

Embarq CORP
Form 424B4
July 19, 2006
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File No. 333-133343

PROSPECTUS

Embarq Corporation

2,500 Restricted Shares of Common Stock

371,500 Restricted Stock Units and

371,500 Shares of Common Stock Issuable in Connection with the Restricted Stock Units

We are currently a subsidiary of Sprint Nextel Corporation. Sprint Nextel has determined to spin off our company by distributing all of our common stock to its stockholders as a dividend.

The restricted shares of our common stock, or restricted stock, and restricted stock units, or RSUs, covered by this prospectus will be issued, in connection with the spin-off and effective as of the distribution date, to current and former Sprint Nextel employees who hold Sprint Nextel restricted stock or RSUs at that time and who will not become Embarq employees at the spin-off. The restricted stock and RSUs will be subject to or issued under our 2006 Equity Incentive Plan. Based on the distribution ratio for the spin-off, the holders of Sprint Nextel restricted stock will receive one share of our restricted stock for every 20 shares of Sprint Nextel restricted stock held on the distribution date. The RSUs represent the right to receive the number of shares of our common stock that would have been received with respect to the number of shares of Sprint Nextel common stock issuable under the corresponding Sprint Nextel RSU at the time of the distribution. The restricted stock and RSUs covered by this prospectus will have substantially the same terms and conditions as the corresponding Sprint Nextel restricted stock and RSUs. We will not receive any proceeds from the issuance of the common stock or RSUs covered by this prospectus.

There is no trading market for our RSUs. Before May 4, 2006, there was no trading market for our common stock. On that date, shares of our common stock began trading on a when issued basis. Our common stock has been authorized for listing on the New York Stock Exchange, under the symbol EQ.

See **Risk Factors** beginning on page 11 for a discussion of certain risks relating to the spin-off, our business and ownership of our common stock.

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 10, 2006.

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You should not assume that the information contained in this prospectus is accurate as of any date other than the date set forth on the cover. Changes to the information contained in this prospectus may occur after that date, and we undertake no obligation to update the information, except in the normal course of our public disclosure obligations and practices. You should be aware of certain risks relating to the spin-off, our business and ownership of our common stock, which are described under the heading Risk Factors.

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SUMMARY

This summary highlights selected information contained in this prospectus. We urge you to read carefully this prospectus in its entirety. Except as otherwise indicated, references in this prospectus to Embarq, we, us or our are to Embarq Corporation and its subsidiaries. Effective August 12, 2005, Nextel Communications, Inc., which we refer to as Nextel, merged with and into a subsidiary of Sprint Corporation. Following the merger, which we refer to as the Sprint Nextel merger, Sprint changed its name to Sprint Nextel Corporation, which we refer to as Sprint Nextel. References in this prospectus to Sprint are to Sprint Corporation before the completion of the Sprint Nextel merger.

Our Company

We are a new company that, following the spin-off, will own the incumbent local communications operations conducted by Sprint Nextel and reported as its Local segment in its financial statements. The spin-off is a transaction that involves two general steps. First, Sprint Nextel will transfer to us assets consisting primarily of Sprint Nextel's incumbent local communications operations. In exchange for, and as a condition to, the transfer of assets and assumption by us of certain liabilities, Sprint Nextel will receive (1) shares of common stock of our company and (2) senior notes and the cash proceeds of our new borrowings, in an aggregate amount of approximately \$6.6 billion. Secondly, Sprint Nextel will distribute pro rata to its stockholders shares of our common stock. We refer to this last step as the distribution. The distribution date for the distribution is expected to occur on or about May 17, 2006. As a result of the spin-off, we will become a separate public company, although we will continue to have a number of significant commercial arrangements with Sprint Nextel. Following the spin-off, we expect to be included in the *Fortune* 500 list based on our historic revenues and those of other companies included in the most recent version of that list.

We offer regulated local communications services as an incumbent local exchange carrier, or ILEC, to roughly 5% of U.S. households, with approximately 7.26 million consumer and business access lines, as of March 31, 2006. Following the spin-off, we will provide a suite of communications services, consisting of local and long distance voice and data services, including high-speed Internet access. We also expect to provide access to our local network and other wholesale communications services for other carriers, communications equipment for business markets, and other communications-related services. Following the spin-off, we expect to provide code division multiple access, or CDMA, based wireless voice and data services in most of our local service territories to consumers and small business customers through a non-exclusive wholesale arrangement involving a mobile virtual network operator, or MVNO, relationship, with Sprint Nextel. We also expect to offer certain wireline voice and data, wireless and video services through sales agency and other wholesale agreements.

Following the spin-off, we expect to have total indebtedness of approximately \$7.25 billion. A portion of this debt is currently outstanding, and we will incur the remainder, approximately \$6.6 billion, in connection with the spin-off. We intend to transfer the cash proceeds of the new indebtedness and issue senior notes in partial consideration for the assets to be transferred to us by Sprint Nextel in the spin-off. The transfer of the assets is conditioned on our incurrence of the new indebtedness and making the related transfers to Sprint Nextel.

We will continue to serve our local service territories, which are located in 18 states. We have a significant presence in Florida, North Carolina, Nevada and Ohio (these four states represent nearly two-thirds of all of our access lines). The remaining states (in order of number of access lines) are: Virginia, Pennsylvania, Texas, Indiana, Missouri, Tennessee, New Jersey, Minnesota, Kansas, South Carolina, Washington, Oregon, Nebraska and Wyoming.

Our Strengths

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We believe our strengths will enable us to continue to generate cash flow and to grow new streams of revenue by diversifying our offerings, such as high-speed Internet services, while also allowing us to focus our

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efforts on minimizing the loss of access lines in our traditional local wireline business. Our principal strengths include:

Longstanding customer relationships

As the incumbent provider of communications services in our local service territories, we have developed longstanding customer relationships. Based on our estimates, we provide communications services to approximately 85% of the total potential customers in our local service territories, which we define to include potential customers who purchase local wireline services or wireless services in lieu of wireline. We manage our service offerings at the local level to serve the needs of each community effectively and efficiently.

Pre-existing network infrastructure

As the incumbent provider of communications services in our local service territories, we have a network infrastructure already in place to serve our customers' current needs and that can also serve as the foundation for offering new services to meet our customers' evolving needs.

Ability to offer a wide array of bundled services

We believe that following the spin-off, we will be among the few communications service providers in many of the markets we serve that can provide a suite of services to both consumers and business customers that includes wireline voice services, high-speed data, consumer video entertainment services, and communications equipment for business customers. We plan to expand our service offerings by providing CDMA-based wireless voice and data services to our consumers and business customers in our local service territories through our MVNO and sales agency relationships with Sprint Nextel. We seek to maximize profitable communications services revenue per customer through the convenience and cost savings of using a single provider for a broad suite of services. By offering a bundled package of products and services, we have improved our long distance and high-speed Internet services penetration, resulting in increased revenue and lower customer churn, which have helped to offset revenue decreases driven by continuing declines in access lines and product substitution. Going forward, we expect to go beyond merely bundling services by offering truly integrated or converged services and we believe that, combined with the modernization of our networks (such as by circuit to packet migration) and support systems, this will allow us to be more competitive and thereby achieve a greater market share.

Favorable demographics

The annual growth in number of households in our local service territories has averaged approximately 1.8% over the three years ended December 31, 2005, compared to the national average over that period of approximately 1.3%. Our local service territories cover all or part of six of the 20 fastest growing metropolitan statistical areas, or MSAs, based on the 2000 census. Approximately 29% of our access lines as of December 31, 2005 were in those MSAs.

Service and product expertise

We believe that our strong heritage provides a solid foundation for the continued development and delivery of cost-effective products and services. We intend to build on the core strengths of our business to fulfill our mission of providing high quality, cost-effective products and services and innovations that address our customers' communications needs.

Experienced management team

We have a senior management team with experience managing the expansion of communications companies, including experience at Sprint.

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Business Strategy

Our strategy is to maximize profitable communications services revenue per customer by selling integrated and bundled products and services and meeting the needs of our consumers and business and wholesale customers within our local service territories. Four key goals will support this strategy:

Provide useful products and solutions to attract and retain customers by marketing integrated service offerings including video and wireless services, expanding high speed Internet coverage, developing simplified products that meet our customers' needs and updating our networks to provide Internet Protocol, or IP, based services such as Voice over Internet Protocol, or VoIP;

Improve customer experience and perception of service and product offerings by providing customers with simplified billing, maintaining service quality and reliability, expanding our distribution channels, providing competitively priced services and using our local market knowledge and experience to provide customers with superior service.

Manage costs by implementing process improvements, focusing our network investment in areas that support enhanced services including high-speed network facilities, improving the efficiency and effectiveness of our customer support operations and simplifying our information technology, or IT, support systems.

Maintain a customer-focused culture that encourages high performance and employee satisfaction by maintaining our commitment to the communities we serve, providing innovative and competitive services while providing an exceptional customer experience, making Embarq a great place to work by improving employee communication, and aligning management and employee incentives and compensation plans.

We describe in this prospectus the local communications business to be transferred to us by Sprint Nextel in the spin-off as if it were our business for all historical periods described. However, we are a newly formed entity. References in this document to our historical assets, liabilities, products, business or activities generally refer to the historical assets, liabilities, products, business or activities of the transferred business as it was conducted as part of Sprint Nextel and its subsidiaries before the spin-off. Our historical financial results as part of Sprint Nextel contained in this prospectus may not be indicative of our financial results in the future as an independent company or reflect what our financial results would have been had we been an independent company during the periods presented.

Our principal executive offices are located at 5454 W. 110th Street, Overland Park, Kansas 66211 and our main telephone number is (913) 323-4637. We were incorporated in Delaware in 2005.

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The Spin-off

Assets and Liabilities Transferred to Embarq	We and Sprint Nextel have entered into a separation and distribution agreement that contains the key provisions relating to the separation of our business from Sprint Nextel and the distribution of our shares of common stock. The separation and distribution agreement identifies the assets to be transferred, liabilities to be assumed and contracts to be assigned to us by Sprint Nextel in the spin-off and describes when and how these transfers, assumptions and assignments will occur. See Agreements with Sprint Nextel Separation and Distribution Agreement .
Relationship with Sprint Nextel After the Spin-off	<p>Before the distribution date, we and Sprint Nextel will also enter into agreements to define the initial relationship between Sprint Nextel and us with respect to a number of services that will be provided. We are entering into commercial service agreements with Sprint Nextel pursuant to which we will purchase certain wireless and long distance services from Sprint Nextel to support our business and Sprint Nextel will purchase special access, calling number identification and other services from us. The commercial service agreements that we are entering into with Sprint Nextel have terms that generally extend from two to seven years and, in certain circumstances, may be terminated earlier by us or Sprint Nextel.</p> <p>We have also entered into transition services agreements under which we and Sprint Nextel will provide each other certain services on an interim basis.</p> <p>We and Sprint Nextel will also enter into an agreement providing for the sharing of taxes incurred before and after the distribution, certain indemnification rights with respect to tax matters and certain restrictions to preserve the tax-free status of the distribution to Sprint Nextel.</p> <p>See Risk Factors Risk Factors Relating to the Spin-off The agreements that we are entering into with Sprint Nextel may involve, or may appear to involve, conflicts of interest and Some of the agreements we are entering into with Sprint Nextel contain early termination provisions that, if exercised by Sprint Nextel, could be materially detrimental to our ability to operate our business. See also Agreements with Sprint Nextel.</p>
Management of Embarq	<p>In connection with the spin-off, we have established a board consisting of eight initial directors. After the initial term, directors will be elected each year at our annual meeting of stockholders. See Management Board Structure.</p> <p>Our executive officers will continue to serve in their respective designated capacities after the spin-off. See Management Directors and Executive Officers.</p>
Debt	Effective as of the distribution date, we will enter into a credit facility with certain financial institutions. On the distribution date, we expect to transfer to Sprint Nextel approximately \$6.6 billion in the form of

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cash and senior notes in partial consideration of Sprint Nextel's transfer to us of the local telecommunications division and wholesale product distribution operations and the consumer and certain business long distance customers located in our local service territories. Although the allocation of that consideration paid to Sprint Nextel may be adjusted, we currently expect that we will issue to Sprint Nextel senior notes in an aggregate initial principal amount of approximately \$4.5 billion and transfer to Sprint Nextel approximately \$2.1 billion in cash borrowed under our credit facility. Including these borrowings and existing borrowings of our subsidiaries, we will have approximately \$7.25 billion of indebtedness on the distribution date. Our incurrence of the new indebtedness and the related transfers to Sprint Nextel are conditions to the completion of the spin-off. The credit facility will also provide a revolving credit arrangement to satisfy other financing needs. We anticipate that immediately following the distribution date, we will have combined cash and equivalents and available liquidity under the credit facility of \$1.2 billion. We expect that the terms of our credit facility will include customary covenants that, among other things, will require us to satisfy certain financial tests, maintain certain financial ratios, restrict our ability to create liens, which could limit our ability to incur additional indebtedness, and restrict the ability of our subsidiaries to incur additional indebtedness. To the extent permitted, we may also incur additional indebtedness from time to time for general corporate purposes, including working capital requirements, capital expenditures and future acquisitions. See Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Liquidity. See also Risk Factors Risk Factors Relating to the Spin-off Following the spin-off, we will have substantial indebtedness, which could restrict our ability to pay dividends and have a negative impact on our financing options and liquidity position. Our financing arrangements will subject us to various restrictions that could limit our operating flexibility and Risk Factors Relating to our Business Our capital raising may adversely affect holders of our common stock by increasing our leverage and reducing our credit ratings.

Timeline of Key Events Related to the Spin-off *Before the Distribution Date:*

We will receive all required regulatory approvals.

The Sprint Nextel board of directors will determine the record date for the dividend of our common stock to Sprint Nextel stockholders, declare that dividend and determine the distribution ratio.

Our common stock began trading on a when issued basis on the second trading day before the record date for the spin-off.

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Sprint Nextel, as our sole stockholder, will:

elect our board of directors;

approve our adoption of certain benefit plans; and

approve various actions related to the spin-off.

Our board of directors will approve:

the adoption of certain benefit plans;

our corporate governance documents and policies; and

various actions related to the spin-off.

The Securities and Exchange Commission, or the SEC, will declare effective under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, the registration statement for the registration of our common stock issued in connection with the distribution.

Sprint Nextel will mail the information statement relating to the spin-off to its stockholders.

Sprint Nextel and Sprint Capital Corporation will enter into an exchange agreement pursuant to which Sprint Nextel will agree to transfer our senior notes and the cash proceeds of our new borrowings that will be paid to Sprint Nextel to Sprint Capital Corporation in satisfaction of intercompany indebtedness.

We will enter into a credit facility, which will be effective as of the distribution date.

The SEC will declare effective under the Securities Act of 1933, as amended, which we refer to as the Securities Act, the registration statement of which this prospectus is a part and the registration statement relating to Sprint Capital Corporation's resale of the senior notes.

We, Sprint Capital Corporation and certain underwriters will enter into an underwriting agreement relating to Sprint Capital Corporation's resale of all or a

portion of the senior notes.

On or Before the Distribution Date:

We will have entered into numerous agreements with Sprint Nextel, including:

the separation and distribution agreement;

transition services agreements;

commercial service agreements;

the tax sharing agreement;

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intellectual property agreements; and

the employee matters agreement.

On the Distribution Date:

Sprint Nextel will receive opinions of counsel as to the tax-free nature of the distribution.

Sprint Nextel will transfer to us assets consisting primarily of Sprint Nextel's incumbent local communications operations.

In exchange for, and as a condition to, Sprint Nextel's transfer to us of the assets and our assumption of certain liabilities, we will (1) issue to Sprint Nextel shares of our common stock and (2) issue to Sprint Nextel our senior notes and transfer to Sprint Nextel the cash proceeds of our new borrowings, in an aggregate amount of approximately \$6.6 billion.

Sprint Nextel will distribute its shares of our common stock pro rata to all of its stockholders of record as of the record date.

We will issue shares of restricted stock and RSUs, including the restricted stock and RSUs being issued under this prospectus, to holders of Sprint Nextel restricted stock and RSUs.

Following the Distribution Date:

We expect that our common stock will begin trading on the New York Stock Exchange on a regular way basis under the symbol EQ on the first trading day following the distribution date.

We will operate as a separate public company.

Sprint Nextel will transfer to Sprint Capital Corporation, in satisfaction of indebtedness owed to Sprint Capital Corporation, the senior notes and the cash proceeds of our new borrowings that will be paid to Sprint Nextel.

We expect that Sprint Capital Corporation will subsequently sell all or a portion of the senior notes for cash in an underwritten public offering.

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We expect to pay a regular quarterly dividend beginning in the third quarter of 2006. We currently expect the dividend to be in the aggregate amount of approximately \$75 million in each full quarter. All decisions regarding the declaration and payment of dividends, including with respect to the initial dividend, will be at the discretion of our board of directors and will be evaluated from time to time in light of our financial condition, earnings, growth prospects, funding requirements, applicable law and other factors our board deems relevant. See Dividend Policies.

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The following table sets forth our summary combined financial data. The following financial position data as of December 31, 2005 and 2004 and results of operations and cash flow data for the years ended December 31, 2005, 2004 and 2003 have been derived from our combined financial statements that were audited by KPMG LLP. The results of operations and cash flow data for the years ended December 31, 2002 and 2001 and the financial position data as of December 31, 2003, 2002 and 2001 have been derived from our unaudited combined financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The following information should be read together with our combined financial statements and the notes related to those combined financial statements. See Management's Discussion and Analysis of Financial Condition and Results of Operations and Index to Financial Statements and Financial Statement Schedule.

Our combined financial information may not be indicative of our future performance and does not necessarily reflect what our financial condition and results of operations would have been had we operated as a separate, stand-alone entity during the periods presented, particularly since many changes will occur in our operations and capitalization as a result of our spin-off from Sprint Nextel.

	As of and For the Years Ended December 31,				
	2005	2004	2003(1)	2002	2001
				(unaudited)	(unaudited)
(millions, except as noted)					
Results of Operations					
Net operating revenues	\$ 6,254	\$ 6,139	\$ 6,159	\$ 6,250	\$ 6,547
Total operating expense	4,702	4,549	4,543	4,654	4,965
Operating income (2)	1,552	1,590	1,616	1,596	1,582
Net income (3)	878	917	1,554	933	998
Cash Flow Data					
Net cash provided by operating activities	\$ 1,904	\$ 2,064	\$ 1,804	\$ 2,258	\$ 1,832
Capital expenditures	828	975	1,118	1,136	1,353
Financial Position					
Total assets	\$ 9,221	\$ 9,329	\$ 9,268	\$ 8,745	\$ 9,593
Property, plant and equipment, gross	19,784	19,470	18,975	18,332	17,684
Property, plant and equipment, net	7,804	7,977	7,979	7,444	7,371
Total debt (including short-term and long-term borrowings)	1,125	1,240	1,392	2,033	2,360
Total business equity	4,852	4,960	4,889	4,004	4,490
Other Data (unaudited):					
OIBDA (4)	\$ 2,531	\$ 2,562	\$ 2,608	\$ 2,680	\$ 2,638
Ending access lines (5)	7.35	7.67	7.90	8.08	8.21
Ending high-speed Internet lines in service (<i>thousands</i>)	693	492	304	151	55

(1) The results of operations and cash flow data for the year ended December 31, 2003 is derived from our audited combined financial statements. The financial position data as of December 31, 2003 is unaudited.

(2) In 2005, we recorded \$79 million in allocated asset impairments of which \$77 million resulted from the abandonment of a network monitoring software application.

In 2004, we recorded restructuring charges of \$40 million. The restructuring charges were related to severance costs associated with Sprint Nextel's organizational realignment.

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In 2003, we recorded restructuring charges of \$25 million. The restructuring charges were related to severance costs associated with Sprint Nextel's organizational realignment, in the amount of \$26 million,

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and \$5 million for asset impairments. The 2003 restructuring charges were offset by the finalization of the 2001 and 2002 restructuring liability in the amount of \$6 million.

In 2002, we recorded restructuring charges of \$57 million. The restructuring charges were primarily related to the consolidations in Sprint Nextel's network, information technology and billing and accounts receivable organizations, as well as additional steps to reduce overall operating costs.

In 2001, we recorded restructuring charges of \$113 million. The restructuring charges were primarily related to consolidation and streamlining of marketing and network operations.

- (3) In 2003, we adopted Statement of Financial Accounting Standard No. 143, *Accounting for Asset Retirement Obligations*. In connection with this adoption, we recognized a cumulative effect of change in accounting principle credit, net of tax, of \$258 million. Additionally, in 2003, we recognized an after tax gain of \$375 million related to the sale of the directory publishing business.
- (4) We define Operating Income Before Depreciation and Amortization, or OIBDA, as operating income adjusted to exclude depreciation and amortization.

We use OIBDA, among other metrics, to evaluate our operating performance and as one of the components of incentive compensation targets for eligible employees. OIBDA is a performance measure that captures the income and expenses which relate to our business and are managed by our executives. Because our business is capital intensive, depreciation and amortization are excluded from the measurement as they are non-cash items. Other relevant, internal management measures addressing return on invested capital as well as U.S. generally accepted accounting principles, or GAAP, measures are used to manage the level of and return on capital investments. Overall financing and investment decisions are managed at a corporate level. We believe the presentation of this measure is relevant and is useful for investors as it enhances the transparency of our financial information by allowing them to view our performance through the eyes of our executive management. OIBDA is also among the primary measures used externally by analysts and peers in the industry for purposes of assessing operating performance.

Since OIBDA is not a measure of performance calculated in accordance with GAAP it should not be considered in isolation from, or as a substitute for, net income. As required by the SEC, provided below are reconciliations of OIBDA to income from continuing operations, the most directly comparable GAAP financial measure.

Reconciliation of Non-GAAP Measure

	As of and for the Years Ended December 31,				
	2005	2004	2003	2002	2001
(millions)				(unaudited)	(unaudited)
Income from continuing operations	\$ 894	\$ 917	\$ 920	\$ 897	\$ 958
Income tax expense	578	569	569	552	598
Other (income) expense, net (a)	(3)	2	6	12	(128)
Premium on early retirement of debt			5		

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Interest expense	83	102	116	136	154
Depreciation and amortization	979	972	992	1,084	1,056
	<u> </u>				
OIBDA	\$ 2,531	\$ 2,562	\$ 2,608	\$ 2,681	\$ 2,638
	<u> </u>				

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- (a) The \$128 million of income reflected in 2001 arose primarily from curtailment gains resulting from the amendment of certain post-retirement benefit plans.
- (5) At March 31, 2006, we had approximately 7.26 million access lines.

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RISK FACTORS

You should carefully consider the risks described below, together with all of the other information included in this prospectus, in evaluating our company and our common stock. If any of the risks described below actually occurs, our business, financial results, financial condition and stock price could be materially adversely affected.

Risk Factors Relating to the Spin-off

Our future financial performance may be worse than the performance reflected in our historical financial information included in this prospectus.

The historical financial information we have included in this prospectus may not reflect what our results of operations, financial position and cash flows would have been had we been an independent company during the periods presented or be indicative of what our results of operations, financial position and cash flows may be in the future when we are an independent company. This is primarily a result of the following three factors:

our historical financial information reflects allocations for services historically provided by Sprint Nextel, and we expect these allocations to be different from the costs we will incur for these services in the future as a smaller independent company, including with respect to services provided by Sprint Nextel under the transition services agreements and other commercial service agreements. We expect that, in some instances, the costs incurred for these services as a smaller independent company will be higher than the share of total Sprint Nextel expenses allocated to us historically;

our historical financial information does not reflect the debt and related interest expense (as shown on the pro forma contractual obligations table under Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Liquidity) that we will incur as part of the spin-off, including debt we will incur in order to transfer cash and issue securities to Sprint Nextel in consideration of Sprint Nextel's transfer to us of the local telecommunications division assets; and

the historical financial information does not reflect the increased costs associated with being an independent company, including changes that we expect in our cost structure, personnel needs, financing and operations of the transferred business as a result of the spin-off from Sprint Nextel (e.g., we may experience losses on our wholesale wireless operations following the spin-off), and from reduced economies of scale.

For these reasons, our future financial performance may be worse than the performance implied by the historical financial information we have presented in this prospectus.

For additional information about the past financial performance of our business and the basis of the presentation of the historical combined financial statements, see Selected Combined Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, Unaudited Pro Forma Combined Financial Information and the historical combined financial statements and the accompanying notes included elsewhere in this prospectus.

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We have no history operating as a separate public company on which you can evaluate our business strategy.

Historically, our business has been principally operated as one of Sprint Nextel's business units, and therefore we have no operating history as a separate public company. Accordingly, there can be no assurance that our business strategy and operations will be successful on a stand-alone basis.

We may experience increased costs or decreased operational efficiencies as a result of our need to replace corporate functions previously provided by Sprint Nextel.

Sprint Nextel has historically performed many important corporate functions for our operations, including information technology support, treasury, accounting, finance and tax administration, human resources, legal, regulatory, public relations and strategic development functions. Following the spin-off, Sprint Nextel will

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provide support to us with respect to certain of these functions, including customer bill printing and mailing services, information technology application and support services, data center services and human resources helpdesk services, on a transitional basis for up to two years. We will need to replicate certain facilities, systems, infrastructure and personnel to which we will no longer have access after our spin-off from Sprint Nextel. These initiatives will be costly to implement. We estimate that capital expenditures and other costs associated with developing and implementing our own support functions, including information technology systems and infrastructure, in these areas will be approximately \$237 million.

In addition, there may be an adverse operational impact on our business as a result of the significant time of our management and other employees and internal resources that will need to be dedicated to building these capabilities during the first few years following the spin-off that otherwise would be available for other business initiatives and opportunities. When we begin to operate these functions independently, if we do not have in place adequate systems and business functions of our own, or obtain them from other providers, we may not be able to operate our company effectively and our profitability may decline.

Our profitability may be adversely affected when revenues for certain support functions that we will provide to Sprint Nextel on a transitional basis following the spin-off cease.

Following the spin-off, we will provide support to Sprint Nextel with respect to certain functions on a transitional basis for up to two years. Among the principal services that we will provide to Sprint Nextel are billing support services, field technician support for complex voice customers and information technology application services. Amounts paid by Sprint Nextel for these services are expected to be approximately \$30 million annually. Upon expiration of these transitional arrangements, we will need to replace such amounts with new revenue sources or otherwise reduce our cost structure appropriately or our profitability will suffer.

Our spin-off from Sprint Nextel could adversely affect our business and profitability due to our loss of Sprint Nextel's strong brand, reputation, capital base and purchasing power.

As a business unit of Sprint Nextel, we have marketed our products and services using the Sprint brand name and logo, and we believe the association with Sprint Nextel has provided us with preferred status among our customers and employees due to Sprint Nextel's:

globally recognized brands;

perceived high-quality products and services;

strong capital base and financial strength; and

significant purchasing power.

We may not be able to achieve or maintain comparable name recognition or status under our new brand, which could adversely affect our ability to attract and retain customers, resulting in reduced sales and revenues. Our separation from Sprint Nextel could also adversely affect our ability to attract and retain key employees. We will also incur substantial capital and other costs associated with launching and marketing our new

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brand. We may be required to change our marketing strategy to reflect the loss of the preferred brand status (e.g., we could determine to more aggressively price our services for high-speed Internet access and that strategy could result in lower profitability). In addition, we have historically benefited from Sprint Nextel's size and purchasing power in procuring goods and services. Following the spin-off, we may be unable to obtain goods and services at prices and on terms as favorable as those obtained before the spin-off, which could decrease our overall profitability.

If the distribution does not qualify as a tax-free transaction, tax could be imposed on Sprint Nextel stockholders.

Sprint Nextel received a private letter ruling from the Internal Revenue Service, or IRS, that the distribution will qualify for tax-free treatment under the Internal Revenue Code of 1986, as amended, or the Code.

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Sections 355 and 361. The private letter ruling was granted on July 20, 2005, in response to a request dated April 6, 2005. Certain additional information was provided to the IRS before and after the private letter ruling was received. In addition, Sprint Nextel intends to obtain, immediately before the distribution, an opinion of counsel from each of Cravath, Swaine & Moore LLP and Paul, Weiss, Rifkind, Wharton & Garrison LLP that the distribution will qualify for tax-free treatment. The receipt of the opinions is a condition to the distribution, which may be waived by Sprint Nextel in its discretion. If satisfactory opinions from counsel regarding the tax-free qualification of the distribution cannot be obtained, Sprint Nextel's board of directors would consider not completing the distribution. The IRS ruling relies, and the opinions will rely, on representations, assumptions and undertakings, including those relating to the past and future conduct of our business, and neither the IRS ruling nor the opinions would be valid if such representations, assumptions and undertakings were incorrect. Moreover, the IRS private letter ruling does not address all the issues that are relevant to determining whether the distribution will qualify for tax-free treatment. The issues not addressed by the private letter ruling consist primarily of issues on which the IRS customarily declines to rule. These issues are expected to be addressed by the opinions.

Notwithstanding the IRS private letter ruling and the opinions, the IRS could determine that the distribution should be treated as a taxable transaction if it determines that any of the representations, assumptions or undertakings that were included in the request for the private letter ruling is false or has been violated or if it disagrees with the conclusions in the opinions that are not covered by the IRS ruling. If the distribution fails to qualify for tax-free treatment, it will be treated as a taxable dividend to Sprint Nextel stockholders in an amount equal to the fair market value of our common stock issued to Sprint Nextel common stockholders.

If the distribution does not qualify as a tax-free transaction, tax could be imposed on Sprint Nextel and we may be required to indemnify Sprint Nextel for such tax.

For the reasons described in the preceding risk factor, the distribution may not be tax-free to Sprint Nextel. In that event, Sprint Nextel would be required to recognize gain in an amount up to the fair market value of our common stock that Sprint Nextel distributes on the distribution date plus the fair market value of the senior notes that Sprint Nextel receives from us. The treatment of the distribution for federal tax purposes is not dependent on the tax treatment of the Sprint Nextel merger.

Furthermore, events subsequent to the distribution could cause Sprint Nextel to recognize gain on the distribution. For example, under Code Section 355(e), even minimal acquisitions of either our equity securities or Sprint Nextel's equity securities that are deemed to be part of a plan or a series of related transactions that include the distribution and the Sprint Nextel merger could cause Sprint Nextel to recognize gain on the distribution.

Under the tax sharing agreement between Sprint Nextel and us, we are generally required to indemnify Sprint Nextel against any tax resulting from the distribution if such tax results from (1) an issuance of our equity securities, a redemption of our equity securities or our involvement in other acquisitions of our equity securities (excluding the distribution of our common stock in the spin-off), (2) other actions or failures to act by us or (3) any of our representations or undertakings being incorrect or violated. We estimate that if any of these conditions occurs the indemnification obligation to Sprint Nextel for taxes would be significant and we are unlikely to have the ability to pay that obligation.

We are agreeing to certain restrictions to preserve the tax-free treatment of the distribution to Sprint Nextel, which may reduce our strategic and operating flexibility.

To preserve the tax-free treatment to Sprint Nextel of the distribution, under a tax sharing agreement that we will enter into with Sprint Nextel, for specified periods of up to 30 months following the distribution, we may be prohibited, except in specified circumstances, from:

issuing, redeeming or being involved in other acquisitions of our equity securities;

transferring significant amounts of our assets;

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amending our certificate of incorporation or bylaws;

failing to maintain certain components of our business as an active business; or

engaging in other actions or transactions that could jeopardize the tax-free status of the distribution.

These restrictions may limit our ability to pursue strategic transactions or engage in new business or other transactions that may maximize the value of our business. See Agreements with Sprint Nextel Tax Sharing Agreement.

Following the spin-off, we will have substantial indebtedness, which could restrict our ability to pay dividends and have a negative impact on our financing options and liquidity position.

On or shortly before the distribution date, we expect to enter into a credit facility with certain financial institutions and, in connection with the spin-off, will transfer approximately \$2.1 billion in cash borrowed under the credit facility and issue approximately \$4.5 billion in senior notes to Sprint Nextel. As a result, on the distribution date we will have approximately \$7.25 billion of total debt outstanding and expect to have interest expense of approximately \$515 million annually.

The extent to which we are leveraged could:

limit our ability to obtain additional financing in the future for working capital, capital expenditures and acquisitions;

limit our ability to refinance our indebtedness on terms acceptable to us or at all;

require us to dedicate a significant portion of our cash flow from operations to paying the principal of and interest on our indebtedness, thereby reducing funds available for other corporate purposes;

make it more difficult for us to pay our anticipated cash dividends of \$75 million quarterly (or \$300 million annually) on our common stock; and

make us more vulnerable to economic downturns and limit our ability to withstand competitive pressures.

Our financing arrangements will subject us to various restrictions that could limit our operating flexibility.

We expect that our credit facility and other financing arrangements will contain covenants and other restrictions that, among other things, will require us to satisfy certain financial tests and maintain certain financial ratios and restrict our ability to incur additional indebtedness. In addition, both the indenture governing the senior notes and the credit facility will restrict our ability to create liens, which could limit our ability to incur additional indebtedness and restrict the ability of our subsidiaries to incur additional indebtedness. The restrictions and covenants in our

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anticipated financing arrangements, and in future financing arrangements, may limit our ability to respond to market conditions, provide for capital investment needs or take advantage of business opportunities by limiting the amount of additional borrowings we may incur. See Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Liquidity.

The agreements that we are entering into with Sprint Nextel may involve, or may appear to involve, conflicts of interest.

Because the spin-off involves the separation of Sprint Nextel's existing businesses into two independent companies, we are entering into certain agreements with Sprint Nextel to provide a framework for our initial relationship with Sprint Nextel following the spin-off. We have negotiated these agreements with Sprint Nextel while we are still a wholly owned subsidiary of Sprint Nextel. Accordingly, our executive officers and some of our directors were employees, officers or directors of Sprint Nextel or its subsidiaries at the time of the negotiations and, as such, had an obligation to serve the interests of Sprint Nextel and its subsidiaries. As a result, they could be viewed as having had a conflict of interest.

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Some of the agreements we are entering into with Sprint Nextel contain early termination provisions that, if exercised by Sprint Nextel, could be materially detrimental to our ability to operate our business.

We are entering into commercial service agreements with Sprint Nextel under which each company will obtain services from the other. Some of these agreements are subject to various restrictions and early termination provisions. For instance, we will market and sell our own branded wireless service under a wholesale agreement with Sprint Nextel. Although this agreement has a seven year term, Sprint Nextel has the right to terminate the agreement if we fail to meet subscriber targets within the first two years of the agreement, if we transfer more than 50% of our subscribers to another carrier or if a change of control of our company occurs. There are also certain restrictions that prevent us from transferring our base of wireless subscribers to another carrier. These restrictions may reduce our strategic and operating flexibility. Early termination of these agreements could have an adverse effect on our ability to operate our business.

We do not own or have a license to all technology that may be necessary to expand our product offerings, which could adversely affect our business and profitability.

We may need to obtain the right to use certain patents from Sprint Nextel or third parties to be able to offer new products and services. We have the right to use all of Sprint Nextel's existing patents only for a two-year period after the distribution date (although we do have the right to use the Sprint Nextel patents for business that we are conducting as of the distribution date for the life of those patents). If we cannot license or otherwise obtain rights to use any required technology from Sprint Nextel following that two-year period or from a third party on reasonable terms, our ability to offer new IP-based products and services, including VoIP (a technology that enables customers to make telephone calls using high-speed Internet access services), or other new offerings may be restricted, made more costly or delayed. Our inability to implement IP-based or other new offerings on a cost-effective basis could impair our ability to successfully meet increasing competition from companies offering integrated communications services, including cable operators and other service providers offering high-speed Internet services that can be used as a platform to support voice services utilizing VoIP. Our inability to deploy new technologies could also prevent us from successfully diversifying, modifying or bundling our service offerings and result in accelerated loss of access lines, customer usage and revenues or otherwise adversely affect our business and profitability. See Agreements with Sprint Nextel Patent Agreement.

Restrictions in the patent agreement that we are entering into with Sprint Nextel could adversely affect our ability to grow through acquisitions, be acquired or make divestitures.

Following the spin-off, if we grow by acquisitions to become more than twice our size at the time of the distribution, any new companies that we acquire, or operations that are integrated with new acquisitions, will not have the benefit of the patent agreement with Sprint Nextel. If we undergo a change of control and there is a functional integration of our operations with a third party we will lose the benefits of some or all of the patent agreement with Sprint Nextel. The benefits of that agreement do not extend to any parent company or any companies under common control with us. These limitations may make us less attractive as an acquisition candidate and reduce the value that an acquirer would be willing to pay for our business. Divestitures of our assets and operations could also be restricted because the benefits of the agreement would continue to apply only if divested operations or assets are isolated from the other members of the corporate group making the acquisition and only if the business is conducted in substantially the same manner and in substantially the same geographic area that it was conducted before the divestiture. These limitations may make our assets less attractive to a potential acquirer and could reduce the value that an acquirer would be willing to pay for the assets. See Agreements with Sprint Nextel Patent Agreement.

Risk Factors Relating to our Business

We face widespread competition that may reduce our market share and harm our financial performance.

We face significant competition from a number of different types of communications services providers, including wireless telephone service providers, Internet service providers, cable companies, companies that offer VoIP and competitive local exchange carriers, or CLECs.

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In particular, we face increasing competition from wireless telephone service providers. As wireless carriers continue to expand and improve their network coverage while lowering their prices, some customers choose to stop using traditional wireline phone service and instead rely solely on wireless service. We anticipate that this trend toward solely using wireless services will continue, particularly if wireless service rates continue to decline and the quality of wireless services improves. Technological developments in cellular telephone, personal communications services, digital microwave, satellite, broadband radio services, local multipoint distribution services, meshed wireless fidelity, or WiFi, and other wireless technologies are expected to permit the further development of alternatives to traditional wireline communications services.

We also face increasing competition from cable operators and other service providers offering high-speed Internet services that can be used as a platform to support voice services utilizing VoIP technology. As VoIP becomes a more robust and widely available service, existing competitors could become more formidable and new competitors could enter our markets.

Many of our current and potential competitors have market presence, engineering, technical and marketing capabilities and financial, personnel and other resources greater than ours, and mergers or other combinations involving our competitors may increase this competitive factor. In addition, some of our competitors can conduct operations or raise capital at a lower cost than we can and are subject to less regulation, taxes or fees. Consequently, some competitors are able to charge lower prices for their products and services, to develop and expand their communications and network infrastructures more quickly, to adapt more swiftly to new or emerging technologies and changes in customer requirements, and to devote greater resources to the marketing and sale of their products and services than we can.

Competition may adversely impact our revenues and profits in several ways, including:

the loss of customers and market share;

the possibility of customers shifting to less profitable services;

forcing us to lower prices or increase capital or marketing expenses to remain competitive; and

increasing our need to incur additional costs in order to diversify by offering new products or services.

We face increased competition from companies offering integrated communication services.

The traditional dividing lines between providers of local and long distance telephone services and wireless, video, Internet and cable television services are increasingly becoming blurred, in part because of changes in the regulatory environment that have facilitated the offering of integrated services. Through mergers, joint ventures and various service expansion strategies, providers of competing communication services are increasingly able to provide integrated services in many of the markets we serve. If we are unable to offer integrated service offerings, we may not be able to compete successfully against competitors that offer more integrated service packages.

In recent years, we have broadened our service and product offerings in pursuit of our strategy of growing our share of communications spending by customers within our local service territories. As a business unit of Sprint Nextel, we bundled Sprint Nextel's long distance and CDMA-based wireless services, expanded high-speed Internet coverage and provided video capability with Echostar Communications Corp.

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Following the spin-off, we expect to continue to expand our high-speed Internet coverage and to continue our relationship with Echostar. We also expect to offer certain wireline services and CDMA-based wireless services through wholesale (such as the MVNO relationship) and sales agency relationships with Sprint Nextel. However, it may be more difficult for us to achieve our goal of continuing to enhance our customers service experience with a single, clear invoice and integrated customer care for bundled services. We cannot assure you that we will be able to continue successfully our recent product diversification efforts.

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New technologies may be developed that could displace our service offerings.

We expect competition to intensify as new technologies, products and services are developed. Changes in technology may permit new entrants into the communications services marketplace, and as a result the future prospects of the incumbent wireline industry and the success of our services remain uncertain. We cannot predict which of many possible future technologies, products or services will be important for us to develop in order to maintain our competitive position or what expenditures will be required to develop and provide these technologies, products or services. To the extent we do not keep pace with technological advances or fail to timely respond to technology-driven changes in our industry, we could lose market share or experience a decline in revenue and net income.

We may not be able to compete successfully against Sprint Nextel, which has greater financial resources and superior brand recognition.

In addition to the competitive threats posed to us by other wireless carriers and cable operators, Sprint Nextel has stated publicly that it expects to pursue an aggressive strategy of serving as a wireless alternative to wireline service and to advance competition by, for example, pursuing alliances or joint ventures with cable operators that may have the effect of making the cable operators' voice offerings that compete with our services more attractive. To this end, Sprint Nextel recently announced a joint venture with several major cable operators that provide services that compete directly with those that we offer. As Sprint Nextel will be a substantially larger company with greater financial resources and superior brand recognition, we may not be able to compete successfully against Sprint Nextel or its alliances or joint ventures.

Our industry is highly regulated and continues to undergo various regulatory and legislative changes, which could adversely affect our prospects and results of operations.

As an ILEC, we have traditionally been subject to significant regulation from federal, state and local authorities and in many respects are subject to more extensive regulation than some of our competitors. This regulation imposes substantial compliance costs on us, restricts our ability to adjust rates to reflect market conditions and impacts our ability to compete and respond to changing industry conditions. In recent years, the communications industry has undergone various fundamental regulatory changes, including those resulting from federal and state legislation, that have generally permitted competition in each segment of the telephone industry, while also in some respects reducing the regulation of ILECs. These and subsequent regulatory and legislative changes could adversely affect us by reducing the switched access charges that we are permitted to charge customers for use of our network to originate and terminate calls, altering our tariff structures, or otherwise changing the nature of our operations and competition in our industry. In particular, Congress and state legislatures may enact laws, and the Federal Communications Commission, or FCC, and state regulatory commissions may adopt new regulations or take other actions that could adversely affect our business prospects or results of operations.

The regulatory uncertainty surrounding VoIP and the apparent use of VoIP by some CLECs, long distance carriers and wireless carriers as a strategy to minimize access charges may adversely affect our access revenues. Adoption by the FCC of intercarrier compensation reform could reduce or eliminate other opportunities for access charge arbitrage, but could also reduce our revenues unless the plan provides a feasible mechanism to replace those revenues with revenues from other sources. Depending on its outcome, the FCC's recently instituted proceeding regarding regulation of rates for dedicated special access services that we sell to other carriers could affect what we charge for those services in the future.

Similarly, recent rule changes that permit customers to retain their wireline or wireless numbers when switching to another service provider could increase the number of our customers who choose to disconnect their wireline service and rely exclusively on their wireless service for their communications needs. Other pending rulemakings could also have a substantial impact on our operations, including in particular

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rulemakings on intercarrier compensation and universal service. In addition, various federal legislative proposals are pending that

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could substantially alter universal service support mechanisms, which could adversely affect the operating income we derive from those sources. Litigation and different objectives among federal and state regulators could create uncertainty and delay our ability to respond to new regulations. Moreover, changes in tax laws, regulations or policies could increase our tax rate. We are unable to predict the future actions of Congress, state legislatures and the various regulatory bodies that govern us, but those actions could materially affect our business.

Due to competitive, technological and regulatory changes, we cannot assure you that our core business will grow, and it could decline, which could have an adverse effect on our business and future prospects.

Due to the competitive, technological and regulatory changes described above, the local communications industry has recently experienced a decline in access lines, interstate and intrastate access traffic and long distance traffic. The recent decline in access lines and usage, coupled with the other changes resulting from competitive, technological and regulatory developments, could materially adversely affect our core business and future prospects. We anticipate that expected increases in our data revenue will be partially offset by continued declines in revenues from traditional voice services. Our access lines declined 4.1%, 2.9% and 2.2% in 2005, 2004 and 2003, respectively, and declined 4.9% at March 31, 2006 compared to March 31, 2005. Due to competitive factors we expect access line loss to continue.

We may not keep all of the long distance customers that are transferred to us by Sprint Nextel.

As part of the separation, we expect Sprint Nextel will, subject to state and federal regulatory approvals, transfer to our long distance subsidiary all of Sprint Nextel's switched long distance consumer customers, certain of its switched long distance business customers and certain IP data customers, which, in any case, reside or are headquartered in our local service territories. We are required by applicable regulations to provide the affected customers with notice of the transfer, and in the case of consumer customers, we must also provide them with an opportunity to opt out of the transfer. To the extent that customers opt out of the transfer or switch to competitive carriers following the transfer, our revenues and profitability could be adversely affected.

Our capital raising may adversely affect holders of our common stock by increasing our leverage and reducing our credit ratings.

In addition to the new financing arrangements we expect to enter into as part of the spin-off, we may need to incur additional debt or issue securities in order to fund working capital needs, capital expenditures and product development requirements or to make acquisitions and other investments. Due to limitations in our tax sharing agreement, for specified periods of up to 30 months following the distribution date, any additional capital we seek to raise may have to be in the form of debt, which could increase our leverage and reduce our credit ratings.

We may not have access to capital on acceptable terms, and if we are not able to obtain sufficient financing, we may be unable to maintain or grow our business.

Following the spin-off, our credit ratings are expected to be lower than the current ratings of Sprint Nextel. Differences in credit ratings affect the interest rate charged on financings, as well as the amounts of indebtedness and types of financing structures that may be available to us. Regulatory restrictions and the terms of our indebtedness limit our ability to raise capital through our subsidiaries, pledge the stock of our subsidiaries, encumber the assets of our subsidiaries and cause our subsidiaries to guarantee our indebtedness. We may not be able to raise the capital we require on acceptable terms, if at all. If we are not able to obtain sufficient financing, we may be unable to maintain or grow our business. In addition, our financing costs may be higher than they were as part of Sprint Nextel as reflected in our historical financial statements.

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Further, issuances of equity securities will be subject to limitations imposed on us in the tax sharing agreement that we will enter with Sprint Nextel.

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A significant portion of our workforce is unionized, and if we are unable to reach new agreements before our current labor contracts expire, our unionized workers could engage in strikes or other labor actions that could materially disrupt our ability to provide services to our customers.

As of December 31, 2005, we had approximately 14,500 active employees. Approximately 7,000 of these employees (48%) were represented by unions which are subject to collective bargaining agreements. We expect to have approximately 20,000 employees at the time of the spin-off. This expected increase is primarily the result of the transfer of Sprint Nextel employees, who perform corporate headquarters functions, to our company, as well as some external hiring.

Each year, a portion of our labor agreements expire pursuant to their terms and we negotiate the terms of new agreements. In 2006, the contracts governing approximately 29% of the union workforce lapse and are scheduled to be renegotiated. We cannot predict the outcome of these negotiations. We may be unable to reach new agreements, and union employees may engage in strikes, work slowdowns or other labor actions, which could materially disrupt our ability to provide services. New labor agreements may impose significant new costs on us, which could adversely affect our financial condition and results of operations in the future.

We face hurricane and other natural disaster risks, which can disrupt our operations and cause us to incur substantial additional capital costs.

Approximately 52% of our access lines are located in Florida, North Carolina, South Carolina and Texas, and our operations there are subject to the many hazards inherent in being located in areas frequently hit by severe storms, hurricanes and tornadoes, including downed telephone lines, power-outages, destroyed property and equipment, and work interruptions. For example, during 2004 when numerous major hurricanes hit our local service territories, we incurred approximately \$60 million of incremental labor and material costs related to service restoration and network repairs.

Although we maintain property and casualty insurance and may under certain circumstances be able to seek recovery of some additional costs through increased rates, only a portion of our additional costs directly related to the hurricanes in 2004 and 2005 was recoverable. We cannot predict whether we will continue to be able to obtain insurance for hurricane-related damages or, if obtainable and carried, whether this insurance will be adequate to cover our liabilities. In addition, we expect any insurance of this nature to be subject to substantial deductibles and to provide for premium adjustments based on claims. Any future hurricane-related costs and work interruptions could adversely affect our operations in the South and our financial condition.

Our designated executive team has not previously worked together to lead an independent company, and any inability of members of the executive team to work together effectively or the loss of any of them could adversely affect our performance.

While the persons expected to be our executive officers have significant industry experience, some do not have extensive operating experience with the incumbent local communications operations of Sprint Nextel, and they have not worked together as managers of an independent, stand-alone company. As a separate company, we will have substantially fewer resources than Sprint Nextel. Our success will depend, in part, on the ability of our executives to work effectively as a team in this new environment. Any inability of our executive officers to work together effectively or the loss of any of them could impair our operational and financial performance.

Risk Factors Relating to Ownership of our Common Stock

The market price and trading volume of our common stock may be volatile.

On May 4, 2006, our common stock began trading on a "when issued" basis. We have not and will not set an initial price for our common stock. The price for our common stock will be established by the public market. We are unable to predict whether large amounts of our common stock will be sold in the open market following

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the distribution. We are also unable to predict the number of buyers that will be in the market at any time. Our smaller size and different investment characteristics may not appeal to the current investor base of Sprint Nextel. There is no assurance that there will be sufficient buying interest to offset any sales, and, accordingly, the price of our common stock could be depressed by those sales or be more volatile.

Neither we nor Sprint Nextel can assure you as to the trading price of our common stock after the distribution or as to whether the combined trading prices of our common stock and Sprint Nextel's common stock after the distribution will, in the aggregate, be less than, equal to or greater than the trading prices of the Sprint Nextel common stock before the distribution. The market price of our common stock could fluctuate significantly for many reasons, including in response to the risk factors listed in this prospectus or for reasons not specifically related to our performance, such as industry or market trends, reports by industry analysts, investor perceptions, or negative announcements by our customers or competitors regarding their own performance, as well as general economic and industry conditions. For example, to the extent that other companies within our industry experience declines in their stock price, our stock price may decline as well.

A portion of our current investor base may be required to sell our stock following the distribution.

A portion of Sprint Nextel's common stock is held by index funds tied to the Standard & Poor's 500 Index or other stock indices in which Sprint Nextel is included as a component. If at any time we are not included as a component in those indices, the corresponding index funds will likely be required to sell their shares of our common stock and the price of our common stock could be depressed by those sales.

Anti-takeover provisions of our certificate of incorporation and bylaws, the terms of our spin-off from Sprint Nextel and certain provisions of Delaware law could delay or prevent a change of control that you may favor.

Provisions expected to be included in our certificate of incorporation and bylaws may discourage, delay or prevent a merger or other change of control that stockholders may consider favorable or may impede the ability of the holders of our common stock to change our management. Provisions expected to be included in our certificate of incorporation or bylaws, among other things, would:

limit the right of stockholders to call meetings of stockholders;

regulate how stockholders may present proposals or nominate directors for election at annual meetings of stockholders;

require any business combination initiated by a stockholder of 10% or more of our common stock to be approved by the holders of at least 75% of our common stock; and

authorize our board of directors to issue preferred stock in one or more series, without stockholder approval.

An acquisition or further issuance of our equity securities could trigger the application of Section 355(e) of the Code, requiring us under the tax sharing agreement to indemnify Sprint Nextel for the resulting tax. This indemnity obligation might discourage, delay or prevent a change of control that you may consider favorable.

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In addition, several of the agreements that we have entered into with Sprint Nextel, including certain commercial service agreements, require Sprint Nextel's consent to any assignment by us of our rights and obligations under the agreements and may also be terminated upon a change of control of our company. The consent and termination rights set forth in these agreements might discourage, delay or prevent a change of control that you may consider favorable.

Finally, following the spin-off, we will be subject to Section 203 of the Delaware General Corporation Law, which may have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging takeover attempts that might result in a premium over the market price for shares of our common stock.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this prospectus. These forward-looking statements relate to our outlook or expectations for earnings, revenues, expenses, asset quality or other future financial or business performance, strategies or expectations, or the impact of legal, regulatory or supervisory matters on our business, results of operations or financial condition. Specifically, forward-looking statements may include:

statements relating to our plans, intentions, expectations, objectives or goals, including those relating to the establishment of our new brand and the benefits of the spin-off;

statements relating to our future economic performance, business prospects, revenue, income and financial condition following the spin-off, and any underlying assumptions relating to those statements; and

statements preceded by, followed by or that include the words estimate, plan, project, forecast, intend, expect, anticipate, target or similar expressions.

These statements reflect our management's judgment based on currently available information and involve a number of risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. With respect to these forward-looking statements, our management has made assumptions regarding, among other things, customer and network usage, customer growth and retention, pricing, operating costs, technology and the economic and regulatory environment.

Future performance cannot be ensured. Actual results may differ materially from those in the forward-looking statements. Some factors that could cause our actual results to differ include:

expected benefits from the spin-off may not be fully realized;

our revenues and operating costs may be different than expected following the spin-off;

our ability to establish our new brand;

a determination by the IRS that the distribution should be treated as a taxable transaction;

our different capital structure as an independent company, including our access to capital, credit ratings, indebtedness and ability to raise additional financing;

volatility in the equity market;

the effects of vigorous competition in the markets in which we operate;

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the effects of other mergers and consolidations in the industries relevant to our operations and unexpected announcements or developments from others in those industries;

the costs and business risks associated with providing new services and entering new markets;

the impact of new, emerging or competing technologies on our business;

the impact of any adverse change in the ratings assigned to our debt by ratings agencies on the cost of our financing and our ability to raise additional financing if needed;

the uncertainties related to our investments in networks, systems and other businesses;

the uncertainties related to the implementation of our business strategies;

unexpected results of litigation filed against our company;

the impact of equipment failure, natural disasters, terrorist acts or other breaches of network or information technology security;

inability of third parties to perform to our requirements under agreements related to our business operations;

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the costs of compliance with regulatory mandates;

the possibility of one or more of the markets in which we compete being impacted by changes in political or other factors, such as monetary policy, legal and regulatory changes or other external factors over which we have no control; and

other risks referenced from time to time in our future filings with the SEC and those factors listed under Risk Factors.

You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this prospectus. Except as required by law, we undertake no obligation to publicly update or release any revisions to these forward-looking statements to reflect any events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events.

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USE OF PROCEEDS

We will not receive any proceeds from the issuance of the common stock or RSUs covered by this prospectus.

DIVIDEND POLICY

We expect to pay a regular quarterly dividend beginning in the third quarter of 2006. We currently expect the dividend to be in the aggregate amount of approximately \$75 million in each full quarter, which is comparable to the aggregate amount that Sprint Nextel stockholders are receiving from Sprint Nextel for each quarterly dividend paid following the Sprint Nextel merger.

Our ability to fund a regular quarterly dividend will be impacted by our ongoing ability to generate sufficient cash from operations. Effective as of the distribution date, payments on approximately \$7.25 billion of indebtedness and our quarterly dividend will account for the majority of our financing activities.

All decisions regarding the declaration and payment of dividends, including with respect to the initial dividend, will be at the discretion of our board of directors and will be evaluated from time to time in light of our financial condition, earnings, growth prospects, funding requirements, applicable law and other factors our board deems relevant.

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The following table sets forth as of December 31, 2005:

our capitalization on a historical basis; and

our capitalization on a pro forma basis giving effect to the transactions provided for in the separation and distribution agreement, including (1) the delivery to Sprint Nextel of (a) approximately 149 million shares of our common stock, using a distribution ratio of one share of our common stock for every 20 shares of Sprint Nextel common stock, (b) approximately \$4.5 billion of senior notes and (c) cash proceeds of approximately \$2.1 billion from borrowings under our credit facility, and (2) elimination of the related party notes payable.

You should read this table in conjunction with Unaudited Pro Forma Combined Financial Information, Management's Discussion and Analysis of Financial Condition and Results of Operations and our combined financial statements and notes to combined financial statements included elsewhere in this prospectus.

	As of	
	December 31, 2005	
	Actual	Pro Forma
	(in millions, except per share amounts)	
Current maturities of long-term debt	\$ 2	\$ 2
Long-term debt:		
Credit facility (1)(2)	\$	\$ 2,100
Senior notes (2)		4,485
Other long-term debt	1,123	663
Total long-term debt	1,123	7,248
Total debt	1,125	7,250
Business equity	4,852	
Stockholders' equity		
Common stock, par value \$0.01 per share, 1,250 shares authorized, 149 shares issued and outstanding		1
Additional paid in capital		(601)
Retained earnings		
Accumulated other comprehensive loss		(471)
Total stockholders' equity		(1,071)
Total capitalization	\$ 5,977	\$ 6,179

-
- (1) After the borrowing of funds under our credit facility and transfer of such funds to Sprint Nextel, we expect to have \$1 billion of borrowing availability, subject to customary conditions, under our credit facility.

 - (2) The amounts set forth in the table above with respect to the credit facility and the senior notes assume that we issue to Sprint Nextel senior notes in an aggregate initial principal amount of approximately \$4.5 billion and transfer to Sprint Nextel approximately \$2.1 billion of cash borrowed under our credit facility. The allocation between the principal amount of the senior notes and amounts borrowed under the credit facility could change but will not exceed \$6.6 billion in the aggregate.

Table of Contents**SELECTED COMBINED FINANCIAL DATA**

The following table sets forth our selected combined financial data. The following financial position data as of December 31, 2005 and 2004 and results of operations, dividends paid to Sprint Nextel and cash flow data for the years ended December 31, 2005, 2004 and 2003 have been derived from our combined financial statements that were audited by KPMG LLP. The results of operations, cash flow data and dividends paid to Sprint Nextel for the years ended December 31, 2002 and 2001 and the financial position data as of December 31, 2003, 2002 and 2001 have been derived from our unaudited combined financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The following information should be read together with our combined financial statements and the notes related to those combined financial statements. See Management's Discussion and Analysis of Financial Condition and Results of Operations and Index to Financial Statements and Financial Statement Schedule.

Our combined financial information may not be indicative of our future performance and does not necessarily reflect what our financial condition and results of operations would have been had we operated as a separate, stand-alone entity during the periods presented, particularly since many changes will occur in our operations and capitalization as a result of our spin-off from Sprint Nextel.

	As of and For the Years Ended December 31,				
	2005	2004	2003(1)	2002	2001
(millions)				(unaudited)	(unaudited)
Results of Operations					
Net operating revenues	\$ 6,254	\$ 6,139	\$ 6,159	\$ 6,250	\$ 6,547
Operating income (2)	1,552	1,590	1,616	1,596	1,582
Income from continuing operations (2)	894	917	920	897	958
Dividends paid to Sprint Nextel	\$ 983	\$ 865	\$ 683	\$ 864	\$ 699
Financial Position					
Total assets	\$ 9,221	\$ 9,329	\$ 9,268	\$ 8,745	\$ 9,593
Property, plant and equipment, gross	19,784	19,470	18,975	18,332	17,684
Property, plant and equipment, net	7,804	7,977	7,979	7,444	7,371
Total debt (including short-term and long-term borrowings)	1,125	1,240	1,392	2,033	2,360
Total business equity	4,852	4,960	4,889	4,004	4,490
Cash Flow Data					
Net cash provided by operating activities	\$ 1,904	\$ 2,064	\$ 1,804	\$ 2,258	\$ 1,832
Capital expenditures	828	975	1,118	1,136	1,353

- (1) The results of operations, dividends paid to Sprint Nextel and cash flow data for the year ended December 31, 2003 is derived from our audited combined financial statements. The financial position data as of December 31, 2003 is unaudited.
- (2) In 2005, we recorded \$79 million in allocated asset impairments of which \$77 million resulted from the abandonment of a network monitoring software application.

In 2004, we recorded restructuring charges reducing our operating income by \$40 million and income from continuing operations by \$25 million. The restructuring charges were related to severance costs associated with Sprint Nextel's organizational realignment.

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In 2003, we recorded restructuring charges reducing our operating income by \$25 million and income from continuing operations by \$16 million. The restructuring charges were related to severance costs associated with Sprint Nextel's organizational realignment, in the amount of \$26 million, \$13 million, net of tax, and asset impairments of \$5 million, \$3 million, net of tax. The 2003 restructuring charges were offset by the finalization of the 2001 and 2002 restructuring liability in the amount of \$6 million.

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In 2002, we recorded restructuring charges reducing our operating income by \$57 million and income from continuing operations by \$36 million. The restructuring charges were primarily related to the consolidations in Sprint Nextel's network, information technology and billing and accounts receivable organizations, as well as additional steps to reduce overall operating costs.

In 2001, we recorded restructuring charges reducing our operating income by \$113 million and income from continuing operations by \$70 million. The restructuring charges were primarily related to consolidation and streamlining of marketing and network operations.

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UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The unaudited pro forma combined financial information presented below has been derived from our audited combined financial statements as of and for the year ended December 31, 2005. The pro forma adjustments and notes to the pro forma combined financial information give effect to the distribution of our common stock by Sprint Nextel and the other transactions contemplated by the separation and distribution agreement that we have entered into with Sprint Nextel. This unaudited pro forma combined financial information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our combined financial statements and notes related to those combined financial statements included elsewhere in this prospectus.

The unaudited pro forma combined statement of operations for the year ended December 31, 2005 has been prepared as if the distribution had occurred as of January 1, 2005. The unaudited pro forma condensed combined balance sheet as of December 31, 2005 has been prepared as if the distribution occurred on December 31, 2005. The pro forma adjustments are based on the best information available and assumptions that management believes are reasonable. The unaudited pro forma combined financial information is for illustrative and informational purposes only and is not intended to represent or be indicative of what our results of operations or financial position would have been had the transactions contemplated by the separation and distribution and related transactions occurred on the dates indicated. The unaudited pro forma combined financial information also should not be considered representative of our future results of operations or financial position.

The pro forma adjustments give effect to the following transactions provided for in the separation and distribution agreement:

the execution of our credit facility and concurrent borrowing of approximately \$2.1 billion against the facility;

the delivery to Sprint Nextel of (1) approximately 149 million shares of our common stock, using a distribution ratio of one share of our common stock for every 20 shares of Sprint Nextel common stock, (2) approximately \$4.5 billion of senior notes and (3) cash proceeds of approximately \$2.1 billion from borrowings under our credit facility;

the transfer to us by Sprint Nextel of the assets of the incumbent local communications and wholesale product distribution operations;

the transfer to us by Sprint Nextel of all other assets and liabilities related to the ongoing operations of our business previously held by Sprint Nextel or its subsidiaries;

the transfer to us by Sprint Nextel of the in-territory consumer and business long distance customers, as well as the transfers to Sprint Nextel of certain in-territory equipment and professional service customers;

the dividend to, or contribution by, Sprint Nextel of the remaining non-commercial service-related intercompany balances;

adjustments to provide that we will have \$200 million in cash as of the distribution date; and

the distribution by Sprint Nextel of our common stock pro rata to its stockholders of record as of the record date.

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See the notes to unaudited pro forma combined financial information for a more detailed discussion of these events.

Due to regulations governing the preparation of pro forma financial information, the following non-recurring separation and distribution related expenses associated with establishing ourselves as an independent company are not included as a pro forma adjustment in the unaudited pro forma combined statement of

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operations; however, they are reflected as an adjustment in the unaudited pro forma condensed combined balance sheet.

Non-recurring, separation costs estimated to be approximately \$265 million pretax. An additional \$35 million was incurred in 2005 and included in our audited combined financial statements. Due to the scope and complexity of the underlying projects, the amount of these costs could increase or decrease materially and the timing of incurrence of these costs could change. The following table sets forth our actual and estimated non-recurring separation costs by category and period:

	Year Ending 31-Dec-06 (Estimate)(1)	2007 and Beyond (Estimate)	Total (Estimate)
	(millions)		
Re-branding and brand launch	\$ 33	\$ 15	\$ 48
Information technology systems and infrastructure	116	34	150
Transaction costs	13		13
Employee retention and other	27	5	32
Wireless capability development	22		22
Total	\$ 211	\$ 54	\$ 265
Portion of total representing capitalized costs	\$ 86	\$ 24	\$ 110

- (1) We estimate that approximately \$127 million of these costs will be incurred before June 2006, of which approximately \$52 million related to information technology systems and infrastructure costs and wireless capability development costs are expected to be capitalized when incurred.

The pro forma adjustments do not give effect to the following recurring items:

the annual aggregate costs resulting from the establishment of the corporate support services for our business, including information technology, human resources, treasury, tax, risk management, accounting and financial reporting, investor relations, legal, procurement and other services. By 2008, we estimate these annual costs to be approximately \$100 million greater than the costs historically allocated to us by Sprint Nextel for these services; or

the annual aggregate costs we will incur under our agreement with Sprint Nextel to purchase wholesale wireless services, which we currently estimate will be approximately \$6 million in 2006, \$48 million in 2007 and \$116 million in 2008 based on our projected growth of the wireless offering.

Table of Contents**EMBARQ CORPORATION (formerly referred to as the New Local Company)****PRO FORMA COMBINED STATEMENT OF OPERATIONS (Unaudited)***(in millions, except per share amounts)***Year Ended December 31, 2005**

	Pro Forma Adjustments						Pro Forma
	Historical	Customer Transfers(1)	Capital Structure(2)	Pension(3)	Shared Assets/Liabilities(4)	Other(5)	
Net Operating Revenues	\$ 6,254	\$ 434	\$	\$	\$	\$ 13	\$ 6,701
Operating Expenses							
Costs of services and products	2,306	226				3	2,535
Selling, general and administrative	1,338	74		(15)	(147)	5	1,255
Depreciation and amortization	979				90	1	1,070
Restructuring and asset impairments	79						79
Total operating expenses	4,702	300		(15)	(57)	9	4,939
Operating Income	1,552	134		15	57	4	1,762
Interest expense	(83)		(462)		25		(520)
Other income	3						3
Income from continuing operations before income taxes	1,472	134	(462)	15	82	4	1,245
Income tax expense (6)	(578)	(52)	169	(6)	(32)	(2)	(501)
Income from Continuing Operations	\$ 894	\$ 82	\$ (293)	\$ 9	\$ 50	\$ 2	\$ 744
Pro forma basic earnings per common share (7)							
Income from continuing operations							\$ 4.99
Pro forma basic shares outstanding (7)							149
Pro forma fully diluted earnings per common share (8)							
Income from continuing operations							\$ 4.96
							150

**Pro forma fully diluted shares
outstanding (8)**

Table of Contents**EMBARQ CORPORATION (formerly referred to as the New Local Company)****PRO FORMA CONDENSED COMBINED BALANCE SHEET (Unaudited)***(in millions, except per share amounts)*

	December 31, 2005							
	Pro Forma Adjustments							
			Non-recurring					
	Customer	Capital		Shared	Separation	Other(5)	Pro Forma	
	Historical	Structure(9)	Pension(3)	Assets/Liabilities(10)	Costs(11)			
	Transfers(8)							
Assets								
Current assets								
Cash and equivalents	\$ 103	\$	\$ 97	\$	\$	\$	\$	\$ 200
Other	969	(8)		31		2		994
Total current assets	1,072	(8)	97	31		2		1,194
Gross property, plant and equipment	19,784			557	86	13		20,440
Accumulated depreciation	(11,980)			(305)		(1)		(12,286)
Net property, plant and equipment	7,804			252	86	12		8,154
Other assets	345		(228)	8				125
Total	\$ 9,221	\$ (8)	\$ 97	\$ (228)	\$ 291	\$ 86	\$ 14	\$ 9,473
Liabilities and Stockholders Equity								
Current liabilities								
Current maturities of long-term debt	\$ 2							