

Embarq CORP
Form 8-K
May 23, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) May 21, 2006

EMBARQ CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction

of incorporation)

001-32732
(Commission File Number)

20-2923630
(IRS Employer

Identification Number)

5454 W. 110th Street, Overland Park, Kansas
(Address of principal executive offices)

66211
(Zip Code)

Registrant's telephone number, including area code (913) 323-4637

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

 - .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

 - .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

 - .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

On May 21, 2006, the compensation committee (the Committee) of the board of directors of Embarq Corporation (Embarq) approved the grant of a total of 813,542 restricted stock units (RSUs) to 4,402 executive officers and other employees of Embarq who held outstanding stock options granted by Sprint Nextel Corporation (Sprint Nextel) that were converted to Embarq options in connection with Embarq's separation from Sprint Nextel as required under the Employee Matters Agreement between Sprint Nextel and Embarq dated as of May 17, 2006.

The RSUs were granted to these employees under Embarq's 2006 Equity Incentive Plan (the Plan). The Committee approved an aggregate grant of 275,531 RSUs to the executive officers of Embarq as follows:

| Name / Title | Number of RSUs |
|---|----------------|
| Daniel R. Hesse, <i>Chairman of the Board,</i> | 45,218 |
| <i>President and Chief Executive Officer</i> | |
| Gene M. Betts, <i>Chief Financial Officer</i> | 22,222 |
| William R. Blessing, <i>Senior Vice President</i> | 12,164 |
| <i>Corporate Strategy & Development</i> | |
| Harrison S. Campbell, <i>President Consumer Markets</i> | 10,347 |
| William E. Cheek, <i>President Wholesale Markets</i> | 8,019 |
| Melanie K. Coleman, <i>Controller</i> | 3,080 |
| Michael B. Fuller, <i>Chief Operating Officer</i> | 100,152 |
| Thomas A. Gerke, <i>General Counsel-Law and</i> | 33,306 |
| <i>External Affairs</i> | |
| E.J. Holland, Jr., <i>Senior Vice President</i> | 12,539 |
| <i>Human Resources</i> | |
| Thomas J. McEvoy, <i>President Business Markets</i> | 19,941 |
| Leslie H. Meredith, <i>Treasurer</i> | 8,543 |

The three-year time vested RSUs generally are designed to enhance employee productivity, morale and retention in connection with employees transfer of employment from Sprint Nextel to Embarq and to increase equity ownership interests in Embarq, thereby further aligning the interests of stockholders and employees. The RSUs are also intended to address employee expectations regarding fair economic treatment related to their transfer of employment from Sprint Nextel to Embarq and to allow Embarq to obtain a release of potential employment-related claims associated with such transfer.

An RSU entitles the holder to receive from Embarq either one share of Embarq stock at a particular date in the future or an amount of cash equal to the market value of one share of Embarq stock on such future date. An RSU represents a contractual right between the holder and Embarq and does not give the holder a preferred claim to any particular assets or shares of Embarq. The number and class of shares required to be delivered under each RSU is subject to adjustment for certain capital events involving Embarq's stock. In addition, each RSU gives the holder the right to receive cash dividend equivalents equal in value to those dividends paid on Embarq common stock.

The other material terms of the RSUs granted by the Committee are as follows:

The RSUs will vest in equal annual installments over a 3-year period from the RSU Grant Date (1/3 each year).

As additional independent consideration for the grant of the RSUs, Embarq will receive from each recipient of the RSUs a release of potential employment-related claims associated with the separation of Embarq from Sprint Nextel.

If the RSU holder voluntarily resigns or the RSU holder's employment is terminated by Embarq with or without cause before all or a portion of the RSUs vests, the unvested RSUs will be forfeited on the effective date of the termination of employment.

If the RSU holder dies or becomes disabled before all or a portion of the RSUs vest, all of the unvested RSUs will vest and be paid upon the holder's death or the date the holder is determined to be disabled.

If an RSU has been outstanding for at least one year, the RSU will vest when the holder attains age 65. If the RSU has not been outstanding for at least one year but the holder is age 65 or older, the RSU will vest on the first anniversary of the Grant Date.

If Embarq experiences a Change in Control as defined in the Plan, and a holder's employment is terminated by Embarq for a reason other than for cause, then all of the unvested RSUs which have been outstanding for at least one year will vest and become payable on the effective date of such holder's termination of employment. Certain employees, including certain executive officers, of Embarq have employment or severance agreements under which the vesting of outstanding RSUs following a Change in Control would accelerate if the employee resigns for a Good Reason, as defined under the employment or severance agreement.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits*

| Exhibit No. | Description |
|--------------------|---|
| 10.1 | Form of Special Equity Award Agreement for Individuals with Employment or Severance Agreements |
| 10.2 | Form of Special Equity Award Agreement for Individuals without Employment or Severance Agreements |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

EMBARQ CORPORATION

Date: May 23, 2006

By: /s/ Claudia S. Toussaint
Claudia S. Toussaint
Vice President and Corporate Secretary

EXHIBIT INDEX

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