matters will have a material adverse effect on our financial position, results of operations or cash flows.

We have built our Enventis equipment and services product line practice around the Cisco brand. We generated sales of approximately $37,000,000, $56,000,000, and $59,000,000 in the years ended 2009, 2008, and 2007, respectively. Delays in the shipment of equipment or the loss of Cisco as our principal supplier could significantly impact this revenue stream. Due to our status as a Cisco Gold Partner, among their independent distributors, we feel it is likely that the shipping delays will be no more problematic for us than other distributors in the Cisco system.

We have a collective bargaining agreement with the International Brotherhood of Electrical Workers Local 949, which involves approximately 20.8% of our employees. The bargaining agreement expires in 2013.

Operating Lease Commitments

We own most of our major facilities, but do lease certain office space, land and equipment under principally non-cancelable operating leases. Rental expense was $1,683,000 in 2009, $1,439,000 in 2008 and $1,404,000 in 2007. At December 31, 2009, future minimum operating lease rental obligations for the next five years and thereafter are as follows: 2010 - $1,300,000; 2011- $878,000; 2012 - $633,000; 2013 - $536,000; 2014 – $536,000 and thereafter – $786,000.

Note 14. Quarterly Financial Information (Unaudited)

(Dollars in thousands except per share amounts)	2009			
	4th	3rd	2nd	1st
Operating revenue	$ 38,330	$ 34,908	$ 32,403	$ 33,461
Operating income	$ 4,044	$ 4,694	$ 5,289	$ 4,558
Net income	$ 1,424	$ 6,106	$ 2,117	$ 1,626
Basic EPS	$ 0.11	$ 0.47	$ 0.16	$ 0.12
Fully diluted EPS	$ 0.11	$ 0.47	$ 0.16	$ 0.12
Dividends per share	$ 0.13	$ 0.13	$ 0.13	$ 0.13

(Dollars in thousands except per share amounts)	2008			
	4th	3rd	2nd	1st
Operating revenue	$ 37,670	$ 39,860	$ 39,745	$ 35,900
Operating income	$ 4,106	$ 5,360	$ 5,891	$ 4,869
Net income	$ 1,679	$ 2,072	$ 2,497	$ 1,781
Basic EPS	$ 0.13	$ 0.16	$ 0.19	$ 0.13
Fully diluted EPS	$ 0.13	$ 0.16	$ 0.19	$ 0.13
Dividends per share	$ 0.13	$ 0.12	$ 0.12	$ 0.12

The summation of quarterly earnings per share computations may not equate to the year-end computation as the quarterly computations are performed on an individual basis.

Note 15. Subsequent Events

HickoryTech's Board of Directors has declared a regular quarterly dividend of 13 cents per share, payable March 5, 2010 to shareholders of record on February 15, 2010.

We have evaluated and disclosed subsequent events through the filing date of the Annual Report on Form 10-K.

REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS

Board of Directors and Shareholders
Hickory Tech Corporation

We have audited the accompanying consolidated balance sheets of Hickory Tech Corporation and subsidiaries (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of operations, shareholders' equity and comprehensive income, and cash flows for each of the two years in the period ended December 31, 2008. Our audit of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(a)(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hickory Tech Corporation and subsidiaries as of December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the two years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 11 to the consolidated financial statements, effective January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes.*

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 4, 2009, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ Grant Thornton LLP

Minneapolis, Minnesota
March 4, 2009

Board of Directors and Shareholders
Hickory Tech Corporation

We have audited Hickory Tech Corporation and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Hickory Tech Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Hickory Tech Corporation and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, shareholders' equity and comprehensive income, and cash flows for each of the two years in the period ended December 31, 2008, and our report dated March 4, 2009, which includes an explanatory paragraph discussing the adoption of Financial Accounting Standards Board Interpretation No. 48, expressed an unqualified opinion on those consolidated financial statements.

/s/ Grant Thornton LLP

Minneapolis, Minnesota
March 4, 2009

To the Shareholder and Board of Directors
Hickory Tech Corporation:

In our opinion, the consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for the year ended December 31, 2006 present fairly, in all material respects, the results of operations and cash flows of Hickory Tech Corporation and its subsidiaries for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule for the year ended December 31, 2006 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Minneapolis, Minnesota
March 14, 2007

Item 8. Financial Statements and Supplementary Data

HICKORY TECH CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31

(Dollars in thousands, except share and per share amounts)

	2008	2007	2006
Operating Revenue:			
Telecom Sector	$ 73,199	$ 76,847	$ 74,896
Enventis Sector			
Equipment	43,514	51,046	36,191
Services	36,462	28,756	21,814
Total Enventis Sector	79,976	79,802	58,005
Total operating revenue	153,175	156,649	132,901
Costs and expenses:			
Cost of sales, equipment, excluding depreciation and amortization	37,355	45,340	31,152
Cost of services, excluding depreciation and amortization	52,004	44,881	44,506
Selling, general and administrative expenses	22,984	24,244	23,291
Depreciation	19,479	17,847	16,949
Amortization of intangibles	1,127	1,157	1,172
Total costs and expenses	132,949	133,469	117,070
Operating income	20,226	23,180	15,831
Other income and expense:			
Interest and other income	93	287	138
Interest expense	(6,870)	(8,121)	(7,362)
Total other (expense)	(6,777)	(7,834)	(7,224)
Income from continuing operations before income taxes	13,449	15,346	8,607
Income tax provision	5,420	6,711	3,372
Income from continuing operations	8,029	8,635	5,235
Discontinued operations (Note 3)			
Loss from operations of discontinued component including loss on disposal of $3,385 in 2006	-	(40)	(4,556)
Income tax benefit	-	(16)	(1,589)
Loss on discontinued operations	-	(24)	(2,967)
Net income	$ 8,029	$ 8,611	$ 2,268
Basic earnings per share - continuing operations:	$ 0.61	$ 0.65	$ 0.40
Basic loss per share - discontinued operations:	-	-	(0.23)
	$ 0.61	$ 0.65	$ 0.17
Weighted average common shares outstanding	13,248,731	13,258,369	13,163,480
Diluted earnings per share - continuing operations:	$ 0.61	$ 0.65	$ 0.40
Diluted loss per share - discontinued operations:	-	-	(0.23)
	$ 0.61	$ 0.65	$ 0.17
Weighted average common and equivalent shares outstanding	13,259,933	13,260,087	13,163,480
Dividends per share	$ 0.49	$ 0.48	$ 0.48

The accompanying notes are an integral part of the consolidated financial statements.

HICKORY TECH CORPORATION
CONSOLIDATED BALANCE SHEETS
As of December 31

(Dollars in thousands except share and per share amounts)	2008	2007
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,626	$ 171
Receivables, net of allowance for doubtful accounts of $905 and $1,184	26,292	28,357
Inventories	8,674	7,054
Income taxes receivable	566	1,013
Deferred income taxes, net	2,064	1,334
Prepaid expenses	1,409	1,713
Other	1,114	1,196
Total current assets	41,745	40,838
Investments	4,066	3,830
Property, plant and equipment	338,510	322,249
Accumulated depreciation	(187,157)	(169,318)
Property, plant and equipment, net	151,353	152,931
Other assets:		
Goodwill	25,239	25,239
Intangible assets, net	856	1,983
Deferred costs and other	2,249	2,674
Total other assets	28,344	29,896
Total assets	$ 225,508	$ 227,495
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities:		
Extended term payable	$ 10,474	$ 14,443
Accounts payable	3,133	4,538
Accrued expenses and other	8,001	7,740
Deferred revenue	6,205	5,158
Current maturities of long-term obligations	1,621	731
Total current liabilities	29,434	32,610
Long-term liabilities:		
Debt obligations, net of current maturities	125,384	128,475
Financial derivative instruments	3,286	1,451
Accrued income taxes	7,517	7,747
Deferred income taxes	18,282	14,901
Deferred revenue	1,646	1,527
Accrued employee benefits and deferred compensation	10,210	8,852
Total long-term liabilities	166,325	162,953
Total liabilities	195,759	195,563
Commitments and contingencies	-	-
Shareholders' equity:		
Common stock, no par value, $.10 stated value		
Shares authorized: 100,000,000		
Shares issued and outstanding: 12,992,376 in 2008 and 13,284,903 in 2007	1,299	1,329
Additional paid-in capital	11,504	11,031
Retained earnings	20,199	20,639
Accumulated other comprehensive income/(loss)	(3,253)	(1,067)
Total shareholders' equity	29,749	31,932
Total liabilities and shareholders' equity	$ 225,508	$ 227,495

The accompanying notes are an integral part of the consolidated financial statements.

HICKORY TECH CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31

(Dollars in thousands)

	2008	2007	2006
OPERATING ACTIVITIES:			
Net income	$ 8,029	$ 8,611	$ 2,268
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss from discontinued operations	-	24	2,967
Depreciation and amortization	20,606	19,004	18,121
Amortization of gain on sale of financial derivative instrument	(664)	(1,272)	-
Provision for losses on accounts receivable	286	139	1,043
Deferred income tax provision (benefit)	3,660	1,523	(155)
Stock-based compensation	415	688	320
Employee retirement benefits and deferred compensation	652	670	1,680
Accrued patronage refunds	(563)	(230)	(1,049)
Other	(207)	80	63
Changes in operating assets and liabilities net of effects of acquisitions and dispositions:			
Receivables	1,780	(7,814)	(4,329)
Prepaids	304	190	3,123
Inventories	(1,620)	4,239	(7,727)
Accounts payable and accrued expenses	(1,135)	2,190	(933)
Deferred revenue, billings and deposits	1,165	601	153
Income taxes	218	1,237	1,107
Other	844	851	910
Net cash provided by operating activities	33,770	30,731	17,562
INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(17,691)	(17,500)	(21,058)
Redemption of investments	-	-	21
Acquisitions, adjustments to purchase price	-	-	124
Other	420	100	43
Net cash (used in) investing activities	(17,271)	(17,400)	(20,870)
FINANCING ACTIVITIES:			
Net change in extended term payables arrangement	(3,969)	6,724	7,719
Change in cash overdraft	-	(1,475)	961
Borrowings on credit facility	34,500	15,500	26,000
Payments on credit facility and capital lease obligations	(37,132)	(29,906)	(25,874)
Proceeds from the sale of financial derivative instrument	-	1,936	-
Proceeds from issuance of common stock	412	358	419
Dividends paid	(6,492)	(6,357)	(6,316)
Stock repurchase/retirement	(2,363)	-	-
Net cash provided by (used in) financing activities	(15,044)	(13,220)	2,909
DISCONTINUED OPERATIONS:			
Net cash provided by (used in) operating activities	-	(24)	6
Net cash (used in) investing activities	-	-	(124)
Net cash (used in) discontinued operations	-	(24)	(118)
Net increase (decrease) in cash and cash equivalents	1,455	87	(517)
Cash and cash equivalents at beginning of the year	171	84	601
Cash and cash equivalents at the end of the year	$ 1,626	$ 171	$ 84
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 7,962	$ 9,319	$ 7,749
Net cash paid for income taxes	$ 1,542	$ 3,935	$ 1,485
Non-cash investing activities:			
Property, plant and equipment acquired with capital leases	$ 433	$ 522	$ 266

The accompanying notes are an integral part of the consolidated financial statements.

HICKORY TECH CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

Years Ended December 31

(Dollars in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid - In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity	Total Comprehensive Income
Balance, December 31, 2005	13,124,928	$1,312	$ 9,262	$22,371	$ 2,064	$ 35,009	
Stock Award Plan	17,386	2	139			141	
Employee Stock Purchase Plan	24,089	3	171			174	
Directors' Stock Retainer Plan	9,013	1	64			65	
Dividend Reinvestment Plan	32,554	3	242			245	
Stock based compensation			114			114	
Net Income				2,268		2,268	$ 2,268
Dividends Paid				(6,316)		(6,316)	
Other Comprehensive Income, Net of Income Taxes					(567)	(567)	(567)
Adoption of SFAS No. 158, net of tax of $690					(1,047)	(1,047)	
Total Comprehensive Income							$ 1,701
Balance, December 31, 2006	13,207,970	1,321	9,992	18,323	450	30,086	
Stock Award Plan	27,590	3	196			199	
Employee Stock Purchase Plan	13,792	1	275			276	
Directors' Stock Retainer Plan	7,586	1	232			233	
Dividend Reinvestment Plan	27,965	3	233			236	
Stock based compensation			103			103	
Net Income				8,611		8,611	$ 8,611
Dividends Paid				(6,357)		(6,357)	
Adoption of FIN 48				62		62	
Other Comprehensive Loss, Net of Income Taxes					(1,517)	(1,517)	(1,517)
Total Comprehensive Income							$ 7,094
Balance, December 31, 2007	13,284,903	1,329	11,031	20,639	(1,067)	31,932	
Stock Award Plan	10,493	1	110			111	
Employee Stock Purchase Plan	23,992	2	268			270	
Directors' Stock Retainer Plan	13,803	1	22			23	
Directors' Incentive Stock Plan	18,000	2	166			168	
Dividend Reinvestment Plan	34,185	3	241			244	
Stock Repurchase	(393,000)	(39)	(347)	(1,977)		(2,363)	
Stock based compensation			13			13	
Net Income				8,029		8,029	$ 8,029
Dividends Paid				(6,492)		(6,492)	
Other Comprehensive Loss, Net of Income Taxes					(2,186)	(2,186)	(2,186)
Total Comprehensive Income							$ 5,843
Balance, December 31, 2008	12,992,376	$1,299	$ 11,504	$20,199	$ (3,253)	$ 29,749	

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fiscal Years Ended December 31, 2008, 2007 and 2006

Note 1. Summary of Significant Accounting Policies

The accounting policies of HickoryTech are in conformity with generally accepted accounting principles and, where applicable, conform to the accounting principles as prescribed by federal and state telephone utility regulatory authorities. We presently give accounting recognition to the actions of regulators where appropriate, as prescribed by SFAS No. 71. SFAS No. 71 provides guidance in preparing general purpose financial statements for most public utilities. In general, the type of regulation covered by this statement permits rates (prices) for some services to be set at levels intended to recover the estimated costs of providing regulated services or products, including the cost of capital (interest costs and a provision for earnings on shareholders' investments).

Principles of Consolidation

Our consolidated financial statements include HickoryTech Corporation and its subsidiaries in the following two business segments: the Telecom Sector and the Enventis Sector. Inter-company transactions have been eliminated from the consolidated financial statements.

Cost of sales for the Enventis Sector includes the costs associated with the installation of products for customers. These costs are primarily for equipment and materials. Labor associated with installation work is not included in this category, but is included in cost of services (excluding depreciation and amortization) described below.

Cost of services includes all costs related to delivery of communication services and products for all sectors. These operating costs include all costs of performing services and providing related products including engineering, customer service, billing and collections, network monitoring and transport costs.

Selling, general and administrative expenses include direct and indirect selling expenses, advertising and all other general and administrative costs associated with the operations of the business.

On December 29, 2006, we sold Collins to Skyview Capital, LLC. The Collins operations were formerly reported in the Enterprise Solutions Sector. The results of operations of the Enterprise Solutions Sector are reported as discontinued operations for all periods presented (see Note 3 to the Notes to the Consolidated Financial Statements).

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from these estimates and assumptions.

Revenue Recognition

We recognize revenue when (i) persuasive evidence of an arrangement between the customer and us exists, (ii) delivery of the product to the customer has occurred or service has been provided to the customer, (iii) the price to the customer is fixed or determinable and (iv) collectibility is reasonably assured. Revenue is reported net of all applicable sales tax.

Telecom Sector Revenue Recognition: Revenue in the ILEC and CLEC companies is earned from monthly billings to customers for telephone services, long distance, digital TV, DSL, Internet services, and hardware and other services. ILEC and CLEC revenue is also derived from charges for network access to our local exchange telephone network from subscriber line charges and from contractual arrangements for services such as billing and collection and directory advertising. Some revenue is realized under pooling arrangements with other telephone companies and is divided among the companies based on respective costs and investments to provide the services. The companies that take part in pooling arrangements may adjust their costs and investments for a period of two years, which causes the dollars distributed by the pool to be adjusted retroactively. We believe that recorded amounts represent reasonable estimates of the final distribution from these pools. However, to the extent that the companies participating in these pools make adjustments, there will be corresponding adjustments to our recorded revenue in future periods. Revenue is recognized in the period in which service is provided to the customer. With multiple billing cycles and cut-off dates, we accrue for revenue earned but not yet billed at the end of a quarter. We also defer services billed in advance and recognize them as income when earned based on billing dates.

Enventis Sector Revenue Recognition: Revenue in the Enventis Sector is generated from the following primary sources: i) the sale of voice and data communications equipment provided primarily through Cisco, ii) providing design, configuration and installation services related to voice and data equipment, iii) the provision of Cisco maintenance support contracts, iv) the sale of professional support services related to customer voice and data systems, v) the sale of transport services over the Company-owned and leased fiber optic network, and vi) the sale of managed voice and data services, including resale of long distance services. Our revenue recognition policy for each of these types of products and services is as follows:

- In instances where Enventis sells Cisco voice and data communications equipment with no installation obligations (equipment only sales), all warranty obligations reside with Cisco. Therefore, revenue is recognized when the equipment is delivered to the customer site. In instances where Enventis sells Cisco voice and data communications equipment with installation obligations, terms of the agreements typically provide for installation services without customer-specific acceptance provisions, but sometimes may provide customer-specific acceptance provisions. For arrangements with no customer-specific acceptance arrangements, we recognize revenue when title passes to the customer. For contracts with customer specific acceptance provisions, we defer revenue recognition until the receipt of formal customer acceptance, assuming that all other revenue recognition criteria have been met. When a sale involves multiple elements, revenue is allocated to each respective element in accordance with EITF No. 00-21, which addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. EITF No. 00-21 provides guidance on how an arrangement involving multiple deliverables should be divided into separate units of accounting, but does not change otherwise applicable revenue recognition criteria. In the event that we enter into a multiple element arrangement and there are undeliverable elements as of the balance sheet date, we assess whether the elements are separable and have determinable fair values in assessing the amount of revenue to record. Allocation of revenue to elements of the arrangement is based on fair value of the element being sold on a stand-alone basis.

- When we sell equipment to customers, we also typically sell Cisco support contracts ("SmartNet" contracts). These support contracts state that Cisco will provide all support services, product warranty and updates directly to the customer. Because Enventis has no service obligations under these types of contracts, the earnings process has culminated for us upon the sale of the contract and therefore revenue is recognized immediately. Further, we are serving in an agency relationship to the customer for the sale of the contract and therefore the revenue is recorded net of the cost that we pay Cisco for the contract. Support services also include Enventis offered "24X7" support of a customer's voice and data systems. Most of these contracts are billed on a time and materials basis and revenue is recognized either as services are provided or over the term of the contract. Support services also include Enventis sponsored professional support services. Such services are typically sold on a time and materials basis, but may be sold as a pre-paid block of time. This revenue is recognized as the services are provided (deferred and recognized as utilized if pre-paid). In the event that these services are part of a multiple element arrangement, the fair value of the services are measured and deferred in accordance with EITF No. 00-21 mentioned above. Allocation of revenue to elements of the arrangement is based on fair value of the element being sold on a stand-alone basis.

- Transport services are sold primarily through a contractual flat monthly fee. The revenue generated by these services is typically billed one month in advance and is deferred until the appropriate month of recognition.

- Enventis also manages customer voice and/or data services. Under these contracts, Enventis bills either a flat monthly fee or a fee that is variable based on the number of "seats" that the customer has. This revenue is recognized on a monthly basis as the services are provided.

Advertising Expense

Advertising is expensed as incurred. Advertising expense charged to operations was $1,415,000, $1,335,000 and $1,377,000 in 2008, 2007 and 2006, respectively.

Cash and Cash Equivalents

At December 31, 2008, cash equivalents totaled $1,626,000 including short-term investments with original maturities of three months or less. The carrying value of cash and cash equivalents approximates its fair value due to the short maturity of the instruments. Our cash deposits may occasionally exceed federally insured limits.

Accounts Receivable

As of December 31, 2008, consolidated accounts receivable totaled $26,292,000, net of the allowance of doubtful accounts. As of December 31, 2008, we believe accounts receivable are recorded at their fair value. As there may by exposure or risk with accounts receivable, we routinely monitor our accounts receivable and adjust the allowance for doubtful accounts when certain events occur that may potentially impact the collection of accounts receivable.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. In making the determination of the appropriate allowance for doubtful accounts, we consider specific accounts, historical write-offs, changes in customer relationships and credit worthiness credit risk. Specific accounts receivable are written-off once a determination is made that the account is uncollectible. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The allowance for doubtful accounts was $905,000 and $1,184,000 as of December 31, 2008 and 2007, respectively.

Inventories

Inventory includes parts, materials and supplies stored in our warehouses to support basic levels of service and maintenance as well as scheduled capital projects and equipment awaiting configuration for customers. Inventory also includes parts and equipment shipped directly from vendors to customer locations while in transit and parts and equipment returned from customers which is being returned to vendors for credit, as well as maintenance contracts associated with customer sales which have not yet transferred to the customer. The inventory value in the Telecom Sector, comprised of raw materials, as of December 31, 2008 and December 31, 2007 was $3,564,000 and $3,312,000, respectively. The inventory value in the Enventis Sector is comprised of finished goods in transit to customers as of December 31, 2008 and December 31, 2007 was $5,110,000 and $3,742,000, respectively.

Inventories are valued using the lower of cost (perpetual weighted average-cost or specific identification) or market method. We adjust our inventory carrying value for estimated obsolescence or unmarketable inventory to the estimated market value based upon assumptions about future demand and market conditions. As market and other conditions change, additional inventory write-downs may be recorded at the time acts that give rise to the lower value become known.

Investments

Investments include $2,532,000 of non-interest bearing Subordinated Capital Certificates from RTFC and $1,534,000 from Co-Bank which, are accounted for under the cost method of accounting. This method requires us to periodically evaluate whether a non-temporary decrease in the value of the investment has occurred, and if so, to write this investment down to its net realizable value.

Property, Plant and Equipment

Property, plant and equipment are recorded at original cost of acquisition or construction. When regulated ILEC telephone assets are sold or retired, the assets and related accumulated depreciation are removed from the accounts and any gains or losses on disposition are amortized with the remaining net investment in telephone plant. When other plant and equipment is sold or retired, the cost and related accumulated depreciation or amortization are removed from the respective accounts and any resulting gain or loss is included in operating income. Maintenance and repairs are charged to expense as incurred.

The components of property, plant and equipment as of December 31, 2008 and 2007, respectively are summarized as follows:

(Dollars in thousands)	2008	2007
Telecom property and equipment	$ 278,138	$ 268,566
Enventis property and equipment	41,235	34,914
Enventis Indefeasable Rights to Use	5,394	5,482
Other property and equipment	13,743	13,287
Total	338,510	322,249
Accumulated depreciation	(187,157)	(169,318)
Property, plant, and equipment, net	$ 151,353	$ 152,931

Included in the Enventis property, plant and equipment is fiber optic cable and indefeasible right of use of fiber installed by others accompanied by ownership rights. Both of these categories of assets have depreciable lives of 16 to 20 years on the assets acquired on December 30, 2005 (acquisition date of Enventis) and 25 years for new additions.

Depreciation for financial statement purposes is determined using the straight-line method based on the lives of the various classes of depreciable assets. The composite depreciation rates on ILEC telephone plant were 5.0%, 4.8% and 4.9% for 2008, 2007 and 2006, respectively. All other property, plant and equipment are depreciated over estimated useful lives of three to 20 years.

The Telecom Sector leases certain computer equipment under capital lease arrangements. We have recorded the present value or fair value of the future minimum lease payments as a capitalized asset and related lease obligation. Assets under this capital lease are included in property, plant and equipment and amounted to $561,000 and $505,000 ($1,323,000 and $1,412,000 asset, net of accumulated depreciation of $762,000 and $907,000) as of December 31, 2008 and 2007, respectively.

Capitalized Software Costs

Software costs associated with software that is developed or purchased for internal use only are accounted for in accordance with the American Institute of Certified Public Accountants Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." We capitalize costs (including right to use fees) associated with externally acquired software for internal use. Costs associated with internally developed software are segregated into three project stages: preliminary project stage, application development stage and post-implementation stage. Costs associated with both the preliminary project stage and post-implementation stage, are expensed as incurred. Costs associated with the application development stage are capitalized. Software maintenance and training costs are expensed as incurred. Amortization of software costs commences when the software is ready for its intended use, and is amortized over a period of three to ten years.

During 2008, 2007 and 2006, we capitalized $134,000, $403,000, and $1,254,000, respectively, of costs associated with software purchased or developed for internal use only. The 2008 costs primarily relate to software purchased for enterprise software and desktop applications. The 2007 costs primarily relate to software purchased to support the Enventis Sector VoIP monitoring and managed services. The 2006 costs related to costs associated with integrating the new enterprise resource planning software that we converted to on January 1, 2006. Costs incurred in 2006 related primarily to the Enventis Sector, which was purchased in December 2005 and their migration to the software platform. Total capitalized software for internal use of $8,237,000 and $8,103,000 are included in property, plant and equipment at December 31, 2008 and 2007, respectively. Amortization expense relating to these costs amounted to $583,000 and $686,000 in 2008 and 2007, respectively, resulting in accumulated amortization of $5,321,000 and $4,727,000 at December 31, 2008 and 2007, respectively. Capitalized internal software costs, net of accumulated amortization of $2,916,000 and $3,376,000 are included in property, plant and equipment at December 31, 2008 and 2007, respectively.

Intangible Assets and Goodwill

Goodwill and intangible assets with indefinite useful lives are not amortized, but tested for impairment at least annually. See Note 2 to the Notes to the Consolidated Financial Statements for a more detailed discussion of the intangible assets and goodwill. We did not have changes to goodwill in 2008 and expect the goodwill balance of $25,239,000 to be deductible for tax purposes. As of December 31, 2008 and 2007, we completed our annual impairment tests for acquired goodwill. This testing resulted in no impairment charges to goodwill.

Accrued Incentive Compensation

Our employee incentive compensation plans provide for distributions based on achievement of specific organizational operating results or individual employee objectives. Accrued expenses included amounts accrued for Employee Incentive Compensation of $1,777,000 and $2,035,000 at December 31, 2008 and December 31, 2007, respectively.

Income Taxes

We account for income taxes in accordance with SFAS No. 109, as clarified by FIN No. 48, which requires an asset and liability approach to financial accounting and reporting for income taxes. Accordingly, deferred tax assets and liabilities arise from the difference between the tax basis of an asset or liability and its reported amount in the financial statements. Deferred tax amounts are determined using the tax rates expected to be in effect when the taxes will actually be paid or refunds received, as provided under currently enacted tax law. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense or benefit is the tax payable or refundable, respectively, for the period plus or minus the change in deferred tax assets and liabilities during the period.

FIN No. 48 requires us to recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. See Note 11 to the Notes to the Consolidated Financial Statements for additional information regarding income taxes.

Earnings (Loss) Per Share

Basic earnings per share are computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Shares used in the earnings per share assuming dilution calculation are based on the weighted average number of shares of common stock outstanding during the year increased by potentially dilutive common shares. Potentially dilutive common shares include stock options and stock subscribed under the Hickory Tech Corporation Amended and Restated Employee Stock Purchase Plan. Dilution is determined using the treasury stock method.

	2008	2007	2006
Weighted Average Shares Outstanding	13,248,731	13,258,369	13,163,480
Stock Options	958	1,718	-
Stock Subscribed (ESPP)	10,244	-	-
Total Weighted Average Common and Equivalent Shares Outstanding	13,259,933	13,260,087	13,163,480

Options to purchase 456,200 shares as of December 31, 2008, 441,000 shares as of December 31, 2007 and 515,884 shares as of December 31, 2006 were not included in the computation of earnings per share assuming dilution because their effect on earnings per share would have been anti-dilutive.

Dividends per share are based on the quarterly dividend per share as declared by the HickoryTech Board of Directors.

Post-Retirement Benefits

The post-retirement benefit expense and liability are calculated utilizing various actuarial assumptions and methodologies. These assumptions include, but are not limited to, the discount rate and the expected health care cost trend rate.

Post-retirement benefits were calculated in accordance with the methods specified in SFAS No. 158 and SFAS No. 106. Where SFAS No. 106 provides alternative methods for determining net periodic benefit costs, we adopted the following policies: Any prior service cost, or cumulative net gains and losses in excess of 10% of the SFAS No. 106 corridor, are amortized on a straight-line basis over the average future service lives of the covered group. There are no substantive commitments for benefits other than as stated in the written plan. According to the guidance of paragraph 186 of SFAS No. 106, "the objective of selecting assumed discount rates is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due." The assumed discount rate represents the discounted value of necessary future cash flows required to pay the accumulated benefits when due. This rate was determined based on available market data regarding the spot rate yields in half year increments on high-quality fixed income securities with the effects of puts and calls removed that provide cash flows at the same time and in the same amount as the projected cash flows of the plan.

The health care cost trend rate is based upon an evaluation of the historical trends and experience, taking into account current and expected market conditions. The health care cost trend rate represents the expected annual rate of change in the cost of health care benefits currently provided due to factors other than changes in the demographics of plan participants. If the assumptions utilized in determining the post-retirement benefit expense and liability differ from actual events, the results of operations for future periods could be impacted. When actual events differ from the assumptions or when the assumptions used change, an unrecognized actuarial gain or loss results.

Stock Compensation

On January 1, 2006, we adopted SFAS No. 123(R), which replaces SFAS No. 123 and supersedes APB No. 25. We adopted SFAS No. 123(R) using the modified prospective method. Under this method, prior periods are not restated. Prior to January 1, 2006, we accounted for stock-based compensation in accordance with APB No. 25, which required the use of the intrinsic value method. Accordingly, no compensation expense was recognized in prior periods for stock options granted, since the exercise price was equal to the fair market value of the shares at the grant date. The grant date fair value of stock options is estimated using the Black-Scholes valuation model. Compensation expense is reduced based on estimated forfeitures with adjustments to actual recorded at time of vesting. Forfeitures are estimated based on historical experience. Compensation costs are recognized over the vesting period. Our stock options vest over a three-year period. See Note 7 to the Notes to the Consolidated Financial Statements for more information regarding stock-based compensation.

Recent Accounting Developments

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R), "Business Combinations" ("SFAS No. 141(R)"), which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquired company and the goodwill acquired. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141(R) is effective as of the beginning of an entity's fiscal year that begins after December 15, 2008, and will be adopted by us in the first quarter of 2009. The primary effect of SFAS No. 141(R) with respect to our consolidated financial statements will be the treatment of transaction costs in the income statement. In previous transactions we recorded these costs in our balance sheet. Since this will only have an impact in the event of a transaction, we cannot estimate an effect, if any of SFAS No. 141(R).

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, "Non-controlling Interests in Consolidated Financial Statements – an amendment of Accounting Research Bulletin No. 51" ("SFAS No. 160"). SFAS No. 160 will change the accounting and reporting for minority interests, which will be re-characterized as non-controlling interests and classified as a component of equity. This new consolidation method will significantly change the accounting for transactions with minority interest holders. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008, and will be adopted by us in the first quarter of 2009. SFAS No. 160 is currently not expected to have a material effect on our consolidated financial statements.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133" ("SFAS No. 161"). SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities and is effective for financial statements issued for fiscal years beginning after November 15, 2008. We are currently assessing the impact of SFAS No. 161 on our disclosures.

Financial Accounting Standards Board staff position 157-2 delays the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. We do not expect the adoption of FASB 157 for nonfinancial assets and liabilities to have a significant impact on our financial statements or disclosures.

Note 2. Goodwill and Other Intangible Assets

We are required to test acquired goodwill for impairment on an annual basis based upon a fair value approach. Additionally, goodwill shall be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of an entity below its carrying value. No such event occurred during 2008 or 2007. As of December 31, 2008 and 2007, we completed our annual impairment tests for acquired goodwill. This testing resulted in no impairment charges to goodwill as the determined fair value was sufficient to pass the first step impairment test. The carrying value of our goodwill is $25,239,000 as of December 31, 2008 and 2007, respectively.

Intangible assets with finite lives are amortized over their respective estimated useful lives to their estimated residual values. Identifiable intangible assets that are subject to amortization are evaluated for impairment. The components of intangible assets are as follows:

(Dollars in thousands)		As of December 31, 2008		As of December 31, 2007	
	Useful Lives	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Definite-Lived Intangible Assets					
Customer relationships	1 - 8 years	$ 4,229	$ 3,379	$ 4,229	$ 2,456
Other intangibles	1 - 5 years	730	724	730	520
Total		$ 4,959	$ 4,103	$ 4,959	$ 2,976

As required by SFAS No. 142, we periodically reassess the carrying value, useful lives and classifications of identifiable assets. Amortization expense related to the definite-lived intangible assets for 2008, 2007 and 2006 was $1,127,000, $1,157,000, and $1,172,000, respectively. Total estimated amortization expense for the five years subsequent to 2008 is as follows: 2009 - $853,000; 2010 - $3,000; with none thereafter.

Note 3. Disposition and Discontinued Operations

Dispositions

Effective December 31, 2006, we sold all of the outstanding capital stock in Collins to Skyview Capital, LLC for an initial price of $100,000, paid by delivery of a promissory note, plus up to $1,650,000 of earn-out payments. The remaining selling price is due in contingent payments payable over the next four years if financial targets are reached by Skyview Capital, LLC. We have received no payments to-date related to this earn-out provision. We recorded a pre-tax loss on the sale of $3,385,000 ($2,040,000 net of income taxes). The Collins results of operations were formerly reported in the Enterprise Solutions Sector. The consolidated statements of operations for all periods presented have been restated to reflect the Collins operations as discontinued operations.

The following table includes certain summary statement of operations information related to the operations of Enterprise Solutions business reflected in discontinued operations for the years ended December 31, 2007 and 2006, respectively.

(Dollars in thousands)	2007	2006
Revenues and sales	$ -	$11,049
Operating expenses	-	12,115
Depreciation and amortization	-	104
Operating loss	-	(1,170)
Loss on sale of discontinued operations	-	(3,385)
Other income/expense	(40)	(1)
Pretax loss from discontinued operations	(40)	(4,556)
Income tax benefit	(16)	(1,589)
Net loss of discontinued operations	$ (24)	$ (2,967)

Note 4. Fair Value of Financial Instruments

The fair value of our long-term obligations, after deducting current maturities, is estimated to be $132,157,000 at December 31, 2008 and $128,791,000 at December 31, 2007, compared to carrying values of $125,384,000 and $128,475,000, respectively. The fair value estimates are based on the overall weighted average interest rates and maturity compared to rates and terms currently available in the long-term financing markets. Our financial instruments also include cash equivalents, trade accounts receivable, and accounts payable for which current carrying amounts approximate fair market value.

Note 5. Accumulated Other Comprehensive Income (Loss)

We follow the provisions of Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS No. 130"). This statement established rules for the reporting of comprehensive income (loss) and its components. In addition to net income, our comprehensive income includes changes in unrealized gains and losses on derivative instruments qualifying and designated as cash flow hedges and recognized Net Periodic Benefit Cost related to our Post-Retirement Benefit Plans. Comprehensive income for the year ended December 31, 2008 and 2007 was $5,843,000 and $7,094,000, respectively.

In March 2007, we terminated our two outstanding interest-rate swap agreements with original maturities in June 2008, in exchange for $1,936,000 in proceeds. Immediately following the termination of these two agreements, we executed a new interest-rate swap agreement, effectively locking in the interest rate on $60,000,000 of variable-interest rate debt through March 2010. In March 2008, we entered into a second interest-rate swap agreement, effectively locking in the interest rate on an additional $40,000,000 of variable interest rate debt through February 2010. The cumulative gain or (loss) on the market value of financial derivative instruments is reported as a component of accumulated other comprehensive income (loss) in shareholders' equity.

The following summary sets forth the components of accumulated other comprehensive income (loss), net of tax:

(Dollars in thousands)	Unrecognized Net Actuarial Loss *(1)*	Unrecognized Prior Service Credit *(1)*	Unrecognized Transition Asset *(1)*	Unrealized Gain/(Loss) on Derivatives	Accumulated Other Comprehensive Income/(Loss)
December 31, 2005	$ -	$ -	$ -	$ 2,064	$ 2,064
2006 Activity	-	-	-	(567)	(567)
Adoption of SFAS No. 158	(867)	37	(217)	-	(1,047)
December 31, 2006	(867)	37	(217)	1,497	450
2007 Activity	(87)	242	36	(1,708)	(1,517)
December 31, 2007	(954)	279	(181)	(211)	(1,067)
2008 Activity	(421)	(33)	36	(1,768)	(2,186)
December 31, 2008	$ (1,375)	$ 246	$ (145)	$ (1,979)	$ (3,253)

(1) Amounts pertain to our postretirement benefit plans.

The increase (decrease) in income tax benefits associated with each component of accumulated other comprehensive income (loss) is as follows:

(Dollars in thousands)	2008	2007	2006
Income tax (liability) related to OCI components beginning of year	$ 1,141	$ (301)	$ (1,365)
Income tax (liability) changes related to:			
Unrecognized net actuarial loss	281	57	571
Unrecognized prior service credit	21	(159)	(24)
Unrecognized transition asset	(24)	(24)	143
Unrecognized gain on derivatives	731	1,568	374
Income tax (liability) related to OCI components end of year	$ 2,150	$ 1,141	$ (301)

Note 6. Business Segments

Our operations are conducted in two business segments as: (i) Telecom Sector and (ii) Enventis Sector.

The Telecom Sector provides telephone services to Mankato and adjacent areas of south central Minnesota and to eleven communities in northwest Iowa as an ILEC. The Telecom Sector operates fiber optic cable transport facilities in Minnesota. The Telecom Sector offers an alternative choice for local telecommunications service, known as CLEC service in the telecommunications industry, to customers in Minnesota and Iowa not currently in HickoryTech's ILEC service area. In addition, the Telecom Sector resells long distance service to Minnesota and Iowa subscribers in its ILEC and CLEC markets. The Telecom Sector, through NIBI, also provides data processing and related services to HickoryTech's other product lines and to other external telephone companies, municipalities, utilities and wireless and cable TV providers. Prior to the sale of Collins, the Enterprise Solutions Sector designed, sold, installed and serviced business telephone systems and data communications equipment primarily in metropolitan Minneapolis/St. Paul, Minnesota. The Enterprise Solutions Sector operations are reported as discontinued operations for all periods presented.

The Enventis Sector specializes in providing telecommunications and network solutions for companies of all sizes. In addition to its statewide fiber optic network, Enventis provides innovative IP services that combine voice and data onto a single platform.

Business segment information for the years ended December 31, 2008, 2007 and 2006 is as follows:

For Year Ended December 31
(Dollars in thousands)

2008	Telecom	Enventis	Corporate and Eliminations	Consolidated
Revenue from unaffiliated customers	$ 73,199	$ 79,976	$ -	$ 153,175
Intersegment revenue	644	515	(1,159)	-
Total operating revenue	73,843	80,491	(1,159)	153,175
Depreciation and amortization	16,136	4,417	53	20,606
Operating income	13,045	7,024	157	20,226
Interest expense	85	-	6,785	6,870
Income taxes	4,879	2,660	(2,119)	5,420
Income (loss) from continuing operations	8,104	4,369	(4,444)	8,029
Identifiable assets	148,238	68,481	8,789	225,508
Property, plant and equipment, net	112,497	38,575	281	151,353
Capital expenditures	11,102	6,408	181	17,691

For Year Ended December 31
(Dollars in thousands)

2007	Telecom	Enventis	Corporate and Eliminations	Consolidated
Revenue from unaffiliated customers	$ 76,847	$ 79,802	$ -	$ 156,649
Intersegment revenue	467	440	(907)	-
Total operating revenue	77,314	80,242	(907)	156,649
Depreciation and amortization	15,218	3,755	31	19,004
Operating income (loss)	17,796	6,904	(1,520)	23,180
Interest expense	72	-	8,049	8,121
Income taxes	7,287	2,904	(3,480)	6,711
Income (loss) from				-
continuing operations	10,460	4,074	(5,899)	8,635
Identifiable assets	152,961	66,842	7,692	227,495
Property, plant and equipment, net	117,078	35,700	153	152,931
Capital expenditures	11,489	5,928	83	17,500

2006	Telecom	Enventis	Corporate and Eliminations	Consolidated
Revenue from unaffiliated customers	$ 74,896	$ 58,005	$ -	$ 132,901
Intersegment revenue	260	50	(310)	-
Total operating revenue	75,156	58,055	(310)	132,901
Depreciation and amortization	15,009	3,048	64	18,121
Operating income (loss)	15,100	2,240	(1,509)	15,831
Interest expense	(79)	-	7,441	7,362
Income taxes	5,960	879	(3,467)	3,372
Income (loss) from				
continuing operations	9,237	1,363	(5,365)	5,235
Identifiable assets	157,058	59,856	9,986	226,900
Property, plant and equipment, net	120,202	32,533	100	152,835
Capital expenditures	15,631	5,324	103	21,058

NOTE 7. STOCK COMPENSATION

Employee Stock Purchase Plan

Under the terms of an employee stock purchase plan, participating employees may acquire shares of common stock through payroll deductions of not more than 10% of their compensation. The price at which shares can be purchased is 85% of the fair market value for shares on one specified date, the end of the plan year. As of December 31, 2008, there were 500,000 common shares reserved for this plan and 462,216 shares still available for issuance. As of December 31, 2008 and December 31, 2007 employees had subscribed to purchase approximately 35,907 and 23,992 shares for the plan year ended August 31, 2009 and August 29, 2008, respectively. We recorded stock compensation expense in the amount of $26,000 and $24,000 during 2008 and 2007, respectively, related to this plan.

Retainer Stock Plans for Directors

Under the terms of a corporate retainer stock plan for directors, participating directors may acquire shares of common stock in exchange for their quarterly retainers. The price at which the shares can be purchased is 100% of the fair market value for such shares on the date of purchase. In addition to any voluntary acquisitions of shares in exchange for quarterly retainers, directors receive $7,500 of their annual retainer solely in shares of HickoryTech stock from this plan. As of December 31, 2008, there were 300,000 common shares reserved for this plan and 216,619 shares still available for future issuance.

Non-Employee Directors' Incentive Plan

Beginning in May 2005, we began offering a Directors' Incentive Plan to attract and retain outside Directors. The plan provides for each director to receive 2,000 shares of our common stock contingent upon HickoryTech meeting pre-established objectives. The plan paid out 18,000 shares, 0 shares and 10,000 shares in 2008, 2007, and 2006, respectively. As of December 31, 2008 there were 200,000 common shares reserved for this plan and 172,000 shares available for future grants.

Stock Award Plan

HickoryTech's stock award plan provides for the granting of non-qualified stock options, stock awards and restricted stock awards to employees. The plan provides for stock awards based on the attainment of certain financial targets and for individual achievements. Stock options issued under the stock option component of the stock award plan may be exercised no later than ten years after the date of grant, with one-third of the options vesting each year. As of December 31, 2008, there were 1,750,000 common shares reserved for this plan and 978,779 shares available for future grants.

We recognize stock compensation charges related to stock award plans when management concludes it is probable that the participant will earn the award. Such compensation charges are recorded based upon the fair value of our stock and is recognized during the service period specified by the stock award plan. Changes in estimated compensation are recorded in the period in which the change occurs.

On January 1, 2006, we adopted SFAS No. 123(R), which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors, including employee stock options and employee stock purchases related to the employee stock purchase plan, based on estimated fair values. SFAS No. 123(R) supersedes our previous accounting under APB No. 25 for periods beginning in 2006. In March 2005, the SEC issued SAB No. 107 relating to SFAS No. 123(R). We have applied the provisions of SAB No. 107 in its adoption of SFAS No. 123(R). We adopted SFAS No. 123(R) using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2006.

The Consolidated Financial Statements for 2006 reflect the impact of SFAS No. 123(R). In accordance with the modified prospective transition method, the Consolidated Financial Statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS No. 123(R) or any modifications to outstanding stock options prior to the adoption of SFAS No. 123(R). The adoption of SFAS No. 123(R) had minimal impact on earnings per share, diluted earnings per share and cash flow from financing and operations in 2006, 2007 and 2008.

Share-based compensation expense recognized during a period is based on the value of the portion of share-based payment awards that are ultimately expected to vest during the period. Share-based compensation expense recognized in the Consolidated Statements of Operations includes compensation expense for share-based payment awards granted prior to, but not yet vested as of December 31, 2005, based on the grant date fair value estimated in accordance with the fair value provisions of SFAS No. 123 as well as grants in 2006 under SFAS No. 123(R). Because share-based compensation expense recognized in the Consolidated Statements of Operations is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. We use historical data to estimate pre-vesting forfeitures. SFAS No. 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The fair value of each option award is estimated on the date of grant using a Black-Scholes option valuation model. We use a seven-year period to calculate the historical volatility of our stock price for use in the valuation model. The dividend yield rate is based on our current dividend payout pattern and current market price. The risk-free rate for options is based on a U.S. Treasury rate commensurate with the expected terms. The expected term of options granted is derived from historical experience and represents the period of time that options granted are expected to be outstanding.

There were no stock option awards granted during 2008 or 2007. In September 2006, Mr. John W. Finke, current President and Chief Executive Officer, received a one-time grant of 15,000 options associated with his acceptance of the Chief Executive Officer position. The weighted average grant date fair value of these options was $1.43 per share. Other than the one-time stock option award issued to Mr. Finke, options were last granted under the Company's Stock Award Plan in February 2005. The Stock Award Plan provides for the issuance of stock options, but no current compensation programs have options as a component.

The following table details the key assumptions used in computing fair value using the Black-Scholes Option valuation model for the year ended December 31, 2006:

	2006
Volatility	37.0%
Dividend Yield	6.9%
Risk-Free Interest Rates	4.8%
Expected Life in Years	7

A summary of all stock option activity for the three-year period ended December 31, 2008 is as follows:

	Options			Weighted Average Exercise Price		
	2008	2007	2006	2008	2007	2006
Outstanding at Beginning of Year	476,000	515,884	578,850	$12.79	$12.75	$12.63
Granted	-	-	15,000	-	-	6.95
Exercised	-	-	-	-	-	-
Forfeited	-	(499)	(28,448)	-	10.76	11.15
Expired	(4,800)	(39,385)	(49,518)	13.38	12.22	10.50
Outstanding at End of Year	471,200	476,000	515,884	$12.79	$12.79	$12.75
Exercisable at End of Year	466,200	454,335	462,556	$12.85	$12.97	$13.07
Weighted Average Fair Value of Options Granted During the Year	$ -	$ -	$ 1.43			
Fair Value of Options Vesting During the Year	$ 41,000	$156,000	$186,000			
Intrinsic Value of Options Exercised During the Year	$ -	$ -	$ -			

All stock options granted in 2006 had an exercise price equal to the fair market value of our common stock on the date of grant.

The following table provides certain information with respect to stock options outstanding at December 31, 2008:

Range of Exercise Prices	Stock Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
$6.00 - $8.00	15,000	$ 6.95	7.7 years
$8.00 - $12.00	177,200	10.26	4.4 years
$12.00 - $16.00	225,250	13.88	2.1 years
$16.00 - $21.00	53,750	18.18	2.2 years
	471,200	$ 12.79	3.2 years

The following table provides certain information with respect to stock options exercisable at December 31, 2008:

Range of Exercise Prices	Stock Options Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
$6.00 - $8.00	10,000	$ 6.95	7.7 years
$8.00 - $12.00	177,200	10.26	4.4 years
$12.00 - $16.00	225,250	13.88	2.1 years
$16.00 - $21.00	53,750	18.18	2.2 years
	466,200	$ 12.85	3.1 years

Stock options outstanding and exercisable as of December 31, 2008 did not have any aggregate intrinsic value. As of December 31, 2008, there was $4,000 of total unrecognized compensation costs related to non-vested stock options granted under the Company's Stock Award Plan. We expect to recognize this expense during 2009.

Note 8. Extended Term Payable

The Enventis Sector has a $20,000,000 wholesale financing agreement with a financing company to fund inventory purchased from certain approved vendors. Advances under this financing arrangement are collateralized by the accounts receivable and inventory of Enventis and a guaranty of an amount up to $18,000,000 by HickoryTech. The financing agreement provides 60 day interest-free payment terms for working capital and can be terminated at any time by either party. The balance outstanding under the financing arrangement was $10,474,000 and $14,443,000 at December 31, 2008 and 2007, respectively. These balances are classified as current liabilities in the accompanying Balance Sheet and are not considered part of our debt financing.

Note 9. Debt and Other Obligations

Our long-term obligations as of December 31, 2008, were $125,384,000, excluding current maturities of $1,300,000 on debt and $321,000 on current maturities of capital leases. Long-term obligations as of December 31, 2007, were $128,475,000 excluding current maturities of $475,000 on debt and $256,000 of capital leases.

(Dollars in thousands)	As of December 31 2008	2007
Credit facility, average interest at 5.2%, maturing in varying amounts through 2013	$126,400	$128,675
Capitalized lease obligations, average interest at 10.7%, maturing March 2011	605	531
Total	127,005	129,206
Less current maturities	1,621	731
Long-Term obligations	$125,384	$128,475

On December 30, 2005, we entered into a $160,000,000 credit agreement with a syndicate of banks (subsequently reduced to a $155,200,000 facility as of December 31, 2008 through normal quarterly amortization), which amended our previous credit facility. The credit facility is comprised of a $30,000,000 revolving credit component ($28,680,000 available to borrow as of December 31, 2008) that expires on December 31, 2011 and a $130,000,000 term loan component (subsequently reduced to $125,200,000 as of December 31, 2008 through normal quarterly amortization).

The term loan component is comprised of two components which are defined as term loan B and term loan C. The outstanding principal balance of term loan B is $105,800,000 as of December 31, 2008, and is held in varying amounts by three lenders in the syndicate, US Bank, GE Commercial Distribution Finance Corporate and CoBank. Under the terms of term loan B, we are required to make quarterly principal payments of $275,000 from December 31, 2008 through December 31, 2011 with the remainder of the aggregate principal due in two payments on March 31, 2012 and June 30, 2012. Due to the aggressive pay down of debt in 2007, we were not required to make quarterly principle payments during the first three quarters of 2008. The outstanding principal balance of term loan C is $19,400,000 as of December 31, 2008, and is held entirely by RTFC. Under the terms of term loan C, we are required to make quarterly principal payments of $50,000 on the aggregate principal amount from December 31, 2008 through December 31, 2012 with the remainder of the aggregate principal due in two payments on March 31, 2013 and June 30, 2013.

The term loan component has a provision whereby we periodically receive patronage capital refunds. This patronage refund is recorded as an offset to interest expense and amounted to $563,000 in 2008, $230,000 in 2007 and $1,049,000 in 2006.

Our credit facility requires us to comply, on a consolidated basis, with specified financial ratios and tests. These financial ratios and tests include maximum leverage ratio, minimum interest coverage ratio, and maximum capital expenditures. We were in full compliance with these ratios and tests as of December 31, 2008. The terms of our credit facility include certain restrictions regarding the payment of dividends. The dividend restriction provides that we will not make dividend distributions or repurchase stock in an aggregate amount in excess of 100% of the previous year's net income. At December 31, 2007, we were in violation of this dividend restriction, but a waiver was obtained. At December 31, 2008, we were in full compliance with our debt covenants.

Our obligations under the credit facility are secured by a first-priority lien on all property and assets, tangible and intangible of HickoryTech and its current subsidiaries, including, but not limited to accounts receivable, inventory, equipment and intellectual property, general intangibles, cash and proceeds of the foregoing. We have also given a first-priority pledge of the capital stock of our current subsidiaries to secure the credit facility. The credit facility contains certain restrictions that, among other things, limit or restrict our ability to create liens or encumbrances; incur additional debt; issue stock; make asset sales, transfers, or dispositions; and engage in mergers and acquisitions over a specified maximum value.

The credit facility also requires us to maintain interest rate protection agreements on at least 50% of the term loan components outstanding balance, to manage our exposure to interest rate fluctuations. We continually monitor the interest rates on our bank loans and have implemented interest-rate swap agreements on $100,000,000 of our variable-interest rate debt and we have established fixed interest rates on another $19,500,000 of our debt, for a total of $119,500,000 or 94% of our debt which is not subject to interest rate fluctuations. The current rate locks expire in February and March 2010. Our effective interest rate was 5.22%, 5.97% and 5.13% in 2008, 2007 and 2006, respectively.

Annual requirements for principal payments for the years subsequent to 2008 are as follows: 2009 - $1,300,000; 2010 - $1,300,000; 2011 - $2,500,000; 2012 - $102,700,000; and 2013 - $18,600,000.

Note 10. Employee Retirement Benefits

Employees who meet certain service requirements are covered under a defined contribution retirement savings plan, which includes IRS Section 401(k) provisions. We contribute up to 6.0% of the employee's eligible compensation, based on the employee's voluntary contribution. Our contributions and costs for the retirement savings plan were $1,366,000 in 2008, $1,432,000 in 2007 and $1,350,000 in 2006.

In addition to providing retirement savings benefits, we provide post-retirement health care and life insurance benefits for eligible employees. We account for these post-retirement benefits in accordance with SFAS No. 158 (see below). We are not currently funding these post-retirement benefits, but have accrued these liabilities. New employees hired on or after January 1, 2007 are not eligible for post-retirement health care and life insurance benefits. At December 31, 2008, post-retirements benefits expected to be paid for the next five years and thereafter are as follows: 2009 - $206,000; 2010- $197,000; 2011 - $198,000; 2012 - $200,000; 2013 – $202,000 and thereafter – $990,000.

We adopted SFAS No. 158 as of December 31, 2006. SFAS No. 158 requires that we recognize the funded status of our postretirement benefit plans on the consolidated balance sheet and recognize as a component of accumulated other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost. The impact of SFAS No. 158, net of tax on our December 31, 2006 consolidated financial statements based on the actuarial measurements of plan assets and obligations dated December 31, 2006 was $1,047,000.

The following table summarizes the balance sheet impact, including the benefit obligations and assets associated with our postretirement benefit plans as of December 31, 2008 and 2007, respectively.

(Dollars in thousands)	2008	2007
Change in Benefit Obligation		
Benefit Obligation at Beginning of Year	$ 7,958	$ 7,672
Service Cost	254	286
Interest Cost	487	455
Amendments	-	(413)
Actuarial Gain	781	215
Benefits Paid	(255)	(257)
Benefit Obligation at End of Year	$ 9,225	$ 7,958
Change in Plan Assets		
Fair Value of Assets at Beginning of Year	$ -	$ -
Actual Return on Assets	-	-
Employer Contribution	255	257
Distributions	(255)	(257)
Fair Value of Assets at End of Year	$ -	$ -

(Dollars in thousands)	As of December 31 2008	2007	2006
Components of Net Periodic Benefit Cost			
Service Cost	$ 254	$ 286	$ 322
Interest Cost	487	455	429
Expected Return on Plan Assets	-	-	-
Amortization of Transition Obligation	60	60	60
Amortization of Prior Service Cost	(55)	(12)	(11)
Recognized Net Actuarial Loss	79	70	124
Net Periodic Benefit Cost	$ 825	$ 859	$ 924
Discount Rate Used to Determine Benefit Obligation As of December 31:	6.00%	6.20%	6.00%

In 2009, we expect to recognize approximately $60,000 of the transition obligation, ($55,000) of the prior service credit and $134,000 of the net actuarial loss as a component of total period post-retirement benefit expense.

Health Care Trend Rates for the Year Ending December 31, 2008	Year	Trend Rate
	2009-2010	7.90%
	2010-2011	6.60%
	2011-2012	5.80%
	2012-2013	5.80%
	2013-2014	5.70%
	2014-2015	5.70%
	2015-2016	5.70%
	2016-2017	5.70%
	2017-2083	5.6% to 4.00%
	2084	4.00%

(Dollars in thousands)

Effect of 1% Increase and 1% Decrease in Trend Rate	1% Increase	1% Decrease
Accum. Post-Retirement Benefit Oblig. as of December 31, 2008		
Dollar	$ 1,442	$ (1,168)
Percentage Change in Retiree Medical	17.0%	(13.0%)
Service Cost and Interest Cost for Fiscal 2008		
Dollar	$ 145	$ (114)
Percentage Change in Retiree Medical	21.0%	(18.0%)

As of December 31, 2008, we adopted a new methodology for applying health care trend rates when measuring the accumulated post retirement benefit obligation. This methodology is based on guidance published by the Society of Actuaries titled "How Health Care Trend Rates are Best Measured" and is the methodology adopted by our third party consultants. Under the new method, health care rates trend downward in the calculations in smaller increments over a longer period of time. The health care cost trend rate used in determining the accumulated post-retirement benefit obligations was 7.9% in 2009 and decreases gradually until it reaches 5.6% in 2017 and ultimately 4% in 2084. These initial trend rate assumptions were provided based on a study of the ten-year history of our self-funded medical benefits plan.

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 was enacted, which introduced a prescription drug benefit under Medicare, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to the Medicare plan. In May 2004, the FASB issued FASB Staff Position No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," which requires current recognition of the federal subsidy that employers may receive for providing prescription drug coverage to retirees. Substantial portions of the prescription drug benefits provided under its post-retirement benefit plan are deemed actuarially equivalent to the benefits provided under Medicare Part D. Consequently, we re-measured our accumulated post-retirement benefit obligation as of June 30, 2004 to account for the federal subsidy. As of December 31, 2008 and 2007, the reduction in the accumulated post-retirement benefit obligation due to the subsidy was $1,134,000 and $961,000, respectively.

Note 11. Income Taxes

The income tax provision (benefit) for operations for the years ended December 31, 2008, 2007 and 2006 include the following components:

(Dollars in thousands)	2008	2007	2006
Current Income Taxes:			
Federal	$ 1,370	$ 4,027	$ 972
State	390	1,145	276
Deferred Income Taxes:			
Federal	3,356	1,031	218
State	304	492	317
Total Income Tax Provision	$ 5,420	$ 6,695	$ 1,783

Income tax expense is included in the financial statements as follows:

(Dollars in thousands)	2008	2007	2006
Continuing Operations	$ 5,420	$ 6,711	$ 3,372
Discontinued Operations	-	(16)	(1,589)
Total Income Tax Provision	$ 5,420	$ 6,695	$ 1,783

Deferred tax liabilities and assets are comprised of the following at December 31:

(Dollars in thousands)	2008	2007
Tax Liabilities:		
Depreciation and Fixed Assets	$ 17,924	$ 14,342
Intangible Assets	6,075	5,668
Other	-	124
Gross Deferred Tax Liability	$ 23,999	$ 20,134
Tax Assets:		
Deferred Compensation and Post-Retirement Benefits	$ 4,461	$ 3,835
Receivables and Inventories	460	630
Accrued Liabilities	1,167	829
Derivatives	1,309	578
State Net Operating Loss	1,767	1,550
Capital Loss	-	695
Other	304	-
Gross Deferred Tax Asset	9,468	8,117
Valuation Allowance	(1,687)	(1,550)
Net Deferred Tax Liability	16,218	13,567
Current Deferred Tax Asset	2,064	1,334
Net Non-Current Deferred Tax Liability	$ 18,282	$ 14,901

We have Iowa net operating loss carry-forwards for tax purposes available to offset future income of approximately $26,600,000 at December 31, 2008. The Iowa net operating loss carry-forwards expire in varying amounts between 2018 and 2028. Due to the continued generation of net operating losses by our subsidiaries operating in Iowa, the utilization of these net operating loss carry-forwards is doubtful. A valuation allowance has been established to reduce the carrying value of the benefits associated with the Iowa net operating losses incurred by our subsidiaries in the state of Iowa. We also have a net operating loss carry-forward of approximately $3,800,000 incurred by the parent company in the state of Minnesota. Management believes that it is unlikely that we will realize all of the benefits associated with the Minnesota net operating loss prior to the expiration of the carry forward period. Therefore, a valuation allowance was established to reduce the carrying value of the benefits associated with the net operating losses incurred by the parent company in Minnesota. Future events and changes in circumstances could cause this valuation allowance to change.

The reconciliation of the U.S. income tax rate to the effective income tax rate for continuing operations is as follows:

	For Year Ended December 31		
	2008	2007	2006
Statutory Tax Rate	35.0%	35.0%	34.0%
Effect of:			
State Income Taxes Net of Federal Tax Benefit	6.0	6.1	6.1
Release of Income Tax Reserve and Prior Year Adjustments	(7.8)	0.6	(1.2)
Medicare Part D Subsidy	(0.4)	(0.3)	(0.6)
FASB Interpretation No. 48	3.2	2.5	-
Expiration of Capital Loss	5.2	-	-
Other, Net	(0.9)	(0.2)	0.9
Effective Tax Rate	40.3%	43.7%	39.2%

We adopted the provisions of FIN No. 48 on January 1, 2007. Among other things, FIN No. 48 provides guidance to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing a minimum recognition threshold that income tax positions must achieve before being recognized in the financial statements. As of the date of adoption, we had approximately $7,242,000 of unrecognized tax benefits (excluding interest), of which approximately $748,000 relates to a deferred tax asset that is fully reserved for financial reporting purposes.

As of December 31, 2008, we had unrecognized tax benefits totaling $6,748,000 (net of tax) excluding interest. The amount of unrecognized tax benefits, if recognized, that would affect the effective income tax rate in future periods is $6,729,000. It is reasonably possible that the total amount of unrecognized tax benefits may decrease by approximately $4,500,000 during the next 12 months as a result of expirations of statute of limitations.

We recognize interest and penalties related to income tax matters as income tax expense. As of the date of the FIN No. 48 adoption, we had $172,000 (net of tax) accrued for interest and nothing accrued for penalties related to tax matters. As of December 31, 2008 we had accrued $769,000 (net of tax) for interest related to unrecognized tax benefits.

The following roll-forward of unrecognized tax benefits excludes interest accrued on unrecognized tax benefits and is presented gross of any expected federal tax benefits related to unrecognized state tax benefits as required by Fin No. 48.

(Dollars in thousands)	2008	2007
Unrecognized tax benefits opening balance (excluding interest)	$ 7,591	$ 6,768
Increases:		
Tax positions taken in current period	41	27
Tax position taken in prior periods	357	811
Decreases:		
Tax positions taken in prior periods	(750)	-
Lapse of statute limitations	-	(15)
Unrecognized tax benefits	-	-
Ending balance (excluding interest)	$ 7,239	$ 7,591

We file consolidated income tax returns in the United States federal jurisdiction and combined or separate income tax returns in various state jurisdictions. In general, we are no longer subject to United States federal income tax examinations and examinations by state tax authorities for the years prior to 2005 except to the extent of losses utilized in subsequent years. In November 2008, the Internal Revenue Service commenced an examination of our 2006 federal consolidated income tax return. We do not expect that any settlement or payment that may result from the audit will have a material effect on our results of operations.

Note 12. Financial Derivative Instruments

We use financial derivative instruments to manage our overall exposure to fluctuations in interest rates. We account for derivative instruments in accordance with SFAS No. 133, as amended by SFAS No. 149, which requires derivative instruments to be recorded on the balance sheet at fair value. Changes in fair value of derivative instruments must be recognized in earnings unless specific hedge accounting criteria are met, in which case the gains and losses are included in other comprehensive income rather than in earnings.

Effective January 1, 2008, we adopted SFAS 157 related to our financial assets and liabilities which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. The adoption of SFAS 157 did not have a material impact on our financial condition and results of operations. Financial Accounting Standards Board staff position 157-2 delays the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis.

SFAS 157 defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 also describes three levels of inputs that may be used to measure fair value:

- Level 1 – quoted prices in active markets for identical assets and liabilities.
- Level 2 – observable inputs other than quoted prices in active markets for identical assets and liabilities.
- Level 3 – unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The fair value of our interest rate swap agreements were determined based on Level 2 inputs.

We utilize interest-rate swap agreements that qualify as cash-flow hedges to manage our exposure to interest rate fluctuations on a portion of our variable-interest rate debt. In March 2007, we terminated two outstanding interest-rate swap agreements, with original maturities of June 2008, in exchange for $1,936,000 in proceeds. Proceeds of $664,000 and $1,272,000 were recognized as an offset to interest expense in 2008 and 2007, respectively. Immediately following the termination of the two swap agreements discussed above, we executed a new interest-rate swap agreement, effectively locking in the interest rate on $60,000,000 of variable-interest rate debt through March, 2010. In March 2008, we entered into a second interest-rate swap agreement, effectively locking in the interest rate on an additional $40,000,000 of variable-interest rate debt through February 2010.

The cumulative gain or (loss) on the market value of financial derivative instruments is reported as a component of accumulated other comprehensive income (loss) in shareholders' equity. The fair value of our derivatives at December 31, 2008 and 2007 is a net liability of $3,286,000 and $1,451,000, respectively.

Note 13. Commitments, Contingencies, and Concentrations

We are involved in certain contractual disputes in the ordinary course of business but do not believe the ultimate resolution of any of these existing matters will have a material adverse effect on our financial position, results of operations or cash flows.

We have built our Enventis Enterprise Network Services product line practice around the Cisco brand. We generated sales of approximately $56,000,000, $59,000,000, and $41,000,000 in the years ended 2008, 2007, and 2006 respectively. Loss of Cisco as our principle supplier could significantly impact this revenue stream. We consider our relationship with Cisco to be sound.

We have a collective bargaining agreement with the International Brotherhood of Electrical Workers Local 949, which involves approximately 21.5% of our employees. This bargaining agreement expires in 2010.

Operating Lease Commitments

We own most of our major facilities, but do lease certain office space, land and equipment under principally non-cancelable operating leases. Rental expense was $1,439,000 in 2008, $1,404,000 in 2007 and $1,831,000 in 2006. At December 31, 2008, future minimum operating lease rental obligations for the next five years and thereafter are as follows: 2009 - $1,346,000; 2010- $1,000,000; 2011 - $810,000; 2012 - $604,000; 2013 – $532,000 and thereafter – $1,618,000.

Note 14. Quarterly Financial Information (Unaudited)

(Dollars in thousands except per share amounts)	2008			
	4th	3rd	2nd	1st
Operating revenues	$ 37,670	$ 39,860	$ 39,745	$ 35,900
Operating income	$ 4,106	$ 5,360	$ 5,891	$ 4,869
Income from continuing operations	$ 1,679	$ 2,072	$ 2,497	$ 1,781
Income from disc. ops., net of taxes	$ -	$ -	$ -	$ -
Net income	$ 1,679	$ 2,072	$ 2,497	$ 1,781
Basic EPS - continuing operations	$ 0.13	$ 0.16	$ 0.19	$ 0.13
Basic EPS - discontinued operations	$ -	$ -	$ -	$ -
Fully Diluted EPS - continuing operations	$ 0.13	$ 0.16	$ 0.19	$ 0.13
Fully Diluted EPS - discontinued operations	$ -	$ -	$ -	$ -
Dividends Per Share	$ 0.13	$ 0.12	$ 0.12	$ 0.12

(Dollars in thousands except per share amounts)	2007							
		4th		3rd		2nd		1st
Operating revenues	$	38,261	$	35,859	$	45,602	$	36,927
Operating income	$	4,886	$	5,574	$	7,653	$	5,067
Income from continuing operations	$	1,531	$	2,082	$	3,254	$	1,768
Income from disc. ops., net of taxes	$	(7)	$	(8)	$	(8)	$	(1)
Net income	$	1,524	$	2,074	$	3,246	$	1,767
Basic EPS - continuing operations	$	0.12	$	0.16	$	0.25	$	0.13
Basic EPS - discontinued operations	$	-	$	-	$	-	$	-
Fully Diluted EPS - continuing operations	$	0.12	$	0.16	$	0.25	$	0.13
Fully Diluted EPS - discontinued operations	$	-	$	-	$	-	$	-
Dividends Per Share	$	0.12	$	0.12	$	0.12	$	0.12

The summation of quarterly earnings per share computations may not equate to the year-end computation as the quarterly computations are performed on a discrete basis.

Note 15. Subsequent Events

HickoryTech's Board of Directors has declared a regular quarterly dividend of 13 cents per share, payable March 5, 2009 to shareholders of record on February 15, 2009.

Board of Directors and Shareholders
Hickory Tech Corporation

We have audited the internal control over financial reporting of Hickory Tech Corporation and subsidiaries (the "Company") as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, HickoryTech Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of HickoryTech Corporation and subsidiaries as of December 31, 2007, and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss), and cash flows for the year then ended, and our report dated February 29, 2008, which includes an explanatory paragraph discussing the adoption of Financial Accounting Standards Board Interpretation No. 48, expressed an unqualified opinion on those consolidated financial statements.

/s/ Grant Thornton LLP

Minneapolis, Minnesota
February 29, 2008

To the Shareholder and Board of Directors
Hickory Tech Corporation:

In our opinion, the consolidated balance sheet as of December 31, 2006 and the related consolidated statements of operations, statements of shareholders' equity and comprehensive income/(loss) and statement of cash flows for each of two years in the period ended December 31, 2006 present fairly, in all material respects, the financial position of Hickory Tech Corporation and its subsidiaries at December 31, 2006, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule for each of the two years in the period ended December 31, 2006 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Minneapolis, Minnesota
March 14, 2007

Item 8. Financial Statements and Supplementary Data

HICKORY TECH CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31

(Dollars in thousands, except share and per share amounts)

	2007	2006	2005
Operating Revenue:			
Telecom sector	$ 76,847	$ 74,896	$ 77,922
Enventis sector (Note 3)			
Equipment revenue	51,046	36,191	-
Services revenue	28,756	21,814	-
Total Enventis Sector	79,802	58,005	-
Total operating revenue	156,649	132,901	77,922
Costs and expenses:			
Cost of sales, equipment, excluding depreciation and amortization	45,340	31,152	-
Cost of services, excluding depreciation and amortization	44,881	44,506	31,408
Selling, general and administrative expenses	24,244	23,291	12,600
Depreciation	17,847	16,949	14,943
Amortization of intangibles	1,157	1,172	493
Total costs and expenses	133,469	117,070	59,444
Operating income	23,180	15,831	18,478
Other income and expense:			
Interest and other income	287	138	97
Interest expense	(8,121)	(7,362)	(4,363)
Total other (expense)	(7,834)	(7,224)	(4,266)
Income from continuing operations before income taxes	15,346	8,607	14,212
Income tax provision	6,711	3,372	5,646
Income from continuing operations	8,635	5,235	8,566
Discontinued operations (Note 3)			
Loss from operations of discontinued component including loss on disposal of $3,385 in 2006	(40)	(4,556)	(62)
Income tax benefit	(16)	(1,589)	(25)
Loss on discontinued operations	(24)	(2,967)	(37)
Net income	$ 8,611	$ 2,268	$ 8,529
Basic earnings per share - continuing operations:	$ 0.65	$ 0.40	$ 0.65
Basic loss per share - discontinued operations:	-	(0.23)	-
	$ 0.65	$ 0.17	$ 0.65
Weighted average common shares outstanding	13,258,369	13,163,480	13,083,252
Diluted earnings per share - continuing operations:	$ 0.65	$ 0.40	$ 0.65
Diluted loss per share - discontinued operations:	-	(0.23)	-
	$ 0.65	$ 0.17	$ 0.65
Weighted average common and equivalent shares outstanding	13,260,087	13,163,480	13,097,417
Dividends per share	$ 0.48	$ 0.48	$ 0.48

The accompanying notes are an integral part of the consolidated financial statements.

HICKORY TECH CORPORATION
CONSOLIDATED BALANCE SHEETS
As of December 31

(Dollars in thousands except share and per share amounts)	2007	2006
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 171	$ 84
Receivables, net of allowance for doubtful accounts of $1,184 and $851	28,357	20,780
Inventories	7,054	11,294
Income taxes receivable	1,013	-
Deferred income taxes, net	1,334	815
Prepaid expenses	1,713	1,903
Other	1,196	1,662
Total current assets	40,838	36,538
Investments	3,830	3,554
Property, plant and equipment	322,249	309,264
Less accumulated depreciation	169,318	156,429
Property, plant and equipment, net	152,931	152,835
Other assets:		
Goodwill	25,239	25,239
Intangible assets, net	1,983	3,140
Financial derivative instruments	-	2,489
Deferred costs and other	2,674	3,105
Total other assets	29,896	33,973
Total assets	$ 227,495	$ 226,900
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities:		
Checks written in excess of available cash balances	$ -	$ 1,475
Extended term payable	14,443	7,719
Accounts payable	4,538	4,211
Accrued expenses	7,740	5,826
Accrued income taxes	-	4,528
Advanced billings and deposits	5,158	3,488
Current maturities of long-term obligations	731	1,560
Total current liabilities	32,610	28,807
Long-term liabilities:		
Debt obligations, net of current maturities	128,475	141,529
Financial derivative instruments	1,451	-
Accrued income taxes	7,747	-
Deferred income taxes	14,901	15,332
Deferred revenue	1,527	2,596
Accrued employee benefits and deferred compensation	8,852	8,550
Total long-term liabilities	162,953	168,007
Total liabilities	195,563	196,814
Commitments and contingencies	-	-
Shareholders' equity:		
Common stock, no par value, $.10 stated value		
Shares authorized: 100,000,000		
Shares issued and outstanding: 13,284,903 in 2007 and 13,207,970 in 2006	1,329	1,321
Additional paid-in capital	11,031	9,992
Retained earnings	20,639	18,323
Accumulated other comprehensive income/(loss)	(1,067)	450
Total shareholders' equity	31,932	30,086
Total liabilities and shareholders' equity	$ 227,495	$ 226,900

The accompanying notes are an integral part of the consolidated financial statements.

HICKORY TECH CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31

(Dollars in thousands)

	2007	2006	2005
OPERATING ACTIVITIES:			
Net income	$ **8,611**	$ 2,268	$ 8,529
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss from discontinued operations	**24**	2,967	37
Depreciation and amortization	**19,004**	18,121	15,436
Amortization of gain on sale of financial derivative instrument	**(1,272)**	-	-
Provision for losses on accounts receivable	**139**	1,043	1,002
Deferred income tax provision (benefit)	**1,523**	(155)	274
Stock-based compensation	**688**	320	108
Employee retirement benefits and deferred compensation	**670**	1,680	375
Accrued patronage refunds	**(230)**	(1,049)	(367)
Other	**80**	63	12
Changes in operating assets and liabilities net of effects of acquisitions and dispositions:			
Receivables	**(7,814)**	(4,329)	(297)
Prepaids	**190**	3,123	(164)
Inventories	**4,239**	(7,727)	(82)
Accounts payable and accrued expenses	**2,190**	(933)	2,322
Deferred revenue, billings and deposits	**601**	153	281
Income taxes	**1,237**	1,107	4,969
Other	**851**	910	(506)
Net cash provided by operating activities	**30,731**	17,562	31,929
INVESTING ACTIVITIES:			
Additions to property, plant and equipment	**(17,500)**	(21,058)	(19,434)
Increase in investments	**-**	-	(900)
Redemption of investments	**-**	21	2,100
Acquisitions, adjustments to purchase price	**-**	124	-
Acquisitions, net of cash acquired	**-**	-	(38,378)
Other	**100**	43	65
Net cash (used in) investing activities	**(17,400)**	(20,870)	(56,547)
FINANCING ACTIVITIES:			
Net change in extended term payables arrangement	**6,724**	7,719	-
Change in cash overdraft	**(1,475)**	961	(1,364)
Repayments of credit agreement	**-**	-	(8,532)
Payments of capital lease obligations	**(381)**	(539)	(543)
Borrowings on credit facility	**15,500**	26,000	138,785
Repayments on credit facility	**(29,525)**	(25,335)	(99,250)
Proceeds from the sale of financial derivative instrument	**1,936**	-	-
Proceeds from issuance of common stock	**358**	419	545
Dividends paid	**(6,357)**	(6,316)	(6,277)
Net cash provided by (used in) financing activities	**(13,220)**	2,909	23,364
DISCONTINUED OPERATIONS:			
Net cash provided by (used in) operating activities	**(24)**	6	1,431
Net cash (used in) investing activities	**-**	(124)	(32)
Net cash provided by financing activities	**-**	-	199
Net cash provided by (used in) discontinued operations	**(24)**	(118)	1,598
Net increase (decrease) in cash and cash equivalents	**87**	(517)	344
Cash and cash equivalents at beginning of the year	**84**	601	257
Cash and cash equivalents at the end of the year	$ **171**	$ 84	$ 601
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ **9,319**	$ 7,749	$ 4,521
Net cash paid (refunded) for income taxes	$ **3,935**	$ 1,485	$ (182)
Non-cash investing activities:			
Property, plant and equipment acquired with capital leases	$ **522**	$ 266	$ 782

The accompanying notes are an integral part of the consolidated financial statements.

HICKORY TECH CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME/(LOSS)
Years Ended December 31
(Dollars in thousands)

	Common Stock		Additional Paid - In Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity	Total Comprehensive Income/(Loss)
	Shares	Amount					
Balance, December 31, 2004	13,057,106	$ 1,306	$ 8,615	$ 20,119	$ 1,505	$ 31,545	
Stock Award Plan	6,309		43			43	
Employee Stock Purchase Plan	25,054	2	282			284	
Directors' Stock Retainer Plan	7,521	1	64			65	
Dividend Reinvestment Plan	28,938	3	258			261	
Net Income				8,529		8,529	$ 8,529
Dividends Paid				(6,277)		(6,277)	
Other Comprehensive Income, Net of Income Taxes					559	559	559
Total Comprehensive Income							$ 9,088
Balance, December 31, 2005	13,124,928	1,312	9,262	22,371	2,064	35,009	
Stock Award Plan	17,386	2	139			141	
Employee Stock Purchase Plan	24,089	3	171			174	
Directors' Stock Retainer Plan	9,013	1	64			65	
Dividend Reinvestment Plan	32,554	3	242			245	
Stock based compensation			114			114	
Net Income				2,268		2,268	$ 2,268
Dividends Paid				(6,316)		(6,316)	
Other Comprehensive Income, Net of Income Taxes					(567)	(567)	(567)
Adoption of SFAS No. 158, net of tax of $690					(1,047)	(1,047)	
Total Comprehensive Income							$ 1,701
Balance, December 31, 2006	13,207,970	1,321	9,992	18,323	450	30,086	
Stock Award Plan	27,590	3	196			199	
Employee Stock Purchase Plan	13,792	1	275			276	
Directors' Stock Retainer Plan	7,586	1	232			233	
Dividend Reinvestment Plan	27,965	3	233			236	
Stock based compensation			103			103	
Net Income				8,611		8,611	$ 8,611
Dividends Paid				(6,357)		(6,357)	
Adoption of FIN 48				62		62	
Other Comprehensive Loss, Net of Income Taxes					(1,517)	(1,517)	(1,517)
Total Comprehensive Income							$ 7,094
Balance, December 31, 2007	13,284,903	$ 1,329	$ 11,031	$ 20,639	$ (1,067)	$ 31,932	

The accompanying notes are an integral part of the consolidated financial statements.

HICKORY TECH CORPORATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Years Ended December 31, 2007, 2006 and 2005

Note 1. Summary of Significant Accounting Policies

The accounting policies of HickoryTech are in conformity with generally accepted accounting principles and, where applicable, conform to the accounting principles as prescribed by federal and state telephone utility regulatory authorities. We presently give accounting recognition to the actions of regulators where appropriate, as prescribed by SFAS No. 71. SFAS No. 71 provides guidance in preparing general purpose financial statements for most public utilities. In general, the type of regulation covered by this statement permits rates (prices) for some services to be set at levels intended to recover the estimated costs of providing regulated services or products, including the cost of capital (interest costs and a provision for earnings on shareholders' investments).

Principles of Consolidation

Our consolidated financial statements include HickoryTech Corporation and its subsidiaries in the following two business segments: the Telecom Sector and the Enventis Sector. All inter-company transactions have been eliminated from the consolidated financial statements.

Cost of sales for the Enventis Sector includes the costs associated with the installation of products for customers. These costs are primarily for equipment and materials. Labor associated with installation work is not included in this category, but is included in cost of services (excluding depreciation and amortization) described below.

Cost of services includes all costs related to delivery of communication services and products for all sectors. These operating costs include all costs of performing services and providing related products including engineering, customer service, billing and collections, network monitoring and transport costs.

Selling, general and administrative expenses include direct and indirect selling expenses, advertising and all other general and administrative costs associated with the operations of the business.

On December 29, 2006, we sold Collins to Skyview Capital, LLC. The Collins operations were formerly reported in the Enterprise Solutions Sector. The results of operations of the Enterprise Solutions Sector are reported as discontinued operations for all periods presented (see Note 3 to the Notes to the Consolidated Financial Statements).

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from these estimates and assumptions.

Revenue Recognition

We recognize revenue when (i) persuasive evidence of an arrangement between the customer and us exists, (ii) delivery of the product to the customer has occurred or service has been provided to the customer, (iii) the price to the customer is fixed or determinable and (iv) collectibility is reasonably assured.

Telecom Sector Revenue Recognition: Revenue in the ILEC and CLEC companies is earned from monthly billings to customers for telephone services, long distance, digital TV, DSL, Internet services, and hardware and other services. ILEC and CLEC revenue is also derived from charges for network access to our local exchange telephone network from subscriber line charges and from contractual arrangements for services such as billing and collection and directory advertising. Some revenue is realized under pooling arrangements with other telephone companies and is divided among the companies based on respective costs and investments to provide the services. The companies that take part in pooling arrangements may adjust their costs and investments for a period of two years, which causes the dollars distributed by the pool to be adjusted retroactively. We believe that recorded amounts represent reasonable estimates of the final distribution from these pools. However, to the extent that the companies participating in these pools make adjustments, there will be corresponding adjustments to our recorded revenue in future periods. Revenue is recognized in the period in which service is provided to the customer. With multiple billing cycles and cut-off dates, we accrue for revenue earned but not yet billed at the end of a quarter. We also defer services billed in advance and recognize them as income when earned based on billing dates.

Enventis Sector Revenue Recognition: Revenue in the Enventis Sector is generated from the following primary sources: i) the distribution of voice and data communications equipment provided primarily from Cisco, ii) providing design, configuration and installation services related to voice and data equipment, iii) the provision of Cisco maintenance support contracts, iv) the sale of professional support services related to customer voice and data systems, v) the sale of transport services over the Company-owned and leased fiber optic network, and vi) the sale of managed voice and data services, including resale of long distance services. Our revenue recognition policy for each of these types of products and services is as follows:

- In instances where Enventis sells Cisco voice and data communications equipment with no installation obligations (equipment only sales), all warranty obligations reside with Cisco. Therefore, revenue is recognized when the equipment is delivered to the customer site. In instances where Enventis sells Cisco voice and data communications equipment with installation obligations, terms of the agreements typically provide for installation services without customer-specific acceptance provisions, but sometimes may provide customer-specific acceptance provisions. For arrangements with no customer-specific acceptance arrangements, we recognize revenue when title passes to the customer. For contracts with customer specific acceptance provisions, we defer revenue recognition until the receipt of formal customer acceptance, assuming that all other revenue recognition criteria have been met. When a sale involves multiple elements, revenue is allocated to each respective element in accordance with EITF No. 00-21, which addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. EITF No. 00-21 provides guidance on how an arrangement involving multiple deliverables should be divided into separate units of accounting, but does not change otherwise applicable revenue recognition criteria. In the event that we enter into a multiple element arrangement and there are undeliverable elements as of the balance sheet date, we assess whether the elements are separable and have determinable fair values in assessing the amount of revenue to record. Allocation of revenue to elements of the arrangement is based on fair value of the element being sold on a stand-alone basis.
- When we sell equipment to customers, we also typically sell Cisco support contracts ("SmartNet" contracts). These support contracts state that Cisco will provide all support services, product warranty and updates directly to the customer. Because Enventis has no service obligations under these types of contracts, the earnings process has culminated for us upon the sale of the contract and therefore revenue is recognized immediately. Further, we are serving in an agency relationship to the customer for the sale of the contract and therefore the revenue is recorded net of the cost that we pay Cisco for the contract. Support services also include Enventis offered "24X7" support of a customer's voice and data systems. Most of these contracts are billed on a time and materials basis and revenue is recognized either as services are provided or over the term of the contract. Support services also include Enventis sponsored professional support services. Such services are typically sold on a time and materials basis, but may be sold as a pre-paid block of time. This revenue is recognized as the services are provided (deferred and recognized as utilized if pre-paid). In the event that these services are part of a multiple element arrangement, the fair value of the services are measured and deferred in accordance with EITF No. 00-21 mentioned above. Allocation of revenue to elements of the arrangement is based on fair value of the element being sold on a stand-alone basis.

- Transport services are sold primarily through a contractual flat monthly fee. The revenue generated by these services is typically billed one month in advance and is deferred until the appropriate month of recognition.
- Enventis also manages customer voice and/or data services. Under these contracts, Enventis bills either a flat monthly fee or a fee that is variable based on the number of "seats" that the customer has. This revenue is recognized on a monthly basis as the services are provided.

Advertising Expense

Advertising is expensed as incurred. Advertising expense charged to operations was $1,335,000, $1,377,000 and $1,240,000 in 2007, 2006 and 2005, respectively.

Cash and Cash Equivalents

Cash equivalents include short-term investments with original maturities of three months or less. The carrying value of cash and cash equivalents approximates its fair value due to the short maturity of the instruments. At December 31, 2006, we had checks written in excess of available cash balances of $1,475,000 which was included in current liabilities.

Accounts Receivable

As of December 31, 2007, consolidated accounts receivable totaled $28,357,000, net of the allowance of doubtful accounts. As of December 31, 2007, we believe accounts receivable are recorded at their fair value. As there may by exposure or risk with accounts receivable, we routinely monitor our accounts receivable and adjust the allowance for doubtful accounts when certain events occur that may potentially impact the collection of accounts receivable.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. In making the determination of the appropriate allowance for doubtful accounts, we consider specific accounts, historical write-offs, changes in customer relationships and credit worthiness credit risk. Specific accounts receivable are written-off once a determination is made that the account is uncollectible. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The allowance for doubtful accounts was $1,184,000 and $851,000 as of December 31, 2007 and 2006, respectively.

Inventories

Inventory includes parts, materials and supplies stored in our warehouses to support basic levels of service and maintenance as well as scheduled capital projects and equipment awaiting configuration for customers. Inventory also includes parts and equipment shipped directly from vendors to customer locations while in transit and parts and equipment returned from customers which is being returned to vendors for credit, as well as maintenance contracts associated with customer sales which have not yet transferred to the customer. The inventory value in the Telecom Sector, comprised of raw materials, as of December 31, 2007 and December 31, 2006 was $3,312,000 and $2,850,000, respectively. The inventory value in the Enventis Sector is comprised of "finished goods in transit to customers" as of December 31, 2007 and December 31, 2006 was $3,742,000 and $8,444,000, respectively.

Inventories are valued using the lower of cost (perpetual weighted average-cost or specific identification) or market method. We adjust our inventory carrying value for estimated obsolescence or unmarketable inventory to the estimated market value based upon assumptions about future demand and market conditions. As market and other conditions change, additional inventory write-downs may be recorded at the time acts that give rise to the lower value become known.

Investments

Investments include $2,530,000 of non-interest bearing Subordinated Capital Certificates from RTFC and $1,300,000 from Co-Bank which, are accounted for under the cost method of accounting. This method requires us to periodically evaluate whether a non-temporary decrease in the value of the investment has occurred, and if so, to write this investment down to its net realizable value.

Property, Plant and Equipment

Property, plant and equipment are recorded at original cost of acquisition or construction. When regulated ILEC telephone assets are sold or retired, the assets and related accumulated depreciation are removed from the accounts and any gains or losses on disposition are amortized with the remaining net investment in telephone plant. When other plant and equipment is sold or retired, the cost and related accumulated depreciation or amortization are removed from the respective accounts and any resulting gain or loss is included in operating income. Maintenance and repairs are charged to expense as incurred.

On December 30, 2005 we acquired Enventis. The Enventis property, plant and equipment, consisting primarily of fiber optic communications network was valued under SFAS No. 141 as it pertains to accounting for assets under Purchase Accounting and recorded the assets at fair value at the time of acquisition.

The components of property, plant and equipment are summarized as follows:

(Dollars in thousands)	2007	2006
Telephone plant	$ 268,566	$ 261,427
Enventis property and equipment	34,914	29,048
Enventis Indefeasable Rights to Use	5,482	5,482
Other property and equipment	13,287	13,307
Total	322,249	309,264
Less accumulated depreciation	169,318	156,429
Property, plant, and equipment, net	$ 152,931	$ 152,835

Included in the Enventis property, plant and equipment is fiber optic cable and indefeasible right of use of fiber installed by others accompanied by ownership rights. Both of these categories of assets have depreciable lives of 16 to 20 years on the assets acquired on December 30, 2005 and 25 years for new additions.

Depreciation for financial statement purposes is determined using the straight-line method based on the lives of the various classes of depreciable assets. The composite depreciation rates on ILEC telephone plant were 4.8%, 4.9% and 5.4% for 2007, 2006 and 2005, respectively. All other property, plant and equipment are depreciated over estimated useful lives of three to 20 years.

The Telecom Sector leases certain computer equipment under capital lease arrangements. We have recorded the present value or fair value of the future minimum lease payments as a capitalized asset and related lease obligation. Assets under this capital lease are included in property, plant and equipment and amounted to $505,000 and $461,000 ($1,412,000 and $1,821,000 asset, net of accumulated depreciation of $907,000 and $1,360,000) as of December 31, 2007 and 2006.

Capitalized Software Costs

Software costs associated with software that is developed or purchased for internal use only are accounted for in accordance with the American Institute of Certified Public Accountants Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". We capitalize costs (including right to use fees) associated with externally acquired software for internal use. Costs associated with internally developed software are segregated into three project stages: preliminary project stage, application development stage and post-implementation stage. Costs associated with both the preliminary project stage and post-implementation stage, are expensed as incurred. Costs associated with the application development stage are capitalized. Software maintenance and training costs are expensed as incurred. Amortization of software costs commences when the software is ready for its intended use, and is amortized over a period of three to ten years.

During 2007, 2006 and 2005, we capitalized $403,000, $1,254,000, and $2,147,000, respectively, of costs associated with software purchased or developed for internal use only. The 2007 costs primarily relate to software purchased to support the Enventis Sector voice over Internet protocol monitoring and managed services. The 2006 and 2005 costs related primarily to costs associated with integrating the new enterprise resource planning software that we converted to on January 1, 2006. Costs incurred in 2006 related primarily to the Enventis Sector, which was purchased in December 2005 and their migration to the software platform. Total capitalized software for internal use of $8,103,000 and $7,700,000 are included in property, plant and equipment at December 31, 2007 and 2006, respectively. Amortization expense relating to these costs amounted to $686,000 and $931,000 in 2007 and 2006, respectively, resulting in accumulated amortization of $4,727,000 and $3,928,000 at December 31, 2007 and 2006, respectively. Capitalized internal software costs, net of accumulated amortization of $3,376,000 and $3,659,000 are included in property, plant and equipment at December 31, 2007 and 2006, respectively.

Intangible Assets and Goodwill

Goodwill and intangible assets with indefinite useful lives are not amortized, but tested for impairment at least annually. See Note 2 to the Notes to the Consolidated Financial Statements for a more detailed discussion of the intangible assets and goodwill. We did not have changes to goodwill in 2007 and expect the goodwill balance of $25,239,000 to be deductible for tax purposes. The changes to goodwill in 2006 are summarized below.

(Dollars in thousands)	2006
Goodwill as of December 31, 2005	$ 27,109
Goodwill adjustments associated with the acquisition of Enventis	167
Goodwill associated with the sale of Enterprise Solutions	(2,037)
Goodwill as of December 31, 2006	$ 25,239

Accrued Incentive Compensation

Our employee incentive compensation plans provide for distributions based on achievement of specific organizational operating results or individual employee objectives. Accrued expenses included amounts accrued for Employee Incentive Compensation of $2,035,000 and $489,000 at December 31, 2007 and December 31, 2006, respectively.

Income Taxes

We account for income taxes in accordance with SFAS No. 109, as clarified by FIN No. 48, which requires an asset and liability approach to financial accounting and reporting for income taxes. Accordingly, deferred tax assets and liabilities arise from the difference between the tax basis of an asset or liability and its reported amount in the financial statements. Deferred tax amounts are determined using the tax rates expected to be in effect when the taxes will actually be paid or refunds received, as provided under currently enacted tax law. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense or benefit is the tax payable or refundable, respectively, for the period plus or minus the change in deferred tax assets and liabilities during the period.

FIN No. 48 requires us to recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant tax authority. See Note 11 to the Notes to the Consolidated Financial Statements for additional information regarding income taxes.

Earnings (Loss) Per Share

Basic earnings per share are computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Shares used in the earnings per share assuming dilution calculation are based on the weighted average number of shares of common stock outstanding during the year increased by potentially dilutive common shares. Potentially dilutive common shares include stock options and stock subscribed under the Hickory Tech Corporation Amended and Restated Employee Stock Purchase Plan. Dilution is determined using the treasury stock method.

	2007	2006	2005
Weighted Average Shares Outstanding	13,258,369	13,163,480	13,083,252
Stock Options	1,718	-	5,955
Stock Subscribed (ESPP)	-	-	8,210
Total Weighted Average Common and Equivalent Shares Outstanding	13,260,087	13,163,480	13,097,417

Options to purchase 441,000 shares as of December 31, 2007, 515,884 shares as of December 31, 2006 and 503,850 shares as of December 31, 2005 were not included in the computation of earnings per share assuming dilution because their effect on earnings per share would have been anti-dilutive.

Dividends per share are based on the quarterly dividend per share as declared by the HickoryTech Board of Directors.

Post-Retirement Benefits

The post-retirement benefit expense and liability are calculated utilizing various actuarial assumptions and methodologies. These assumptions include, but are not limited to, the discount rate and the expected health care cost trend rate.

Post-retirement benefits were calculated in accordance with the methods specified in SFAS No. 158 and SFAS No. 106. Where SFAS No. 106 provides alternative methods for determining net periodic benefit costs, we adopted the following policies: Any prior service cost, or cumulative net gains and losses in excess of 10% of the SFAS No. 106 corridor, are amortized on a straight-line basis over the average future service lives of the covered group. There are no substantive commitments for benefits other than as stated in the written plan. According to the guidance of paragraph 186 of SFAS No. 106, "the objective of selecting assumed discount rates is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due". The assumed discount rate represents the discounted value of necessary future cash flows required to pay the accumulated benefits when due. This rate was determined based on available market data regarding the spot rate yields in half year increments on high-quality fixed income securities with the effects of puts and calls removed that provide cash flows at the same time and in the same amount as the projected cash flows of the plan.

The health care cost trend rate is based upon an evaluation of the historical trends and experience, taking into account current and expected market conditions. The health care cost trend rate represents the expected annual rate of change in the cost of health care benefits currently provided due to factors other than changes in the demographics of plan participants. If the assumptions utilized in determining the post-retirement benefit expense and liability differ from actual events, the results of operations for future periods could be impacted. When actual events differ from the assumptions or when the assumptions used change, an unrecognized actuarial gain or loss results.

Stock Compensation

On January 1, 2006, we adopted SFAS No. 123(R), which replaces SFAS No. 123 and supersedes APB No. 25. We adopted SFAS No. 123(R) using the modified prospective method. Under this method, prior periods are not restated. Prior to January 1, 2006, we accounted for stock-based compensation in accordance with APB No. 25, which required the use of the intrinsic value method. Accordingly, no compensation expense was recognized in prior periods for stock options granted, since the exercise price was equal to the fair market value of the shares at the grant date. The grant date fair value of stock options is estimated using the Black-Scholes valuation model. Compensation expense is reduced based on estimated forfeitures with adjustments to actual recorded at time of vesting. Forfeitures are estimated based on historical experience. Compensation costs are recognized over the vesting period. Company stock options vest over a three-year period. See Note 7 to the Notes to the Consolidated Financial Statements for more information regarding stock-based compensation.

The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation for the year ended December 31, 2005:

(Dollars in thousands)		Year Ended December 31, 2005
Reported Net Income	$	8,529
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects (ESPP)		64
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects		224
Pro Forma Net Income	$	8,369
Earnings per share:		
Basic - as reported	$	0.65
Basic - pro forma	$	0.64
Diluted - as reported	$	0.65
Diluted - pro forma	$	0.64

Recent Accounting Developments

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations" ("SFAS No. 141(R)"), which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquired company and the goodwill acquired. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141(R) is effective as of the beginning of an entity's fiscal year that begins after December 15, 2008, and will be adopted by us in the first quarter of 2009. SFAS No. 141(R) is currently not expected to have a material effect on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"), which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 will apply whenever another standard requires (or permits) assets or liabilities to be measured at fair value. The standard does not expand the use of fair value to any new circumstances. SFAS No. 157 is effective for the calendar year 2008. We are currently assessing the impact of SFAS No. 157 on our results of operations, cash flows and financial condition.

In February, 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115" ("SFAS No. 159"), which permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The provisions of SFAS No. 159 are effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS No. 157. The provisions of SFAS No. 159 are currently not expected to have a material effect on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements – an amendment of Accounting Research Bulletin No. 51" ("SFAS No. 160"). SFAS No. 160 will change the accounting and reporting for minority interests, which will be re-characterized as non-controlling interests and classified as a component of equity. This new consolidation method will significantly change the accounting for transactions with minority interest holders. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008, and will be adopted by us in the first quarter 2009. SFAS No. 160 is currently not expected to have a material effect on our consolidated financial statements.

Note 2. Goodwill and Other Intangible Assets

We are required to test acquired goodwill for impairment on an annual basis based upon a fair value approach. Additionally, goodwill shall be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of an entity below its carrying value. No such event occurred during 2007 or 2006. As of December 31, 2007 and 2006, we completed our annual impairment tests for acquired goodwill. The 2006 test included Enventis for the first time and excluded Collins given it was sold prior to the year-end test. This testing resulted in no impairment charges to goodwill as the determined fair value was sufficient to pass the first step impairment test.

On December 31, 2006, we divested ourselves of Collins. The Collins results of operations, which were formally recorded in the Enterprise Solutions Sector, had a goodwill balance of $2,037,000, which was written off in connection with the divestiture.

On December 30, 2005, we acquired Enventis. The preliminary purchase price allocation resulted in goodwill of $2,023,000, which was adjusted to $2,190,000 as of December 31, 2006, as noted in the table below. A summary of changes in the Enventis goodwill is as follows:

(Dollars in thousands)	Enventis Goodwill
Balance at December 31, 2005	$ 2,023
Purchase price adjustments	124
Other	43
Balance as of December 31, 2006	$ 2,190

The carrying value of our goodwill decreased from $27,109,000 as of December 31, 2005 to $25,239,000 as of December 31, 2006, due to the sale of Collins and working capital adjustments and purchase price allocation adjustments associated with the purchase of Enventis (See Note 3 to the Notes to the Consolidated Financial Statements).

Intangible assets with finite lives are amortized over their respective estimated useful lives to their estimated residual values. Identifiable intangible assets that are subject to amortization are evaluated for impairment. The components of intangible assets are as follows:

(Dollars in thousands)		As of December 31, 2007		As of December 31, 2006	
	Useful Lives	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Definite-Lived Intangible Assets					
Customer relationships	1 - 8 years	$ 4,229	$ 2,456	$ 4,229	$ 1,504
Other intangibles	1 - 5 years	730	520	730	315
Total		$ 4,959	$ 2,976	$ 4,959	$ 1,819

During 2005, we acquired Enventis. Part of the acquisition price included $3,400,000 for customer relationships and contracts and $600,000 for the other intangibles. In addition, we also completed another acquisition in 2005 that included $8,000 for customer relationships and $21,000 for other intangibles.

As required by SFAS No. 142, we periodically reassess the carrying value, useful lives and classifications of identifiable assets. Amortization expense related to the definite-lived intangible assets for 2007, 2006 and 2005 was $1,157,000, $1,172,000, and $104,000, respectively. Total estimated amortization expense for the five years subsequent to 2007 is as follows: 2008 - $1,127,000; 2009 - $853,000; 2010 - $3,000; 2011 - $0 and 2012 - $0.

Note 3. Acquisition, Disposition and Discontinued Operations

Acquisition of Enventis

On December 30, 2005, we purchased all of the capital stock of Enventis from another public company. The initial purchase price was $35,500,000, paid in cash, with the possibility of further purchase price adjustments and transaction costs. After purchase price adjustments, the total consideration was $38,602,000. Enventis had no debt at the time of acquisition and there were no contingent payments or earn outs.

The financing for the $38,602,000 total purchase consideration for Enventis, plus an additional $8,500,000 for Enventis working capital, was entirely from our credit agreement, as established on December 30, 2005. The credit facility is comprised of a $30,000,000 revolving credit component which expires on December 30, 2011 and a $130,000,000 term loan component, which has partial maturities during its term, with final maturity on June 30, 2013 (See Note 9 to the Notes to the Consolidated Financial Statements).

The table below sets forth the final Enventis purchase price allocation as of December 31, 2006:

(Dollars in thousands)	
Identifiable intangible assets:	
Customer relationship and contracts	$3,400
Cisco gold supplier relationship	600
Net working capital	4,226
Property and equipment	23,649
Indefeasible rights to use	5,496
Other assets and liabilities	(959)
Goodwill	2,190
Allocation of purchase consideration	$38,602

Of the identifiable intangible assets identified above, customer relationships and contracts have useful lives of four years and the Cisco Gold supplier relationship has a useful life of three years. Useful lives for identifiable intangible assets were estimated at the time of the acquisition based on the periods of time from which the Company expects to derive benefits from the identifiable intangible assets. The identifiable intangible assets are amortized using the straight-line method, which reflects the pattern in which the assets are consumed.

Dispositions

Effective December 31, 2006, we sold all of the outstanding capital stock in Collins to Skyview Capital, LLC for an initial price of $100,000, paid by delivery of a promissory note, plus up to $1,650,000 of earn-out payments. Skyview Capital, LLC paid us $100,000 in February 2007. The remaining selling price is due in contingent payments payable over the next four years if financial targets are reached by Skyview Capital, LLC. We have received no payments to-date related to this earn-out provision. The $100,000 mentioned above has been included in the calculation of the net loss mentioned below, while the contingent payments have not been included in the net loss. The agreement contains covenants against competition by the new owner in south-central Minnesota. We recorded a pre-tax loss on the sale of $3,385,000 ($2,040,000 net of income taxes). The Collins results of operations were formerly reported in the Enterprise Solutions Sector. The consolidated statements of operations for all periods presented have been restated to reflect the Collins operations as discontinued operations.

The following table includes certain summary statement of operations information related to the operations of Enterprise Solutions and the wireless business reflected in discontinued operations for the years ended December 31:

(Dollars in thousands)	2007	2006	2005
Revenues and sales	$ -	$ 11,049	$ 14,589
Operating expenses	-	12,115	14,740
Depreciation and amortization	-	104	117
Operating loss	-	(1,170)	(268)
Loss on sale of discontinued operations	-	(3,385)	-
Other income/expense	(40)	(1)	206
Pretax loss from discontinued operations	(40)	(4,556)	(62)
Income tax benefit	(16)	(1,589)	(25)
Net loss of discontinued operations	$ (24)	$ (2,967)	$ (37)

The following table summarizes the net assets and liabilities relating to Enterprise Solutions that were sold to Skyview Capital, LLC as of December 31, 2006.

	2006
Current assets	$ 2,869
Property, plant and equipment	253
Goodwill	2,037
Assets	$ 5,159
Current liabilities	$ 1,674
Other liabilities	-
Liabilities	$ 1,674

Note 4. Fair Value of Financial Instruments

The fair value of our long-term obligations, after deducting current maturities, is estimated to be $128,791,000 at December 31, 2007 and $132,202,000 at December 31, 2006, compared to carrying values of $128,475,000 and $141,529,000, respectively. The fair value estimates are based on the overall weighted average interest rates and maturity compared to rates and terms currently available in the long-term financing markets. Our financial instruments also include cash equivalents, trade accounts receivable, and accounts payable for which current carrying amounts approximate fair market value.

Note 5. Accumulated Other Comprehensive Income/(Loss)

We follow the provisions of SFAS No. 130, "Reporting Comprehensive Income". This statement established rules for the reporting of comprehensive income (loss) and its components. In addition to net income, our comprehensive income includes changes in unrealized gains and losses on derivative instruments qualifying and designated as cash flow hedges and recognized Net Periodic Benefit Cost related to our Post-Retirement Benefit Plans. Comprehensive income for the year ended December 31, 2007 and 2006 was $7,094,000 and $1,701,000, respectively.

In March 2007, we terminated our two outstanding interest-rate swap agreements with original maturities in June 2008, in exchange for $1,936,000 in proceeds. Immediately following the termination of these two agreements, we executed a new interest-rate swap agreement, effectively locking in the interest rate on $60,000,000 of variable-interest rate debt through March 2010.

The market value of the cumulative gain or (loss) on financial derivative instruments is reported as a component of accumulated other comprehensive income (loss) in shareholders' equity and will be recognized in earnings over the term of the original swap agreement.

The following summary sets forth the components of accumulated other comprehensive income (loss), net of tax:

	Unrecognized Net Actuarial Loss *(1)*	Unrecognized Prior Service Credit *(1)*	Unrecognized Transition Asset *(1)*	Unrealized Gain/(Loss) on Derivatives	Accumulated Other Comprehensive Income/(Loss)
December 31, 2004	$ -	$ -	$ -	$ 1,505	$ 1,505
2005 Activity	-	-	-	559	559
December 31, 2005	-	-	-	2,064	2,064
2006 Activity	-	-	-	(567)	(567)
Adoption of SFAS No. 158	(867)	37	(217)	-	(1,047)
December 31, 2006	(867)	37	(217)	1,497	450
2007 Activity	(87)	242	36	(1,708)	(1,517)
December 31, 2007	$ (954)	$ 279	$ (181)	$ (211)	$ (1,067)

(1) Amounts pertain to our postretirement benefit plans.

The increase (decrease) in income tax benefits associated with each component of accumulated other comprehensive income/(loss) is as follows:

	2007	2006	2005
Income tax (liability) related to OCI components beginning of year	$ (301)	$ (1,365)	$ (996)
Income tax (liability) changes related to:			
Unrecognized net actuarial loss	57	571	-
Unrecognized prior service credit	(159)	(24)	-
Unrecognized transition asset	(24)	143	-
Unrecognized gain on derivatives	1,568	374	(369)
Income tax (liability) related to OCI components end of year	$ 1,141	$ (301)	$ (1,365)

Note 6. Business Segments

Our operations are conducted in two business segments as: (i) Telecom Sector and (ii) Enventis Sector. The Telecom Sector provides telephone services to Mankato and adjacent areas of south central Minnesota and to eleven communities in northwest Iowa as an ILEC. The Telecom Sector operates fiber optic cable transport facilities in Minnesota. The Telecom Sector offers an alternative choice for local telecommunications service, known as CLEC service in the telecommunications industry, to customers in Minnesota and Iowa not currently in HickoryTech's ILEC service area. In addition, the Telecom Sector resells long distance service to Minnesota and Iowa subscribers in its ILEC and CLEC markets. The Telecom Sector, through NIBI, also provides data processing and related services to HickoryTech's other product lines and to other external telephone companies, municipalities, utilities and wireless and cable TV providers. Prior to the sale of Collins, the Enterprise Solutions Sector designed, sold, installed and serviced business telephone systems and data communications equipment primarily in metropolitan Minneapolis/St. Paul, Minnesota. The Enterprise Solutions Sector operations are reported as discontinued operations for all periods presented. The Enventis Sector specializes in providing telecommunications and network solutions for companies of all sizes. In addition to its statewide, fiber optic network, Enventis provides innovative internet protocol services that combine voice and data onto a single platform.

Business segment information for the years ended December 31, 2007, 2006 and 2005 is as follows:

Years Ended December 31 *(Dollars in thousands)*	Telecom	Enventis	Corporate and Eliminations	Consolidated
2007				
Revenue from unaffiliated customers	$ 76,847	$ 79,802	$ -	$ 156,649
Intersegment revenue	467	440	(907)	-
Total operating revenue	77,314	80,242	(907)	156,649
Depreciation and amortization	15,218	3,755	31	19,004
Operating income/(loss)	17,796	6,904	(1,520)	23,180
Interest expense	72	-	8,049	8,121
Income taxes	7,287	2,904	(3,480)	6,711
Income/(loss) from continuing operations	10,460	4,074	(5,899)	8,635
Identifiable assets	152,961	66,842	7,692	227,495
Capital expenditures	11,489	5,928	83	17,500

2006	Telecom	Enventis	Corporate and Eliminations	Consolidated
Revenue from unaffiliated customers	$ 74,896	$ 58,005	$ -	$ 132,901
Intersegment revenue	260	50	(310)	-
Total operating revenue	75,156	58,055	(310)	$ 132,901
Depreciation and amortization	15,009	3,048	64	18,121
Operating income/(loss)	15,100	2,240	(1,509)	15,831
Interest expense	(79)	-	7,441	7,362
Income taxes	5,960	879	(3,467)	3,372
Income/(loss) from				-
continuing operations	9,237	1,363	(5,365)	5,235
Identifiable assets	157,058	59,856	9,986	226,900
Capital expenditures	15,631	5,324	103	21,058

2005	Telecom	Enventis	Corporate and Eliminations	Consolidated
Revenue from unaffiliated customers	$ 77,922	$ -	$ -	$ 77,922
Intersegment revenue	128	-	(128)	-
Total operating revenue	78,050	-	(128)	77,922
Depreciation and amortization	15,375	-	61	15,436
Operating income/(loss)	18,829	-	(351)	18,478
Interest expense	61	-	4,302	4,363
Income taxes	7,464	-	(1,818)	5,646
Income/(loss) from continuing operations	11,324	-	(2,758)	8,566
Identifiable assets	152,227	52,061	12,546	216,834
Capital expenditures	19,312	-	122	19,434

NOTE 7. STOCK COMPENSATION

Employee Stock Purchase Plan

Under the terms of an employee stock purchase plan, participating employees may acquire shares of common stock through payroll deductions of not more than 10% of their compensation. The price at which shares can be purchased is 85% of the fair market value for shares on one specified date, the end of the plan year. As of December 31, 2007, there were 500,000 common shares reserved for this plan and 486,208 shares still available for issuance. As of December 31, 2007, employees had subscribed to purchase approximately 20,193 shares in the new plan year ending August 31, 2008. At December 31, 2006, employees had subscribed to purchase approximately 18,273 shares for the plan year that ended August 31, 2007. We recorded stock compensation expense in the amount of $24,000 during 2007 related to this plan.

Retainer Stock Plans for Directors

Under the terms of a corporate retainer stock plan for directors, participating directors may acquire shares of common stock in exchange for their quarterly retainers. The price at which the shares can be purchased is 100% of the fair market value for such shares on the date of purchase. In addition to any voluntary acquisitions of shares in exchange for quarterly retainers, directors receive $5,000 of their annual retainer solely in shares of HickoryTech stock from this plan. As of December 31, 2007, there were 300,000 common shares reserved for this plan and 230,422 shares still available for future issuance.

Non-Employee Directors' Incentive Plan

Beginning in May 2005, we began offering a Directors' Incentive Plan to attract and retain outside Directors. This plan provided for each Director to receive 1,000 shares of our common stock if the Company meets pre-established objectives. In 2006, each director received 1,000 shares of our common stock under this plan based on 2005 results. No shares were paid out in 2007 for the 2006 plan year. Effective with the 2007 plan year, the plan provides for each director to receive 2,000 shares of our common stock versus 1,000 shares, contingent upon HickoryTech meeting pre-established objectives. As of December 31, 2007 there were 200,000 common shares reserved for this plan and 190,000 shares available for future grants.

Stock Award Plan

HickoryTech's stock award plan provides for the granting of non-qualified stock options, stock awards and restricted stock awards to employees. The plan provides for stock awards based on the attainment of certain financial targets and for individual achievements. Stock options issued under the stock option component of the stock award plan may be exercised no later than ten years after the date of grant, with one-third of the options vesting each year. As of December 31, 2007, there were 1,750,000 common shares reserved for this plan and 992,475 shares available for future grants.

The Company recognizes stock compensation charges related to stock award plans when management concludes it is probable that the participant will earn the award. Such compensation charges are recorded based upon the fair value of our stock and is recognized during the service period specified by the stock award plan. Changes in estimated compensation are recorded in the period in which the change occurs.

On January 1, 2006, we adopted SFAS No. 123(R), which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors, including employee stock options and employee stock purchases related to the employee stock purchase plan, based on estimated fair values. SFAS No. 123(R) supersedes our previous accounting under APB No. 25 for periods beginning in 2006. In March 2005, the SEC issued SAB No. 107 relating to SFAS No. 123(R). We have applied the provisions of SAB No. 107 in its adoption of SFAS No. 123(R). We adopted SFAS No. 123(R) using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2006.

The Consolidated Financial Statements for 2006 reflect the impact of SFAS No. 123(R). In accordance with the modified prospective transition method, the Consolidated Financial Statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS No. 123(R) or any modifications to outstanding stock options prior to the adoption of SFAS No. 123(R). The adoption of SFAS No. 123(R) had minimal impact on earnings per share, diluted earnings per share and cash flow from financing and operations in 2006.

Share-based compensation expense recognized during a period is based on the value of the portion of share-based payment awards that are ultimately expected to vest during the period. Share-based compensation expense recognized in the Consolidated Statements of Operations includes compensation expense for share-based payment awards granted prior to, but not yet vested as of December 31, 2005, based on the grant date fair value estimated in accordance with the fair value provisions of SFAS No. 123 as well as grants in 2006 under SFAS No. 123(R). Because share-based compensation expense recognized in the Consolidated Statements of Operations is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. We use historical data to estimate pre-vesting forfeitures. SFAS No. 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The fair value of each option award is estimated on the date of grant using a Black-Scholes option valuation model. We use a seven-year period to calculate the historical volatility of our stock price for use in the valuation model. The dividend yield rate is based on our current dividend payout pattern and current market price. The risk-free rate for options is based on a U.S. Treasury rate commensurate with the expected terms. The expected term of options granted is derived from historical experience and represents the period of time that options granted are expected to be outstanding.

There were no stock option awards granted during 2007. In September 2006, Mr. John W. Finke, current President and Chief Executive Officer, received a one-time grant of 15,000 options associated with his acceptance of the Chief Executive Officer position. The weighted average grant date fair value of these options was $1.43 per share. Other than the one-time stock award issued to Mr. Finke, options were last granted under the Company's Stock Award Plan in February 2005. The Stock Award Plan provides for the issuance of stock options, but no current compensation programs have options as a component.

The following table details the key assumptions used in computing fair value using the Black-Scholes Option valuation model during the three-year period ended December 31, 2007:

	2007	2006	2005
Volatility	-	37.0%	33.9%
Dividend Yield	-	6.9%	4.5%
Risk-Free Interest Rates	-	4.8%	4.1%
Expected Life in Years	-	7	7

A summary of all stock option activity for the three-year period ended December 31, 2007 is as follows:

	Options			Weighted Average Exercise Price		
	2007	2006	2005	2007	2006	2005
Outstanding at Beginning of Year	515,884	578,850	549,065	$12.75	$ 12.63	$ 12.86
Granted	-	15,000	60,000	-	6.95	10.85
Exercised	-	-	-	-	-	-
Forfeited	(499)	(28,448)	-	10.76	11.15	-
Expired	(39,385)	(49,518)	(30,215)	12.22	10.50	13.41
Outstanding at End of Year	476,000	515,884	578,850	$12.79	$ 12.75	$ 12.63
Exercisable at End of Year	454,335	462,556	449,895	$12.97	$ 13.07	$ 13.14
Weighted Average Fair Value of Options Granted During the Year	$ -	$ 1.43	$ 2.68			
Fair Value of Options Vesting During the Year	$156,000	$ 186,000	$ 227,000			
Intrinsic Value of Options Exercised During the Year	$ -	$ -	$ -			

All stock options granted in 2006 and 2005 had an exercise price equal to the fair market value of our common stock on the date of grant.

The following table provides certain information with respect to stock options outstanding at December 31, 2007:

Range of Exercise Prices	Stock Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
$6.00 - $8.00	15,000	$ 6.95	8.7 years
$8.00 - $12.00	177,200	10.26	5.4 years
$12.00 - $16.00	230,050	13.87	3.1 years
$16.00 - $21.00	53,750	18.18	3.2 years
	476,000	$ 12.79	4.1 years
Aggregate Intrinsic Value		$ 75,000	

The following table provides certain information with respect to stock options exercisable at December 31, 2007:

Range of Exercise Prices	Stock Options Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
$6.00 - $8.00	5,000	$ 6.95	8.7 years
$8.00 - $12.00	165,535	10.22	5.3 years
$12.00 - $16.00	230,050	13.87	3.1 years
$16.00 - $21.00	53,750	18.18	3.2 years
	454,335	$ 12.97	3.95 years
Aggregate intrinsic value:		$ 52,000	

As of December 31, 2007, there was $18,000 of total unrecognized compensation costs related to non-vested stock options granted under the Company's Stock Award Plan. We expect to recognize this expense over a weighted average period of two years.

Note 8. Extended Term Payable

The Enventis Sector has a $20,000,000 wholesale financing agreement with a financing company to fund inventory purchased from certain approved vendors. Advances under this financing arrangement are collateralized by the accounts receivable and inventory of Enventis and a guaranty of an amount up to $16,000,000 by HickoryTech Corporation. The financing agreement provides 60 day interest-free payment terms for working capital and can be terminated at any time by either party. The balance outstanding under the financing arrangement was $14,443,000 and $7,719,000 at December 31, 2007 and 2006, respectively. These balances are classified as current liabilities in the accompanying Balance Sheet and are not considered part of the Company's debt financing.

Note 9. Debt and Other Obligations

Our long-term obligations as of December 31, 2007, were $128,475,000, excluding current maturities of $475,000 on debt and $256,000 on current maturities of capital leases. Long-term obligations as of December 31, 2006, were $141,529,000 excluding current maturities of $1,300,000 on debt and $260,000 of capital leases. On December 30, 2005, we entered into a $160,000,000 credit agreement with a syndicate of banks (subsequently reduced to a $155,700,000 facility as of December 31, 2007), which amended our previous credit facility. The credit facility is comprised of a $30,000,000 revolving credit component that expires on December 30, 2011 and a $130,000,000 term loan component.

The term loan component is comprised of two components which are defined as term loan B and term loan C. The outstanding principal balance of term loan B is $106,075,000 as of December 31, 2007, and is held in varying amounts by three of the lenders in the syndicate, US Bank, GE Commercial Distribution Finance Corporation and CoBank. Under the terms of term loan B, we are required to make quarterly principal payments of $275,000 from December 31, 2007 through December 31, 2011 with the remainder of the aggregate principal due in two payments on March 31, 2012 and June 30, 2012. Due to the aggressive pay down of debt in 2007 we are not required to make quarterly principle payments during the first three quarters of 2008. The outstanding principal balance of term loan C is $19,600,000 as of December 31, 2007, and is held entirely by RTFC. Under the terms of term loan C, we are required to make quarterly principal payments of $50,000 on the aggregate principal amount from March 31, 2006 through December 31, 2012 with the remainder of the aggregate principal due in two payments on March 31, 2013 and June 30, 2013.

Under the terms of the revolving credit facility, any outstanding principal is payable in full on December 30, 2011. The outstanding balance of the revolving credit facility is $3,000,000 as of December 31, 2007. Under the credit facility, interest will be payable at an applicable margin in excess of a prevailing pricing level. The prevailing pricing level will be based on a Base Rate, LIBOR Rate Loans or the RTFC rate table. The prevailing rate for Base Rate Loans is the higher of Prime Rate or the Federal Funds Rate plus 0.5%. The prevailing rate for LIBOR Rate Loans is publicly available. The RTFC rate tables are established based on RTFC policies, are not publicly available and change from time to time. The applicable margin for the revolving credit facility, term loan B and term loan C will be determined quarterly based on the leverage ratio of HickoryTech. The credit facility also provides for payment of a fee on any un-drawn commitment of the revolving credit facility, payable quarterly. The credit facility requires us to enter into or maintain in effect interest rate protection agreements on at least 50% of the facility's outstanding balance, to manage our exposure to interest rate fluctuations. We continually monitor the interest rates on our bank loans and have implemented interest rate protection agreements on various portions of the overall debt outstanding for varying terms. As a result of the new credit agreement, we incurred $1,525,000 of new debt placement costs in 2005. Our effective interest rate was 5.94%, 5.13% and 4.20% in 2007, 2006 and 2005, respectively.

(Dollars in thousands)	2007	2006
Credit facility, average interest at 5.9%, maturing in varying amounts through 2013	$ 128,675	$ 142,700
Capitalized lease obligations, average interest at 11.1%, maturing December 2010	531	389
Total	129,206	143,089
Less current maturities	731	1,560
Long-Term obligations	$ 128,475	$ 141,529

Long-term obligations consist of the following:

Credit Facility Obligations

Our debt requires us to comply, on a consolidated basis, with specified financial ratios and tests. These financial ratios and tests include maximum leverage ratio, minimum interest coverage ratio and maximum capital expenditures. The terms of our credit facility include certain restrictions regarding the payment of dividends. The dividend restriction provides that we will not make dividend distributions or repurchase stock in an aggregate amount in excess of 100% of the previous year's net income. At December 31, 2007, we were in violation of this dividend restriction, but a waiver was obtained.

Our obligations under the credit facility are secured by a first-priority lien on all property and assets, tangible and intangible, of HickoryTech and its current subsidiaries, including, but not limited to accounts receivable, inventory, equipment and intellectual property, general intangibles, cash and proceeds of the foregoing and a first-priority pledge of the capital stock of HickoryTech's current subsidiaries.

The term loan component has a provision whereby we periodically receive patronage capital refunds depending on the amount of interest paid. This patronage refund is recorded as an offset to interest expense and amounted to $231,000 in 2007, $1,049,000 in 2006 and $367,000 in 2005.

Annual requirements for principal payments for the years subsequent to 2007 are as follows: 2008 - $475,000; 2009 - $1,300,000; 2010 - $1,300,000; 2011 - $4,300,000; 2012 - $102,700,000 and 2013 - $18,600,000.

Note 10. Employee Retirement Benefits

Employees who meet certain service requirements are covered under a defined contribution retirement savings plan, which includes IRS Section 401(k) provisions. We contribute up to 6.0% of the employee's eligible compensation, based on the employee's voluntary contribution. Our contributions and costs for the retirement savings plan were $1,432,000 in 2007, $1,350,000 in 2006 and $1,013,000 in 2005.

In addition to providing retirement savings benefits, we provide post-retirement health care and life insurance benefits for eligible employees. We account for these post-retirement benefits in accordance with SFAS No. 158 (see below). We are not currently funding these post-retirement benefits, but have accrued these liabilities. New employees hired on or after January 1, 2007 are not eligible for post-retirement health care and life insurance benefits.

We adopted SFAS No. 158 as of December 31, 2006. SFAS No. 158 requires that we recognize the funded status of our postretirement benefit plans on the consolidated balance sheet and recognize as a component of accumulated other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost. The impact of SFAS No. 158, net of tax on our December 31, 2006 consolidated financial statements based on the actuarial measurements of plan assets and obligations dated December 31, 2006 was $1,047,000.

The following table summarizes the balance sheet impact, including the benefit obligations and assets associated with our postretirement benefit plans as of December 31, 2007 and 2006, respectively.

(Dollars in thousands)	2007	2006
Change in Benefit Obligation		
Benefit Obligation at Beginning of Year	$ 7,672	$ 7,878
Service Cost	286	322
Interest Cost	455	429
Amendments	(413)	-
Actuarial Gain	215	(754)
Benefits Paid	(257)	(203)
Benefit Obligation at End of Year	$ 7,958	$ 7,672
Change in Plan Assets		
Fair Value of Assets at Beginning of Year	$ -	$ -
Actual Return on Assets	-	-
Employer Contribution	257	203
Distributions	(257)	(203)
Fair Value of Assets at End of Year	$ -	$ -

	2007	2006	2005
Components of Net Periodic Benefit Cost			
Service Cost	$ 286	$ 322	$ 367
Interest Cost	455	429	460
Expected Return on Plan Assets	-	-	-
Amortization of Transition Obligation	60	60	60
Amortization of Prior Service Cost	(12)	(11)	(11)
Recognized Net Actuarial Loss	70	124	175
Net Periodic Benefit Cost	$ 859	$ 924	$ 1,051
Weighted-Average Assumptions as of December 31:			
Used to Determine the Post-Retirement Expense	6.20%	6.00%	5.75%
Used to Determine the Benefit Obligation	6.00%	6.00%	5.50%

In 2008, we expect to recognize approximately $60,000 of the transition obligation, ($55,000) of the prior service credit and $79,000 of the net actuarial loss as a component of total period post-retirement benefit expense.

Health Care Trend Rates for the Year Ending December 31, 2007	Year	Trend Rate
	2008-2009	8.00%
	2009-2010	7.50%
	2010-2011	7.00%
	2011-2012	6.50%
	2012-2013	6.00%
	2013-2014	5.50%
	2014-2015	5.00%
	2015+	4.50%

(Dollars in thousands)

Effect of 1% Increase and 1% Decrease in Trend Rate	1% Increase		1% Decrease	
Accum. Post-Retirement Benefit Oblig. as of December 31, 2007				
Dollar	$	1,269	$	(1,023)
Percentage Change in Retiree Medical		16.9%		(13.6%)
Service Cost and Interest Cost for Fiscal 2007				
Dollar	$	150	$	(148)
Percentage Change in Retiree Medical		18.7%		(18.5%)

The health care cost trend rate used in determining the accumulated post-retirement benefit obligations was 8.0% in 2008 and decreases 0.5% each year until it reaches 4.5% in 2015 and remains at 4.5% for the years thereafter. These assumptions were provided based on a study of the ten-year history of our self-funded medical benefits plan.

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 was enacted, which introduced a prescription drug benefit under Medicare, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to the Medicare plan. In May 2004, the FASB issued FASB Staff Position No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," which requires current recognition of the federal subsidy that employers may receive for providing prescription drug coverage to retirees. Substantial portions of the prescription drug benefits provided under its post-retirement benefit plan are deemed actuarially equivalent to the benefits provided under Medicare Part D. Consequently, we re-measured our accumulated post-retirement benefit obligation as of June 30, 2004 to account for the federal subsidy. As of December 31, 2007 and 2006, the reduction in the accumulated post-retirement benefit obligation due to the subsidy was $961,000 and $937,000, respectively.

Note 11. Income Taxes

The income tax provision (benefit) for operations for the years ended December 31, 2007, 2006 and 2005 include the following components:

(Dollars in thousands)	2007	2006	2005
Current Income Taxes:			
Federal	$ 4,027	$ 972	$ 3,726
State	1,145	276	1,060
Deferred Income Taxes:			
Federal	1,031	218	496
State	492	317	339
Total Income Tax Provision	$ 6,695	$ 1,783	$ 5,621

Income tax expense is included in the financial statements as follows:

(Dollars in thousands)	2007	2006	2005
Continuing Operations	$ 6,711	$ 3,372	$ 5,646
Discontinued Operations	(16)	(1,589)	(25)
Total Income Tax Provision	$ 6,695	$ 1,783	$ 5,621

Deferred tax liabilities and assets are comprised of the following at December 31:

(Dollars in thousands)	2007	2006
Tax Liabilities:		
Depreciation and Fixed Assets	$ 14,342	$ 12,509
Intangible Assets	5,668	5,274
Derivatives	-	991
Other	124	158
Gross Deferred Tax Liability	$ 20,134	$ 18,932
Tax Assets:		
Deferred Compensation and Post-Retirement Benefits	$ 3,835	$ 3,439
Receivables and Inventories	630	519
Accrued Liabilities	829	457
Derivatives	578	-
State Net Operating Loss	1,550	1,616
Capital Loss	695	-
Gross Deferred Tax Asset	8,117	6,031
Valuation Allowance	(1,550)	(1,616)
Net Deferred Tax Liability	13,567	14,517
Current Deferred Tax Asset	1,334	815
Net Non-Current Deferred Tax Liability	$ 14,901	$ 15,332

We have state net operating loss carry-forwards for tax purposes, available to offset future income of approximately $26,600,000 at December 31, 2007. The state net operating loss carry-forwards expire in varying amounts between 2018 and 2026. The utilization of these carry-forwards as an available offset to future taxable income is subject to limitations under applicable state income tax laws. A valuation allowance has been established to reduce the carrying value of the benefits associated with the net operating losses incurred by our subsidiaries in the state of Iowa. This valuation allowance was established due to uncertainty as to realization of these benefits based on the continued net operating losses generated by these subsidiaries. Future events and changes in circumstances could cause this valuation allowance to change.

The reconciliation of the U.S. income tax rate to the effective income tax rate for continuing operations is as follows:

	2007	2006	2005
Statutory Tax Rate	35.0%	34.0%	34.0%
Effect of:			
State Income Taxes Net of Federal Tax Benefit	6.1	6.1	5.8
Release of Income Tax Reserve and Prior Year Adjustments	0.6	(1.2)	-
Medicare Part D Subsidy	(0.3)	(0.6)	(0.4)
FASB Interpretation No. 48	2.5	-	-
Other, Net	(0.2)	0.9	0.3
Effective Tax Rate	43.7%	39.2%	39.7%

We adopted the provisions of FIN No. 48 on January 1, 2007. Among other things, FIN No. 48 provides guidance to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing a minimum recognition threshold that income tax positions must achieve before being recognized in the financial statements. As of the date of adoption, we had approximately $7,242,000 of unrecognized tax benefits (excluding interest), of which approximately $748,000 relates to a deferred tax asset that is fully reserved for financial reporting purposes. As a result of adoption, we recognized a credit of approximately $62,000 in the January 1, 2007 retained earnings balance.

The reconciliation of unrecognized tax benefits as of December 31, 2007 is shown below.

(Dollars in thousands)	2007
Unrecognized tax benefits,	
Opening balance (excluding interest)	$ 6,494
Increases:	
Tax positions taken in current period	27
Tax position taken in prior periods	748
Decreases:	
Tax positions taken in prior periods	-
Settlements	-
Lapse of statute limitations	(14)
Unrecognized tax benefits,	
Ending balance (excluding interest)	$ 7,255

As of December 31, 2007, we had unrecognized tax benefits totaling $7,255,000. The amount of unrecognized tax benefits, if recognized, that would affect the effective income tax rate in future periods is $7,237,000.

We recognize interest and penalties related to income tax matters as income tax expense. As of the date of the FIN No. 48 adoption, we had $172,000 (net of tax) accrued for interest and nothing accrued for penalties related to tax matters. As of December 31, 2007 we had accrued $492,000 (net of tax) for interest related to unrecognized tax benefits.

We file consolidated income tax returns in the United States federal jurisdiction and combined or separate income tax returns in various state jurisdictions. In general, we are no longer subject to United States federal income tax examinations and examinations by state tax authorities for the years prior to 2004 except to the extent of losses utilized in subsequent years.

Note 12. Financial Derivative Instruments

We use financial derivative instruments to manage our overall exposure to fluctuations in interest rates. We account for derivative instruments in accordance with SFAS No. 133, as amended by SFAS No. 149, which requires derivative instruments to be recorded on the balance sheet at fair value. Changes in fair value of derivative instruments must be recognized in earnings unless specific hedge accounting criteria are met, in which case the gains and losses are included in other comprehensive income rather than in earnings.

We utilize interest-rate swap agreements that qualify as cash-flow hedges to manage our exposure to interest rate fluctuations on a portion of our variable-interest rate debt. In March 2007, we terminated two outstanding interest-rate swap agreements, with original maturities of June 2008, in exchange for $1,936,000 in proceeds. Proceeds of $1,272,000 were recognized as an offset to interest expense in 2007. The remaining proceeds will be recognized as an offset to interest expense over the remaining original term of the agreements, a period of six months, ending in June 2008. Immediately following the termination of the two swap agreements discussed above, we executed a new interest-rate swap agreement, effectively locking in the interest rate on $60,000,000 of variable-interest rate debt through March, 2010.

The market value of the cumulative gain or (loss) on financial derivative instruments is reported as a component of accumulated other comprehensive income (loss) in shareholders' equity and will be recognized in earnings over the term of the swap agreement. The fair value of our derivatives at December 31, 2007 and 2006 is a net liability of $1,451,000 and a net asset of $2,489,000, respectively.

Note 13. Commitments and Contingencies

We are involved in certain contractual disputes in the ordinary course of business but do not believe the ultimate resolution of any of these existing matters will have a material adverse effect on our financial position, results of operations or cash flows.

Operating Lease Commitments

We own most of our major facilities, but do lease certain office space, land and equipment under principally non-cancelable operating leases. Rental expense was $1,404,000 in 2007, $1,831,000 in 2006 and $1,240,000 in 2005. At December 31, 2007, future minimum operating lease rental obligations for the next five years and thereafter are as follows: 2008 - $1,326,000; 2009- $1,153,000; 2010 - $912,000; 2011 - $762,000; 2012 - $585,000 and thereafter - $2,219,000.

Note 14. Quarterly Financial Information (Unaudited)

(Dollars in thousands except per share amounts)

	2007			
	4th	3rd	2nd	1st
Operating revenues	$ 38,261	$ 35,859	$ 45,602	$ 36,927
Operating income	$ 4,886	$ 5,574	$ 7,653	$ 5,067
Income from continuing operations	$ 1,531	$ 2,082	$ 3,254	$ 1,768
Income from disc. ops., net of taxes	$ (7)	$ (8)	$ (8)	$ (1)
Net income	$ 1,524	$ 2,074	$ 3,246	$ 1,767
Basic EPS - continuing operations	$ 0.12	$ 0.16	$ 0.25	$ 0.13
Basic EPS - discontinued operations	$ -	$ -	$ -	$ -
Fully Diluted EPS - continuing operations	$ 0.12	$ 0.16	$ 0.25	$ 0.13
Fully Diluted EPS - discontinued operations	$ -	$ -	$ -	$ -
Dividends Per Share	$ 0.12	$ 0.12	$ 0.12	$ 0.12

	2006			
	4th	3rd	2nd	1st
Operating revenues	$ 33,401	$ 32,670	$ 34,090	$ 32,740
Operating income	$ 2,978	$ 4,230	$ 4,444	$ 4,179
Income from continuing operations	$ 486	$ 1,629	$ 1,587	$ 1,533
Income from disc. ops., net of taxes	$ (2,426)	$ (184)	$ (213)	$ (144)
Net income	$ (1,940)	$ 1,445	$ 1,374	$ 1,389
Basic EPS - continuing operations	$ 0.04	$ 0.12	$ 0.12	$ 0.12
Basic EPS - discontinued operations	$ (0.18)	$ (0.01)	$ (0.02)	$ (0.01)
Fully Diluted EPS - continuing operations	$ 0.04	$ 0.12	$ 0.12	$ 0.12
Fully Diluted EPS - discontinued operations	$ (0.18)	$ (0.01)	$ (0.02)	$ (0.01)
Dividends Per Share	$ 0.12	$ 0.12	$ 0.12	$ 0.12

The summation of quarterly earnings per share computations may not equate to the year-end computation as the quarterly computations are performed on a discrete basis.

Note 15. Subsequent Events

HickoryTech's Board of Directors has declared a regular quarterly dividend of 12 cents per share, payable March 5, 2008 to shareholders of record on February 15, 2008. This dividend is the same value as each of the quarterly dividends paid in 2007.

We will begin to phase out the use of the Encompass brand name. Any references to this brand name in this document are for historical purposes only.

BTOP CCI Community Anchor Institutions Detail Template

Greater Minnesota Broadband Collaborative - Enventis
Easy Grants ID: 4866

Facility Name	Organization	Address Line 1	City	State	Zip	Facility Type	Minority Serving Institution Type	Project Role
Riverland CC	Minnesota State Colleges and Universities	2200 Riverland Dr	Albert Lea	MN	56007	Community College	N/A	Participated In Project Planning
Riverland CC	Minnesota State Colleges and Universities	1900 8th Ave NW	Austin	MN	55912	Community College	N/A	Participated In Project Planning
BRAINERD CC - Central Lakes CC	Minnesota State Colleges and Universities	501 W College Dr	Brainerd	MN	56401	Community College	N/A	Participated In Project Planning
MSCTC	Minnesota State Colleges and Universities	900 Highway 34 East	Detroit Lakes	MN	56501	Community College	N/A	Participated In Project Planning
Faribault TC	Minnesota State Colleges and Universities	208 1st Ave NW	Faribault	MN	55021	Community College	N/A	Participated In Project Planning
Pine Tech College	Minnesota State Colleges and Universities	900 4th Street S.E	Pine City	MN	55063	Community College	N/A	Participated In Project Planning
MN State College Southeast Technical	Minnesota State Colleges and Universities	308 Pioneer Rd	Red Wing	MN	55066	Community College	N/A	Participated In Project Planning
MSCTC	Minnesota State Colleges and Universities	405 Colfax Ave SW	Wadena	MN	56482	Community College	N/A	Participated In Project Planning
MN West CC & Tech College	Minnesota State Colleges and Universities	1450 College Way	Worthington	MN	55187	Community College	N/A	Participated In Project Planning
Becker Library	State of MN	12060 Sherburne Ave	Becker	MN	55308	Library	N/A	Participated In Project Planning
Public Library	State of MN	106 1st SE	Hinckley	MN	55037	Library	N/A	Participated In Project Planning
Little Falls Library	State of MN	108 3rd St NE	Little Falls	MN	56345	Library	N/A	Participated In Project Planning
North Branch Public Library	State of MN	6355 379th Street	North Branch	MN	55056	Library	N/A	Participated In Project Planning
Sandstone Public Library	State of MN	117 4th St	Sandstone	MN	55072	Library	N/A	Participated In Project Planning
Wyoming Memorial Library	State of MN	26855 Forest Blvd N	Wyoming	MN	55092	Library	N/A	Participated In Project Planning
Albert Lea Medical Ctr	Albert Lea Medical Center - Mayo Clinic	404 W Fountain St	Albert Lea	MN	56007	Medical Health Provider	N/A	Participated In Project Planning
Austin Eye Clinic - Mayo	Mayo Clinic	510 2nd St. N.W.	Austin	MN	55912	Medical Health Provider	N/A	Participated In Project Planning
Wabasha Clinic	Mayo Clinic	1202 Fifth Grant Blvd West	Wabasha	MN	55981	Medical Health Provider	N/A	Participated In Project Planning
Cannon Valley Clinic - Mayo	Mayo Clinic	225 Huseth Street	Kenyon	MN	55946	Medical Health Provider	N/A	Participated In Project Planning
Kasson Family Clinic - Mayo	Mayo Clinic	411 West Main Street	Kasson	MN	55944	Medical Health Provider	N/A	Participated In Project Planning
Austin Medical Center - Mayo	Mayo Clinic	1000 First Drive N.W	Austin	MN	55912	Medical Health Provider	N/A	Participated In Project Planning
Janesville Clinic	Mayo Clinic	312 N. Main St.	Janesville	MN	56048	Medical Health Provider	N/A	Participated In Project Planning
Parkview Clinic	Mayo Clinic	102 South Main Street	Lake Crystal	MN	56055	Medical Health Provider	N/A	Participated In Project Planning
Le Sueur Clinic	Mayo Clinic	625 S. Fourth St	Le Sueur	MN	56058	Medical Health Provider	N/A	Participated In Project Planning
Madelia Clinic	Mayo Clinic	115 Drew Avenue, SE	Madelia	MN	56062	Medical Health Provider	N/A	Participated In Project Planning
New Richland Clinic	Mayo Clinic	318 First Street S.W.	New Richland	MN	56072	Medical Health Provider	N/A	Participated In Project Planning
Owatonna Clinic- Mayo	Mayo Clinic	2200 26th Street	Owatonna	MN	55063	Medical Health Provider	N/A	Participated In Project Planning
St James Medical Ctr - Mayo	Mayo Clinic	468 Main St E	St. James	MN	56176	Medical Health Provider	N/A	Participated In Project Planning
Pine Medical Center	Pine Medical Center	109 Court Ave S	Sandstone	MN	55072	Medical Health Provider	N/A	Participated In Project Planning
Sanford Luverne Hospital	Sanford Luverne Hospital	1391 N Kniss Ave	Luverne	MN	56156	Medical Health Provider	N/A	Participated In Project Planning
Sanford Worthington Hospital	Sanford Worthington Hospital	1018 6th Ave	Worthington	MN	55187	Medical Health Provider	N/A	Participated In Project Planning
St Joesphs Medical Ctr	St Joesphs Medical Ctr	523 N 3rd St	Brainerd	MN	56401	Medical Health Provider	N/A	Participated In Project Planning
St Marys Regional Health Ctr	St Marys Regional Health Ctr	311 Washington Ave	Detroit Lakes	MN	56501	Medical Health Provider	N/A	Participated In Project Planning
St. Gabriel's Hospital	St. Gabriel's Hospital	815 2nd St SE	Little Falls	MN	56345	Medical Health Provider	N/A	Participated In Project Planning
Becker Cty Courthouse	State Courts	913 Lake Ave	Detroit Lakes	MN	56501	Other Government Facility	N/A	Participated In Project Planning
Morrison Cty Courthouse	State Courts	213 1st Ave SE	Little Falls	MN	56345	Other Government Facility	N/A	Participated In Project Planning
Rock County Courthouse	State Courts	204 E Brown	Luverne	MN	56156	Other Government Facility	N/A	Participated In Project Planning
Clay Cty Courthouse	State Courts	807 11th St N	Moorhead	MN	56560	Other Government Facility	N/A	Participated In Project Planning
Pine Cty Courthouse	State Courts	635 Northridge Drive NW	Pine City	MN	55063	Other Government Facility	N/A	Participated In Project Planning
Watonwan Cty Courthouse	State Courts	710 2nd Ave S	St. James	MN	56081	Other Government Facility	N/A	Participated In Project Planning
Wadena Cty Courthouse	State Courts	415 Jefferson St	Wadena	MN	56482	Other Government Facility	N/A	Participated In Project Planning
Cottonwood Cty Courthouse	State Courts	900 Third Avenue	Windom	MN	56101	Other Government Facility	N/A	Participated In Project Planning
Nobles County Courthouse	State Courts	315 10th Street	Worthington	MN	55187	Other Government Facility	N/A	Participated In Project Planning
Moorhead - Minnesota State Offices	State of MN	715 11th St. N	Moorhead	MN	56560	Other Government Facility	N/A	Participated In Project Planning
Department of Corrections Sheriffs Office	State of MN	608 W Main St	Red Wing	MN	55066	Other Government Facility	N/A	Participated In Project Planning
Department of Employment & Economic Dev. (DEED)	State of MN	1606 W 3rd St	Red Wing	MN	55066	Other Government Facility	N/A	Participated In Project Planning
Goodhue County	State of MN	430 W 6th St	Red Wing	MN	55066	Other Government Facility	N/A	Participated In Project Planning
Rush City Department of Corrections	State of MN	7600 525th St	Rush City	MN	55069	Other Government Facility	N/A	Participated In Project Planning
Department of Human Services	State of MN	130 Oriole St E	Sandstone	MN	55072	Other Government Facility	N/A	Participated In Project Planning
ST PAUL COB 5th Floor	State of MN	658 Cedar St	St Paul	MN	55155	Other Government Facility	N/A	Participated In Project Planning
Department of Employment & Economic Dev. (DEED)	State of MN	124 1st St SE	Wadena	MN	56482	Other Government Facility	N/A	Participated In Project Planning
Department of Human Services	State of MN	240 Shady Lane Dr	Wadena	MN	56482	Other Government Facility	N/A	Participated In Project Planning
MN Department of Public Safety	State of MN	517 Jefferson St N	Wadena	MN	56482	Other Government Facility	N/A	Participated In Project Planning
Winona County Courthouse	State of MN	202 W 3rd St	Winona	MN	55987	Other Government Facility	N/A	Participated In Project Planning
Sand Plain Research Farm	U of M	13502 Hancock Street	Becker	MN	55308	Other Government Facility	N/A	Participated In Project Planning
Winona State U	Minnesota State Colleges and Universities	Johnson & Sanborn	Winona	MN	55987	Other Institution of Higher Learning	N/A	Participated In Project Planning
Moorhead State U - HUB	State of MN	1104 7th Avenue South	Moorhead	MN	56560	Other Institution of Higher Learning	N/A	Participated In Project Planning
DULUTH UMD Heller Hall Room 119	U of M	1114 Kirby Dr.	Duluth	MN	55182	Other Institution of Higher Learning	N/A	Participated In Project Planning

BTOP CCI Community Anchor Institutions Detail Template

Greater Minnesota Broadband Collaborative - Enventis
Easy Grants ID: 4866

Facility Name	Organization	Address Line 1	City	State	Zip	Facility Type	Minority Serving Institution Type	Project Role
U ov M - Rochester Campus	U of M	111 So. Broadway	Rochester	MN	55904	Other Institution of Higher Learning	N/A	Participated In Project Planning
Southern Research and Outreach Center	U of M	35838 120th Street	Waseca	MN	56093	Other Institution of Higher Learning	N/A	Participated In Project Planning
Brainerd - Crow Wing County	U of M Extension	322 Laurel St	Brainerd	MN	56401	Other Institution of Higher Learning	N/A	Participated In Project Planning
Worthington - U of M Extension Service	U of M Extension	1567 McMillan Street	Worthington	MN	56187	Other Institution of Higher Learning	N/A	Participated In Project Planning
Forest Lake City Hall	State of MN	210 N Lake St	Forest Lake	MN	55025	Public Safety	N/A	Participated In Project Planning
Sheriffs Office	State of MN	43572 Forest Blvd	Harris	MN	55032	Public Safety	N/A	Participated In Project Planning
Little Falls Police Department	State of MN	207 1st St NE	Little Falls	MN	56345	Public Safety	N/A	Participated In Project Planning
Sheriffs Office	State of MN	6408 Elm Street	North Branch	MN	55056	Public Safety	N/A	Participated In Project Planning
Rush City Police Department	State of MN	325 S Eliot Ave	Rush City	MN	55069	Public Safety	N/A	Participated In Project Planning
Sheriff Office	State of MN	30785 Forest Blvd	Stacy	MN	55079	Public Safety	N/A	Participated In Project Planning
White Bear Lake Police Department	State of MN	4701 Hwy 61 North	White bear Lake	MN	55110	Public Safety	N/A	Participated In Project Planning
Sheriffs Office	State of MN	5428 260th St	Wyoming	MN	55092	Public Safety	N/A	Participated In Project Planning
Becker Public School District	State of MN	12000 Hancock St	Becker	MN	55308	School K-12	N/A	Participated In Project Planning
Hinckley Finlayson High School	State of MN	210 Main St E	Hinckley	MN	55037	School K-12	N/A	Participated In Project Planning
Little Falls High School	State of MN	1001 5th Ave SE	Little Falls	MN	56345	School K-12	N/A	Participated In Project Planning
North Branch Schools	State of MN	38175 Grand Ave	North Branch	MN	55056	School K-12	N/A	Participated In Project Planning

BTOP CCI Network Points of Interest Detail Template

Greater Minnesota Broadband Collaborative - Enventis
Easy Grants ID: 4866

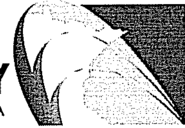
Facility Type	Description	Address Line 1	City	State	Zip	Interconnect	Status in Proposed Network	Owner	Brief Description
Point of Interconnection	Faribault TC	208 1st Ave NW	Faribault	MN	55021	Yes	New for Proposed Network	State of MN	Minnesota State Colleges and Universities
Point of Interconnection	Forest Lake City Hall	210 N Lake St	Forest Lake	MN	55025	No	New for Proposed Network	State of MN	State of MN
Point of Interconnection	Sheriffs Office	43572 Forest Blvd	Harris	MN	55032	Yes	New for Proposed Network	State of MN	State of MN
Point of Interconnection	Hinckley Finlayson High School	210 Main St E	Hinckley	MN	55037	Yes	New for Proposed Network	State of MN	State of MN
Point of Interconnection	Public Library	106 1st SE	Hinckley	MN	55037	No	New for Proposed Network	State of MN	State of MN
Point of Interconnection	North Branch Public Library	6355 379th Street	North Branch	MN	55056	No	New for Proposed Network	State of MN	State of MN
Point of Interconnection	North Branch Schools	38175 Grand Ave	North Branch	MN	55056	Yes	New for Proposed Network	State of MN	State of MN
Point of Interconnection	Sheriffs Office	6408 Elm Street	North Branch	MN	55056	No	New for Proposed Network	State of MN	State of MN
Point of Interconnection	Owatonna Clinic- Mayo	2200 26th Street	Owatonna	MN	55063	No	New for Proposed Network	Mayo Clinic	Mayo Clinic
Point of Interconnection	Pine Tech College	900 4th Street S.E	Pine City	MN	55063	Yes	New for Proposed Network	State of MN	Minnesota State Colleges and Universities
Point of Interconnection	Pine Cty Courthouse	635 Northridge Drive NW	Pine City	MN	55063	No	New for Proposed Network	State of MN	State Courts
Point of Interconnection	MN State College Southeast Technical	308 Pioneer Rd	Red Wing	MN	55066	Yes	New for Proposed Network	State of MN	Minnesota State Colleges and Universities
Point of Interconnection	Department of Corrections Sheriffs Office	608 W Main St	Red Wing	MN	55066	No	New for Proposed Network	State of MN	State of MN
Point of Interconnection	Department of Employment & Economic Dev. (DEED)	1606 W 3rd St	Red Wing	MN	55066	No	New for Proposed Network	State of MN	State of MN
Point of Interconnection	Goodhue County	430 W 6th St	Red Wing	MN	55066	No	New for Proposed Network	State of MN	State of MN
Point of Interconnection	Rush City Department of Corrections	7600 525th St	Rush City	MN	55069	No	New for Proposed Network	State of MN	State of MN
Point of Interconnection	Rush City Police Department	325 S Eliot Ave	Rush City	MN	55069	Yes	New for Proposed Network	State of MN	State of MN
Point of Interconnection	Pine Medical Center	109 Court Ave S	Sandstone	MN	55072	Yes	New for Proposed Network	County	Pine Medical Center
Point of Interconnection	Department of Human Services	130 Oriole St E	Sandstone	MN	55072	No	New for Proposed Network	State of MN	State of MN
Point of Interconnection	Sandstone Public Library	117 4th St	Sandstone	MN	55072	Yes	New for Proposed Network	State of MN	State of MN
Point of Interconnection	Sheriff Office	30785 Forest Blvd	Stacy	MN	55079	Yes	New for Proposed Network	State of MN	State of MN
Point of Interconnection	Sheriffs Office	5428 260th St	Wyoming	MN	55092	Yes	New for Proposed Network	State of MN	State of MN
Point of Interconnection	Wyoming Memorial Library	26855 Forest Blvd N	Wyoming	MN	55092	No	New for Proposed Network	State of MN	State of MN
Point of Interconnection	White Bear Lake Police Department	4701 Hwy 61 North	White bear Lake	MN	55110	Yes	New for Proposed Network	State of MN	State of MN
Point of Interconnection	ST PAUL COB 5th Floor	658 Cedar St	St Paul	MN	55155	Yes	New for Proposed Network	State of MN	State of MN
Point of Interconnection	DULUTH UMD Heller Hall Room 119	1114 Kirby Dr.	Duluth	MN	55182	Yes	New for Proposed Network	U of M	U of M
Point of Interconnection	MN West CC & Tech College	1450 College Way	Worthington	MN	55187	Yes	New for Proposed Network	State of MN	Minnesota State Colleges and Universities
Point of Interconnection	Sanford Worthington Hospital	1018 6th Ave	Worthington	MN	55187	No	New for Proposed Network	Sanford Health	Sanford Worthington Hospital
Point of Interconnection	Nobles County Courthouse	315 10th Street	Worthington	MN	55187	No	New for Proposed Network	State of MN	State Courts
Point of Interconnection	Becker Library	12060 Sherburne Ave	Becker	MN	55308	No	New for Proposed Network	State of MN	State of MN
Point of Interconnection	Becker Public School District	12000 Hancock St	Becker	MN	55308	Yes	New for Proposed Network	State of MN	State of MN
Point of Interconnection	Sand Plain Research Farm	13502 Hancock Street	Becker	MN	55308	No	New for Proposed Network	U of M	U of M
Point of Interconnection	U ov M - Rochester Campus	111 So. Broadway	Rochester	MN	55904	No	New for Proposed Network	U of M	U of M
Point of Interconnection	Austin Eye Clinic - Mayo	510 2nd St. N.W.	Austin	MN	55912	No	New for Proposed Network	Mayo Clinic	Mayo Clinic
Point of Interconnection	Austin Medical Center - Mayo	1000 First Drive N.W	Austin	MN	55912	No	New for Proposed Network	Mayo Clinic	Mayo Clinic
Point of Interconnection	Riverland CC	1900 8th Ave NW	Austin	MN	55912	Yes	New for Proposed Network	State of MN	Minnesota State Colleges and Universities
Point of Interconnection	Kasson Family Clinic - Mayo	411 West Main Street	Kasson	MN	55944	No	New for Proposed Network	Mayo Clinic	Mayo Clinic
Point of Interconnection	Cannon Valley Clinic - Mayo	225 Huseth Street	Kenyon	MN	55946	No	New for Proposed Network	Mayo Clinic	Mayo Clinic
Point of Interconnection	Wabasha Clinic	1202 Fifth Grant Blvd West	Wabasha	MN	55981	No	New for Proposed Network	Mayo Clinic	Mayo Clinic
Point of Interconnection	Winona State U	Johnson & Sanborn	Winona	MN	55987	Yes	New for Proposed Network	State of MN	Minnesota State Colleges and Universities
Point of Interconnection	Winona County Courthouse	202 W 3rd St	Winona	MN	55987	Yes	New for Proposed Network	State of MN	State of MN
Point of Interconnection	Albert Lea Medical Ctr	404 W Fountain St	Albert Lea	MN	56007	No	New for Proposed Network	Mayo Clinic	Albert Lea Medical Center - Mayo Clinic
Point of Interconnection	Riverland CC	2200 Riverland Dr	Albert Lea	MN	56007	Yes	New for Proposed Network	State of MN	Minnesota State Colleges and Universities
Point of Interconnection	Janesville Clinic	312 N. Main St.	Janesville	MN	56048	No	New for Proposed Network	Mayo Clinic	Mayo Clinic
Point of Interconnection	Parkview Clinic	102 South Main Street	Lake Crystal	MN	56055	No	New for Proposed Network	Mayo Clinic	Mayo Clinic
Point of Interconnection	Le Sueur Clinic	625 S. Fourth St	Le Sueur	MN	56058	No	New for Proposed Network	Mayo Clinic	Mayo Clinic
Point of Interconnection	Madelia Clinic	115 Drew Avenue, SE	Madelia	MN	56062	No	New for Proposed Network	Mayo Clinic	Mayo Clinic
Point of Interconnection	New Richland Clinic	318 First Street S.W.	New Richland	MN	56072	No	New for Proposed Network	Mayo Clinic	Mayo Clinic
Point of Interconnection	Watonwan Cty Courthouse	710 2nd Ave S	St. James	MN	56081	Yes	New for Proposed Network	State of MN	State Courts
Point of Interconnection	Southern Research and Outreach Center	35838 120th Street	Waseca	MN	56093	Yes	New for Proposed Network	U of M	U of M
Point of Interconnection	Cottonwood Cty Courthouse	900 Third Avenue	Windom	MN	56101	Yes	New for Proposed Network	State of MN	State Courts
Point of Interconnection	Sanford Luverne Hospital	1391 N Kniss Ave	Luverne	MN	56156	No	New for Proposed Network	Sanford Health	Sanford Luverne Hospital
Point of Interconnection	Rock County Courthouse	204 E Brown	Luverne	MN	56156	Yes	New for Proposed Network	State of MN	State Courts
Point of Interconnection	St James Medical Ctr - Mayo	468 Main St E	St. James	MN	56176	No	New for Proposed Network	Mayo Clinic	Mayo Clinic
Point of Interconnection	Worthington - U of M Extension Service	1567 McMillan Street	Worthington	MN	56187	Yes	New for Proposed Network	U of M Extension	U of M Extension
Point of Interconnection	St. Gabriel's Hospital	815 2nd St SE	Little Falls	MN	56345	No	New for Proposed Network	Unity Family Health	St. Gabriel's Hospital
Point of Interconnection	Morrison Cty Courthouse	213 1st Ave SE	Little Falls	MN	56345	No	New for Proposed Network	State of MN	State Courts
Point of Interconnection	Little Falls High School	1001 5th Ave SE	Little Falls	MN	56345	Yes	New for Proposed Network	State of MN	State of MN
Point of Interconnection	Little Falls Library	108 3rd St NE	Little Falls	MN	56345	No	New for Proposed Network	State of MN	State of MN
Point of Interconnection	Little Falls Police Department	207 1st St NE	Little Falls	MN	56345	Yes	New for Proposed Network	State of MN	State of MN

BTOP CCI Network Points of Interest Detail Template

Greater Minnesota Broadband Collaborative - Enventis
Easy Grants ID: 4866

Facility Type	Description	Address Line 1	City	State	Zip	Interconnect	Status in Proposed Network	Owner	Brief Description
Point of Interconnection	BRAINERD CC - Central Lakes CC	501 W College Dr	Brainerd	MN	56401	Yes	New for Proposed Network	State of MN	Minnesota State Colleges and Universities
Point of Interconnection	St Joesphs Medical Ctr	523 N 3rd St	Brainerd	MN	56401	No	New for Proposed Network	Brainerd Lakes Health	St Joesphs Medical Ctr
Point of Interconnection	Brainerd - Crow Wing County	322 Laurel St	Brainerd	MN	56401	No	New for Proposed Network	U of M Extension	U of M Extension
Point of Interconnection	MSCTC	405 Colfax Ave SW	Wadena	MN	56482	Yes	New for Proposed Network	State of MN	Minnesota State Colleges and Universities
Point of Interconnection	Wadena Cty Courthouse	415 Jefferson St	Wadena	MN	56482	No	New for Proposed Network	State of MN	State Courts
Point of Interconnection	Department of Employment & Economic Dev. (DEED)	124 1st St SE	Wadena	MN	56482	No	New for Proposed Network	State of MN	State of MN
Point of Interconnection	Department of Human Services	240 Shady Lane Dr	Wadena	MN	56482	No	New for Proposed Network	State of MN	State of MN
Point of Interconnection	MN Department of Public Safety	517 Jefferson St N	Wadena	MN	56482	No	New for Proposed Network	State of MN	State of MN
Co-Location Facility	Wadena Qwest Central Office	1536 S 11th Street	Wadena	MN	56482	No	New for Proposed Network	Qwest	Enventis Co-Location
Point of Interconnection	MSCTC	900 Hiway 34 East	Detroit Lakes	MN	56501	Yes	New for Proposed Network	State of MN	Minnesota State Colleges and Universities
Point of Interconnection	St Marys Regional Health Ctr	311 Washington Ave	Detroit Lakes	MN	56501	No	New for Proposed Network	St Marys Foundation	St Marys Regional Health Ctr
Point of Interconnection	Becker Cty Courthouse	913 Lake Ave	Detroit Lakes	MN	56501	No	New for Proposed Network	State of MN	State Courts
Co-Location Facility	Detroit Lakes Qwest Central Office	715 Summit Ave	Detroit Lakes	MN	56501	Yes	New for Proposed Network	Qwest	Enventis Co-Location
Point of Interconnection	Clay Cty Courthouse	807 11th St N	Moorhead	MN	56560	No	New for Proposed Network	State of MN	State Courts
Point of Interconnection	Moorhead - Minnesota State Offices	715 11th St. N	Moorhead	MN	56560	No	New for Proposed Network	State of MN	State of MN
Point of Interconnection	Moorhead State U - HUB	1104 7th Avenue South	Moorhead	MN	56560	Yes	New for Proposed Network	State of MN	State of MN

Enventis Greater Minnesota Broadband Collaborative

THE OFFICE OF
ENTERPRISE**TECHNOLOGY**
STATE OF MINNESOTA 

March 25, 2010

To Whom It May Concern:

This letter is a description of the anticipated partnership between Enventis, Inc. ("Enventis") and the State of Minnesota ("State"). It is also an expression of support for the Middle Mile fiber infrastructure proposed by Enventis in various segments Minnesota pursuant to Round 2 of the NTIA BTOP stimulus funding under the Recovery Act of 2009.

The proposed project will construct a new 191-mile fiber optic network linking Brainerd to Moorhead, with en-route lateral fiber connections into Detroit Lakes and Wadena, and a second, 213-mile fiber optic network linking the University of Minnesota-Duluth campus with the Twin Cities, with lateral builds into the cities of Harris, Hinckley, North Branch, Pine City, Rush City, Sandstone, White Bear Lake, and Wyoming. These new networks will enable Enventis to leverage its existing 2800 mile statewide fiber optic network in offering high speed services to MNET used by the State agencies, higher education institutions, as well as the Judicial Branch of Minnesota.

Enventis has been an excellent partner to the State since 2005. We are extending our support for this stimulus application in furtherance of this relationship. Over the last several months we have collaborated in the planning of the proposed Enventis networks and in assessing the potential benefits the State. We have introduced Enventis to other departments within the State, and I am pleased that the University of Minnesota, the Minnesota Judicial Branch, the Bureau of Criminal Apprehension (BCA), and Minnesota State Colleges and Universities (MnSCU) have written independent letters of endorsement.

I am personally very pleased to see this project receive consistent support from entities in a wide spectrum of disciplines. It is a true indication of the impact the project will have on a multitude of community anchor institutions and public safety agencies as well as the state network as a whole. There are hundreds of community anchor institutions, currently served on state facilities, which will have the opportunity to benefit from the project. They will receive faster connections, at lower cost, and network redundancy through the Middle Mile infrastructure proposed by Enventis.

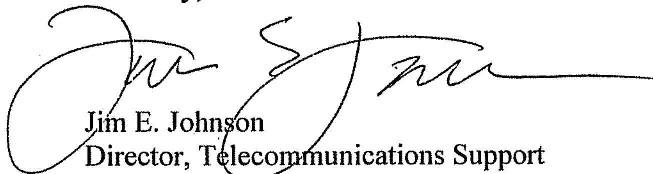
We have participated with Enventis in choosing the connection to the network at our HUB locations and in planning a handoff between the stimulus project service areas and our existing network. Enventis has also agreed to make available capacity on its existing network at a discount. By working together, we will be able to add redundancy to critical segments of the State network infrastructure. The importance of having a redundant infrastructure for fault tolerance and network reliability cannot be overestimated. The project would provide significant benefits for public safety as well as other anchor institutions at all levels of government and the reliability needed by their mission critical applications.

We also have the opportunity, as a customer, to connect additional state sites to Enventis, which would become part of our existing contract. These sites will benefit from being connected to the ring because they will receive lower cost and higher speed connectivity. We are aware that stimulus projects are required to show their sustainability, and we believe that adding these sites will support the financial needs of the project.

This expression of support for the Enventis proposal is at the highest level allowed under our statutes and has been reviewed by the Minnesota attorney general.

We urge that this project gets funding support and is successfully implemented.

Sincerely,



Jim E. Johnson
Director, Telecommunications Support

MAYO CLINIC

March 25, 2010

The Honorable Larry Strickling
Assistant Secretary of Commerce
Administrator
National Telecommunications and Information Administration
U.S. Department of Commerce
1401 Constitution Ave. NW
Washington, D.C. 20230

RE: National Telecommunications Information Administration (NTIA)
Broadband Technology Opportunities Program
Grant Application – Grant ID# 4866
Enventis Telecom – Greater Minnesota Broadband Collaborative

Dear Assistant Secretary Strickling:

The Mayo Clinic is writing this letter in support of the Enventis Telecom NTIA-BTOP grant proposal under the project name Greater Minnesota Broadband Collaborative. Enventis is a Minnesota based fiber network services carrier and wholly owned subsidiary company of Hickory Tech Corporation, the 111 year old telecommunications company headquartered in Mankato, Minnesota. The Grant Application is for a Middle Mile project where Enventis installs a high capacity Internet Protocol/Ethernet fiber network directly connecting Community Anchor Institutions throughout the State of Minnesota including Community Colleges, Healthcare/Medical, K-12 schools, Public Safety Organizations, State Courts, Libraries, and Higher Education.

By way of background, Mayo Clinic is the first and largest integrated, not-for-profit group practice in the world. Doctors from every medical specialty work together to care for patients, joined by common systems and a philosophy of "the needs of the patient come first." More than 3,300 physicians, scientists and researchers and 46,000 allied health staff work at Mayo Clinic, which has sites in Rochester, Minn., Jacksonville, Fla., and Scottsdale/Phoenix, Ariz. Collectively, the three locations treat more than half a million people each year. The Mayo Health System encompasses more than 800 providers, 13,000 allied health staff and includes 17 hospitals across 70 locations in Minnesota, Iowa and Wisconsin.

As our organization looks to the future of health care delivery, education and research, a strong national broadband infrastructure is crucial to innovations Mayo Clinic seeks to implement in the coming decades. As a leader in the transformation of healthcare, Mayo is strongly committed to developing new models of care, including new means of communicating and relating to patients, other providers, and the public at large. As we envision new ways to interact and share information with our patients, students, colleagues and the public across the country and around the world, the lack of fast, secure and consistent infrastructure to support innovations is a significant challenge.

Any proposal that will ensure affordable, reliable wired and wireless high-performance connectivity across the widest possible geographic area would help Mayo Clinic achieve its mission of serving patient and community health needs in the ways that suit them best, wherever they are located.

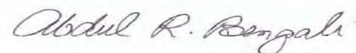
The Enventis grant proposal would allow Mayo Clinic and the Mayo Health System to:

- Enhance and expand services in a 23 Minnesota counties, 9 of which rated as being 'economically distressed' by the Bureau of Labor Statistics, reaching a population of approximately 886,000 underserved people in rural Minnesota.
- Enable accelerated electronic medical record adoption and expansion.
- Enable or enhance current patient care applications, health status monitoring and resulting enhanced population health research capabilities, patient education and wellness technologies, and professional education opportunities.
- Enable innovations in distance care delivery, home health monitoring of chronic conditions, and research and patient education applications that are currently constrained due to broadband service limitations.

In addition, Enventis' proposal has significant potential to enhance the work planned through Mayo's BEACON grant application. That application, if funded, will support a collaboration among Mayo, the Mayo Health System, federal and county public health and other organizations in an underserved 11-county region of Southeast Minnesota focused on adoption of meaningful use HIT standards and health information exchange regarding childhood asthma and diabetes metrics.

We are highly interested in proposals that will further the broadband service needs of Mayo Clinic and the Mayo Health System. If you have any questions about more specific ways Mayo might make use of expanded broadband capabilities, please do not hesitate to contact Abdul Bengali, Chief Information Officer for Mayo Clinic at bengali.abdul@mayo.edu. Thank you for your consideration.

Sincerely,



Nina M. Schwenk, M.D., FACP
Vice-President, Integration, Mayo Clinic

Abdul R. Bengali
Chief Information Officer

UNIVERSITY OF MINNESOTA

Office of Information Technology
Office of the Vice President & CIO

203 Johnston Hall
101 Pleasant Street S.E.
Minneapolis, MN 55455

Phone: 612-626-8735
Fax: 612-626-0076

03/24/10

This letter is in regards to the Regional Fiber Middle Mile project proposed by Enventis in various segments of Minnesota.

The proposed project to construct a new 191-mile fiber optic network linking Brainerd to Moorhead, with en-route lateral fiber connections into Detroit Lakes and Wadena, and a second, 213-mile fiber optic network linking the University of Minnesota-Duluth campus with the Twin Cities, with lateral builds into the cities of Harris, Hinckley, North Branch, Pine City, Rush City, Sandstone, White Bear Lake, and Wyoming will enable Enventis to leverage its existing 2800 mile statewide fiber optic network in offering high speed services to MNET used by the State agencies, higher education institutions, as well as the Judicial Branch of Minnesota.

The Duluth campus of the University of Minnesota could benefit from this project. The new high speed fiber connection from Enventis would enable redundant network design possibilities, resulting in increased availability at competitive cost.

Establishment of these builds could provide redundant paths and competitive routes from the University of Minnesota Twin Cities campus to the University of Minnesota Duluth campus. In addition, the facilities that would be installed from Brainerd to Duluth could be utilized to provide redundant or alternate network paths and connections from the University of Minnesota Crookston campus to existing facilities from the Crookston to Fargo/Moorhead locale.

We hope that this project gets funding support and is successfully implemented.

Stephen Cawley
Vice President & CIO Office of Information Technology
University of Minnesota

AMY KLOBUCHAR
MINNESOTA

COMMITTEES:
AGRICULTURE, NUTRITION, AND FORESTRY
COMMERCE, SCIENCE, AND TRANSPORTATION
ENVIRONMENT AND PUBLIC WORKS
JOINT ECONOMIC COMMITTEE
JUDICIARY

United States Senate

WASHINGTON, DC 20510

March 17, 2010

Mr. Larry Strickling
Assistant Secretary
U.S. Department of Commerce
1401 Constitution Avenue Northwest
Washington, D.C. 20230

Dear Assistant Secretary Strickling:

I am writing to urge your strong consideration of the Greater Minnesota Broadband proposal being submitted by Enventis Telecomm for a grant from the Broadband Technologies Opportunity Program (BTOP) in the amount of $25 million. This funding will be used to fund the Middle Mile project that will provide high capacity Protocal/Ethernet fiber internet networks throughout the state of Minnesota.

Enventis Telecomm has brought together the State of Minnesota Office of Enterprise Technology (OET), the University of Minnesota, and the Mayo Clinic of Rochester, Minnesota to collaborate on building a broadband network that will expand and improve service to community anchors, business and consumers across the state. This project will enable the delivery of a minimum of 100MB broadband IP/Ethernet service to our state, directly connecting vital institutions including community colleges, healthcare/medical services, K-12 schools, public safety organizations, state courts, libraries, and higher education institutions. These connections will allow for high definition distance learning, collaboration between the University of Minnesota Twin Cities and Duluth Campuses, the extension of Mayo Clinic's rural health programs and connection of public safety services to a core fiber network. In addition, the Enventis high capacity IP/Ethernet network will deliver low cost, high quality broadband for rural Minnesota, including 315,000 households and 75,000 businesses.

As a senator from Minnesota serving on the Senate Commerce Committee, I strongly support access to technologies that make our citizens competitive in the global economy. Connecting our institutions with a new broadband network will allow for greater and more efficient distribution of information which will improve educational, health, and safety services and will help support our rural businesses.

For the reasons stated above, I encourage your consideration of this proposal. If you have any questions or need additional information, please contact Jake Spano in my Minnesota office at (612)-6727-5220 or by email at jake_spano@klobuchar.senate.gov.

Sincerely,

Amy Klobuchar
United States Senator

Bureau of Criminal Apprehension

1430 Maryland Avenue East • Saint Paul, Minnesota 55106-2802
Phone: 651.793.7000 • Fax: 651.793.7001 • TTY: 651.282.6555
www.dps.state.mn.us/bca/

Alcohol and Gambling Enforcement
ARMER/911 Program
Bureau of Criminal Apprehension
Driver and Vehicle Services
Homeland Security and Emergency Management
Minnesota State Patrol
Office of Communications
Office of Justice Programs
Office of Traffic Safety
State Fire Marshal and Pipeline Safety

March 1, 2010

To Whom It May Concern:

This is a letter of endorsement from Minnesota Bureau of Criminal Apprehension (BCA) for the Regional Fiber Middle Mile project proposed by Enventis in various segments of Minnesota.

The proposed project to construct a new 191-mile fiber optic network linking Brainerd to Moorhead, with en-route lateral fiber connections into Detroit Lakes and Wadena, and a second, 213-mile fiber optic network linking the University of Minnesota-Duluth campus with the Twin Cities, with lateral builds into the cities of Harris, Hinckley, North Branch, Pine City, Rush City, Sandstone, White Bear Lake, and Wyoming will enable Enventis to leverage its existing 2800 mile statewide fiber optic network in offering high speed services to MNET used by the State agencies, higher education institutions, as well as the Judicial Branch of Minnesota.

Enventis has been an excellent partner to public sector entities in the State of Minnesota by providing transport on their existing fiber optic network for MNET wide area network used by the State agencies, Higher Education institutions as well as the Minnesota Judicial Branch. Bureau of Criminal Apprehension will benefit from this project by getting high speed fiber connections, resulting in increased availability and efficiency through redundancy and traffic engineering.

The BCA is tasked with providing integration and information sharing services to the statewide criminal justice community. These services require network connectivity between criminal justice partners. Several new initiatives will require the expansion of current networks for both bandwidth and access. Such as capacity upgrades for the Department of Corrections & Law Enforcement in LeCenter and Willmar.

The e-Charging project, including e-Citation and DUI forms will be deployed to enable law enforcement, prosecution, and courts to improve the creation, transmission and approval of complaints. This includes the use of electronic notarization, signatures and the movement of the documents. This eliminates the need for a law enforcement officer to pick up the documents from the prosecutor, sign and transport them to the court, wait for a judge to review and sign the document, and then return copies to the appropriate agencies. This allows the officer to spend more time on the street instead of driving documents back and forth. The document is also entered only once into the originating system and then electronically moved and updates the other systems as applicable creating greater efficiency.

New BCA systems such as the Name Event Index Services (that provides for a comprehensive view of a subject's interaction with the justice system) and the Comprehensive Incident Based Reporting System (that shares incident and person information among law enforcement agencies) are increasing the need to connect local records and case management systems to state systems. Such progress and innovation increase the need for greater connectivity and bandwidth throughout the state of Minnesota.

High network availability and connection efficiency is critical to BCA in realizing the benefits of integrating and sharing information throughout the criminal justice enterprise. The proposed project by Enventis provides the capability that is required by BCA to achieve these initiatives.

In conclusion, it is important to public safety that this project gets funding support and is successfully implemented.

Sincerely,

David Johnson, Executive Director

EQUAL OPPORTUNITY EMPLOYER

MINNESOTA JUDICIAL BRANCH

MINNESOTA JUDICIAL CENTER
25 REV. DR. MARTIN LUTHER KING, JR. BLVD.
SAINT PAUL, MINNESOTA 55155

Robert L. Hanson
Information Technology Division
State Court Administrator's Office

(651) 297-7636
(651) 297-7595
E-mail: Bob.Hanson@courts.state.mn.us

March 23, 2010

To Whom It May Concern:

This is a letter of endorsement from Minnesota Judicial Branch for the Regional Fiber Middle Mile project proposed by Enventis in various segments of Minnesota.

The proposed project to construct a new 191-mile fiber optic network linking Brainerd to Moorhead, with en-route lateral fiber connections into Detroit Lakes and Wadena, and a second, 213-mile fiber optic network linking the University of Minnesota-Duluth campus with the Twin Cities, with lateral builds into the cities of Harris, Hinckley, North Branch, Pine City, Rush City, Sandstone, White Bear Lake, and Wyoming will enable Enventis to leverage its existing 2800 mile statewide fiber optic network in offering high speed services to MNET used by the State agencies, higher education institutions, as well as the Judicial Branch of Minnesota.

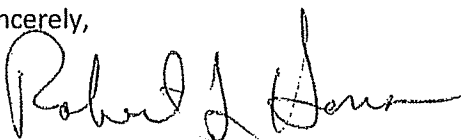
Enventis has been an excellent partner to non-profit entities in the State of Minnesota by providing transport on their existing fiber optic network for MNET wide area network used by the State agencies, Higher Education institutions as well as the Minnesota Judicial Branch.

The Minnesota Judicial Branch continues to bring new services and remote access capabilities to the district courts located at the county seats throughout Minnesota, with a mission to provide court services to the citizens of the state from the convenience of the closest courthouse or from their homes.

Self Service payment capability will also be deployed, enabling citizens to use web technology to process payments for minor traffic citations. Interactive video will be deployed to conduct hearings from a roster of hearing officers located remotely. These technologies will provide all Minnesota citizens improved access to justice, regardless of the remoteness of their residence. Furthermore, these capabilities will speed up the justice process and reduce non-productive travel time for all justice system participants. Increased network bandwidth provided by broadband is critical for fully realizing the potential of these types of innovations.

The Minnesota Judicial Branch endorses the increased availability of high bandwidth capacity throughout Minnesota and the proposed project as it enables Enventis to provide cost-effective broadband redundancy in various regions of Minnesota.

We hope that this project gets funding support and is successfully implemented.
Sincerely,



Robert L. Hanson
ITD Director / Chief Information Officer

/20100323_MNJUD_Enventis

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COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

AT-LARGE WHIP

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House of Representatives
Washington, DC 20515–2308

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March 24, 2010

Mr. Larry Strickling
Assistant Secretary of Commerce
U.S. Department of Commerce
1401 Constitution Ave. NW
Washington, D.C 20230

Dear Mr. Strickling:

I am writing this letter in support of the Greater Minnesota Broadband Collaborative proposal led by Enventis Telecom a Minnesota based fiber network services carrier and wholly owned subsidiary company of Hickory Tech Corporation, the 111 year old telecommunications company headquartered in Mankato, Minnesota. The Grant Application is for a Middle Mile project where Enventis installs a high capacity Internet Protocol/Ethernet fiber network directly connecting community anchor institutions throughout the State of Minnesota including Community Colleges, Healthcare/Medical, K-12 schools, Public Safety Organizations, State Courts, Libraries, and Higher Education.

Highlights of the Grant Applications include:

- Implementation of State-Wide Broadband 'Middle Mile' Network connecting over 75 Community Anchor Institutions
- 13 Community Colleges with minimum 100Mb connections to the Minnesota Universities and State Colleges network.
- 21 Health Care/Medical Centers in rural Minnesota and connecting rural Mayo Clinic locations back to Rochester Center with minimum 100Mb connections.
- Minimum bandwidth of 10 Gigabit fiber facilities connecting the University of Minnesota Twin Cities campus with the University of Minnesota- Duluth campus, providing access to Research and Education Networks such as Internet2 and special Telemedicine programs supporting the UMD Medical School for GP physicians in rural Minnesota.
- U of M network scalable to support future growth of network to 40Gb and 100Gb systems
- Minimum bandwidth of 100 Mbps per School and Library
- The Enventis network will extend high capacity Internet Protocol/Ethernet service to 23 rural Minnesota counties passing 315,000 rural Minnesota households and 75,000 rural Minnesota businesses

Istrongly encourage the NTIA to grant the Greater Minnesota Broadband Collaborative – Enventis a grant to extend its advanced broadband network to rural Minnesota helping to expand economic opportunities and the creation of jobs benefiting the entire State of Minnesota.

With best wishes.

Sincerely,

James L. Oberstar, M.C.

JLO/jxs

PRINTED ON RECYCLED PAPER

OFFICE OF THE CHANCELLOR

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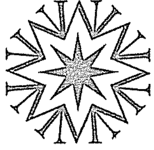

Minnesota
STATE COLLEGES
& UNIVERSITIES

March 24, 2010

To Whom It May Concern:

This letter is an endorsement for the Regional Fiber Middle Mile project proposed by Enventis in various segments of Minnesota. The proposed project to construct a new 191-mile fiber optic network linking Brainerd to Moorhead, with en-route lateral fiber connections into Detroit Lakes and Wadena, and a second, 213-mile fiber optic network linking the University of Minnesota-Duluth campus with the Twin Cities, with lateral builds into the cities of Harris, Hinckley, North Branch, Pine City, Rush City, Sandstone, White Bear Lake, and Wyoming will enable Enventis to leverage its existing 2800 mile statewide fiber optic network in offering high speed services to MNET used by the State agencies, higher education institutions, as well as the Judicial Branch of Minnesota.

Many of the communities in Enventis' routes described above have MnSCU campus locations. Availability of new high speed fiber connections at these locations will enable a redundant network design, resulting in increased availability at a competitive cost.

MnSCU has pioneered the remote delivery of live interactive teaching and learning experiences. Without the reliability offered by redundancy in the network, such initiatives to increase efficiencies and reduce environmental impact will be harder to implement. And without the necessary bandwidth to deliver instruction to rural populations, many people in remote areas of Minnesota have little or no access to higher education resources, job training, and skill development.

MnSCU traditionally has been the highest capacity publicly funded network in most areas of the state. Publicly-funded entities can provide long term support through anchor tenancy on high speed networks in under-served areas.

By successfully implementing the fiber infrastructure project, Enventis proposes to enhance its partnership role withMNET wide area network used by the State agencies, MnSCU and other public sector entities.

We hope that this project gets funding support and is successfully implemented.

Sincerely,

Carolyn Parnell
Chief Operations Officer
Minnesota State Colleges & Universities
350 Wells Fargo Place
30 East Seventh Street
Saint Paul, MN 55101-4947
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E-mail: Carolyn.Parnell@csu.mnscu.edu

The Minnesota State Colleges and Universities system is an Equal Opportunity employer and educator.

Southwest Minnesota Broadband Group

February 19, 2010

Broadband Technology Opportunities Program
National Telecommunications and Information Administration (NTIA)
U.S Department of Commerce
1401 Constitution Avenue, NW
Washington, DC 20230

Dear Administrator Strickling,

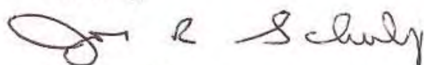
SUBJECT: Letter of Support for BTOP Grant Application Greater Minnesota Broadband Collaborative #4866

Southwest Minnesota Broadband Group wishes to express its support for the Hickory Tech application to develop broadband middle-mile fiber network connecting key institutions and providing a platform for competitive private sector servcies. We understand Hickory Tech will apply for a Broadband Technology Opportunities Program ARRA grant to help fund this project, and we support Hickory Tech in this grant application.

Southwest Minnesota Broadband Group was a recipient of a first round BIP award to provide fiber-to-the-premise services to over 3500 passings in under and unserved portions of rural southwestern Minnesota. We believe this network will allow service providers such as ourselves to obtain internet transit at rates that will allow us to keep our rates low to our customers and increase bandwidth opportunites.

Currently Southwest Minnesota Broadband Group has entered into discussions to bring Hickory Tech's proposed network to our ISP interconnection point in Windom, Minnesota. Southwest Minnesota Broadband Group strongly encourages the NTIA to award grant funding to Hickory Tech for this very worthwhile project.

Sincerely,



John Schultz
Lead Consultant-Southwest Minnesota Broadband Group