True Drinks Holdings, Inc.
Form SC 13D/A
August 28, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**SCHEDULE 13D/A**

**Under the Securities Exchange Act of 1934**

**(Amendment No. 2)***

**TRUE DRINKS HOLDINGS, INC.**

**(Name of Issuer)**

**Common stock, par value $0.001 per share**

**(Title of Class of Securities)**

**897837100**

**(CUSIP Number)**

| Vincent C. Smith | LB 2, LLC | Red Beard Holdings, LLC |
|---|---|---|
| 2560 East Chapman Avenue #173 | 2560 East Chapman Avenue #173<br>Orange, CA 92869 | 2560 East Chapman Avenue #173<br>Orange, CA 92869 |
| Orange, CA 92869 | Attention: Manager | Attention: Manager |

*With a copy to:*

**Ryan C. Wilkins, Esq.**

**Stradling Yocca Carlson & Rauth, P.C.**

**660 Newport Center Drive**

**Newport Beach, CA 92660**

**(949) 725-4115**

**(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)**

**August 14, 2015**

**(Date of Event Which Requires Filing of this Statement)**

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§ 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. ¨

**Note:** Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See section 240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person s initial filing on this form with respect to subject class of securities, and for any subsequent amendment containing information which would alter disclosures in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 ( Act ) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

**1.** NAMES OF REPORTING PERSONS

**LB 2, LLC**

**2.** CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) ¨ (b) ¨

**3.** SEC USE ONLY

**4.** SOURCE OF FUNDS (see instructions)

**WC**

**5.** CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) (see instructions) ¨

**6.** CITIZENSHIP OR PLACE OF ORGANIZATION

**California**

| | | |
|---|---|---|
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | **7.** | SOLE VOTING POWER<br>**0** |
| | **8.** | SHARED VOTING POWER<br>**1,459,329** |
| | **9.** | SOLE DISPOSITIVE POWER<br>**0** |
| | **10.** | SHARED DISPOSITIVE POWER |

**1,459,329**

**11.** AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

**1,459,329**

**12.** CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (see instructions) ¨

**13.** PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**1.4% (1)**

**12.** TYPE OF REPORTING PERSON (see instructions)

**OO (LLC)**

(1) The percentage owned is based on 106,352,235 shares of Common Stock outstanding as of August 13, 2015, as reported by the Issuer in its Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2015, which was filed with the SEC on August 13, 2015.

*1.* *NAMES OF REPORTING PERSONS*

**Vincent C. Smith, Jr. Annuity Trust 2015-1**

**2.** CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) ¨ (b) ¨

**3.** SEC USE ONLY

**4.** SOURCE OF FUNDS (see instructions)

**AF**

**5.** CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) (see instructions) ¨

**6.** CITIZENSHIP OR PLACE OF ORGANIZATION

**California**

| | | |
|---|---|---|
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | **7.** | SOLE VOTING POWER<br><br>**0** |
| | **8.** | SHARED VOTING POWER<br><br>**60,300,000** |
| | **9.** | SOLE DISPOSITIVE POWER<br><br>**0** |
| | **10.** | SHARED DISPOSITIVE POWER |

**60,300,000**

**11.** AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

**60,300,000 (1)**

**12.** CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (see instructions) ¨

**13.** PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**49.4% (1)(2)**

**12.** TYPE OF REPORTING PERSON (see instructions)

**OO (TRUST)**

(1) Beneficial ownership is determined in accordance with Rule 13d-3 under the Act and includes voting or investment power with respect to the reported securities. Shares of the Issuer s common stock that may be acquired by the Reporting Person within 60 days are deemed to be outstanding for the purpose of computing the number and percentage of shares beneficially owned by the Reporting Person, but are not deemed to be outstanding for the purpose of computing the number or percentage of shares beneficially owned by the other Reporting Persons. As a result, the number of shares and percentage ownership reported by the Reporting Person does not reflect the actual ownership or voting power of the Reporting Person with respect to securities of the Issuer that are actually outstanding.

(2) The percentage owned is based on 106,352,235 shares of Common Stock outstanding as of August 13, 2015, as reported by the Issuer in its Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2015, which was filed with the SEC on August 13, 2015.

**1.** NAMES OF REPORTING PERSONS

**Red Beard Holdings, LLC**

**2.** CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) ¨ (b) ¨

**3.** SEC USE ONLY

**4.** SOURCE OF FUNDS (see instructions)

**WC**

**5.** CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) (see instructions) ¨

**6.** CITIZENSHIP OR PLACE OF ORGANIZATION

**Delaware**

| | | |
|---|---|---|
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | **7.** | SOLE VOTING POWER<br>**0** |
| | **8.** | SHARED VOTING POWER<br>**14,014,586** |
| | **9.** | SOLE DISPOSITIVE POWER<br>**0** |
| | **10.** | SHARED DISPOSITIVE POWER |

**14,014,586**

**11.** AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

**14,014,586 (1)**

**12.** CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (see instructions) ¨

**13.** PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**11.6% (1)(2)**

**12.** TYPE OF REPORTING PERSON (see instructions)

**OO (LLC)**

(1) Beneficial ownership is determined in accordance with Rule 13d-3 under the Act and includes voting or investment power with respect to the reported securities. Shares of the Issuer s common stock that may be acquired by the Reporting Person within 60 days are deemed to be outstanding for the purpose of computing the number and percentage of shares beneficially owned by the Reporting Person, but are not deemed to be outstanding for the purpose of computing the number or percentage of shares beneficially owned by the other Reporting Persons. As a result, the number of shares and percentage ownership reported by the Reporting Person does not reflect the actual ownership or voting power of the Reporting Person with respect to securities of the Issuer that are actually outstanding.

(2) The percentage owned is based on 106,352,235 shares of Common Stock outstanding as of August 13, 2015, as reported by the Issuer in its Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2015, which was filed with the SEC on August 13, 2015.

*1.* *NAMES OF REPORTING PERSONS*

**Vincent C. Smith**

**2.** CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) ¨ (b) ¨

**3.** SEC USE ONLY

**4.** SOURCE OF FUNDS (see instructions)

**PF**

**5.** CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) (see instructions) ¨

**6.** CITIZENSHIP OR PLACE OF ORGANIZATION

**United States of America**

| | | |
|---|---|---|
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | **7.** | SOLE VOTING POWER<br>**76,795,370** |
| | **8.** | SHARED VOTING POWER<br>**0** |
| | **9.** | SOLE DISPOSITIVE POWER<br>**76,795,370** |
| | **10.** | SHARED DISPOSITIVE POWER |

**0**

**11.** AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

**76,795,370 (1)**

**12.** CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (see instructions) ¨

**13.** PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

**56.5% (1)(2)**

**12.** TYPE OF REPORTING PERSON (see instructions)

**IN**

(1) Beneficial ownership is determined in accordance with Rule 13d-3 under the Act and includes voting or investment power with respect to the reported securities. Shares of the Issuer s common stock that may be acquired by the Reporting Person within 60 days are deemed to be outstanding for the purpose of computing the number and percentage of shares beneficially owned by the Reporting Person, but are not deemed to be outstanding for the purpose of computing the number or percentage of shares beneficially owned by the other Reporting Persons. As a result, the number of shares and percentage ownership reported by the Reporting Person does not reflect the actual ownership or voting power of the Reporting Person with respect to securities of the Issuer that are actually outstanding.

(2) The percentage owned is based on 106,352,235 shares of Common Stock outstanding as of August 13, 2015, as reported by the Issuer in its Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2015, which was filed with the SEC on August 13, 2015.

## EXPLANATORY NOTE

**Reference is hereby made to that certain statement on Schedule 13D filed with the Securities and Exchange Commission (the SEC) on June 16, 2015 relating to the beneficial ownership by certain of the Reporting Persons of the Common Stock of the Issuer. The Schedule 13D was amended by the filing of Amendment No. 1 to Schedule 13D with the SEC on July 23, 2015. This Amendment No. 2 to Schedule 13D is intended to amend and restate the Schedule 13D, as previously amended, in its entirety (as so amended, the Schedule 13D or the Statement).**

**The Reporting Persons hereby amend and restate the Schedule 13D as follows:**

### Item 1. Security and Issuer

This Schedule 13D relates to the shares of common stock, par value $0.001 per share (the Common Stock), of True Drinks Holdings, Inc., a Nevada corporation (the Company).

The principal executive offices of the Company are located at 118553 MacArthur Blvd., Suite 325, Irvine, California 92612.

### Item 2. Identity and Background

(a) This Schedule 13D is filed by the following persons:

LB 2, LLC, a limited liability company organized under the laws of California (LB 2);

the Vincent C. Smith, Jr. Annuity Trust 2015-1, a trust organized under the laws of California (the GRAT);

Red Beard Holdings, LLC, a limited liability company organized under the laws of Delaware (Red Beard); and

Vincent C. Smith, an individual (Mr. Smith and, together with LB 2, the GRAT and Red Beard, the Reporting Persons).

Mr. Smith is the Manager of LB 2 and has the sole right to vote and dispose of the securities held by LB 2. Mr. Smith is the sole trustee of the GRAT and has the sole right to vote and dispose of the securities held by the GRAT. Mr. Smith is the Manager of Red Beard and has the sole right to vote and dispose of the securities held by Red Beard.

The agreement among the Reporting Persons relating to the joint filing of this Statement is attached to this Statement as Exhibit 1.

(b) The business address for each of the Reporting Persons is 2560 East Chapman Avenue #173, Orange, California 92869.

(c) LB 2 and Red Beard are investment vehicles. The GRAT is a trust established by Mr. Smith for estate planning purposes. The principal occupation of Mr. Smith is Principal of Toba Capital.

(d) During the past five years, none of the Reporting Persons has been convicted in a criminal proceeding (excluding traffic violations and similar misdemeanors).

(e) During the past five years, none of the Reporting Persons has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and, as a result of such proceeding, was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

(f) This citizenship of the Reporting Persons is as follows:

LB 2 is a limited liability company organized under the laws of California;

the GRAT is a trust organized under the laws of California;

Red Beard is a limited liability company organized under the laws of Delaware; and

Mr. Smith is a citizen of the United States of America.

**Item 3. Source and Amount of Funds or Other Consideration**

The source of funds for the acquisition of the securities of the Company reported in this Statement as beneficially owned by the Reporting Persons was the available capital of LB 2, Red Beard and Mr. Smith, as applicable. None of the funds used to acquire the reported securities were borrowed or otherwise obtained for the purpose of acquiring the securities. For additional information about the acquisition of the reported securities, see the disclosure in Item 4 of this Statement, which is incorporated by reference into this Item 3.

**Item 4. Purpose of Transaction**

The securities of the Company to which this Statement relates have all been acquired by the Reporting Persons for investment purposes. A summary of the transactions pursuant to which the reported securities were acquired is set forth below.

February Purchase of Series C Preferred and Warrants

On February 20, 2015, LB 2 entered into a Securities Purchase Agreement with the Company, as amended by Amendment No. 1 to Securities Purchase Agreement, dated as of March 26, 2015 (as amended, the February Purchase Agreement ), pursuant to which LB 2 purchased 67,000 shares of the Company s Series C Convertible Preferred Stock, par value $0.001 per share (the Series C Preferred ) for $100 per share. Each share of Series C Preferred had a stated value of $100 per share (the Stated Value ), and was immediately convertible, at the option of each respective holder, into that number of shares of Common Stock equal to the Stated Value, divided by $0.15 per share. As a result, the 67,000 shares of Series C Preferred were convertible into 44,666,667 shares of Common Stock (the February Conversion Shares ). The terms of the Series C Preferred are more fully described in that certain First Amended and Restated Certificate of Designation, Preferences, Rights and Limitations of Series C Convertible Preferred Stock of the Company filed with the Secretary of State of Nevada on March 26, 2015 (the Certificate of Designation ).

Pursuant to the February Purchase Agreement, LB 2 also acquired warrants (the February Warrants ) to purchase an aggregate of 19,600,000 shares of Common Stock (the February Warrant Shares ). The February Warrants have a five-year term and are immediately exercisable for $0.15 per share.

In addition, LB 2 and the Company entered into a Registration Rights Agreement (the Registration Rights Agreement ) pursuant to which the Company agreed to register the February Conversion Shares and the February Warrant Shares pursuant to the Securities Act of 1933, as amended, on a Registration Statement on Form S-1. The Registration Statement was subsequently filed with and declared effective by the SEC.

Stockholder Consent to Increase Authorized Shares

Pursuant to that certain Information Statement on Schedule 14C, which was filed by the Company with the SEC on May 19, 2015, the Company disclosed that its stockholders had previously approved an increase in the number of authorized shares of the Common Stock (the Stockholder Consent ). Pursuant to Rule 14c-2 under the Act, the Stockholder Consent became effective on June 8, 2015, at which time the increase in the number of authorized shares of Common Stock became effective, resulting in the outstanding shares of Series C Preferred becoming eligible to be converted into the February Conversion Shares, and the February Warrants becoming eligible to be exercised for the February Warrant Shares. Prior to June 8, 2015, the Reporting Persons did not have the right or ability to convert the outstanding shares of Series C Preferred into the February Conversion Shares or to exercise the February Warrants for the February Warrant Shares because there were insufficient authorized shares of Common Stock to allow for the conversion or exercise.

Transfer of Shares of Series C Preferred and Warrants

In June 2015, all of the shares of Series C Preferred and all of the February Warrants acquired pursuant to the February Purchase Agreement were transferred to the GRAT. Mr. Smith is the sole trustee of the GRAT and has retained investment control over the securities held by the GRAT.

Additional Purchases of Common Stock

Through a series of open-market purchases made during July 2015, LB 2 acquired an aggregate of 577,185 additional shares of Common Stock. For additional information, see the disclosure in Schedule A of this Statement.

As a result of these transactions, as well as prior open-market purchases of Common Stock, LB 2 is reporting beneficial ownership of 1,459,329 shares of Common Stock.

Conversion of Series C Preferred

On July 30, 2015, the GRAT delivered a notice of conversion to the Company with respect to the full amount of the February Conversion Shares. As a result of the conversion, the 67,000 shares of Series C Preferred were converted into 44,666,667 shares of Common Stock. The GRAT continues to hold all of these February Conversion Shares. In addition, the GRAT continues to hold all of the February Warrants, which are immediately exercisable for 15,633,333 shares of Common Stock.

As a result of these transactions, the GRAT is reporting beneficial ownership of 60,300,000 shares of Common Stock.

August Purchase of Series C Preferred and Warrants

On August 13, 2015, Red Beard entered into a Securities Purchase Agreement with the Company (the August Purchase Agreement ), pursuant to which Red Beard (i) purchased 7,942 shares of the Series C Preferred effective as of August 13, 2015 (the Initial Investment ), and (ii) agreed to purchase an additional 6,177 shares of the Series C Preferred on August 28, 2015 (the Second Investment ), in each case for $113.33 per share. Because Red Beard has completed the Initial Investment and is irrevocably committed to complete the Second Investment, Red Beard may be deemed to beneficially own an aggregate of 14,119 shares of Series C Preferred. Each share of Series C Preferred has a stated value of $100 per share (the Stated Value ) and is immediately convertible, at the option of the holder, into that number of shares of Common Stock equal to the Stated Value, divided by $0.17 per share. As a result, the 14,119 shares of Series C Preferred are convertible into 8,305,294 shares of Common Stock.

In connection with the August Purchase Agreement, the Company filed a Second Amended and Restated Certificate of Designation, Preferences, Rights and Limitations of Series C Convertible Preferred Stock with the Secretary of State of Nevada on August 12, 2015 (the Amended Certificate of Designation ).

Pursuant to the August Purchase Agreement, Red Beard also acquired warrants (the August Warrants ) to purchase that number of shares of Common Stock equal to 35% of the number of shares of Common Stock underlying the shares of Series C Preferred acquired in the Initial Investment and to be acquired in the Second Investment. Because Red Beard has completed the Initial Investment and is irrevocably committed to complete the Second Investment, Red Beard may be deemed to beneficially own the August Warrants to be issued pursuant to the Initial Investment and the Second

Investment, which are exercisable for an aggregate of 2,906,852 shares of Common Stock. The August Warrants have a five-year term and are immediately exercisable for $0.17 per share.

Pursuant to the August Purchase Agreement, Red Beard also acquired an option to purchase an additional 3,529 shares of the Series C Preferred for $113.33 per share, which is exercisable on or before September 15, 2015 (the Option ). The 3,529 shares of Series C Preferred would be convertible into 2,075,882 shares of the Common Stock. In addition, Red Beard would receive additional warrants to purchase 35% of the number of shares of Common Stock underlying the shares of Series C Preferred purchased upon exercise of the Option (the September Warrants ). Accordingly, if the Option is exercised in full, Red Beard would receive September Warrants to purchase an aggregate of 726,558 shares of the Common Stock. Upon issuance, the September Warrants would have a five-year term and would be immediately exercisable for $0.17 per share. In accordance with Rule 13d-3 under the Act, because the Option is exercisable within 60 days and such exercise is within the discretion of Red Beard, and because the shares of Series C Preferred and September Warrants to be received upon such exercise would be immediately convertible or exercisable, as applicable, Red Beard may be deemed to be the beneficial owner of all of the shares of Common Stock underlying the Option.

As a result of these transactions, Red Beard is reporting beneficial ownership of (i) the 8,305,294 shares of Common Stock into which the shares of Series C Preferred (issued as a result of the Initial Investment and to be issued as a result of the Second Investment) are convertible, (ii) the 2,906,852 shares of Common Stock for which the August Warrants are exercisable, (iii) the 2,075,882 shares of Common Stock into which the shares of Series C Preferred (that may be acquired upon exercise of the Option) would be convertible, and (iv) the 726,558 shares of Common Stock for which the September Warrants would be exercisable. Accordingly, Red Beard is reporting beneficial ownership of an aggregate of 14,014,586 shares of Common Stock.

Beneficial Ownership of Mr. Smith

Mr. Smith is the Manager of LB 2 and has the sole right to vote and dispose of the securities held by LB 2. In addition, Mr. Smith is the sole trustee of the GRAT and has the sole right to vote and dispose of the securities held by the GRAT. Furthermore, Mr. Smith is the Manager of Red Beard and has the sole right to vote and dispose of the securities held by Red Beard. As a result, Mr. Smith has sole voting and dispositive power over the securities reported by him and by each of the other Reporting Persons, and each of the other Reporting Persons has shared voting and dispositive power over the securities reported by that Reporting Person.

In addition to the shares of Common Stock reported as being beneficially owned by the Reporting Persons above, Mr. Smith holds 1,021,445 shares of Common Stock in an Investment Retirement Account of which he is the sole owner.

As a result of the aforementioned transactions and relationships, Mr. Smith is reporting beneficial ownership of an aggregate of 76,795,370 shares of Common Stock.

Summary of Referenced Documents

The foregoing descriptions of the February Purchase Agreement, the Certificate of Designation, the February Warrants, the Registration Rights Agreement, the August Purchase Agreement, the Amended Certificate of Designation and the August Warrants do not purport to be complete and are qualified in their entirety by reference to the full text of those documents, each of which is included as an exhibit to this Statement. For additional information, see the disclosure in Item 7 of this Statement, which is incorporated by reference into this Item 4.

Plans or Proposals of Reporting Persons

The Reporting Persons have no present plans or proposals that would relate to or result in any of the matters set forth in subparagraphs (a)-(j) of Item 4 of Schedule 13D.

The Reporting Persons intend to review their investments in the Company on a continuing basis and have in the past and may in the future engage in discussions with management, the board of directors, other stockholders and other relevant parties concerning the business, operations, board composition, management, strategy and future plans of the Company. Depending on various factors including, without limitation, the results of any such discussions; the Company s operating results, financial position and business strategy; the trading price of the Common Stock; conditions in the securities market; and general economic and industry conditions, the Reporting Persons may in the future take such actions with respect to their investments in the Company as they deem appropriate. These actions may include, but are not limited to, purchasing additional shares of Series C Preferred or Common Stock; converting additional shares of Series C Preferred into Common Stock; exercising the Option (in whole or in part) to acquire additional shares of Series C Preferred; exercising the February Warrants, August Warrants and/or September Warrants (in whole or in part); purchasing additional securities of the Company that it may issue from time to time; selling some or all of their shares of Series C Preferred Stock or Common Stock (or such additional securities of the Company that it may issue from time to time), subject to compliance with applicable law; engaging in any hedging or similar transactions with respect to the Company s securities, subject to compliance with applicable law; seeking additional board representation; taking other action to effect changes in the board composition, ownership structure or operations of the Company; encouraging the Company to pursue one or more strategic transactions or strategic alternatives to its current business; and/or otherwise changing their intention with respect to any and all matters referred to in subparagraphs (a)-(j) of Item 4 of Schedule 13D.

**Item 5. Interest in Securities of the Issuer**
The information set forth on the Cover Pages to this Statement, and in Item 4 of this Statement, is incorporated by reference into this Item 5.

(a) Information about the number of shares of Common Stock, and the percentage of Common Stock, beneficially owned by each Reporting Person is set forth below:

**LB 2, LLC**

Number of Shares Beneficially Owned: 1,459,329 (see Row 11 of the Cover Page)

Percentage of Class: 1.4% (see Row 13 of the Cover Page)

**Vincent C. Smith, Jr. Annuity Trust 2015-1**

Number of Shares Beneficially Owned: 60,300,000 (see Row 11 of the Cover Page)

Percentage of Class: 49.4% (see Row 13 of the Cover Page)

**Red Beard Holdings, LLC**

Number of Shares Beneficially Owned: 14,014,586 (see Row 11 of the Cover Page)

Percentage of Class: 11.6% (see Row 13 of the Cover Page)

**Vincent C. Smith**

Number of Shares Beneficially Owned: 76,795,370 (see Row 11 of the Cover Page)

Percentage of Class: 56.5% (see Row 13 of the Cover Page)

With respect to each of the Reporting Persons, beneficial ownership is determined in accordance with Rule 13d-3 under the Act and includes voting or investment power with respect to the reported securities. Shares of Common Stock that may be acquired by a Reporting Person within 60 days are deemed to be outstanding for the purpose of computing the number and percentage of shares beneficially owned by the Reporting Person, but are not deemed to be outstanding for the purpose of computing the number or percentage of shares beneficially owned by the other Reporting Persons. As a result, the number of shares and percentage ownership reported by each Reporting Person does not reflect the actual ownership or voting power of the Reporting Person with respect to securities of the Company that are actually outstanding.

The percentage of class reported as beneficially owned is based on 106,352,235 shares of Common Stock outstanding as of August 13, 2015, as reported by the Issuer in its Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2015, which was filed with the SEC on August 13, 2015.

(b) Mr. Smith is the Manager of LB 2 and has the sole right to vote and dispose of the securities held by LB 2. In addition, Mr. Smith is the sole trustee of the GRAT and has the sole right to vote and dispose of the securities held by the GRAT. Furthermore, Mr. Smith is the Manager of Red Beard and has the sole right to vote and dispose of the securities held by Red Beard. As a result, Mr. Smith has sole voting and dispositive power over the securities reported by him and by each of the other Reporting Persons, and each of the other Reporting Persons has shared voting and dispositive power over the securities reported by that Reporting Person.

(c) This Schedule 13D was originally filed with the SEC on June 16, 2015, and was previously amended by the filing of Amendment No. 1 to Schedule 13D with the SEC on July 23, 2015. This Amendment No. 2 to Schedule 13D is intended to amend and restate the Schedule 13D in its entirety. As a result, certain of the Reporting Persons are reporting on Schedule A to this Schedule 13D transactions in the Common Stock during the period beginning 60 days prior to the date of the original filing of the Schedule 13D through the filing date of this Amendment No. 2 to Schedule 13D. Except as set forth on Schedule A and disclosed in Item 4 of this Statement, during the past 60 days, the Reporting Persons have not effected any transactions in the Company s securities.

(d) Not applicable.

(e) Not applicable.

**Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer**

Other than as described in this Statement, there are no contracts, arrangements, understandings or relationships among the Reporting Persons and between any of the Reporting Persons and any other person with respect to securities of the Issuer.

**Item 7. Material to be Filed as Exhibits**

The Certificate of Designation, the February Purchase Agreement, the February Warrants and the Registration Rights Agreement are incorporated herein by reference to Exhibits 3.1, 10.1, 10.2 and 10.3, respectively, to the Company s Current Report on Form 8-K filed with the SEC on February 24, 2015.

The Amended Certificate of Designation, the August Purchase Agreement and the August Warrants are incorporated herein by reference to Exhibits 3.1, 10.1 and 10.2, respectively, to the Company s Current Report on Form 8-K filed with the SEC on August 18, 2015.

SIGNATURE

After reasonable inquiry and to the best of the undersigned s knowledge and belief, the undersigned certifies that the information set forth in this Statement is true, complete and correct.

Date: August 27, 2015

**LB 2, LLC**

By: /s/: Vincent C. Smith
Name: Vincent C. Smith
Title: Manager

**Vincent C. Smith, Jr. Annuity Trust 2015-1**

By: /s/: Vincent C. Smith
Name: Vincent C. Smith
Title: Trustee

**Red Beard Holdings, LLC**

By: /s/: Vincent C. Smith
Name: Vincent C. Smith
Title: Manager

**Vincent C. Smith**

/s/: Vincent C. Smith

days into our earnings-related blackout period under our securities law compliance policy; however, our Board of Directors determined that special considerations warranted the grant at that time, as permitted by the Equity Grant Policy. The 2008 annual equity award was the only grant made to our named executive officers in 2008.

*Determination of the Number of Securities Granted*. Once the Committee sets the dollar value of the equity grants to be made, it determines the number of securities to be granted by using a 30-day volume-weighted average stock price. Using an average price calculated this way allows for normalization of the stock price over the period measured and minimizes the effect of price volatility. We believe this methodology is more appropriate than using a spot price or single-day methodology, since these two approaches may be affected by a significant one-time price event. The 30-day period generally will be one ending as close as practicable to the date of the meeting at which the grant is approved.

The values reported in the Grants of Plan-Based Awards table may differ from the grant values approved by the Committee because the table uses the closing price on the date of grant to value the awards, whereas the Committee uses the 30-day volume-weighted average stock price to determine the number of RSUs and options to grant.

*Exercise Price*. Our 2006 and 2008 Equity Incentive Plans both provide that the exercise price of stock options be equal to at least the closing price of a share of our common stock on the grant date.

***Executive Stock Ownership Guidelines***

Our Corporate Governance Guidelines include executive stock ownership guidelines, which require our Chief Executive Officer to own Embarq securities equal in value to 5 times his base salary, and other named executive officers to own Embarq securities equal in value to 2 or 3 times their base salaries, depending on their positions. Individuals have 5 years to comply with these guidelines from the time they become subject to them. We believe the guidelines focus our named executive officers on increasing shareholder value. Certain other executives also are subject to ownership guidelines for the same reason. The ownership levels were determined in consultation with the Compensation Committee s advisor and based on common market practices.

***Hedging Policy***

Our Securities Law Compliance Policy prohibits our employees, including our named executive officers, from engaging in any hedging transaction (including short sales and derivative transactions) whereby the participant would profit from a devaluation of our securities.

***Compensation Recoupment***

Our Corporate Governance Guidelines provide that we may recover compensation awarded to or received by certain executives, including our named executive officers, if the Board of Directors determines that such compensation was awarded or paid based on any financial result or operating metric that was impacted by the knowingly or intentionally fraudulent or illegal conduct of the executive. Our Board of Directors makes all determinations regarding compensation recoupment, including appropriate recovery amounts.

***Executive Severance Policy***

In February 2008, our Board of Directors approved a policy regarding future executive severance arrangements. Under the policy, we agree to seek shareholder approval on any future severance arrangements under which certain senior officers would have a severance benefit that exceeds 2.99 times the sum of the following three items:

(1) the officer s highest annual base salary in the 3-year period consisting of the year of termination and the immediately preceding 2 years, plus

(2) either the officer s highest annual target-level STI amount during that 3-year period, or the highest STI amount actually paid to the officer in any of the 3 years preceding the year of termination, plus

(3) the value (in cash or kind) of continued participation (including vesting credit) in the Company s welfare, retirement and equity compensation plans, determined as if the officer were to remain employed with the Company for 2.99 years following the termination date.

Under the policy, we are not required to seek shareholder approval before an officer commences participation in the Executive Severance Plan or in any retention program or arrangement associated with an extraordinary corporate transaction, such as the pending merger with CenturyTel.

**2009 Compensation Decisions**

***2009 Base Salaries***

To control costs in the face of a significant economic recession and continuing aggressive business competition, the Company determined to forgo 2009 annual base salary increases for all executive-level employees, including the named executive officers.

***2009 Long-Term Incentive Program***

In January 2009, our Compensation Committee approved the 2009 LTI target-level opportunities for our executive employees, including the named executive officers (except for Mr. Gerke). The Committee also approved the design parameters for the 2009 annual LTI awards. The awards were granted in February 2009. Also in February, the Committee determined Mr. Gerke s LTI target-level opportunity. In designing the terms of the 2009 LTI awards, the Committee made the retentive capacity of the award its key consideration in light of the pending merger with CenturyTel. The Committee determined that by structuring the 2009 LTI program with retentive characteristics, it was not necessary to make additional merger-related retention awards to the named executive officers.

The 2009 LTI program provides for the acceleration of vesting in a manner designed to have a substantial retentive effect while not creating a windfall for individuals who do not continue with the combined company following the completion of the merger. The program provides that to receive any portion of the RSU award, the named executive officer must be employed on the earlier of the date of completion of the CenturyTel merger and July 26, 2009. If the executive s employment is terminated (either by the Company without cause or by the employee for good reason) within 12 months after the CenturyTel change in control, and if the executive has completed any Company-desired transition period of up to 12 months, the RSU award will be accelerated as of the last day worked. Specifically, if the named executive officer s last day worked is up to 6 months after the grant date, 50% of the award will vest; and if the last day worked is 12 months after the grant date, 100% of the award will vest. If a named executive officer s termination occurs between 6 and 12 months after grant, a pro-rated number of RSUs will vest based on the number of months between the grant date and the last day worked, divided by 12. If, after July 26, 2009, an executive is involuntarily terminated (without cause and not in connection with a change in control), the RSUs will continue to vest during the executive s severance period; all unvested RSUs will be cancelled at the conclusion of the severance period. A complete description of the 2009 LTI award and the form of award agreement can be found in our current report on Form 8-K filed with the SEC on March 5, 2009.

The 2009 LTI opportunities were maintained at the same dollar value as the 2008 opportunities for all named executive officers. The Committee decided that for 2009, 100% of the LTI opportunity would be awarded in the form of time-vested RSUs in contrast to prior years in which the LTI program awarded performance-based RSUs and time-vested stock options. In light of the pending merger with CenturyTel, the Committee determined that time-vested RSUs supported the desired retentive goals better than performance-based RSUs or stock options. The 2009 RSUs vest ratably over a 3-year period (34% in February 2010, 33% in each of February 2011 and 2012). In deciding not to include a performance component in the award, the Committee also considered the uncertainty and difficulty in establishing appropriate performance targets and measuring performance in light of the pending merger with CenturyTel. The number of RSUs granted to each named executive officer was determined by using a stock price of $36.10, which was the volume-weighted average price for the 30-day period ending February 13, 2009.

***2009 Short-Term Incentive Program***

On February 27, 2009, the Compensation Committee approved the design of our 2009 STI program. In consideration of the pending merger with CenturyTel, the performance period chosen was the 6-month period ending June 30, 2009. If the merger closes before June 30, 2009, the final payout will be calculated based upon our financial results from the most recently completed month. For the 2009 STI program, the Committee approved the same 2 financial performance objectives used in 2008: adjusted telecommunications services revenue (35% weighting) and adjusted operating cash flow (65% weighting). (The Committee decided not to include customer satisfaction improvement as a performance objective because of the difficulty of effectively measuring improvement over the shortened performance period.) The payout calculation is subject to the discretion of the Committee and may be decreased to 0% or increased to 200% of an individual s target-level opportunity. Consistent with the requirements of the STI program, the 2 financial metrics will again be adjusted to exclude the effects of certain significant items that were not included in our budget, such as gains or losses not resulting from core business operations, significant one-time charges and other significant non-recurring events. These adjustments ensure that payouts will be based on the actual performance of our business.

***LTI Award Performance Adjustments***

The 2007 annual equity award included a grant of performance-based RSUs. These RSUs were to vest and be subject to performance adjustments in 2 equal tranches, with vesting on February 22, 2009 and February 22, 2010. The February 2009 performance adjustment was based on the Company s performance against 2 metrics return on invested capital ( ROIC ); and total shareholder return ( TSR ) as compared to the S&P 500® index s total return both measured over the 2-year period ending December 31, 2008. The two metrics were each given a 50% weighting. The 2010 tranche will be adjusted using the same metrics and weightings over the 3-year period ending December 31, 2009.

In accordance with the 2007 LTI program, the Committee approved adjustments to exclude the effects of certain significant items that were not included in our budget, such as gains or losses not resulting from core business operations, significant one-time charges and significant non-recurring events. Following these adjustments, ROIC was

16.1% as compared to the 15.4% target, resulting in a payout of 188%. For TSR, the target was set at the point where the Embarq annualized return essentially equaled the annualized return of the S&P 500®. The result was a TSR 147 basis points above the target, resulting in a payout of 115%. The total adjustment percentage associated with the February 22, 2009 vesting was 151.5%, calculated as follows:

| **Performance Metric** | **Payout X Weighting** | **Payout %** |
|---|---|---|
| ROIC | 188% X 50% | 94% |
| TSR | 115% X 50% | 57.5% |
| Total Performance Adjustment Factor | | 151.5% |

Dividend equivalents were calculated on the total adjusted RSUs for the period since the grant date and were paid to the named executive officers after the performance adjustment was made.

The second tranche of the 2007 LTI RSU award and all of the 2008 LTI RSU award continue to be subject to performance adjustment. If the merger with CenturyTel is completed, these performance-based RSUs will convert into time-vested RSUs in accordance with the terms of the Agreement and Plan of Merger, dated as of October 26, 2008, between Embarq, CenturyTel and Cajun Acquisition Company. The merger agreement and the conversion terms for the RSUs are described in the registration on Form S-4/A that CenturyTel filed with the SEC (registration no. 333-155521) on December 22, 2008 (the Merger S-4 ).

**Compensation Committee Report**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K.

Based on this review and discussion with management, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this amendment to the annual report on Form 10-K/A.

The Compensation Committee

Laurie A. Siegel, Chair

Richard A. Gephardt

Dinesh C. Paliwal

Stephanie M. Shern

APPENDIX A

**2008 RADFORD EXECUTIVE SURVEY ALL INDUSTRY COMPANIES OVER $3B IN REVENUE**

| | | |
|---|---|---|
| Abbott Labs | Accenture | Adobe Systems |
| Advanced Micro Devices | Affiliated Computer Services | Agilent Technologies |
| Alcatel Lucent | Alltel | Amazon.com |
| AmDocs | American Power Conversation | AOL |
| APL | Apple | Applied Materials |
| Arrow Electronics | ASML | AT&T |
| Avaya | BAE Systems | BAE Systems Land and Armament |
| Battelle Memorial Institute | Bell Microproducts | Blue Shield of California |
| Boston Scientific | Broadcom | CA |
| CDW Corporation | Celanese Chemical | Celtica International |
| CISO Systems | Computer Sciences | Corning |
| Covidien | Dell | DIRECTV |
| Discovery Communications | DRS Technologies | Eastman Kodak Company |
| eBay | Electronic Arts | Electronic Data Systems |
| Embarq | EMC | Experian |
| Flextronics International | Freddie Mac | Freescale Semiconductor |
| Genentech | General Dynamics | Google |
| Harris | Henkel of America | Hitachi America |
| Hitachi Global Storage Technologies | Insight | Intel |
| Intuit | Johnson Controls | KPMG |
| Lenovo | Level 3 Communications | Lexmark International |
| Marvell | McKesson | Micron Technology |
| Microsoft | Molex | Motorola |
| NCR | NEC Electronics America | NetApp |
| Nintendo of America | Nokia US | Nortel |
| NVIDIA | Oracle | Panasonic Corporation North America |
| Philips Healthcare | Pitney Bowes | Qimonda North America |
| Qualcomm | Qwest Communications | Research-In-Motion US |
| Robert Half International | Sabre Holdings | Samsung Telecom America |
| Sandisk | Sanmina | SAP America |
| Schlumberger | Science Applications International | Seagate Technology |
| Siemens Corporation | Sony Computer Entertainment America | Sony Corporation of America |
| Sony Electronics | Sprint Nextel | Stryker Endoscopy |
| Sungard | Symantec | SYNNEX |
| T-Mobile | Texas Instruments | The Clorox Company |
| Thermo Fisher Scientific | Thomson Reuters US (FKA REUTERS) | Ticketmaster |
| Verizon Wireless | VISA USA | Wells Fargo Bank |
| Western Digital | Williams Sonoma | Windstream Communications |
| Yahoo! | | |

**2008 RADFORD EXECUTIVE SURVEY TELECOMMUNICATIONS COMPANIES - $1-3B IN REVENUE**

| | | |
|---|---|---|
| ADC | Cricket Communications | Earthlink |
| Ericsson | Hughes Network Systems | Intelsat |
| JDS Uniphase | NEC Corp of America | Tellabs |
| Trimble Navigation | UTStarcom | Virgin Mobile |
| XO Holdings | | |

**2008 COMPENSATION DATA BANK® EXECUTIVE COMPENSATION SURVEY - $3-10B REVENUE GROUP**

| | | |
|---|---|---|
| Advanced Micro Devices | Agilent Technologies | Air Products and Chemicals |
| Alcon Laboratories | Allegheny Energy | Allergan |
| Alliant Energy | Alliant Techsystems | Ameren |
| American Axle & Manufacturing | Ameriprise Financial | A&P |
| Applied Materials | Armstrong World Industries | ArvinMeritor |
| Atmos Energy | Automatic Data Processing | Avaya |
| Avery Dennison | Avis Budget Group | Avon |
| Ball | Battelle Memorial Institute | BB&T |
| BD | Big Lots | Black & Decker |
| Blockbuster | Blue Cross Blue Shield of Florida | Boston Scientific |
| Building Materials Holding | CA | Cablevision Systems |
| Calpine | Cameron International | Campbell Soup |
| Catholic Healthcare West | CB Richard Ellis Group | Celestica |
| CenterPoint Energy Company | Chemtura | Chiquita Brands |
| Clear Channel Communications | Clorox | CMS Energy |
| Comerica | Constellation Brands | Corning |
| Crown Holdings | CSX | Cytec |
| Dana | Darden Restaurants | Dick s Sporting Goods |
| Discovery Communications | Dow Corning | DTE Energy |
| Eastman Chemical | EBay | Eco Lab |
| El Paso Corporation | EMCOR Group | Erie Insurance |
| Federal-Mogul | Fifth Third Bancorp | First Data |
| First Horizon National | Fiserv | Flowserve |
| Foot Locker | Forest Laboratories | Fortune Brands |
| Foster Wheeler | Franklin Resources | Gannett |
| Genentech | Genzyme | Gilead Sciences |
| Goodrich | Hanesbrands | Harley-Davidson |
| Harman International Industries | Harsco | Hasbro |
| Henry Schein | Hershey | Hilton Hotels |
| H.J. Heinz | Horizon Blue Cross Blue Shield of New Jersey | Hormel Foods |
| Host Hotels & Resorts | Hovnanian Enterprises | H&R Block |
| IAC/InterActive | Idearc Media | IKON Office Solutions |
| Integrys Energy Group | ITT Corporate | Jacobs Engineering |
| Jarden | Kelly Services | KeyCorp |
| Kindred Healthcare | Leggett and Platt | Level 3 Communications |
| Lexmark International | Lincoln Financial | Longs Drug Stores |
| Marshall & Ilsley | MasterCard | Mattell |
| McGraw-Hill | MDC Holdings | MDU Resources |
| MeadWestvaco | Mellon Financial | Mercury Insurance |
| Mirant | Molson Coors Brewing | Monsanto Company |
| Mosaic | M&T Bank | Nalco |
| Nationwide | Navistar International | NCR |
| New York Times | Norfolk Southern | Northeast Utilities |
| Northern Trust | NOVA Chemicals | NRG Energy |
| NSTAR | OGO Energy | Owens Corning |
| Owens-Illinois | Parker Hannifin | Pepco Holdings |
| PepsiAmericas | Pinnacle West Capital | Pitney Bowes |
| PNC Financial Services | Polo Ralph Lauren | PPL |
| Praxair | Principal Financial | Progress Energy |
| Qualcomm | Quest Diagnostics | Regions Financial |
| Reinsurance Group of America | Reynolds American | Robert Half International |
| Rockwell Automation | Rockwell Collins | Rohm and Haas |
| Ryder System | SAFECO | SAIC |
| SCANA | Seagate Technology | Sherwin-Williams |
| SIRVA | SLM | Smurfit-Stone Container |

| | | |
|---|---|---|
| Sonoco Products | Sovereign Bancorp | |
| Spectra Energy | Stanford University | Starbucks |
| Starwood Hotels & Resorts | State Street | Steelcase |
| Stryker | Symantec | Synovus |
| TAP Pharmaceuticals | Temple-Inland | Tenet Healthcare |
| Tennessee Valley Authority | Terex | Thomson Reuters |
| Timken | Tribune | Trinity Industries |
| Union Bank of California | Unisys | United Rentals |
| United States Cellular | USG | VF |
| Vulcan Materials | Washington Post | Wellcare Health Plans |
| Western Union | Whole Foods Market | Williams-Sonoma |
| Winn-Dixie Stores | Wisconsin Energy | Wm. Wrigley Jr. Company |
| W.W. Grainger | Wyndham Worldwide | Xcel Energy |
| Yahoo! | Yum! Brands | |

**SUMMARY COMPENSATION TABLE**

The table below summarizes the compensation of our named executive officers for the fiscal year ended December 31, 2008.

| Name and Principal Position | Year | Salary ($) | Bonus ($) | Stock Awards ($) (2) | Option Awards ($) (3) | Non-equity Incentive Plan Compensation ($) (4) | Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (5) | All Other Compensation ($) (6) | Total ($) |
|---|---|---|---|---|---|---|---|---|---|
| Thomas A. Gerke - Chief | 2008 | $ 834,292(1) | $ 0 | $ 2,044,210 | $ 726,026 | $ 852,045 | $ 120,533 | $ 61,457 | $ 4,638,563 |
| Executive Officer | 2007 | $ 472,907 | $ 0 | $ 1,827,074 | $ 786,590 | $ 508,935 | $ 61,623 | $ 3,825 | $ 3,660,954 |
| | 2006 | $ 460,558 | $ 501,900 | $ 818,410 | $ 655,215 | $ 365,910 | $ 57,489 | $ 22,557 | $ 2,882,039 |
| Gene M. Betts - Chief | 2008 | $ 532,644(1) | $ 0 | $ 1,001,929 | $ 444,342 | $ 466,400 | $ 140,696 | $ 5,250 | $ 2,591,261 |
| Financial Officer | 2007 | $ 444,867 | $ 0 | $ 1,104,035 | $ 430,552 | $ 483,116 | $ 81,847 | $ 4,425 | $ 2,548,842 |
| | 2006 | $ 421,879 | $ 356,809 | $ 424,894 | $ 263,905 | $ 335,879 | $ 60,479 | $ 4,242 | $ 1,868,087 |
| Harrison S. Campbell - | 2008 | $ 415,132(1) | $ 0 | $ 832,240 | $ 443,420 | $ 310,580 | $ 56,889 | $ 5,250 | $ 2,063,511 |
| President Consumer | 2007 | $ 406,336 | $ 164,000 | $ 1,210,429 | $ 518,362 | $ 439,399 | $ 36,397 | $ 4,717 | $ 2,779,640 |
| | 2006 | $ 395,707 | $ 0 | $ 549,038 | $ 318,120 | $ 314,383 | $ 31,212 | $ 21,240 | $ 1,629,700 |
| Dennis G. Huber - Chief Technology Officer | 2008 | $ 401,671(1) | $ 0 | $ 513,427 | $ 271,678 | $ 257,581 | $ 64,343 | $ 4,350 | $ 1,513,500 |
| Thomas J. McEvoy - | 2008 | $ 415,132(1) | $ 0 | $ 833,105 | $ 442,157 | $ 310,580 | $ 77,956 | $ 5,250 | $ 2,084,180 |
| President Business | 2007 | $ 406,336 | $ 169,491 | $ 1,213,784 | $ 491,222 | $ 439,399 | $ 47,544 | $ 5,060 | $ 2,772,836 |

1. Reflects base salary paid to the named executive officers during 2008, reflecting base salary increases that went into effect in the first quarter of 2008.
2. Reflects compensation expense recognized during the fiscal year in accordance with SFAS 123R, disregarding estimates of forfeitures, with respect to Sprint Nextel RSUs and Embarq RSUs held by the named executive officers. Assumptions used in the calculation of compensation expense for Embarq RSUs are included in Note 7 to our consolidated financial statements for the fiscal year ended December 31, 2008 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission. Assumptions used in the calculation of compensation expense for Sprint Nextel RSUs include the types of assumptions described in Note 7 to our consolidated financial statements for the fiscal year ended December 31, 2008 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission and are based on the average of the high and low price of Sprint Nextel shares on the date of grant. The 2006 value represents our expense following the spin-off. For the period January 1, 2006 through May 17, 2006, equity based compensation expense was allocated to us by our former parent, Sprint Nextel, based on total headcount. As such, the methodology by which these amounts were expensed does not permit computation on an individual-by-individual basis. For illustrative purposes only, assuming the spin-off had occurred on January 1, 2006 and the expense allocation described had not occurred, the compensation expense we would have recognized during the January 1, 2006 to May 17, 2006 period for stock awards would have approximated: $350,000 for Mr. Gerke, $150,000 for Mr. Betts and $230,000 for Mr. Campbell.

3. Reflects compensation expense recognized during the fiscal year in accordance with SFAS 123R, disregarding estimates of forfeitures, with respect to Embarq stock options held by named executive officers. Assumptions used in the calculation of this amount are included in Note 7 to our consolidated financial statements for the fiscal year ended December 31, 2008 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission. The 2006 value represents our expense following the spin-off. For the period January 1, 2006 through May 17, 2006, equity based compensation expense was allocated to us by our former parent, Sprint Nextel, based on total headcount. As such, the methodology by which these amounts were expensed does not permit computation on an individual-by-individual basis. For illustrative purposes only, assuming the spin-off had occurred on January 1, 2006 and the expense allocation described had not occurred, the additional compensation expense we would have recognized during the January 1, 2006 to May 17, 2006 period for stock options would have approximated: $400,000 for Mr. Gerke, $130,000 for Mr. Betts and $180,000 for Mr. Campbell.
4. The value reflects the amount earned under our STI program through December 31 of the year reported, and approved by our Compensation Committee in February of the following year, and paid to our named executive officers shortly thereafter.
5. Amounts listed for 2008 are solely attributable to the aggregate change in actuarial present value of the named executive officer s accumulated benefit under our pension plan and SERP. We do not maintain any other nonqualified deferred compensation plan for our named executive officers.
6. For 2008, all named executive officers received an allowance for wireless phone business use and 401(k) company matching contributions, consistent with terms applicable to all employees, which amounts are reflected in the column. In addition, Mr. Gerke s amount included the following perquisites: a) $52,673 in attorney s fees paid by the company on his behalf related to the negotiation of his employment agreement and subsequent amendments, b) $1,647 in incremental cost associated with his spouse s attendance at a company sponsored employee recognition event and c) $1,887 as reimbursement for costs related to his annual executive physical. No named executive officers other than Mr. Gerke received perquisites in excess of the $10,000 threshold.

**GRANTS OF PLAN-BASED AWARDS**

**2008 Annual Awards**

| | | Estimated Future Payouts Under Non-Equity Incentive Plan Awards | | | Estimated Future Payouts Under Equity Incentive Plan Awards | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Name** | **Grant Date** | **Threshold ($) (1)** | **Target ($) (1)** | **Maximum ($) (1)** | **Threshold (#) (2)** | **Target (#)** | **Maximum (#) (2)** | **All Other Stock Awards: # of Shares of Stock or Units (#)** | **All Other Option Awards: # of Securities Underlying Options (#)** | **Exercise or Base Price of Option Awards ($/Sh)** | **Grant Date Fair Value of Stock and Option Awards ($)** |
| Thomas A. Gerke | 03/02/08 | | | | 10,143 | 45,080 (3) | 90,160 | | | | 1,890,655 |
| | 03/02/08 | | | | | | | | 95,338 (4) | 41.94 | 594,909 |
| | | 200,954 | 803,816 | 1,607,632 | | | | | | | |
| Gene M. Betts | 03/02/08 | | | | 6,762 | 30,053 (3) | 60,106 | | | | 1,260,423 |
| | 03/02/08 | | | | | | | | 63,559 (4) | 41.94 | 396,608 |
| | | 110,000 | 440,000 | 880,000 | | | | | | | |
| Harrison S. Campbell | 03/02/08 | | | | 4,132 | 18,365 (3) | 36,730 | | | | 770,228 |
| | 03/02/08 | | | | | | | | 38,841 (4) | 41.94 | 242,368 |
| | | 73,250 | 293,000 | 586,000 | | | | | | | |
| Dennis G. Huber | 03/02/08 | | | | 2,524 | 11,219 (3) | 22,438 | | | | 470,525 |
| | 03/02/08 | | | | | | | | 23,728 (4) | 41.94 | 148,063 |
| | | 60,750 | 243,001 | 486,001 | | | | | | | |
| Thomas J. McEvoy | 03/02/08 | | | | 4,132 | 18,365 (3) | 36,730 | | | | 770,228 |
| | 03/02/08 | | | | | | | | 38,841 (4) | 41.94 | 242,368 |
| | | 73,250 | 293,000 | 586,000 | | | | | | | |

1. Amounts earned under our 2008 STI program for the year ended December 31, 2008, which were approved by our Compensation Committee in February 2009 based on our performance in 2008 and paid to our named executive officers shortly thereafter, are reported in the Summary Compensation Table and described in Total Direct Compensation Components Short Term Incentive Compensation 2008 Results in the CD&A. Threshold reflects 25% of target and maximum is 200% of target, actual payout can range from 0 200% of target.
2. The threshold value represents 22.5% of target granted based on a 25% threshold for economic value added weighted 50% and a 20% threshold for total shareholder return relative to the S&P 500 index weighted at 50%. The maximum value is 200% of target.
3. These RSUs, shown at target opportunity levels, are subject to forfeiture or grant of additional units that could result in the total number of RSUs to be granted to be 0 200% of target based upon achievement of specified financial objectives related to total shareholder return relative to the S&P 500

Index and economic value added, as adjusted for certain items, during the 2008-2010 performance period. The number of RSUs awarded will be adjusted based on the Company s performance at the end of 2010. The RSUs vest on March 2, 2011. For additional details, see Total Direct Compensation Components Long-Term Incentive Compensation.

4. Options vest in 3 annual installments: 34% on March 2, 2009 and 33% on each of March 2, 2010 and March 2, 2011.

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

The following table lists all outstanding Embarq equity awards held by our named executive officers. For a detailed description of the awards made in 2008, see Total Direct Compensation Components Long-Term Incentive Compensation.

| | OPTIONS | | | | STOCK AWARDS | |
|---|---|---|---|---|---|---|
| Name | Number of Securities Underlying Unexercised Options - Exercisable (#) | Number of Securities Underlying Unexercised Options - Unexercisable (#) | Option Exercise Price ($) | Option Expiration Date | Number of Units of Stock That Have Not Vested (#) | Market Value of Units of Stock That Have Not Vested ($) (1) |
| **Thomas A. Gerke** | | | | | 10,990(2) | 395,200 |
| | | | | | 15,997(3) | 575,252 |
| | | | | | 22,043(4) | 792,666 |
| | | | | | 45,080(5) | 1,621,077 |
| | 14,786(6) | 0 | 72.44 | 02/08/09 | | |
| | 783(6) | 0 | 187.35 | 02/08/09 | | |
| | 1,635(6) | 0 | 215.93 | 02/08/09 | | |
| | 2,152(6) | 0 | 91.38 | 01/03/10 | | |
| | 1,883(6) | 0 | 91.38 | 01/24/10 | | |
| | 345(6) | 0 | 91.38 | 02/08/10 | | |
| | 672(6) | 0 | 91.38 | 08/07/10 | | |
| | 8,621(6) | 0 | 91.38 | 05/11/11 | | |
| | 2,638(6) | 0 | 46.09 | 02/11/12 | | |
| | 2,654(6) | 0 | 48.10 | 02/19/12 | | |
| | 9,495(6) | 0 | 48.10 | 03/27/13 | | |
| | 4,237(6) | 0 | 33.86 | 02/10/14 | | |
| | 8,474(6) | 0 | 33.34 | 02/10/14 | | |
| | 36,970(7) | 12,322(7) | 49.72 | 02/08/15 | | |
| | 46,609(8) | 22,956(8) | 45.06 | 02/07/16 | | |
| | 12,265(9) | 23,804(9) | 56.43 | 02/22/17 | | |
| | 0 | 95,338(10) | 41.94 | 03/02/18 | | |
| **Gene M. Betts** | | | | | 7,333(2) | 263,695 |
| | | | | | 10,627(3) | 382,147 |
| | | | | | 17,221(4) | 619,267 |
| | | | | | 30,053(5) | 1,080,706 |
| | 21,524(6) | 0 | 72.44 | 02/08/09 | | |
| | 4,613(6) | 0 | 99.43 | 02/08/09 | | |
| | 6,951(6) | 0 | 124.68 | 02/08/09 | | |
| | 858(6) | 0 | 186.42 | 02/08/09 | | |
| | 1,596(6) | 0 | 187.35 | 02/08/09 | | |
| | 3,398(6) | 0 | 220.93 | 02/08/09 | | |
| | 8,071(6) | 0 | 91.38 | 01/03/10 | | |
| | 7,264(6) | 0 | 91.38 | 01/24/10 | | |
| | 971(6) | 0 | 91.38 | 02/08/10 | | |
| | 2,017(6) | 0 | 91.38 | 08/07/10 | | |
| | 13,312(6) | 0 | 91.38 | 05/11/11 | | |
| | 3,983(6) | 0 | 46.09 | 02/11/12 | | |
| | 6,385(6) | 0 | 43.06 | 02/19/12 | | |
| | 1,848(6) | 0 | 33.86 | 02/10/14 | | |
| | 3,698(6) | 0 | 33.34 | 02/10/14 | | |
| | 15,559(7) | 5,184(7) | 49.72 | 02/08/15 | | |
| | 30,966(8) | 15,251(8) | 45.06 | 02/07/16 | | |
| | 9,581(9) | 18,598(9) | 56.43 | 02/22/17 | | |
| | 0 | 63,559(10) | 41.94 | 03/02/18 | | |

| | | |
|---|---|---|
| **Harrison S. Campbell** | 3,414(2) | 122,767 |
| | 10,538(3) | 378,946 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | 15,154(4) | 544,938 |
| | | | | | 18,365(5) | 660,405 |
| | 2,959(6) | 0 | 81.40 | 04/09/11 | | |
| | 2,959(6) | 0 | 33.86 | 02/10/14 | | |
| | 5,919(6) | 0 | 33.34 | 02/10/14 | | |
| | 24,757(7) | 8,250(7) | 49.72 | 02/08/15 | | |
| | 15,122(8) | 15,122(8) | 45.06 | 02/07/16 | | |
| | 8,431(9) | 16,366(9) | 56.43 | 02/22/17 | | |
| | 0 | 38,841(10) | 41.94 | 03/02/18 | | |
| **Dennis G. Huber** | | | | | 3,354(2) | 120,610 |
| | | | | | 6,718(3) | 241,579 |
| | | | | | 9,258(4) | 332,918 |
| | | | | | 11,219(5) | 403,435 |
| | 22,964(6) | 0 | 72.45 | 02/08/09 | | |
| | 844(6) | 0 | 105.84 | 02/08/09 | | |
| | 3,228(6) | 0 | 91.38 | 01/03/10 | | |
| | 2,421(6) | 0 | 91.38 | 01/24/10 | | |
| | 428(6) | 0 | 91.38 | 02/08/10 | | |
| | 995(6) | 0 | 91.38 | 08/07/10 | | |
| | 17,590(6) | 0 | 91.38 | 05/11/11 | | |
| | 4,877(7) | 4,876(7) | 49.71 | 02/08/15 | | |
| | 9,641(8) | 9,641(8) | 45.06 | 02/07/16 | | |
| | 5,151(9) | 9,998(9) | 56.43 | 02/22/17 | | |
| | 0 | 23,728(10) | 41.94 | 03/02/18 | | |
| **Thomas J. McEvoy** | | | | | 6,580(2) | 236,617 |
| | | | | | 10,538(3) | 378,946 |
| | | | | | 15,154(4) | 544,938 |
| | | | | | 18,365(5) | 660,405 |
| | 2,040(6) | 0 | 57.97 | 02/08/09 | | |
| | 16,465(6) | 0 | 72.44 | 02/08/09 | | |
| | 12,914(6) | 0 | 40.76 | 01/03/10 | | |
| | 3,228(6) | 0 | 91.38 | 01/03/10 | | |
| | 6,457(6) | 0 | 40.76 | 01/24/10 | | |
| | 2,421(6) | 0 | 91.38 | 01/24/10 | | |
| | 1,637(6) | 0 | 40.76 | 02/08/10 | | |
| | 428(6) | 0 | 91.38 | 02/08/10 | | |
| | 8,878(6) | 0 | 40.76 | 08/07/10 | | |
| | 1,883(6) | 0 | 91.38 | 08/07/10 | | |
| | 31,950(6) | 0 | 40.76 | 05/11/11 | | |
| | 10,650(6) | 0 | 91.38 | 05/11/11 | | |
| | 1,992(6) | 0 | 46.09 | 02/11/12 | | |
| | 3,699(6) | 0 | 16.08 | 03/27/13 | | |
| | 7,398(6) | 0 | 21.90 | 03/27/13 | | |
| | 4,439(6) | 0 | 33.86 | 02/10/14 | | |
| | 4,438(6) | 0 | 33.34 | 02/10/14 | | |
| | 25,251(7) | 8,417(7) | 49.72 | 02/08/15 | | |
| | 30,704(8) | 15,122(8) | 45.06 | 02/07/16 | | |
| | 8,431(9) | 16,366(9) | 56.43 | 02/22/17 | | |
| | 0 | 38,841(10) | 41.94 | 03/02/18 | | |

1. Market value is calculated using the December 31, 2008 closing stock price on the New York Stock Exchange of $35.96 for Embarq common stock.
2. RSUs vest in 3 annual installments. 34% vested on May 21, 2007, 33% vested on May 21, 2008 and the remaining 33% will vest on May 21, 2009.
3. RSUs vest in 2 equal annual installments. 50% vested on each of February 7, 2008 and February 7, 2009.

4. The number of RSUs listed reflects the number of RSUs initially granted by our Compensation Committee, which were outstanding on December 31, 2008. These RSUs vest in 2 equal installments (50% vested on February 22, 2009 and the remaining 50% will vest on February 22, 2010) and are subject to 2 performance adjustments under our 2007 LTI program based on performance through December 31, 2008 and performance through December 31, 2009. In February 2009, our Compensation Committee approved an adjustment to the first tranche of RSUs for performance measured through December 31, 2008 of 151.5%, resulting in the following additional RSUs (which vested on February 22, 2009) to be awarded to the named executive officers, with the following values (based on a closing price of $34.60 on the New York Stock Exchange on February 20, 2009): Mr. Gerke, 5,676 RSUs ($196,390); Mr. Betts, 4,434 RSUs ($153,416); Mr. Campbell, 3,902 RSUs ($135,009); Mr. Huber, 2,383 RSUs ($82,452); and Mr. McEvoy, 3,902 RSUs ($135,009). For additional details, see 2009 Compensation Decisions 2007 LTI Award Performance Adjustment.
5. RSUs vest in full on March 2, 2011. RSUs are subject to forfeiture or grant of additional units based upon achievement of specified financial objectives related to total shareholder return relative to the S&P 500® Index and economic value added, as adjusted for certain items, during the 2008-2010 performance period. The number of RSUs awarded will be adjusted based on the Company s performance at the end of 2010. For additional details, see Executive Compensation Components Total Direct Compensation Components Long-Term Incentive Compensation.
6. Options are fully vested and exercisable.
7. Option vests in 4 equal annual installments. 25% vested on each of February 8, 2006, February 8, 2007, February 8, 2008 and February 8, 2009.
8. Option vests in 3 annual installments. 34% vested on February 7, 2007 and 33% vested on each of February 7, 2008 and February 7, 2009.
9. Option vests in 3 annual installments. 34% vested on February 22, 2008, 33% vested on February 22, 2009 and the remaining 33% will vest on February 22, 2010.
10. Option vests in 3 annual installments. 34% vested on March 2, 2009 and 33% will vest on each of March 2, 2010 and March 2, 2011.

**OPTION EXERCISES AND STOCK VESTED**

The following table reflects Embarq stock option exercises and Embarq RSU vestings during 2008. In addition, the table includes Sprint Nextel Corporation ( Sprint Nextel ) RSUs that were awarded in connection with employment with our former parent, Sprint Nextel, and that, pursuant to the terms of our spin-off, continued to vest based on employment with us. Following the vestings of Sprint Nextel RSUs described below, our named executive officers no longer hold any Sprint Nextel RSUs.

| | Embarq Stock Options | | Embarq Stock Awards | | Sprint Nextel Stock Awards | |
|---|---|---|---|---|---|---|
| **Name** | **Number of Shares Acquired on Exercise (#)** | **Value Realized on Exercise ($)** | **Number of Shares Acquired on Vesting (#) (1)** | **Value Realized on Vesting ($) (2)** | **Number of Shares Acquired on Vesting (#) (1)** | **Value Realized on Vesting ($) (3)** |
| Thomas A. Gerke | 0 | 0 | 30,026 | 1,354,963 | 60,814 | 575,605 |
| Gene M. Betts | 0 | 0 | 19,239 | 866,990 | 25,592 | 242,228 |
| Harrison S. Campbell | 0 | 0 | 15,987 | 718,682 | 40,723 | 385,443 |
| Dennis G. Huber | 0 | 0 | 11,276 | 507,798 | 24,072 | 227,841 |
| Thomas J. McEvoy | 0 | 0 | 19,194 | 865,792 | 41,538 | 393,157 |

1. Reflects total number of shares of common stock acquired upon the vesting of RSUs (including shares withheld for the payment of taxes).
2. Values realized represent the fair market value per share of Embarq common stock on the vesting date multiplied by the number of shares vested. Pursuant to the plan under which awards were granted, fair market value was defined as the closing composite trading prices of the common stock, as published by The Wall Street Journal on a particular date.
3. Values realized represent the fair market value per share of Sprint Nextel common stock on the vesting date multiplied by the number of shares vested. Pursuant to the plan under which awards were granted, fair market value was defined as the average between the high and low prices on a particular date.

**PENSION BENEFITS TABLE**

The following table shows each named executive officer s number of years of credited service and present value of accumulated benefits under our Retirement Pension Plan ( Pension Plan ) and our SERP. No payments were made under the plans to any named executive officer during the last fiscal year.

| Name and Principal Position | Plan Name | Number of Years Credited Service (#) | Present Value of Accumulated Benefit ($) (1) | Payments During Last Fiscal Year ($) |
|---|---|---|---|---|
| Thomas A. Gerke | Embarq Retirement Pension Plan | 14.3333 | $ 178,406 | $ 0 |
| | Embarq Supplemental Executive Retirement Plan | 14.3333 | $ 297,015 | $ 0 |
| Gene M. Betts | Embarq Retirement Pension Plan | 22.0000 | $ 363,204 | $ 0 |
| | Embarq Supplemental Executive Retirement Plan | 22.0000 | $ 457,591 | $ 0 |
| Harrison S. Campbell (2) | Embarq Retirement Pension Plan | 13.0833 | $ 119,082 | $ 0 |
| | Embarq Supplemental Executive Retirement Plan | 7.7500 | $ 137,816 | $ 0 |
| Dennis G. Huber | Embarq Retirement Pension Plan | 21.5000 | $ 195,427 | $ 0 |
| | Embarq Supplemental Executive Retirement Plan | 21.5000 | $ 194,216 | $ 0 |
| Thomas J. McEvoy | Embarq Retirement Pension Plan | 28.7500 | $ 220,439 | $ 0 |
| | Embarq Supplemental Executive Retirement Plan | 28.7500 | $ 209,035 | $ 0 |

1. Represents the lump sum present value as of December 31, 2008, of the annual pension benefit that would be payable under each plan for the participant s life beginning at normal retirement age (age 65).
2. Mr. Campbell s value and years of service under the SERP are reduced as a result of a lump sum distribution received when he previously terminated employment with our former parent company. Mr. Campbell was subsequently rehired by our former parent.

**Assumptions**

Accumulated benefits are calculated based on credited service and eligible compensation as of December 31, 2008, thus all results shown are estimates only actual benefits will be based on service, compensation and other data at time of termination of employment. We have used the following assumptions for the calculations included in the Pension Benefits Table:

Measurement Date: December 31, 2008;

Interest Rate for Present Value: 6.4%;

Mortality (Pre Commencement): None;

Mortality (Post Commencement): RP-2000 with mortality improvement projected to 2009 (gender-specific);

Withdrawal and disability rates: None;

Retirement rates: None prior to Age 65; and

Normal Retirement Age: Age 65.

**Pension Plan**

Our Pension Plan is a broad-based, tax-qualified defined benefit pension plan that provides benefits to our eligible employees. Generally, all active employees are eligible to participate in the Pension Plan. Benefits under the Pension Plan are based on each participant s number of years of credited service and the participant s eligible compensation. We do not credit service in the Pension Plan beyond the actual number of years of participation. The years of credited service for our named executive officers are based only on their service while eligible for participation in the Pension Plan.

A participant s eligible compensation under the Pension Plan is equal to base salary and certain annual STI compensation, plus any sales commissions and sales bonus compensation amounts. The amount of compensation recognized under the Pension Plan is limited by the compensation limit under the Code (which was $230,000 in 2008). The amount of benefits provided under the Pension Plan are limited by the benefit limits of the Internal Revenue Code (which for 2008 was $185,000 expressed in the form of an annual annuity beginning at normal retirement age).

Benefits under the Pension Plan, expressed as an annual annuity beginning at normal retirement age, are equal to (1) 1.5% times average eligible annual compensation for 60 months ending December 31, 1993, times years of service through December 31, 1993, plus (2) 1.5% times eligible compensation earned after 1993 to date of retirement or termination. Portions (1) and (2) of the above computation apply to Messrs. Betts, Huber and McEvoy. Portion (1) of the above computation does not apply to Messrs. Campbell and Gerke as they began employment after 1993.

Participants who are at least age 55 and have 10 or more years of service are eligible to elect a reduced early retirement benefit. Mr. Betts is the only named executive officer who was eligible for early retirement benefits under the Pension Plan on December 31, 2008. In accordance with the provisions of the Pension Plan, there is a 5% per year (.4167% per month) reduction in the participant s accrued benefit for each year (month) the benefit commences prior to the employee s normal retirement date. Also, in the event a participant is involuntarily terminated, not for cause, as a result of a workforce reduction, plant closing or job elimination, and the sum of the participant s age at last birthday (no minimum age) and whole years of service (no rounding up) equals at least 75, the participant would be eligible for special early retirement benefits. There is a 2.5% per year (.2083% per month) reduction in the participant s accrued benefit for each year (month) the special early retirement benefit commences prior to the participant s normal retirement date.

Benefits for our named executive officers under the Pension Plan are payable only in the form of an annuity with monthly benefit payments. Lump sum payments are available to a limited number of participants in prior plans that have merged with the Pension Plan. Benefits under the Pension Plan are funded by an irrevocable tax-exempt trust.

**Supplemental Executive Retirement Plan**

Our SERP is an unfunded, nonqualified defined benefit pension plan. We offer the SERP (in addition to our Pension Plan) to provide benefits to our eligible employees whose benefits under the Pension Plan are limited by the restrictions of the Internal Revenue Code. Benefits under the SERP are based on each participant s number of years of credited service and the participant s eligible compensation. All of our named executive officers participate in the SERP.

A participant s years of credited service under the SERP are based on the years an employee participates in the Pension Plan unless a participant has previously received a lump sum distribution of SERP benefits.

A participant s eligible compensation under the SERP is the same as eligible compensation under our Pension Plan, but without considering the compensation limits of the Internal Revenue Code and including any deferred compensation plan deferrals made under the Sprint Nextel Executive Deferred Compensation Plan.

Our SERP provides a benefit equal to the portion of an individual s benefit that would be accrued under our Pension Plan at the same rate of accrual if the Internal Revenue Code limitations on amounts of benefits and compensation under the Pension Plan were disregarded. In particular, benefits under the SERP, expressed as an annual annuity beginning at normal retirement age, are equal to (1) 1.5% times average annual compensation for 60 months ending December 31, 1993, times years of service through December 31, 1993, plus (2) 1.5% times eligible compensation earned after 1993 to date of retirement or termination, minus (3) the accumulated annual annuity provided under the Pension Plan beginning on the participant s normal retirement age. Portions (1), (2), and (3) of the above computation apply to Messrs. Betts, Huber and McEvoy. Portion (1) of the above computation does not apply to Messrs. Campbell and Gerke as they began employment after 1993.

Participants who are at least age 55 and have 10 or more years of service are eligible to elect an early retirement benefit, which is reduced on the same basis as the benefit accrued under the Pension Plan. Mr. Betts is the only named executive officer who was eligible for early retirement benefits under the SERP on December 31, 2008.

Benefits for our named executive officers under the SERP are payable only in the form of an annuity with monthly benefit payments. Generally, no lump sum payments are available. The SERP is unfunded and maintained as a book reserve account. No funds are set aside in a trust or otherwise, thus participants in the SERP are general creditors of our company with respect to the payment of their SERP benefits.

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

The following summaries and tables describe potential payments to our named executive officers upon termination of employment under each named executive officer s existing employment agreement or our Executive Severance Plan, as applicable, and our other compensation programs. The potential payments due upon a non-change in control ( Non-CIC ) termination, termination following a change in control ( CIC ), voluntary termination, termination for cause or in the event of death or disability of the named executive officer are shown in the tables set forth below. If the named executive officer would be eligible to commence early retirement benefits under our Pension Plan, we also show the value of potential payments in connection with early retirement under the Pension Plan. The named executive officers also have outstanding equity awards, which vest or for which vesting may accelerate as a result of the various termination scenarios. Any vesting or accelerated vesting would be pursuant to the terms of the individual award agreements, which are not summarized below; however, the value of any vested awards is reflected in the tables below. The award agreements related to the various awards were included as exhibits to the Original 10-K.

Each of our named executive officers, except for Mr. Campbell, has an employment agreement with us that was assumed as part of our spin-off and each of these agreements was included as an exhibit to our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, filed with the SEC on February 29, 2008. Each of the employment agreements was revised in December 2008 to comply with Section 409A of the Code and was included as an exhibit to the Original 10-K. In addition, in connection with our pending merger with CenturyTel (the CenturyTel CIC ), Mr. Gerke s employment agreement was amended and the amendment was attached as Exhibit 10.1 to the Form 8-K filed with the SEC on October 29, 2008 (the Amendment ). The Amendment generally only becomes effective upon the closing of the CenturyTel CIC. Mr. Gerke s interests in the CenturyTel merger, including the terms of his amended employment agreement, are described in detail in the Merger S-4. Mr. Campbell is a participant in our Executive Severance Plan, which was amended for compliance with Section 409A of the Code and attached as Exhibit 10.1 to our quarterly report on Form 10-Q filed with the SEC on October 30, 2008.

The amounts shown in the tables below assume that the named executive officer s termination occurred on December 31, 2008; thus, the tables include amounts earned through that date and are estimates of the payments that would be made to the named executive officer at that time. The actual payments to be made to each named executive officer can only be determined at the time of the named executive officer s separation from the company.

***Thomas A. Gerke***

CenturyTel CIC Termination. Pursuant to the Amendment, if, prior to the 60$^{th}$ day following the first anniversary of the closing date of the CenturyTel CIC, Mr. Gerke is terminated by CenturyTel for any reason other than Cause (as defined below) or Mr. Gerke resigns for Non-CIC Good Reason (as defined below), then Mr. Gerke will continue to receive, through the 60$^{th}$ day following the first anniversary of the closing date, base salary, annual incentive compensation, equity compensation and benefits no less favorable than had he continued in employment through that date, as well as the payments, benefits and other severance entitlements described below under CIC Termination beginning on the 60th day following the first anniversary of the closing date.

*Non-CIC Termination*. If Mr. Gerke s employment is terminated by us other than for Cause, death or disability, or by him for Non-CIC Good Reason, he is entitled to receive:

Base salary payments for 18 months;

Prorated payment under our STI program based on actual results for the year in which the termination occurs;

An additional, single lump sum payment based on his target opportunity under the STI program equal to 1.5 times 80% of the target opportunity at the time of termination;

Reimbursement of the employer portion of the premiums paid for health, dental and life insurance coverage for 18 months, grossed up for the applicable federal and state income and other withholding taxes; and

Continuation of certain employee benefits and executive perquisites to the extent he has any contractual rights to receive such perquisites.

The benefits described above are conditioned on Mr. Gerke being bound by the following restrictive covenants: (a) nondisclosure of company proprietary information, (b) non-competition with a competitor of the company for 18 months following termination of employment, (c) non-solicitation of company employees, other service providers and customers for 18 months following termination of employment, (d) agreement not to solicit, assist or advise any other person to seek control of our board of directors or undertake any action that would be reasonably likely to, or is intended to, result in a change in control for 18 months following termination of employment, (e) return of company property as of the termination date, and (f) non-disparagement of the company or its officers or directors. Under Mr. Gerke s employment agreement, Cause is defined as Mr. Gerke s (i) willful and continued failure to substantially perform his duties, (ii) willful engagement in conduct that violates the company s business conduct policy, (iii) willful act, or failure to act, that is injurious to the company or (iv) willful violation of any of the restrictive covenants set forth in the employment agreement. Non-CIC Good Reason is defined as (1) prior to the CenturyTel CIC, Mr. Gerke s removal from the Chief Executive Officer position or from membership on our board of directors, and after the CenturyTel CIC, Mr. Gerke s removal from the position as Vice-Chairman of the surviving company, (2) a reduction by 10% or more within any 24 month period of Mr. Gerke s targeted total compensation (including base salary, equity awards and STI program payments), or (3) the requirement that Mr. Gerke be based anywhere other than the Kansas City metropolitan area.

*CIC Termination*. If Mr. Gerke s employment is terminated by us within 2 years following a CIC (other than a CenturyTel CIC) other than for Cause or disability or by him for CIC Good Reason (as defined below), he is entitled to receive the compensation described under Non-CIC Termination above except that the severance period shall be 24 months following termination and the applicable lump sum STI payment would equal 2 times an amount equal to 80% of his targeted opportunity.

Payments in the event of a CIC Termination are conditioned on Mr. Gerke not breaching the restrictive covenants described above, except the restriction period for non-competition, non-solicitation of employees, customers and others, and agreement not to solicit, assist or advise to any other person to seek control of our board of directors or undertake any action that would be reasonably likely to, or is intended to, result in a change in control shall last for 24 months following termination of employment. CIC Good Reason is defined as the occurrence of one or more of the following during the 2 years following a CIC: (i) substantial adverse alteration in the nature or status of Mr. Gerke s duties, including being removed from the position of Chief Executive Officer of the company, (ii) a reduction in Mr. Gerke s base salary, (iii) the company s failure to pay Mr. Gerke any portion of current compensation within 7 days of the date it is due, (iv) relocation of the company s principal executive offices outside of the Kansas City metropolitan area or requiring Mr. Gerke to be located anywhere other than the company s principal executive offices or requiring travel substantially inconsistent with travel obligations immediately before the CIC, (v) a substantial and involuntary adverse alteration in the physical conditions under with Mr. Gerke is expected to perform his duties, (vi) the company s failure to continue in effect any compensation plan in which Mr. Gerke participated that is material to his total compensation or to continue to provide Mr. Gerke with benefits substantially similar in the aggregate to those he received at the time of the CIC, (vii) the company s failure to obtain a satisfactory agreement from any successor to assume and agree to perform the obligations under the employment agreement and (viii) the company s attempt to terminate Mr. Gerke s employment without following the procedures for termination set forth in the employment agreement.

Pursuant to the Amendment, with respect to a CenturyTel CIC, Mr. Gerke will be permitted to provide notice of termination of employment for CIC Good Reason only during the 60-day period commencing on the first anniversary of the CenturyTel CIC closing date, and such termination will only be effective for an actual termination of employment that occurs at least 60 days and no more than 180 days after the first anniversary of the closing date.

*Other Terminations*. If Mr. Gerke s employment is terminated by us for Cause or on account of his death or disability, or voluntarily by him, he is entitled to receive his prorated base salary, payments under our STI program and accrued vacation through his last day of employment and other benefits in accordance with the terms of our applicable employee benefit plans, but he is not entitled to the severance compensation described above.

Assuming that Mr. Gerke s employment was terminated under each of these circumstances on December 31, 2008, such payments and benefits have an estimated value of:

| **Termination Event** | **Severance Payments** | **STI Program Payments (1)** | **Value of Vested Equity Awards (2)** | **Accrued Benefits (3)** | **Additional Arrangements under Employment Agreement Amendment(4)** | **Total** |
|---|---|---|---|---|---|---|
| Non-CIC Termination | $ 1,350,000 | $ 1,932,045 | $ 1,876,089 | $ 666,775 | 0 | $ 5,824,909 |
| CIC Termination | 1,800,000 | 2,292,045 | 3,621,136 | 707,459 | 0 | 8,420,640 |
| CenturyTel CIC Termination | 1,800,000 | 2,292,045 | 3,621,136 | 707,459 | $ 4,818,890 | 13,239,530 |
| Death | 0 | 852,045 | 3,621,136 | 385,327 | 0 | 4,858,508 |
| Disability | 0 | 852,045 | 3,621,136 | 1,520,406 | 0 | 5,993,587 |
| For Cause | 0 | 0 | 0 | 233,811 | 0 | 233,811 |
| Voluntary | 0 | 852,045 | 0 | 522,242 | 0 | 1,374,287 |

1. Includes payment made under our STI program in 2009 for 2008 performance and estimated STI replacement payments to be made in connection with the severance period.
2. Value represents (a) the value of RSUs (at target opportunity levels), including accrued dividend equivalents through December 31, 2008 and (b) the intrinsic value of stock options, that continue to vest during the applicable severance period and that, in the case of a CIC termination, death or disability, accelerate vest, each value calculated using the December 31, 2008 closing price on the New York Stock Exchange of Embarq common stock ($35.96). The value of any performance based RSUs assumes vesting at the target opportunity level for each award. Actual payouts of these RSUs may vary based on the achievement of performance objectives. See 2009 Compensation Decisions LTI Award Performance Adjustments. These amounts do not include the value of RSUs granted in February 2009 in connection with our 2009 LTI program, as described in 2009 Compensation Decisions 2009 Long Term Incentive Program.
3. Includes as applicable, estimated present value of pension benefit, and value of accrued, but unused vacation and outplacement benefits. Also includes annual amount of company contributions for health and welfare benefits for disability termination and amounts reimbursed (including a tax gross-up) during the severance period for non-CIC and CIC terminations for the employer portion of the health, dental and life insurance premiums.
4. In accordance with the Amendment, which becomes effective only upon the closing of the merger with CenturyTel, Mr. Gerke would be entitled to receive the continuation of base salary and annual incentive compensation through the period ending 60 days following the one-year anniversary of the closing, the value of which is estimated to be $2,095,890, (ii) the continuation of welfare benefits (estimated value of $23,000) and (iii) an annual equity award grant during such period at the current target opportunity level of $2,700,000.

***Gene M. Betts, Dennis G. Huber and Thomas J. McEvoy***

*Non-CIC Termination*. If Mr. Betts , Mr. Huber s or Mr. McEvoy s employment is terminated by us other than for Cause (as defined below), death or disability or by him in the event of Constructive Discharge (as defined below) whether or not there has been a CIC Mr. Betts, Mr. Huber and Mr. McEvoy are each entitled to receive:

- 18 months of base salary payments and prorated incentive payments under our STI program based on actual results up to his target opportunity;
- Reimbursement of the employer portion of the premiums for health, dental and life insurance coverage for 18 months, grossed up for the applicable federal and state income and other withholding taxes; and
- Continuation of certain employee benefits and executive perquisites to the extent he has any contractual rights to receive such perquisites.

As a condition to receiving the benefits described above, Mr. Betts, Mr. Huber and Mr. McEvoy each agree that they will be bound by the following restrictive covenants for 18 months following termination of employment: non-disclosure of confidential information, non-competition with a competitor of the company and non-solicitation of employees. Mr. McEvoy will also be bound by non-solicitation of customers for 18 months following termination of employment. Mr. Betts, Mr. Huber and Mr. McEvoy are each required to return company property upon termination of employment.

For purposes of the employment agreements for Mr. Betts, Mr. Huber or Mr. McEvoy, Cause is generally defined as conduct that reflects adversely on the executive s honesty, or the executive s willful engagement in conduct that is demonstrably and materially injurious to his employer. Constructive Discharge is generally defined as a material diminution in the executive s authority, duties, responsibilities, status or position, or a material diminution in the executive s targeted total compensation (*i.e*., a reduction of more than 10% other than an across the board reduction for other similarly situated officers of the company).

*CIC Termination*. If Mr. Betts , Mr. Huber s or Mr. McEvoy s employment is terminated by us within one year following a CIC, other than for Cause, death or disability, or by him in the event of Constructive Discharge or a relocation of his office from the greater Kansas City area, he is entitled to receive the compensation described under Non-CIC Termination above and he will not be bound by the restrictive covenants set forth above except for the non-disclosure of confidential information.

*Other Terminations*. If Mr. Betts , Mr. Huber s or Mr. McEvoy s employment is terminated by us for Cause or on account of his death or disability, or voluntarily by him, he is entitled to receive benefits in accordance with the terms of our applicable employee benefit plans, but is not entitled to the compensation described above.

Assuming that Mr. Betts employment was terminated under each of these circumstances on December 31, 2008, such payments and benefits have an estimated value of:

| Termination Event | Severance Payments | STI Program Payments (1) | Value of Vested Equity Awards (2) | Accrued Benefits (3) | Total |
|---|---|---|---|---|---|
| Non-CIC Termination | $ 825,000 | $ 1,126,400 | $ 1,644,204 | $ 1,682,468 | $ 5,278,072 |
| CIC Termination | 825,000 | 1,126,400 | 2,516,718 | 1,995,454 | 6,463,572 |
| Death | 0 | 466,400 | 2,516,718 | 1,862,106 | 4,845,224 |
| Disability | 0 | 466,400 | 2,516,718 | 2,285,117 | 5,268,235 |
| For Cause | 0 | 0 | 0 | 475,161 | 475,161 |
| Voluntary | 0 | 466,400 | 540,471 | 1,356,782 | 2,363,653 |

1. Includes payment made under our STI program in 2009 for 2008 performance and estimated STI replacement payments to be made in connection with the severance period.
2. Value represents (a) the value of RSUs (at target opportunity levels), including accrued dividend equivalents through December 31, 2008 and (b) the intrinsic value of stock options, that continue to vest during the applicable severance period and that, in the case of a CIC termination, death or disability, accelerate vest, or accelerate vest as a result of retirement eligibility, each value calculated using the December 31, 2008 closing price on the New York Stock Exchange of Embarq common stock ($35.96). The value of any performance based RSUs assumes vesting at the target opportunity level for each award. Actual payouts of these RSUs may vary based on the achievement of performance objectives. See 2009 Compensation Decisions LTI Award Performance Adjustments. These amounts do not include the value of RSUs granted in February 2009 in connection with our 2009 LTI program, as described in 2009 Compensation Decisions 2009 Long Term Incentive Program.
3. Includes as applicable, estimated present value of pension benefit, value of Key Management Benefit Plan benefit, and value of accrued, but unused vacation and outplacement benefits. Also includes annual amount of company contributions for health and welfare benefits for disability termination, amounts payable upon early retirement, and amounts reimbursed (including a tax gross-up) during the severance period for Non-CIC and CIC terminations for the employer portion of the health, dental and life insurance premiums. The Key Management Benefit Plan provides an in-service death benefit if a participant dies before retirement and a survivor benefit in the event of the death of a participant during retirement or, in the alternative, a supplemental retirement benefit. Mr. Betts has elected to receive, upon his retirement from the company, a supplemental retirement benefit in the form of two lump sum distributions, which, in the aggregate, will be actuarially equivalent to the survivor benefit.
4. The Voluntary scenario assumes that Mr. Betts elected to begin his early retirement benefit immediately following his termination of employment. If Mr. Betts elects to receive his pension benefits beginning at age 65, the value reported as accrued benefits would be reduced by approximately $61,000.

Assuming that Mr. Huber s employment was terminated under each of these circumstances on December 31, 2008, such payments and benefits have an estimated value of:

| Termination Event | Severance Payments | STI Program Payments (1) | Value of Vested Equity Awards (2) | Accrued Benefits (3) | Total |
|---|---|---|---|---|---|
| Non-CIC Termination | $ 607,500 | $ 622,082 | $ 742,554 | $ 468,748 | $ 2,440,884 |
| CIC Termination | 607,500 | 622,082 | 1,176,842 | 468,748 | 2,875,172 |
| Death | 0 | 257,581 | 1,176,842 | 361,796 | 1,796,219 |
| Disability | 0 | 257,581 | 1,176,842 | 1,486,329 | 2,920,752 |
| For Cause | 0 | 0 | 0 | 224,611 | 224,611 |
| Voluntary | 0 | 287,581 | 0 | 387,576 | 645,157 |

1. Includes payment made under our STI program in 2009 for 2008 performance and estimated STI replacement payments to be made in connection with the severance period.
2. Value represents (a) the value of RSUs (at target opportunity levels), including accrued dividend equivalents through December 31, 2008 and (b) the intrinsic value of stock options, that continue to vest during the applicable severance period and that, in the case of a CIC termination, death or disability accelerate vest, each value calculated using the December 31, 2008 closing price on the New York Stock Exchange of Embarq common stock ($35.96). The value of any performance based RSUs assumes vesting at the target opportunity level for each award. Actual payouts of these RSUs may vary based on the achievement of performance objectives. See 2009 Compensation Decisions LTI Award Performance Adjustments. These amounts do not include the value of RSUs granted in February 2009 in connection with our 2009 LTI program, as described in 2009 Compensation Decisions 2009 Long Term Incentive Program.
3. Includes as applicable, estimated present value of pension benefit, and value of accrued, but unused vacation and outplacement benefits. Also includes annual amount of company contributions for health and welfare benefits for disability termination, and amounts reimbursed (including a tax gross-up) during the severance period for Non-CIC and CIC terminations for the employer portion of the health, dental and life insurance premiums.

Assuming that Mr. McEvoy s employment was terminated under each of these circumstances on December 31, 2008, such payments and benefits have an estimated value of:

| Termination Event | Severance Payments | STI Program Payments (1) | Value of Vested Equity Awards (2) | Accrued Benefits (3) | Total |
|---|---|---|---|---|---|
| Non-CIC Termination | $ 627,000 | $ 750,080 | $ 1,415,892 | $ 1,001,892 | $ 3,794,864 |
| CIC Termination | 627,000 | 750,080 | 1,949,075 | 1,001,892 | 4,328,047 |
| Death | 0 | 310,580 | 1,949,075 | 389,208 | 2,648,863 |
| Disability | 0 | 310,580 | 1,949,075 | 1,476,568 | 3,736,223 |
| For Cause | 0 | 0 | 0 | 293,615 | 293,615 |
| Voluntary | 0 | 310,580 | 0 | 471,552 | 782,132 |

1. Includes payment made under our STI program in 2009 for 2008 performance and estimated STI replacement payments to be made in connection with the severance period.
2. Value represents (a) the value of RSUs (at target opportunity levels), including accrued dividend equivalents through December 31, 2008 and (b) the intrinsic value of stock options, that continue to

vest during the applicable severance period and that, in the case of a CIC termination, death, disability or retirement eligibility, accelerate vest, each value calculated using the December 31, 2008 closing price on the New York Stock Exchange of Embarq common stock ($35.96). The value of any performance based RSUs assumes vesting at the target opportunity level for each award. Actual payouts of these RSUs may vary based on the achievement of performance objectives. See 2009 Compensation Decisions LTI Award Performance Adjustments. These amounts do not include the value of RSUs granted in February 2009 in connection with our 2009 LTI program, as described in 2009 Compensation Decisions 2009 Long Term Incentive Program.

3. Includes as applicable, estimated present value of pension benefit and value of accrued, but unused vacation and outplacement benefits. Also includes annual amount of company contributions for health and welfare benefits for disability termination, amounts payable due to retirement eligibility and amounts reimbursed (including a tax gross-up) during the severance period for Non-CIC and CIC terminations for the employer portion of the health, dental and life insurance premiums.

***Harrison S. Campbell***

In return for agreeing to certain restrictive covenants and executing a release in connection with termination of employment, Mr. Campbell, the only named executive officer covered by our Executive Severance Plan, is entitled to receive the following:

*Non-CIC Termination*. If Mr. Campbell s employment is terminated by us other than for Cause (as defined below), death or disability, or as a result of his refusal to accept a Non-Comparable Position (as defined below), he is eligible to receive:

Base salary payments for a period of 52 weeks;

An additional, single lump sum payment based on his target opportunity under the STI program equal to 80% of the target opportunity at the time of termination; and

Continuation of, or reimbursement (grossed up for the applicable federal and state income and other withholding taxes) for the employer portion of premiums to continue, certain employee benefits under the applicable benefit plans.

*CIC Termination*. If Mr. Campbell s employment is terminated by us within 6 months before or 12 months following a CIC other than for Cause, death or disability, or by him for Good Reason (as defined below) during that same time period, he is entitled to receive the compensation described under Non-CIC Termination above with the exception that his base salary payments will continue for a severance period of 104 weeks and he will receive the equivalent of 2 of the STI- related payments as described under Non-CIC Termination.

*Other Terminations*. If Mr. Campbell s employment is terminated by us for Cause or on account of his death or disability, or voluntarily by him, he is not eligible for severance benefits but is entitled only to those benefits (if any) as may be available under the applicable benefit plans at the time of termination.

As a condition to receiving severance benefits described above, Mr. Campbell is bound by the same restrictive covenants set forth above with respect to Mr. Gerke, except that the restriction period for non-competition, non-solicitation of employees, customers and others, and the agreement not to solicit, assist or advise any other person to seek control of our board of directors or undertake any action that would be reasonably likely to, or is intended to, result in a change in control, shall last for 52 weeks following termination of employment in the case of a non-CIC termination and for 104 weeks following termination of employment in the case of a CIC termination. Under the Executive Severance Plan, Cause is defined as the named executive officer s (i) willful and continued failure to substantially perform his duties, (ii) willful engagement in conduct that is a serious violation of the company s business conduct policy, (iii) willful engagement in conduct that is demonstrably and materially injurious to the company or (iv) willful violation of the restrictive covenants. Good Reason is defined as (1) a substantial adverse alteration in the nature or status of duties from those immediately before the CIC or any reduction in job grade or tier, (2) a base salary reduction of more than 10% (except an across the board reduction in the individual s job tier) of the base salary in effect on the date of the CIC, (3) a total incentive compensation opportunity reduction of more than 20% (except an across the board reduction in the individual s job tier) of the total incentive compensation opportunity in effect on the date of the CIC, (4) a relocation of principle place of business of more than 75 miles from the current location, (5) the company s failure to provide the employee with retirement, health, welfare and fringe benefits substantially similar in the aggregate to those in which he was participating at the time of the CIC (except for an across the board reduction similarly affecting all eligible employees of the company). Non-Comparable Position is defined as a new job position offer that reflects clauses (2), (3) and (4) of the definition of Good Reason set forth above.

Assuming that Mr. Campbell s employment was terminated under each of these circumstances on December 31, 2008, such payments and benefits have an estimated value of:

| **Termination Event** | **Severance Payments** | **STI Program Payments (1)** | **Value of Vested Equity Awards (2)** | **Accrued Benefits (3)** | **Total** |
|---|---|---|---|---|---|
| Non-CIC Termination | $ 418,000 | $ 544,980 | $ 813,015 | $ 313,018 | $ 2,089,013 |
| CIC Termination | 836,000 | 779,380 | 1,835,225 | 351,067 | 3,801,672 |
| Death | 0 | 310,580 | 1,835,225 | 268,987 | 2,414,792 |
| Disability | 0 | 310,580 | 1,835,225 | 1,108,055 | 3,253,860 |
| For Cause | 0 | 0 | 0 | 139,706 | 139,706 |
| Voluntary | 0 | 310,580 | 0 | 257,405 | 567,985 |

1. Includes payment made under our STI program in 2009 for 2008 performance and estimated STI replacement payment to be made at the end of the severance period.
2. Value represents (a) the value of RSUs (at target opportunity levels), including accrued dividend equivalents through December 31, 2008 and (b) the intrinsic value of stock options, that continue to vest during the applicable severance period and that, in the case of a CIC termination, death and disability only, accelerate vest, each value calculated using the December 31, 2008 closing price on the New York Stock Exchange of Embarq common stock ($35.96). The value of any performance based RSUs assumes vesting at the target opportunity level for each award. Actual payouts of these RSUs may vary based on the achievement of performance objectives. See 2009 Compensation Decisions LTI Award Performance Adjustments. These amounts do not include the value of RSUs granted in February 2009 in connection with our 2009 LTI program, as described in 2009 Compensation Decisions 2009 Long Term Incentive Program.
3. Includes as applicable, estimated present value of pension benefit, and value of accrued, but unused vacation and outplacement benefits. Also includes annual amount of company contributions for health and welfare benefits for disability termination and for Non-CIC and CIC terminations up to 39 weeks during applicable severance period, as well as amounts reimbursed (including a tax gross-up) for the employer portion of the health and dental premiums paid by the named executive officer for the remainder of the applicable severance period after 39 weeks, and amounts reimbursed (including a tax gross-up) for life insurance premiums during the entire severance period.

## COMPENSATION OF DIRECTORS

Our director compensation program, approved by our Board of Directors, pays each non-employee director: (1) an annual cash retainer of $50,000, and (2) a fee equal to $1,500 for each Board meeting (or any meeting of a Board committee on which a non-employee director is a member or an invited guest) that the eligible director personally attends, and $750 for each meeting that the eligible director attends by telephone. Our Audit Committee Chair receives an additional annual retainer of $15,000 and any other committee Chair (including the Chair of any special committee) receives an additional annual retainer of $10,000. All cash compensation is paid quarterly and all retainers are prorated for the period of service provided during the quarter. In February 2008, our Board of Directors determined that our Non-Executive Chairman will receive an additional annual RSU award with a grant date fair value of $200,000 to be awarded on or about the date of the annual meeting of shareholders.

Our director compensation program also provides each of our non-employee directors:

- An award of RSUs with a grant date fair value of $150,000 in connection with his or her initial election to the Board of Directors, which vest in full upon our third regular annual meeting of shareholders following the grant date and with prorated acceleration of vesting in the event of a change in control or the director s death, disability, retirement, or involuntary separation from the Board;

- An award of RSUs with a grant date fair value of $75,000, on or about the date of each annual meeting of shareholders, which vest in full one year following the grant date. With respect to this annual RSU grant, vesting also will be accelerated in full in the event of a change in control or the director s death, disability, retirement, or involuntary separation from the Board; and

- An annual telecommunications allowance of up to $6,000, which covers services, equipment and tax gross-ups. We provide this allowance so that our directors will have an opportunity to use and provide feedback on our products and services.

Our director compensation program will remain in effect until changed by our Board of Directors. The program is reviewed annually.

**2008 Director Compensation Table**

The following tables set forth the compensation paid to our non-employee directors during 2008, including a breakdown of fees.

| Name | Fees Earned or Paid in Cash | Stock Awards ($) | Option Awards ($) | Non-Equity Incentive Plan Compensation ($) | Change in Pension Value and Nonqualified Deferred Compensation Earnings | All Other Compensation ($) (1) | Total ($) |
|---|---|---|---|---|---|---|---|
| Peter C. Brown | $ 85,250 | $ 142,308 (2) | $ 0 | $ 0 | $ 0 | $ 0 | $ 227,558 |
| Steven A. Davis | 74,750 | 142,308 (2) | 0 | 0 | 0 | 5,796 | 222,854 |
| Richard A. Gephardt | 73,250 | 104,081 (3) | 0 | 0 | 0 | 0 | 177,331 |
| John P. Mullen | 68,000 | 142,308 (2) | 0 | 0 | 0 | 0 | 210,308 |
| William A. Owens | 98,250 | 286,253 (4) | 0 | 0 | 0 | 2,837 | 387,340 |
| Dinesh C. Paliwal | 71,000 | 142,308 (2) | 0 | 0 | 0 | 483 | 213,791 |
| Stephanie M. Shern | 107,000 | 142,308 (2) | 0 | 0 | 0 | 2,545 | 251,853 |
| Laurie A. Siegel | 95,865 | 142,308 (2) | 0 | 0 | 0 | 3,034 | 241,207 |

1. Reflects concessions for telecommunications usage, which include handset lease, usage charges and a reimbursement for taxes paid related to 2007 telecommunications services that was paid in 2008. The reported amount does not reflect reimbursements or tax gross-ups paid in 2009 with respect to the 2008 telecommunications concession.

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2. Amounts reported are the dollar amounts recognized for financial statement reporting purposes with respect to the fiscal year in accordance with SFAS 123R. These amounts include the expense recognized in 2008 for the grant of 1,879 RSUs on May 1, 2008; 1,382 RSUs on April 27, 2007 and 3,720 RSUs on July 26, 2006. The number of RSUs granted on May 1, 2008 was determined using a grant date value of $75,000 based on the Compensation Committee s methodology discussed in Other Matters Equity Grant Practices above. The SFAS 123R grant date fair value of each May 1, 2008 equity grant was $80,947. Assumptions made in the SFAS 123R valuation of the RSUs granted to our directors are described in detail in Footnote 7 to the Consolidated Financial Statements included as part of the Annual Report on Form 10-K for the year ended December 31, 2008. At December 31, 2008, each of the directors indicated held 5,599 unvested RSUs.
3. Amount reported is the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with SFAS 123R. This amount includes the expense recognized in 2008 for grant of 1,879 RSUs on May 1, 2008 and 2,395 RSUs on August 3, 2007. The number of RSUs granted on May 1, 2008 was determined using a grant date value of $75,000 using the Compensation Committee s methodology discussed in Other Matters Equity Grant Practices above. The SFAS 123R grant date fair value of the equity grant was $80,947. Assumptions made in the SFAS 123R valuation of the RSUs granted to our directors are described in detail in Footnote 7 to the Consolidated Financial Statements included as part of the Annual Report on Form 10-K for the year ended December 31, 2008. At December 31, 2008, Mr. Gephardt held 4,274 unvested RSUs.
4. Amount reported is the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with SFAS 123R. This amount includes the expense recognized in 2008 for the grant of 1,879 RSUs representing the regular annual grant and an additional grant of 5,012 RSUs representing the Non-Executive Chairman award on May 1, 2008; 1,382 RSUs on April 27, 2007; and 3,720 RSUs on July 26, 2006. The number of RSUs granted on May 1, 2008 was determined using a grant date value of $75,000 for the regular annual award and $200,000 for the Non-Executive Chairman award based on the Compensation Committee s methodology discussed in Other Matters Equity Grant Practices above. The SFAS 123R grant date fair values of the grants on May 1, 2008 were $80,947 and $215,917, respectively. Assumptions made in the SFAS 123R valuation of the RSUs granted to our directors are described in detail in Footnote 7 to the Consolidated Financial Statements included as part of the Annual Report on Form 10-K for the year ended December 31, 2008. At December 31, 2008, Mr. Owens held 10,611 unvested RSUs.

**Individual Fees Table**

| | Meetings | | | | | | Retainers | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Name** | **Board** | **Audit Committee** | **Compen-sation Committee** | **Nominating & Corporate Governance Committee** | **CEO Committee** | **Director** | **CEO Committee Chair (pro-rated)** | **Audit Committee Chair** | **Compen-sation Committee Chair** | **Nominating & Corporate Governance Committee Chair** | **Total ($)** |
| Peter C. Brown | $ 12,750 | $ 11,250 | 750 | $ 4,500 | $ 6,000 | $ 50,000 | $ 0 | $ 0 | $ 0 | $ 0 | $ 85,250 |
| Steven A. Davis | 12,750 | 11,250 | 750 | 0 | 0 | 50,000 | 0 | 0 | 0 | 0 | 74,750 |
| Richard A. Gephardt | 11,250 | 1,500 | 7,500 | 3,000 | 0 | 50,000 | 0 | 0 | 0 | 0 | 73,250 |
| John P. Mullen | 9,000 | 8,250 | 750 | 0 | 0 | 50,000 | 0 | 0 | 0 | 0 | 68,000 |
| William A. Owens | 12,750 | 6,750 | 8,250 | 4,500 | 6,000 | 50,000 | 0 | 0 | 0 | 10,000 | 98,250 |
| Dinesh C. Paliwal | 11,250 | 1,500 | 8,250 | 0 | 0 | 50,000 | 0 | 0 | 0 | 0 | 71,000 |
| Stephanie M. Shern | 12,750 | 11,250 | 10,500 | 0 | 7,500 | 50,000 | 0 | 15,000 | 0 | 0 | 107,000 |
| Laurie A. Siegel | 12,000 | 0 | 10,500 | 4,500 | 6,750 | 50,000 | 2,115 | 0 | 10,000 | 0 | 95,865 |

**Compensation Committee Interlocks and Insider Participation**

During 2008, no Compensation Committee member (1) was an Embarq officer or employee, (2) was a former Embarq officer or employee, or (3) had any relationships requiring disclosure under the SEC s rules requiring disclosure of certain relationships and related party transactions. During 2008, none of our executive officers served as a member of the board of directors or compensation committee of any entity that had one or more executive officers serving on our Board of Directors or Compensation Committee.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

**Stock Ownership Information**

*Stock Ownership of Certain Beneficial Owners*

The following table sets forth information regarding known beneficial owners of 5 percent or more our outstanding common stock as of December 31, 2008.

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Class | Percent of Vote |
|---|---|---|---|
| Capital Research Global Investors<br>333 South Hope Street<br>Los Angeles, CA 90074 | 16,821,080(1) | 11.81% | 11.75% |
| Barclay s Global Investors<br>400 Howard Street<br>San Francisco, CA 94105 | 9,327,906(2) | 6.55% | 5.65% |
| Vanguard Group<br>100 Vanguard Boulevard<br>Malvern, PA 19355 | 7,286,648(3) | 5.12% | 0.11% |

1. Beneficial and percentage ownership is based on information contained in the Schedule 13G/A filed with the SEC on February 13, 2009 by Capital Research Global Investors on behalf of itself. The Schedule 13G contains the following information regarding beneficial ownership of shares: Capital Research Global Investors has sole voting power with respect to 16,736,080 shares and sole dispositive power with respect to 16,821,080 shares.
2. Beneficial and percentage ownership is based on information contained in the Schedule 13G filed with the SEC on February 5, 2009 by Barclay s Global Investors on behalf of itself and affiliated persons and entities. The Schedule 13G contains the following information regarding

beneficial ownership of shares: Barclay s Global Investors has sole voting power with respect to 4,587,416 shares and sole dispositive power with respect to 5,745,669 shares; Barclay s Global Fund Advisors has sole voting power with respect to 2,152,370 shares and sole dispositive power with respect to 2,161,261 shares; Barclay s Global Investors LTD has sole voting power with respect to 689,476 shares and sole dispositive power with respect to 809,426 shares; Barclay s Global Investors Japan Limited has sole voting power with respect to 453,637 shares and sole dispositive power with respect to 453,637 shares; Barclay s Global Investors Canada Limited has sole voting power with respect to 154,361 shares and sole dispositive power with respect to 154,361 shares; and, Barclay s Global Investors Australia Limited has sole voting power with respect to 3,552 shares and sole dispositive power with respect to 3,552 shares.

3. Beneficial and percentage ownership is based on information contained in the Schedule 13G filed with the SEC on February 13, 2009 by The Vanguard Group, Inc. on behalf of itself and affiliated persons and entities. The Schedule 13G contains the following information regarding beneficial ownership of shares: The Vanguard Group, Inc. has sole voting power with respect to 162,433 shares and sole dispositive power with respect to 7,286,648 shares.

*Stock Ownership of Directors and Executive Officers*

In general, beneficial ownership includes those shares a director, director nominee, or executive officer has sole or shared power to vote or dispose, and shares underlying stock options that are exercisable currently or within 60 days and RSUs that are expected to vest within 60 days. The table below shows the number of shares of common stock beneficially owned on March 31, 2009, by our directors and executive officers.

| Name of Beneficial Owner | Common Stock | Shares Underlying Exercisable Stock Options and RSUs Vesting on or before May 31, 2009 | Percent of Class | Shares Represented by RSUs (1) |
|---|---|---|---|---|
| Gene M. Betts | 33,627 | 162,334 | * | 88,524 |
| Peter C. Brown | 1,382 | 5,599 | * | 0 |
| Harrison S. Campbell | 27,213 | 108,324 | * | 56,412 |
| Steven A. Davis | 1,382 | 5,599 | * | 0 |
| Richard A. Gephardt | 0 | 1,879 | * | 2,395 |
| Thomas A. Gerke | 57,605 | 227,601 | * | 130,893 |
| Dennis G. Huber | 21,914 | 75,269 | * | 34,462 |
| Thomas J. McEvoy | 34,329 | 218,307 | * | 56,412 |
| John P. Mullen | 1,382 | 5,599 | * | 0 |
| William A. Owens | 1,382 | 10,611 | * | 0 |
| Dinesh C. Paliwal | 1,382 | 5,599 | * | 0 |
| Stephanie M. Shern | 2,243 | 5,599 | * | 0 |
| Laurie A. Siegel | 1,382 | 5,599 | * | 0 |
| **Directors and Executive Officers as a group (17 persons)** | 231,341 | 1,033,728 | * | 447,954 |

* Less than 1 percent

1. Represents unvested RSUs with respect to which we expect to issue the underlying shares of our common stock after the RSUs vest. There are no voting rights with respect to these RSUs. These amounts do not include any RSUs represented in column 2. Any RSUs included in these amounts that are subject to performance adjustment are reflected at target opportunity levels.

*Change in Control*

As more fully described under Item 1 in the Original 10-K, on October 26, 2008, Embarq and CenturyTel entered into an Agreement and Plan of Merger whereby a wholly owned subsidiary of CenturyTel, will merge with and into us. As a result of the merger, we will continue as a wholly owned subsidiary of CenturyTel. On January 27, 2009, the shareholders of Embarq and CenturyTel approved the matters required to complete the transaction as proposed in the merger agreement.

**Equity Compensation Plan Information**

The following table provides information about Embarq s equity compensation plans as of December 31, 2008.

| **Plan Category** | **Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights** | **Weighted-average Exercise Price of Outstanding Options, Warrants and Rights** | **Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column 1)** |
|---|---|---|---|
| Equity compensation plans approved by shareholders [1] | 7,942,399(2) | $ 54.74(3) | 16,803,917(4)(5) |
| Equity compensation plans not approved by shareholders | | | |
| Total | 7,942,399(2) | $ 54.74(3) | 16,803,917(4)(5) |

1. In May 2008, our stockholders approved the Embarq Corporation 2008 Equity Incentive Plan ( 2008 Plan ) and the Embarq Corporation 2008 Employee Stock Purchase Plan (the ESPP ). In connection with our spin-off from Sprint Nextel, our former parent and sole shareholder approved the Embarq Corporation 2006 Equity Incentive Plan (the 2006 Plan ). The 2006 Plan and 2008 Plan provide for the grant of stock options, RSUs and other equity-based awards to Embarq employees and outside directors. The 2006 Plan governed the issuance of stock options to Embarq employees who held Sprint Nextel stock options before the spin-off from Sprint Nextel and the issuance of RSUs that were granted to holders of Sprint Nextel RSUs in connection with the spin-off. The 2008 Plan replaces the 2006 Plan for future grants, with the exception of additional RSUs that may be issued in connection with performance adjustments to previous RSU awards. Under the ESPP, each eligible employee may purchase common stock at quarterly intervals at a purchase price per share equal to 90% of the market value on the last business day of the quarterly offering period.
2. Total includes 6,697,442 shares to be issued upon exercise of outstanding stock options, 1,244,957 shares to be issued upon the vesting of RSUs. Excludes any purchase rights accruing under the ESPP.

3. The weighted average exercise price does not take into account the shares of common stock issuable upon vesting of RSUs issued under the 2006 Plan or the 2008 Plan. These restricted stock units have no exercise price.
4. Total includes 1,000,000 shares available under the 2006 Plan, reserved to satisfy remaining performance adjustments to RSU awards made under this plan, 14,999,400 shares available under the 2008 Plan and 804,517 shares available under the ESPP.
5. The 2008 Plan uses the following share counting method: stock options and stock appreciation rights count as one share; restricted stock, RSUs and other stock units count as 3 shares. The total amount shown above reflects the shares available utilizing this method for awards that were granted before December 31, 2008 and assumes that any awards granted after December 31, 2008 are counted as one share.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

**Review and Approval of Transactions with Related Parties**

Our Nominating and Corporate Governance Committee is responsible for implementing our Related Person Transactions Policy, as adopted by the Board of Directors. The written policy provides that our Nominating and Corporate Governance Committee will review any contemplated or planned transaction or arrangement with us or any of our controlled subsidiaries where (1) one of our directors, director nominees, executive officers, holders of more than 5% of our common stock, or any of their immediate family members has a material interest, and (2) the amount involved exceeds $100,000, except for transactions within certain pre-approved categories. The Nominating and Corporate Governance Committee will review the relevant details of the transaction submitted to it under the policy and may approve only those transaction it finds to be consistent with the best interests of Embarq and our shareholders.

**Director Independence**

Our Corporate Governance Guidelines require that at least two-thirds of our directors be independent in accordance with the listing standards of the NYSE. Our Board of Directors annually examines and makes a determination of each director s independence based on criteria set forth in the NYSE listing standards, as well as our Corporate Governance Guidelines. Our Board of Directors considers all relevant circumstances when examining director independence.

Some of our directors are employed by companies with which we do business in the ordinary course, either as a service provider, a customer or both. As required under the NYSE listing standards and our Corporate Governance Guidelines, our Board of Directors examined the amount spent by Embarq with those companies and by those companies with Embarq. Because in all cases the amount spent fell far below the threshold established in the NYSE listing standards and in our Corporate Governance Guidelines, our Board of Directors concluded that the amounts spent did not create a material relationship with us that would interfere with the exercise by any of these directors of his or her independent judgment.

Our Board of Directors also examined our directors memberships on other public company boards and private company, civic and not-for-profit boards, as well as those memberships of our executive officers, and did not find any relationships that our Board of Directors believed would prevent any director from exercising his or her independent judgment. Similarly, our Board of Directors examined the charitable donations we made in 2008 and did not find any donations that our Board of Directors believed would prevent any director from exercising his or her independent judgment.

After considering all relevant circumstances, our Board of Directors determined that all of our current directors, except Mr. Gerke, are independent under the NYSE listing standards and our Corporate Governance Guidelines.

**Item 14. Principal Accountant Fees and Services.**

**Fees Paid to KPMG LLP**

The following summary describes the fees billed or expected to be billed to us by KPMG LLP for professional services rendered for the fiscal years ended December 31, 2007 and 2008.

*Audit Fees*. For professional services rendered for the audit of our consolidated financial statements and financial statements of certain subsidiaries and the review of interim financial statements included in our quarterly reports on Form 10-Q, fees were $4,147,090 in 2007 and $2,925,000 in 2008.

*Audit-Related Fees*. For professional audit-related services rendered, fees were $30,700 in 2007 and $64,050 in 2008. Audit-related services generally included other attestation services in both 2007 and 2008 and services related to our proposed merger with CenturyTel in 2008.

*Tax Fees and All Other Fees*. For professional tax services rendered related to tax compliance, fees were $24,939 in 2008. KPMG LLP did not perform any professional tax services in 2007, or any other services in addition to those described above in either 2007 or in 2008.

Pursuant to the requirements of the Sarbanes-Oxley Act of 2002, the Audit Committee has adopted policies and procedures concerning our independent registered public accounting firm, including the pre-approval of services to be provided. The Audit Committee is responsible for the pre-approval of all audit, audit-related, tax and non-audit services to be provided by the independent registered public accounting firm. The Audit Committee may delegate pre-approval authority to one or more of its members, provided, that details of any of services provided under any delegation are provided to the full Audit Committee at its next meeting. Our independent registered public accounting firm is generally prohibited from providing certain non-audit services, which is more restrictive than the regulations implementing the Sarbanes-Oxley Act. Any permissible non-audit service must be specifically pre-approved in advance by the Audit Committee.

In 2007 and 2008, 100% of the services provided by KPMG LLP to us and our subsidiaries were pre-approved in accordance with the Audit Committee s established policies and procedures.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules.**

(a) The following exhibits are filed as part of this Amendment:

3. Exhibits:

| **Exhibit** | **Description** |
|---|---|
| 31.1 | Certification of Chief Executive Officer Pursuant to Securities Exchange Act of 1934 Rule 13a-14(a). |
| 31.2 | Certification of Chief Financial Officer Pursuant to Securities Exchange Act of 1934 Rule 13a-14(a). |

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EMBARQ CORPORATION

(Registrant)

By /s/ Gene M. Betts
Gene M. Betts
Chief Financial Officer

Dated: April 29, 2009

EXHIBIT INDEX

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