

EDISON INTERNATIONAL
Form DEF 14A
March 15, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to ss.240.14a-12

EDISON INTERNATIONAL

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11

(set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Notice of 2013 Annual Meeting
and
Joint Proxy Statement

Thursday, April 25, 2013
9:00 a.m., Pacific Time

INVITATION TO PARTICIPATE IN THE ANNUAL MEETING OF SHAREHOLDERS

March 15, 2013

Dear Fellow Shareholder:

We are pleased to invite you to attend the Edison International and Southern California Edison Company Annual Meeting of Shareholders. The Annual Meeting will be held on Thursday, April 25, 2013, at 9:00 a.m., Pacific Time, at the Hilton Los Angeles/San Gabriel Hotel, 225 West Valley Blvd., San Gabriel, California 91776. The attached Notice of Annual Meeting and Joint Proxy Statement will serve as your guide to the business to be conducted at the meeting.

Among other items, the Joint Proxy Statement includes information about the qualifications of our Director nominees and the compensation of our executive officers that is relevant to matters that will be presented at the Annual Meeting. During the meeting, we will also report to you on the Company and provide an opportunity for shareholders to engage in a dialogue with management.

We hope that you will participate in the Annual Meeting, either by attending and voting in person or voting by other available methods as promptly as possible. Voting by any of the available methods will ensure that you are represented at the Annual Meeting, even if you are not present. You may vote your proxy via the Internet, by telephone, or by mail. Please follow the instructions on the Notice of Internet Availability of proxy materials that you received in the mail and/or your proxy card.

If you receive more than one copy of the Notice or more than one proxy card, it means your shares are held in more than one account. You should vote the shares in all of your accounts. **Please note that to vote your shares by Internet or telephone, you will need the control number on your Notice or proxy card.**

Your vote is very important to us and to our business. Please take the first opportunity to ensure that your shares are represented at the Annual Meeting. Voting promptly will save us the cost of additional solicitations.

Thank you very much for your continued interest in our business.

Sincerely,

Theodore F. Craver, Jr.

*Chairman of the Board,
President and Chief Executive Officer*

Edison International

Ronald L. Litzinger

President

Southern California Edison Company

Notice of 2013 Annual Meeting of Shareholders
Thursday, April 25, 2013

9:00 a.m., Pacific Time

Hilton Los Angeles/San Gabriel Hotel

225 West Valley Blvd.

San Gabriel, California 91776

The Edison International (“EIX”) and Southern California Edison Company (“SCE”) Annual Meeting of Shareholders will be held on Thursday, April 25, 2013, at 9:00 a.m., Pacific Time, at the Hilton Los Angeles/San Gabriel Hotel, 225 West Valley Blvd., San Gabriel, California 91776, for the purpose of considering the following matters:

For both EIX and SCE shareholders:

1.

Election of 11 Directors to the EIX Board and 12 Directors to the SCE Board. The names of the Director nominees are as follows:

Jagjeet S. Bindra	Bradford M. Freeman	Richard T. Schlosberg, III
Vanessa C.L. Chang	Ronald L. Litzinger*	Thomas C. Sutton
France A. Córdova	Luis G. Nogales	Peter J. Taylor
Theodore F. Craver, Jr.	Ronald L. Olson	Brett White

*

Ronald L. Litzinger is a Director nominee for the SCE Board only.

2.

Ratification of the Appointment of the Independent Registered Public Accounting Firm.

3.

Advisory Vote to Approve the Company’s Executive Compensation.

For EIX shareholders only:

4.

Shareholder Proposal Regarding an Independent Board Chairman.

The EIX and SCE Boards of Directors recommend that you vote “FOR” Items 1 through 3, and the EIX Board of Directors recommends that you vote “AGAINST” Item 4.

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EIX and SCE shareholders may also vote on any other matters properly brought before the meeting. Only shareholders of record at the close of business on March 1, 2013 are entitled to receive notice of and to vote at the Annual Meeting. Directions to the Annual Meeting are on the last page of the Joint Proxy Statement, which can be viewed at www.edison.com/annualmeeting.

For the Boards of Directors,

Barbara E. Mathews

*Vice President, Associate General Counsel,
Chief Governance Officer and Corporate Secretary*

Edison International
Southern California Edison Company

Dated: March 15, 2013

JOINT PROXY STATEMENT

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Joint Proxy Statement

INTRODUCTION

The EIX and SCE Boards of Directors are soliciting proxies from you for use at the Annual Meeting, or at any adjournment or postponement of the meeting. Proxies allow designated individuals to vote on your behalf at the Annual Meeting. The proxy materials are being mailed or made available to you via the Internet beginning on March 15, 2013.

The mailing address of the Company's principal executive offices is 2244 Walnut Grove Avenue, Rosemead, California 91770.

In this Joint Proxy Statement:

•

Holding shares as a "registered" shareholder or "of record" means your shares are registered in your own name on the Company's records. Shares held in the Dividend Reinvestment and Direct Stock Purchase Plan account are included.

•

Holding shares in "street name" means your shares are held in a brokerage account or through a trustee, custodian or other third party (referred to as a nominee), and you are considered the beneficial owner of those shares. Your name does not appear on the Company's records as a shareholder.

•

"401(k) Plan" means the employee benefit plan known as the Edison 401(k) Savings Plan through which participants may hold interests in EIX shares through the EIX Stock Fund.

•

"401(k) Plan shareholders" means participants in the 401(k) Plan who hold interests in EIX shares through the EIX Stock Fund.

•

"Annual Meeting" means both the EIX and SCE annual meetings of shareholders, which are held jointly.

•

"Board" means both the EIX and SCE Boards of Directors, unless otherwise indicated.

•

"Committee" means the applicable Board committee of both EIX and SCE, unless otherwise indicated.

•

“Company” means both EIX and SCE, unless otherwise indicated.

•

“EIX” means Edison International.

•

“EMG” means Edison Mission Group Inc., a wholly-owned subsidiary of EIX, and holding company of Edison Mission Energy (“EME”). EME is an independent power producer that has filed for bankruptcy and is deconsolidated from EIX’s financial results.

•

“ERISA” means the Employee Retirement Income Security Act of 1974.

•

“Notice of Internet Availability” or “Notice” means the notice regarding the availability on the Internet of the Company’s proxy materials, which was mailed to most shareholders in lieu of printed copies of the proxy materials, as permitted under Securities and Exchange Commission rules.

•

“Proxy card” means either a proxy card, which you may receive if you are a registered shareholder, or a voting instruction form, which you may receive if you hold shares in street name or are a 401(k) Plan shareholder.

•

“SCE” means Southern California Edison Company.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to Be Held on April 25, 2013: The Joint Proxy Statement and the Company’s 2012 Annual Report are available at www.edison.com/annualmeeting.

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QUESTIONS AND ANSWERS ABOUT VOTING

What is included in the proxy materials?

The proxy materials include:

-

The Notice of Annual Meeting and Joint Proxy Statement;

-

The Company's 2012 Annual Report;

-

The proxy card; and

-

The Notice of Internet Availability.

Why did the Company mail a Notice of Internet Availability of proxy materials instead of a printed copy of the materials?

Making the proxy materials available to shareholders via the Internet saves us the cost of printing and mailing documents and will reduce the impact of the Annual Meeting on the environment.

If you received only a Notice of Internet Availability, you will not receive a printed copy of the proxy materials unless you request it. The Notice includes instructions on how to:

-

Access and review the proxy materials;

-

Submit your proxy via the Internet; and

-

Request a printed copy of proxy materials by mail.

Why did some shareholders receive printed or email copies of the proxy materials?

We are distributing printed copies of the proxy materials to shareholders who have previously requested printed copies. We are providing shareholders who have previously requested electronic delivery of proxy materials with an email containing a link to the website where the materials are available via the Internet.

Who can vote?

All owners of voting stock at the close of business on March 1, 2013 (the record date) are entitled to vote.

On each Item of EIX business, holders of EIX Common Stock are entitled to one vote per share. On each Item of SCE business, holders of SCE Cumulative Preferred Stock are entitled to six votes per share and EIX, as the holder of SCE Common Stock, is entitled to one vote per share. All shares of SCE Common and Cumulative Preferred Stock vote together as one class.

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Who can attend the Annual Meeting?

All shareholders on the record date, or their duly appointed proxies, may attend the meeting. All shareholders will be required to pass through a security inspection area and check in at the registration desk at the meeting. The registration desk will open at 8:00 a.m. and meeting room doors will open at 8:30 a.m., Pacific Time. For the privacy of other attendees and to avoid distraction, shareholders will not be permitted to use cameras or recording devices at the meeting.

If you are a registered shareholder or a 401(k) Plan shareholder, we will be able to verify your share ownership from the share register with proper identification. No admission pass is required. To be admitted as a proxy for a registered shareholder, you must provide a written authorization from the registered shareholder.

If your shares are held in street name, you will need to bring proper identification and a letter or an account statement from your broker or other nominee reflecting your stock ownership as of the record date. To be admitted as a proxy for a broker, you must provide a written authorization from the broker together with a letter or account statement reflecting the broker's ownership as of the record date. If a nominee holds the shares, you must provide a written authorization from the nominee to the broker that is assignable, a written authorization from the broker, and a letter or account statement reflecting the nominee's ownership as of the record date.

Individual shareholders may bring one guest to the Annual Meeting. A shareholder that is a corporation, partnership, association or other entity is limited to three authorized representatives at the Annual Meeting.

How do I vote?

Your vote is important. You can save us the expense of additional solicitations by voting promptly. Please follow the instructions described below:

By Internet – Shareholders who received a Notice of Internet Availability may vote via the Internet by following the instructions on the Notice. Shareholders who received a proxy card by mail may vote via the Internet by following the instructions on the proxy card. When voting via the Internet, all shareholders must have available the control number included on their Notice of Internet Availability or proxy card. Under California law, you may transmit a proxy via the Internet.

By Telephone – Registered or 401(k) Plan shareholders may vote by telephone by calling 1-800-560-1965 and following the recorded instructions. Most shareholders who hold their shares in street name may vote by phone by calling the number provided by their broker. When voting by telephone, all shareholders must have available the control number included on their Notice of Internet Availability or proxy card.

By Mail – Shareholders who received a printed copy of these proxy materials may vote by mail by completing, signing, dating and returning their proxy card as indicated.

In Person – Registered shareholders may vote in person by attending the Annual Meeting and completing a ballot distributed at the meeting. Shareholders who hold their shares in street name may vote in person by attending the Annual Meeting only if they have requested and received a legal proxy from their broker or other nominee, and deliver the proxy to the inspector of election before or at the meeting. 401(k) Plan shareholders may not cast votes in person at the Annual Meeting.

What is the deadline to vote and how do I change my vote?

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If you are a registered shareholder, the inspector of election will accept your proxy by telephone or via the Internet until 9:00 p.m., Pacific Time, on April 24, 2013, and by mail if it is received by the inspector of election before the polls close at the Annual Meeting. Registered shareholders may change their vote prior to the deadline by writing to the Corporate Secretary at the address above (so that it is received prior to the deadline), voting again by mail, telephone or the Internet, or voting in person at the Annual Meeting.

If you hold shares in street name, most brokers will accept your proxy by telephone or the Internet until 9:00 p.m., Pacific Time, on April 24, 2013, and by mail if it is received by your broker's designated agent by 9:00 a.m., Pacific Time, on April 25, 2013. Contact your broker or other nominee before the Annual Meeting to determine the actual deadline and whether and how you can change your vote.

If you are a 401(k) Plan shareholder, your proxy must be received by 9:00 p.m., Pacific Time, on April 23, 2013 for the 401(k) Plan trustee to vote your shares. 401(k) Plan shareholders may change their vote at any time prior to this deadline by voting again. The last vote received within this timeframe will be the vote that is counted.

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What does it mean if I get more than one Notice of Internet Availability or proxy card?

It indicates that your shares are held in more than one account, such as two brokerage accounts, you hold both registered and street name shares, or you hold shares in both EIX and SCE. You should use the specific control numbers provided on each Notice of Internet Availability or proxy card and vote each Notice or proxy card to ensure that all of your shares are voted.

What shares are covered by the proxy card?

This depends on how you hold your shares, and whether you hold shares in EIX, SCE, or both EIX and SCE.

Registered and 401(k) Plan Shareholders – For EIX registered and 401(k) Plan shareholders, you will receive or have Internet access to a single proxy card that covers all shares of EIX Common Stock in your registered and 401(k) Plan accounts, including fractional shares held in the 401(k) Plan but excluding fractional shares held in the Dividend Reinvestment and Direct Stock Purchase Plan.

For SCE registered shareholders, you will receive or have Internet access to separate proxy cards for each series of preferred stock registered in your name.

If you hold registered shares in both EIX and SCE, you will receive or have Internet access to separate proxy cards for each Company.

Street Name Shareholders – If you hold shares of EIX and/or SCE in street name, you will receive or have Internet access to separate proxy cards from each broker or other nominee.

What happens if I submit my proxy card but do not indicate my voting preference?

The proxies and 401(k) Plan trustee will vote “FOR” election of all nominees for director (*Item 1*), “FOR” ratification of the appointment of the independent registered public accounting firm (*Item 2*), “FOR” approval of executive compensation (*Item 3*) and “AGAINST” the shareholder proposal regarding an independent Board Chairman (*Item 4*, EIX only).

What happens if I submit my proxy card but do not sign or date my card?

Those shares will be treated as unvoted shares on all matters and will not be considered as present and part of the quorum.

What happens if I do not vote?

If you are a registered shareholder, your shares will not be voted.

If you hold your shares in street name, most brokers or other nominees will only have authority to vote your shares on ratification of the appointment of the independent registered public accounting firm (*Item 2*). With respect to each of the other Items, most brokers or other nominees will not have authority to vote your shares, and the shares will instead be treated as “broker non-votes.”

If you are a 401(k) Plan shareholder, the 401(k) Plan trustee will vote your shares in the same proportion to the 401(k) Plan shares voted by other 401(k) Plan shareholders, unless contrary to ERISA.

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How many votes do you need to hold the meeting?

A quorum is required for the Company to conduct business at the Annual Meeting. The presence at the Annual Meeting, in person or by proxy, of shareholders entitled to cast a majority of the votes that all shareholders are entitled to cast constitutes a quorum. All shares represented by a properly signed proxy will be considered as present and part of the quorum, even if you or your broker or other nominee doesn't vote or abstains on any or all matters.

As of the record date, EIX had 325,811,206 shares of EIX Common Stock outstanding, 325,798,716 of which are entitled to cast a total of 325,798,716 votes. Therefore, a quorum for EIX is 162,899,359 shares. SCE had 4,800,198 shares of Cumulative Preferred Stock outstanding and entitled to cast a total of 28,801,188 votes, and 434,888,104 shares of SCE Common Stock outstanding and entitled to cast a total of 434,888,104 votes. Voting together as a class, the SCE shareholders have the right to cast a total of 463,689,292 votes. Therefore, a quorum for SCE is 231,844,647 shares.

What vote is required to adopt each Item at the meeting?

A director nominee will be elected, and a proposal will be approved, if the following two votes are obtained:

-

The affirmative vote of at least a majority of the votes cast on the director or proposal. Abstentions and broker non-votes are not treated as votes cast, and therefore will not affect this vote; and

-

The affirmative vote of at least a majority of the votes required to constitute a quorum. Abstentions and broker non-votes are not treated as votes cast and therefore will have the effect of votes cast against the director or proposal for this vote.

Who will count the votes?

Wells Fargo Bank, N.A., will tabulate the votes and is expected to act as the inspector of election. To protect the confidentiality of votes cast under the 401(k) Plan, 401(k) Plan shareholders' voting instructions are given directly to Wells Fargo. Wells Fargo will tabulate those votes and provide aggregate voting results directly to the 401(k) Plan trustee. EIX will not have access to any of the 401(k) Plan shareholders' voting instructions, and 401(k) Plan voting results are only reported to EIX in the aggregate.

How much will this proxy solicitation cost?

We have retained AST Phoenix Advisors to assist us with the solicitation of proxies and will pay an aggregate fee of \$20,000 (EIX \$18,000 and SCE \$2,000) plus expenses. This fee does not include the costs of printing and mailing the proxy materials. Some of the directors, officers and other employees of the Company also may solicit proxies personally, by mail, by telephone or by other electronic means for no additional compensation. We will also reimburse brokers and other nominees for their reasonable out-of-pocket expenses for forwarding proxy materials to beneficial owners and obtaining voting instructions.

Whom may I call with any questions?

You may call Wells Fargo at 1-800-347-8625 or visit their Internet website at www.shareowneronline.com.

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ITEM 1 ELECTION OF DIRECTORS

Eleven directors are nominated for election to the EIX Board and 12 directors are nominated for election to the SCE Board, each to hold office until the next Annual Meeting. A current director, Charles B. Curtis, was not nominated for re-election under our Corporate Governance Guidelines because he reached the mandatory retirement age of 72. The director nominees of EIX and SCE are the same, except that Mr. Litzinger is a nominee for the SCE Board only.

A biography of each nominee describing his or her age, current Board committee service, business experience during the past five years, and other relevant business experience is presented below. The biography includes the specific experience, qualifications, attributes, and skills that led the Board to conclude that the nominee should serve as a director. While each nominee's entire range of experience and skills is considered important, particular experience that contributes to the diversity and effectiveness of the Board is identified below. An overview of certain information considered by our Nominating/Corporate Governance Committee when nominating our non-management directors for re-election is presented in the table following the director biographies.

Director Nominees

Jagjeet S. Bindra

Age 65

Director of EIX and SCE since 2010

Committees: Audit and Finance, Operations & Safety Oversight

Mr. Bindra served as president of Chevron Global Manufacturing, responsible for Chevron Corporation's worldwide refining operations, from 2004 until his retirement in 2009. During his 32-year career at Chevron, Mr. Bindra also served as managing director and chief executive officer of Caltex Australia Limited, president of Chevron Pipeline Co., and senior vice president, pipelines, of Chevron Overseas Petroleum, Inc. He is a director of LyondellBasell Industries N.V. and Transocean Ltd. Mr. Bindra is a graduate of the Indian Institute of Technology in Kanpur, India, and holds a Master of Science degree in Chemical Engineering from the University of Washington and an MBA degree from Saint Mary's College of California.

Mr. Bindra brings to the Board global experience in a capital intensive industry in the energy sector, which is particularly relevant to the Company's capital investment program and infrastructure growth strategy. He has expertise in energy value chain and asset management. Mr. Bindra's experience as a director of other public companies also brings value to the Board. He also brings strategic management and operations experience, and the perspective of a relatively new director, to Board deliberations.

Vanessa C.L. Chang

Age 60

Director of EIX and SCE since 2007

Committees: Audit (Chair) and Compensation & Executive Personnel

Ms. Chang has been a director of EL & EL Investments, a private real estate investment business, since 1999. She previously served as chief executive officer and president of ResolveItNow.com, an online dispute resolution service, senior vice president of Secured Capital Corporation, a real estate investment bank, and a partner of the accounting firm KPMG Peat Marwick LLP. Ms. Chang is a director of Transocean Ltd. and a director or trustee of six funds in the American Funds family, advised by Capital Research and Management Company. She is a graduate of the University of British Columbia and a Certified Public Accountant (inactive).

Ms. Chang brings to the Board experience in accounting and financial reporting and oversight matters. This experience is valuable in her role as the Company's Audit Committee Chair and financial expert. Ms. Chang has spent most of her career in the Southern California area and brings knowledge of the community served by SCE. She also brings experience as a director of public, private, and nonprofit organizations, securities regulation and corporate governance knowledge, and independent guidance as an important contributor to Board deliberations.

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France A. Córdova

Age 65

Director of EIX and SCE since 2004

Committees: Audit and Nominating/Corporate Governance

Dr. Córdova served as president of Purdue University from 2007 to July 2012 and continues to be on the faculty of Purdue in Physics and Astrophysics. Prior to that, she served as chancellor of the University of California, Riverside, vice chancellor for research and a professor of physics for the University of California, Santa Barbara, and NASA Chief Scientist. Dr. Córdova is a director of SAIC, Inc. and chair of the Board of Regents of the Smithsonian Institution. She is a director or trustee of the National Science Board, the Center for Advancement of Science in Space, and the Mayo Clinic. Dr. Córdova is a graduate of Stanford University and holds a Ph.D in Physics from the California Institute of Technology.

Dr. Córdova brings to the Board experience as a leader of large organizations and expertise in science and technology matters. Her expertise in technology is particularly valuable in connection with technology developments affecting the utility industry and renewable energy. She also brings the perspective and insight of a director of other public and private companies and governmental and civic organizations.

Theodore F. Craver, Jr.

Age 61

Director of EIX since 2007 and SCE since 2008

Mr. Craver has been the Chairman of the Board, President, and Chief Executive Officer of EIX since 2008. He served as Chairman of the Board, President and Chief Executive Officer of EMG from 2005 to 2008, and, prior to that, Executive Vice President, Chief Financial Officer and Treasurer of EIX. Before joining the Company as Vice President and Treasurer in 1996, Mr. Craver served as executive vice president and corporate treasurer of First Interstate Bancorp and executive vice president and chief financial officer of First Interstate's wholesale banking subsidiary. He is a director of Health Net, Inc. Mr. Craver is a graduate of the University of Southern California, where he also received his MBA degree.

Mr. Craver brings to the Board in-depth knowledge of the Company's business, industry and strategy, experienced leadership and a finance background. He has had experience dealing with difficult challenges faced by the Company, including the California energy crisis. He is a leader in the electric utility industry, serving as a director of the Edison Electric Institute, an association of U.S. shareholder-owned electric companies, the Institute of Nuclear Power Operations, a non-profit organization dedicated to promoting the highest levels of safety and reliability in nuclear power plant operations, and the Electric Power Research Institute, which provides independent, public-benefit research and development relating to the generation, delivery and use of electricity.

Bradford M. Freeman

Age 71

Director of EIX and SCE since 2002

Committees: Finance, Operations & Safety Oversight (Chair) and Compensation & Executive Personnel

Mr. Freeman has been a founding partner of Freeman Spogli & Co., a private investment company, since 1983. Prior to that he served as managing director of the investment banking firm Dean Witter Reynolds, Inc. Mr. Freeman is a director of CBRE Group, Inc. He is a graduate of Stanford University and holds an MBA degree from Harvard Business School.

Mr. Freeman brings to the Board knowledge and experience in the capital markets and securities business, which is particularly valuable in the Company's capital intensive business and in the context of its capital investment and growth strategy. He also brings the perspective of managing an investment portfolio and an understanding of shareholder concerns. This experience is valuable in Mr. Freeman's role as the Company's Finance, Operations and Safety Oversight Committee Chair. As a result of his career in the Southern California area, he brings knowledge of the community served by SCE.

Ronald L. Litzinger

Age 53

Director of SCE since 2011

Mr. Litzinger has been the President of SCE since 2011. He has held a wide range of executive positions at the EIX companies since joining SCE as an engineer in 1986. From 2008 to 2010, Mr. Litzinger served as President and Chief Executive Officer of EMG and EME, a subsidiary of EMG that filed for bankruptcy on December 17, 2012 and is deconsolidated from EIX's financial results. He served as Senior Vice President of SCE responsible for transmission and distribution operations from 2005 to 2008, and, prior to that, Vice President of EIX responsible for strategic planning, Senior Vice President and Chief Technical Officer of EME, and Senior Vice President of EME's worldwide operations. Mr. Litzinger is a graduate of the University of Washington with a chemical engineering degree and received a Master of Arts degree from the University of Redlands.

Mr. Litzinger brings to the SCE Board in-depth knowledge of the Company's business, experienced leadership and an engineering background. He also brings senior executive, operations and strategic planning experience developed during his 26 years of service with the Company.

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Luis G. Nogales

Age 69

Director of EIX and SCE since 1993

Committees: Audit and Compensation & Executive Personnel

Mr. Nogales has been managing partner of Nogales Investors, LLC, a private equity investment company, since 2001. Prior to that he served as president of Nogales Partners, a private equity investment company, president of Univision, a Spanish language television network, and chairman of the board and chief executive officer of United Press International, a communications company. Mr. Nogales is a director of Arbitron Inc. and KB Home. He is a graduate of San Diego State University and Stanford Law School.

Mr. Nogales brings to the Board business, management and chief executive leadership experience in media and marketing enterprises and the Spanish language market, which is particularly relevant in the communities served by SCE. He also brings the perspective and insight of a director of other public companies and a private equity investor who understands shareholder concerns. He brings broad knowledge of the Company's business and corporate history developed through 20 years of service on the Board.

Ronald L. Olson

Age 71

Director of EIX and SCE since 1995

Committee: Finance, Operations & Safety Oversight

Mr. Olson has been a partner of the law firm of Munger, Tolles & Olson LLP since 1970. He is a director of Berkshire Hathaway, Inc., City National Corporation and The Washington Post Company, and a director or trustee for three funds in the Western Asset Funds complex. Mr. Olson is a trustee of the RAND Corporation and the California Institute of Technology. He is a graduate of Drake University and University of Michigan Law School, and holds a Diploma in Law from Oxford University.

Mr. Olson brings to the Board legal experience in complex litigation, regulatory and transactional matters and corporate counseling for large corporations. He also has experience in a wide range of governance and public policy matters as a director of various public and private companies and non-profit organizations, and leadership in the community developed through his business and civic affiliations. His experience as a director of four other public companies brings value to the Board, and has not affected the time or attention he has devoted to our Board. He attended all Board and Finance, Operations and Safety Oversight Committee meetings in 2012. Mr. Olson brings considerable knowledge of the Company's business and corporate history developed through 18 years of service on the Board.

Richard T. Schlosberg, III

Age 68

Director of EIX and SCE since 2002

Committees: Compensation & Executive Personnel (Chair) and Finance, Operations & Safety Oversight

Mr. Schlosberg served as president and chief executive officer of The David and Lucile Packard Foundation, a private family foundation, from 1999 until his retirement in 2004. Prior to joining the foundation, he was publisher and chief executive officer of The Los Angeles Times, and executive vice president and director of The Times Mirror Company, a media communications company. He is a director of eBay Inc. and chairman of the board of the Kaiser Family Foundation. Mr. Schlosberg is a graduate of the United States Air Force Academy, and holds an MBA degree from Harvard Business School.

Mr. Schlosberg brings to the Board business, management and chief executive leadership experience in the communications industry, including in the local markets served by SCE. He also brings executive compensation expertise from his business experience and his experience as the Company's Compensation and Executive Personnel Committee Chair. He has exercised additional independent leadership as the Company's Lead Director, devoting significant time and attention to the Company. He brings the perspective and insight of a director of other public and private companies.

Thomas C. Sutton

Age 70

Director of EIX and SCE since 1995

Committees: Nominating/Corporate Governance and Finance, Operations & Safety Oversight

Mr. Sutton served as chairman of the board and chief executive officer of Pacific Life Insurance Company from 1990 until his retirement in 2007. He is a director of Pacific Mutual Holding Company, Pacific LifeCorp and the Public Policy Institute of California. Mr. Sutton is a graduate of the University of Toronto.

Mr. Sutton brings to the Board business and chief executive leadership experience in an industry which, like the electric utility industry, is highly regulated. He also brings extensive knowledge of finance, accounting and compensation matters. He brings significant knowledge of the Company's business and corporate history developed through 18 years of service on the Board.

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Peter J. Taylor

Age 54

Director of EIX and SCE since 2011

Committees: Audit and Nominating/Corporate Governance

Mr. Taylor has been the executive vice president and chief financial officer of the University of California since 2009. Prior to that he served as managing director of public finance of Lehman Brothers and Barclays Capital from 2002 to 2009. Mr. Taylor is a director of the Kaiser Family Foundation and a member of the Board of Trustees of the J. Paul Getty Trust, serving as chair of the audit committee. Previously, he was chair of the UCLA African American Admissions Task Force and commissioner on the California Performance Review Commission. Mr. Taylor is a graduate of the University of California Los Angeles and holds a Master's degree in public policy analysis from Claremont Graduate University.

Mr. Taylor brings to the Board finance and public policy experience, which is particularly relevant to the Company's infrastructure development strategy. He also brings experience in risk management, accounting and financial reporting, and a fresh perspective to Board deliberations as our newest director.

Brett White

Age 53

Director of EIX and SCE since 2007

Committees: Compensation & Executive Personnel and Nominating/Corporate Governance

Mr. White has been a managing partner at Blum Capital, a private equity firm, since January 2013. He served as chief executive officer of CBRE Group, Inc., a commercial real estate services firm, from 2005 to December 2012, president of CBRE Group from 2001 to 2010 and, prior to that, as chairman of the Americas of CB Richard Ellis Services, Inc. He is a director of Realogy Holdings Corporation and a trustee of the University of San Francisco. Mr. White is a graduate of the University of California, Santa Barbara.

Mr. White brings to the Board the experience, strategic perspective, critical judgment and analytical skills of a recent chief executive officer of a public company engaged in an industry particularly relevant to the Company's infrastructure growth strategy. He also brings the perspective of a business customer headquartered and doing business in the local markets served by SCE developed from his years of service at CBRE Group.

Overview of Non-Management Director Nominees

Director	Industry Experience	Ethnicity/Gender	Independence	Other Public	Projected Retirement
----------	---------------------	------------------	--------------	--------------	----------------------

				Company Boards	Date
Jagjeet S. Bindra	Energy	Asian/Male	Yes	2	2020
Vanessa C.L. Chang	Accounting/Real Estate	Asian/Female	Yes	2	2025
France A. Córdova	Education/Science/Technology	Hispanic/Female	Yes	1	2020
Bradford M. Freeman	Securities/Investments	White/Male	Yes	1	2015
Luis G. Nogales	Media/Investments	Hispanic/Male	Yes	2	2016
Ronald L. Olson	Law	White/Male	No	4	2014
Richard T. Schlosberg, III	Communications/Publishing	White/Male	Yes	1	2017
Thomas C. Sutton	Insurance	White/Male	Yes	0	2015
Peter J. Taylor	Finance	African American/Male	Yes	0	2031
Brett White	Commercial Real Estate	White/Male	Yes	1	2032

The Board recommends that you vote “FOR” the EIX and SCE director nominees, as applicable.

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QUESTIONS AND ANSWERS ABOUT OUR CORPORATE GOVERNANCE

How are potential director nominees identified and selected by the Board to become nominees?

The Nominating/Corporate Governance Committee, comprised solely of independent directors under New York Stock Exchange LLC (“NYSE”) rules and our Corporate Governance Guidelines, is responsible for recommending director candidates to the Board.

The Committee will consider candidates recommended by shareholders if they are submitted in writing to the Corporate Secretary and include all of the information required by Article II, Section 4 of our Bylaws plus a written description, together with any supporting materials, of the following:

-

Any direct or indirect business relationships or transactions within the last three years between EIX and its subsidiaries and senior management, on the one hand, and the candidate and his or her affiliates and immediate family members, on the other hand; and

-

The qualifications, qualities, and skills of the candidate that the shareholder deems appropriate to submit to the Committee to assist in its consideration of the candidate.

The Committee also considers candidates recommended by our directors, senior management, and any director search firm retained by the Committee. In 2012, the Committee retained a search firm to support the process of identifying director candidates, coordinating the interview process and conducting reference checks. There are no differences in the manner in which the Committee evaluates a candidate based on the source of the recommendation.

If, based on an evaluation of the candidate’s qualifications, qualities and skills, the Committee determines to continue its consideration of a candidate, one or more Committee members and other directors as determined by the Committee, interview the candidate. The Committee conducts any further research on the candidate that it deems appropriate. The Committee then determines whether to recommend that the candidate be nominated as a director. The Board considers the recommendation and determines whether to nominate the candidate for election.

What information does the Nominating/Corporate Governance Committee consider when recommending a director nominee?

For the Committee to recommend a director nominee, the candidate must at a minimum possess the qualifications, qualities and skills in our Corporate Governance Guidelines, including:

-

A reputation for integrity, honesty and adherence to high ethical standards;

-

Experience in a generally recognized position of leadership; and

- The demonstrated business acumen, experience and ability to exercise sound judgment in matters that relate to the current and long-term objectives of the Company.

The Committee also considers other factors and information, including the Board's current need for additional members, the candidate's potential for increasing the Board's range of experience, skills and diversity, the candidate's independence, and specific skills and experience that are relevant to our business strategy.

In nominating candidates for re-election to the Board, the Committee also considers the nature and time invested in a director's service on other boards, the director's Board, Board committee and annual meeting attendance, and the vote received at the prior annual meeting.

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How does the Nominating/Corporate Governance Committee consider diversity in identifying director candidates?

Our Corporate Governance Guidelines state the Board's policy that the value of diversity on the Board should be considered. The Committee considers ethnic and gender diversity, as well as diversity of skills, backgrounds and qualifications represented on the Board, in recommending nominees for election. In 2008 and 2011, the Committee retained a director search firm and instructed it to identify and coordinate interviews with candidates reflecting ethnic and gender diversity, resulting in the elections of Messrs. Bindra and Taylor to the Board.

The Committee evaluates its effectiveness in achieving diversity on the Board through its annual review of Board composition, which identifies ethnicity, gender and industry experience, prior to recommending nominees for election.

How does the Board determine which directors are considered independent?

Our Corporate Governance Guidelines require that the Board consist of at least a majority of independent directors. The Company uses the NYSE listing standards to determine independence.

Additionally, the Audit, Compensation and Executive Personnel, and Nominating/Corporate Governance Committees are required to be comprised solely of independent directors. The Audit and Compensation Committee charters contain additional independence requirements for committee membership.

No director will be considered independent if he or she would not qualify as independent under NYSE rules. Directors who qualify as independent are determined to be independent unless the director has a material relationship with the Company or its subsidiaries.

The Board has determined that the types of relationships described in Section B of Exhibit A-1 to our Corporate Governance Guidelines are not material for purposes of determining directors' independence. As a result, the Board does not consider these relationships in making director independence determinations.

For relationships not prohibited by NYSE rules and not covered under the categories of immaterial relationships in our Guidelines, the determination of whether a relationship is material or not, and therefore whether a director is independent or not, is made in good faith by the directors. The director whose relationship is under consideration abstains from the vote regarding his or her independence.

Which directors has the Board determined are independent?

The Board has determined that directors Bindra, Chang, Córdova, Curtis, Freeman, Nogales, Schlosberg, Sutton, Taylor and White are each independent. The Board previously determined that Dr. Rosser, who retired from the Board on April 26, 2012, was independent.

The Board reviews the independence of our directors at least annually, and periodically as needed. In February 2013, prior to recommending director nominees for election, the Board confirmed that the independent directors had no relationships or transactions that disqualified them as independent.

Who is the Lead Director and what are the Lead Director's duties and responsibilities?

The Lead Director is designated annually by the independent directors, must be independent, and is expected to devote a greater amount of time to Board service than the other directors. The current Lead Director is Richard T. Schlosberg, III, who has served in that role since April 2010.

The Lead Director's duties and responsibilities are described in our Corporate Governance Guidelines and include all of the following:

-

In consultation with the non-employee directors, approve agendas and schedules for Board meetings, and approve the flow of information to the Board;

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•

Preside at all meetings at which the Chairman is not present, including executive sessions of the non-employee and the independent directors, and apprise the Chairman of the issues considered;

•

Be available to serve as a liaison between the Chairman and the independent directors;

•

Be available for consultation and direct communication with the Company's shareholders and other interested parties;

•

Call meetings of the non-employee and the independent directors when necessary and appropriate; and

•

Perform other duties delegated by the non-employee directors.

The Lead Director's term is one year, consistent with annual elections of directors; in practice, however, our Lead Directors have served for at least two years since 2008.

Why does the Board believe that its Board leadership structure is appropriate?

The EIX Board has determined that the combined role of Chairman and CEO, together with an independent Lead Director having the duties described above, is currently in the best interest of our shareholders because it provides the appropriate balance between effective leadership of the Company and independent oversight of management. We have the following corporate governance practices that provide for strong independent leadership on the Board and effective oversight of management and CEO performance:

•

A strong Lead Director role;

•

A Board with ten independent directors and no former employees of the Company;

•

Key Board committees comprised entirely of independent directors;

•

Regular meetings in executive session without the CEO present (six meetings in 2012);

•

Meetings in executive session with only the independent directors at least once per year (two meetings in 2012); Annual performance reviews of the CEO conducted by the Compensation Committee;

•

Input on CEO performance obtained by the Compensation Committee Chair and shared with the Compensation Committee and the Board in executive session; and

•

Performance feedback annually provided to the CEO by the Compensation Committee Chair.

The EIX Board also believes that having Mr. Craver serve in the combined role of EIX Chairman and CEO is in the best interests of our shareholders because:

•

He is most familiar with our business and industry, and most capable of identifying strategic priorities and leading the Board's review of strategy;

•

His day-to-day presence at the Company and interaction with management make him most capable of identifying and prioritizing issues and risks for the Board's attention;

•

The combined role conveys the Board's confidence in his leadership to shareholders and other stakeholders; and

•

The combined role provides clear accountability for effective leadership and results.

The EIX Board continues to monitor trends in this area and could, under different circumstances, reach a different conclusion.

The SCE Bylaws provide that the President of SCE has the duties of the Chairman. The Lead Director of EIX also serves as Lead Director of SCE. Ten of 13 directors of SCE are independent and the key Board committees are composed entirely of independent directors. The SCE Board has determined that the current leadership structure is appropriate for SCE as a subsidiary of EIX.

What is the Board's role in CEO succession planning?

The Board believes that CEO succession planning is one of its most important responsibilities. Our Corporate Governance Guidelines provide that the Board will annually review and evaluate succession planning and management development for the Company's senior officers, including the CEO.

At least annually, the Board meets in executive session with the EIX CEO to discuss succession planning. The discussion includes CEO succession in the ordinary course, CEO succession in the event of an emergency, and succession for other key senior management positions. The frequency of the Board's succession planning discussions depends in part on the period until the CEO's expected retirement. For example, the Board discussed succession

planning more frequently in the year prior to the announcement that Mr. Craver would succeed the prior EIX CEO upon his retirement.

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In the succession planning process, internal CEO succession candidates are identified and evaluated based on criteria considered predictive of success at the CEO level, taking into account the Company's business strategy. The Board uses a common talent assessment format for each individual. The assessment includes a development plan for each individual.

Our Corporate Governance Guidelines provide that the Board will have opportunities to become acquainted with the senior officers of the Company and others who may have the potential to handle significant management positions. This is carried out through opportunities for officers to make presentations to the Board and Board committees, director education sessions, other business interactions, and social events intended for this purpose.

In addition to the succession planning process, the Compensation and Executive Personnel Committee annually reviews the performance of the CEO and other senior officers. The performance review process is discussed under "Role of Compensation Committee and Executive Officers" in Part III of the Compensation Discussion and Analysis below. The Committee reports on the results to the Board.

What is the Board's role in risk oversight?

Our Corporate Governance Guidelines provide that one of the Board's primary functions is to review the Company's enterprise risk management process and monitor strategic and emerging risks. The Board annually reviews key enterprise risks identified by management, such as financial, reputational, safety and security, and compliance risks, and periodically monitors key risks through reports and discussions regarding key risk areas at Board meetings. The Board also focuses on specific strategic and emerging risks in periodic strategy reviews. The Board annually reviews corporate goals and approves capital budgets.

Board committees have responsibility for risk oversight in specific areas as follows:

The Audit Committee is responsible for oversight of (i) risk assessment and risk management policies, (ii) major financial risk exposures, and (iii) the steps management has taken to monitor and control these exposures. In carrying out these responsibilities, the Committee semi-annually reviews the Company's risk management processes and key enterprise risks, reviews the EIX risk management committee charter, and receives regular reports on litigation, internal audits and compliance. The Committee also annually reviews and approves the internal audit plan.

The Compensation Committee assesses and monitors risks in the Company's compensation program. The Committee's risk assessment process and factors considered in assessing risk are discussed under "Risk Considerations" in Part III of the Compensation Discussion and Analysis below.

The Finance, Operations and Safety Oversight Committee monitors risk in the Company's capital investment activities. The Committee regularly monitors the level of capital investment relative to approved capital budgets and must approve significant capital spending variances and projects that are not included in approved capital budgets.

The Nominating/Corporate Governance Committee advises the Board with respect to Board size and composition, Board committee composition and responsibilities, Lead Director selection and corporate governance practices that help position the Board to effectively carry out its risk oversight responsibility.

The Board believes that its leadership structure supports the Board's risk oversight function. Independent directors chair the Board committees responsible for risk oversight, the Company has an independent Lead Director who facilitates communication between management and directors, and all directors are involved in the review of key enterprise risks.

How many times did the Board meet in 2012?

The Board met ten times in 2012. Each director attended 75% or more of all Board and Board committee meetings he or she was eligible to attend. The Board held six executive sessions of the non-employee directors and two executive sessions of the independent directors.

Does the Company have a policy on attendance of Director nominees at Annual Meetings?

Director nominees are expected to attend Annual Meetings. All of the EIX and SCE directors attended the 2012 Annual Meeting.

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Are directors required to hold EIX Common Stock?

Yes. Within five years from the date of their initial election to the Board, directors are required to beneficially own an aggregate number of shares of EIX Common Stock or derivative securities convertible into EIX Common Stock, excluding stock options, having a value equivalent to five times the amount of the annual Board retainer.

All directors comply with these stock ownership guidelines.

Does EIX have a policy on shareholder rights plans?

The EIX Board has a policy to seek prior shareholder approval of the adoption of any shareholder rights plan unless, due to time constraints or other reasons consistent with the EIX Board's fiduciary duties, a committee consisting solely of independent directors determines that it would be in the best interests of EIX shareholders to adopt the plan prior to shareholder approval. Any rights plan adopted by the EIX Board without prior shareholder approval will automatically terminate one year after adoption of the plan unless the plan is approved by EIX shareholders prior to such termination.

Is SCE subject to the same corporate governance stock exchange rules as EIX?

No. SCE is subject to the NYSE MKT LLC rules, which exempts SCE from designated corporate governance rules for Board and Board committee composition, including director independence, the director nominations process, and the process to determine executive compensation. SCE is exempt from these rules because (i) it is a "controlled company" with over 50% of the voting power held by its parent company, EIX, and (ii) it has listed only preferred stock on the exchange.

How may I communicate with the Board?

Shareholders and other interested parties may communicate with the Board or individual directors by following the procedures described on our website at www.edison.com/corpgov.

Where can I find the Company's corporate governance documents?

The EIX Bylaws, Corporate Governance Guidelines, and Board committee charters, the Director Ethics and Compliance Code applicable to all directors of EIX and SCE, and the Employee Ethics and Compliance Code applicable to all EIX and SCE officers and employees, are posted on our website at www.edison.com/corpgov.

The SCE Bylaws, Corporate Governance Guidelines and Board committee charters are posted on our website at www.sce.com/corpgov.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

It is the Company's policy that the Nominating/Corporate Governance Committee review at least annually, and periodically as needed, any transaction in the prior calendar year or any proposed transaction between the EIX companies and a related person in which the amount involved exceeds \$120,000 and the related person has a material interest. A related person is generally a director, a director nominee, an executive officer, or a greater than 5% beneficial owner of any class of voting securities of EIX or SCE, and their immediate family members. This policy is stated in writing in the Nominating/Corporate Governance Committee charter.

The Committee's regular procedure is to obtain from management annually, and periodically as needed, a list of the transactions with related persons described above, and to review these transactions at a meeting held in advance of recommending director nominations to the Board. The list is based on information from questionnaires completed by our directors, director nominees, and executive officers, together with information obtained from our accounts payable and receivable records. The Committee's procedure is evidenced in the minutes and records for the Committee meeting at which the review occurred.

Director Olson is a partner of the law firm of Munger, Tolles & Olson LLP, which provided legal services to the EIX companies in 2012. Such services are expected to continue in the future. The amount paid to Munger, Tolles & Olson LLP for legal services during 2012 was \$4,335,045. Mr. Olson did not personally provide any legal services to the EIX companies in 2012.

The terms and conditions of the Company's relationship with Munger, Tolles & Olson LLP are comparable to the terms and conditions of the Company's relationships with other law firms.

BOARD COMMITTEES

The current membership and primary functions of our Audit, Compensation and Executive Personnel, Nominating/Corporate Governance, and Finance, Operations and Safety Oversight Committees are described below.

	Audit	Compensation & Executive Personnel	Nominating/ Corporate Governance	Finance, Operations & Safety Oversight
Director	Committee	Committee	Committee	Committee
Jagjeet S. Bindra	X			X
Vanessa C.L. Chang	Chair Financial Expert	X		
France A. Córdova	X		X	
Charles B. Curtis			Chair	X
Bradford M. Freeman		X		Chair
Luis G. Nogales	X	X		

Ronald L. Olson				X
Richard T. Schlosberg, III		Chair		X
Thomas C. Sutton			X	X
Peter J. Taylor	X		X	
Brett White		X	X	
Number of Meetings Held in 2012 (EIX/SCE)	5/5	4/4	4/4	4/4

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Audit Committee

The Audit Committee's duties and powers, which are described in its charter, include the following:

-

Appoint the independent registered public accounting firm.

-

Assist the Board in its oversight of:

-

the integrity of financial statements;

-

finance, accounting, ethics and compliance and internal control systems;

-

compliance with legal and regulatory requirements;

-

the qualifications, independence and performance of the Company's independent registered public accounting firm; and

-

the performance of the internal audit function.

-

Meet regularly with management, the independent registered public accounting firm, and the internal auditors to make inquiries regarding the manner in which the responsibilities of each are being discharged.

-

Recommend to the Board the inclusion of the year-end audited financial statements in the Company's Annual Report on Form 10-K.

-

Review with the independent registered public accounting firm the scope of audit and other engagements and the related fees, their independence, the adequacy of internal accounting controls, and the year-end audited financial statements.

-

Oversee the Company's (i) risk assessment and risk management policies, (ii) major financial risk exposures and (iii) the steps management has taken to monitor and control these exposures.

The EIX Audit Committee also reviews at least semi-annually (i) any changes to the Company's political contribution policies and (ii) a written report of political contributions and related political expenditures of the Company and its consolidated subsidiaries, political action committee and civic action committee. The EIX Committee approves all political contributions in excess of \$1 million.

Compensation and Executive Personnel Committee

The Compensation and Executive Personnel Committee's duties and powers, which are described in its charter, include the following:

-

Review the performance and set the compensation of designated elected officers, including the executive officers.

-

Review director compensation for consideration and action by the Board.

-

Approve the design of executive and director compensation programs, plans and arrangements.

-

Review and assess whether any risks arising from compensation policies and practices are reasonably likely to have a material adverse effect on the Company.

Nominating/Corporate Governance Committee

The Nominating/Corporate Governance Committee's duties and powers, which are described in its charter, include the following:

-

Periodically review Board size and composition and identify and recommend director candidates.

-

Make recommendations to the Board regarding Board committee, committee chair and Lead Director assignments.

-

Review related party transactions.

-

Periodically review and recommend updates to the Corporate Governance Guidelines and Board committee charters.

-

Advise the Board with respect to corporate governance matters.

-

Oversee the evaluation of the Board and Board committees.

-

Review the orientation program for new directors and continuing education activities for all directors.

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Finance, Operations and Safety Oversight Committee

The Finance, Operations and Safety Oversight Committee's duties and powers, which are described in its charter, include the following:

-

Review and monitor capital spending compared to budget.

-

Approve significant capital spending variances and significant capital projects not included in the budget.

-

Monitor operational and service excellence performance metrics and significant developments relating to safety, reliability and affordability.

DIRECTOR COMPENSATION

The following table presents information regarding the compensation paid during 2012 to our non-employee directors. The compensation paid to any director who is also an employee is presented in the EIX and SCE Summary Compensation Tables and the related explanatory tables.

Name	Fees Earned or Paid in Cash	Stock Awards ⁽¹⁾⁽²⁾	Option Awards ⁽³⁾	Non-Equity Incentive Plan Compensation	Change in Pension	Value and Non- Qualified Deferred	All Other Compensation ⁽⁵⁾⁽⁶⁾	Total
					Compensation	Earnings ⁽⁴⁾		
					Compensation	Earnings ⁽⁴⁾		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Jagjeet S. Bindra	101,500	105,022	—	—	—	10,000	216,522	
Vanessa C.L. Chang	118,500	105,022	—	—	17,948	10,000	251,470	
France A. Córdova	99,500	105,022	—	—	28,752	—	—233,274	

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Charles B. Curtis	103,500	105,022	—	—	21,620	—230,142
Bradford M. Freeman	107,500	105,022	—	—	42,020	10,000 264,542
Luis G. Nogales	101,500	105,022	—	—	37,515	8,000 252,037
Ronald L. Olson	91,500	105,022	—	—	71,822	—268,344
James M. Rosser ⁽⁷⁾	45,500	—	—	—	90,006	15,582 151,088
Richard T. Schlosberg, III	139,500	105,022	—	—	45,212	10,000 299,734
Thomas C. Sutton	101,500	105,022	—	—	37,915	10,000 254,437
Peter J. Taylor	89,500	105,022	—	—	—	1,000 195,522
Brett White	95,500	105,022	—	—	15,902	10,000 226,424

(1)

The amounts reported for stock awards reflect the aggregate grant date fair value of those awards computed in accordance with FASB ASC Topic 718. For a discussion of the assumptions and methodologies used to calculate the amounts reported, see Note 8 (Compensation and Benefit Plans) to EIX's Consolidated Financial Statements, included as part of EIX's 2012 Annual Report to Shareholders.

(2)

Each non-employee director, other than Dr. Rosser, was granted 2,406 shares or deferred stock units on April 26, 2012, and each share or unit had a value of \$43.65 on the grant date.

(3)

We did not grant stock options to our non-employee directors in 2012. The number of outstanding stock options from grants in prior years held by each non-employee director as of December 31, 2012 was as follows: Messrs. Freeman, Olson, Schlosberg and Sutton 15,500 each, Dr. Córdova 13,500, Messrs. Curtis and Nogales 10,000 each, Ms. Chang and Mr. White 7,500 each, and Mr. Taylor 0. Dr. Rosser held 2,500 outstanding stock options as of April 26, 2012, the date he retired from the Board.

(4)

Amounts reported consist of interest on deferred compensation account balances considered under SEC rules to be at above-market rates and, for Messrs. Nogales and Olson, increases from January 1, 2012 to December 31, 2012 in the present value of benefits under the Retirement Plan for Directors of \$22,939 and \$14,266, respectively.

(5)

EIX has a matching gift program that provides assistance to qualified public and private schools by matching dollar-for-dollar gifts of at least \$25 up to a prescribed maximum amount per calendar year for the Company's employees and directors. EIX matches aggregate director contributions of up to \$10,000 per calendar year to qualified schools. Under the Director Matching Gift Program, matching amounts for non-cash gifts are determined based on the value of the gift on the date given by the director. For purposes of determining the date on which an eligible (publicly-traded) stock gift is given, such date will be based on the date stock ownership transfers to the qualified school.

(6)

Includes \$5,582 for Dr. Rosser as the cost of post-retirement survivor benefits under the 1985 Director Deferred Compensation Plan described below.

(7)

Dr. Rosser retired from the Board on April 26, 2012.

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Annual Retainer and Meeting Fees

Compensation for non-employee directors during 2012 included an annual retainer, fees for attending meetings, and an annual equity award. Directors were offered the opportunity to receive all of their compensation on a deferred basis under the EIX Director Deferred Compensation Plan. The following table sets forth the current retainers and meeting fees:

Type of Fee	Dollar Amount
Annual Board Retainer:	\$60,000
Additional Annual Board Retainer to:	
Audit Committee Chair	\$20,000
Compensation Committee Chair	\$15,000
Other Committee Chairs	\$10,000
Lead Director	\$25,000
Each Board, Board committee, subcommittee, or other business meeting,	\$2,000

including adjourned meetings:

The annual Board retainer was increased from \$55,000 to \$60,000 effective July 1, 2012.

Directors receive only one meeting fee for each Board or Board committee meeting held jointly or consecutively, and for joint meetings of more than one committee. It is the usual practice that meetings of the EIX and SCE Board and Board committees are held jointly and a single meeting fee is paid for each joint meeting.

All directors are also reimbursed for out-of-pocket expenses incurred for serving as directors and are eligible to participate in the Director Matching Gift Program described above in footnote (5) to the "Director Compensation" table.

Annual Equity Awards

Upon re-election to the Board in April 2012, non-employee directors were granted an annual equity award of EIX Common Stock (or deferred stock units, as explained below) with an aggregate grant date value of \$105,000. Non-employee directors who are re-elected to the Board in April 2013 will be granted an equity award (or deferred stock units) with an aggregate grant date value of \$110,000. If a director is initially elected at or after the 2013 Annual Meeting, he or she will be granted an award of EIX deferred stock units with an aggregate grant date value of \$110,000 on the date of election.

The number of shares or units granted is determined by dividing the value of the equity award (\$105,000 or \$110,000, as described above) by the closing price of EIX Common Stock on the date of election or re-election and rounding up to the next whole share.

Directors have the opportunity to elect in advance to receive their re-election award entirely in EIX Common Stock, entirely in deferred stock units, or in any combination of the two. A deferred stock unit is a contractual right to receive one share of EIX Common Stock. Deferred stock units are credited to the director's account under the EIX Director Deferred Compensation Plan described below. Deferred stock units cannot be voted or sold and accrue dividend equivalents on the ex-dividend date, if and when dividends are declared on EIX Common Stock, that are converted to additional deferred stock units.

Each director's equity award in 2012 was granted under the EIX 2007 Performance Incentive Plan. Directors serving on both Company Boards receive only one award per year.

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EIX Director Deferred Compensation Plan

As part of the 2008 Internal Revenue Code Section 409A amendments, the EIX Director Deferred Compensation Plan was separated into two different plan documents. The grandfathered plan document applies to deferrals that were earned prior to January 1, 2005, while the 2008 plan document applies to deferrals that were earned on or after January 1, 2005.

Eligibility and Deferrals

Non-employee directors are eligible to defer up to 100% of their annual retainers and meeting fees. Any portion of a director's annual equity award that he or she elects to receive as deferred stock units is automatically deferred. Amounts deferred (other than deferred stock units) accrue interest until paid to the director at a rate equal to the average monthly Moody's Corporate Bond Yield for Baa Public Utility Bonds over a 60-month period ending November 1 of the prior year.

Payment of Grandfathered Plan Benefits

Amounts deferred under the grandfathered plan document (other than deferred stock units) may be deferred until a specified date, retirement, death or discontinuance of service as a director. At the director's election, any such compensation that is deferred until retirement or death may be paid as a lump sum, in monthly installments over 60, 120, or 180 months, or in a combination of a partial lump sum and installments. Any such deferred compensation is paid as a single lump sum or in three annual installments upon any other discontinuance of service as a director. Directors may elect at the time of deferral to receive payment on a fixed date in accordance with procedures established. Deferred amounts may also be paid in connection with a change in control of EIX or SCE in certain circumstances.

Deferred stock units may be deferred until retirement, death or discontinuance of service as a director. The deferred stock units will be distributed in EIX Common Stock in a lump sum upon the director's retirement, unless a request to receive distribution in the form of annual installments over 5, 10, or 15 years was previously approved. Discontinuance of service as a director prior to retirement will result in a lump sum payout of deferred stock units in EIX Common Stock. Upon the director's death, any remaining deferred stock unit balance will be paid to the director's beneficiary in a lump sum in EIX Common Stock. Deferred stock units may also be paid in connection with a change in control of EIX or SCE in certain circumstances.

Payment of 2008 Plan Benefits

Any amounts deferred under the 2008 plan document (including deferred stock units) may be deferred until a specified date no later than the date the director turns age 75, retirement, death, disability or other separation from service. Directors have sub-accounts for each annual deferral for which the following forms of payment may be elected:

-

Single lump-sum;

-

Two to fifteen annual installments;

-

Monthly installments for 60 to 180 months; or

-

Any combination of the above.

Payments triggered by retirement, death, disability or other separation from service may begin upon the applicable triggering event or a specified number of months and/or years following the applicable triggering event. However, payments may not begin later than the director's 75th birthday unless the director is still on the Board. Payments are subject to certain administrative earliest payment date rules, and may be delayed or accelerated in accordance with the 2008 plan document if permitted or required under Section 409A of the Internal Revenue Code.

If a director who was eligible to participate in the plan on or before December 31, 2008 dies within ten years of his or her initial eligibility to participate in the plan, the amount of the director's remaining deferred compensation account balance that will be paid to his or her beneficiary will be doubled. However, deferred stock units and any amounts attributable to dividend equivalents previously associated with stock options will not be doubled. All amounts payable are treated as obligations of EIX.

1985 Director Deferred Compensation Plan

Dr. Rosser participated in the 1985 Director Deferred Compensation Plan, under which he deferred retainers and fees during the period 1985 to 1990. The payment of his deferrals and accrued interest commenced after his retirement. The plan also provides for survivor benefits to a surviving spouse or other beneficiary consisting of an annuity or five years of installment payments generally equal to half the regular account payment amount.

Retirement Plan for Directors

Directors Nogales and Olson participate in the Retirement Plan for Directors. No new director after 1997 may participate in the plan. Each participating director is generally entitled to quarterly payments, commencing following the director's retirement, resignation or death, based on the amount of the annual retainer and regular Board meeting fees in effect at the time of such termination of service unless another payment schedule was elected under Section 409A of the Internal Revenue Code. The annual benefit for directors Nogales and Olson will be payable in quarterly installments for a number of years equal to the years of their service as a director prior to 1998. Years of service for benefit determination purposes were frozen at the end of 1997. However, the present value of these frozen benefits can change over time. Dr. Rosser was also a participant in this plan and has commenced receiving his benefit payments.

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INFORMATION ON STOCK OWNERSHIP

Directors and Executive Officers

The following table shows the number of shares of EIX Common Stock beneficially owned as of March 5, 2013, except as otherwise indicated, by each of our directors, each individual named in the EIX and SCE Summary Compensation Tables, and our directors and executive officers as a group. None of the persons included in the table beneficially owns any other equity securities of the Company or its subsidiaries. The table includes shares that the individual has a right to acquire through May 4, 2013.

Name of Beneficial Owner	Deferred Stock Units	Restricted Stock Units	Stock Options	Common Stock Shares ⁽¹⁾	Total Shares Beneficially Owned ⁽²⁾	Percent of Class ⁽³⁾
Jagjeet S. Bindra	3,209	—	—	4,941	8,150	*
Vanessa C.L. Chang	16,517	—	7,500	113	24,130	*
France A. Córdova	24,104	—	13,500	—	37,604	*
Theodore F. Craver, Jr.	—	—	1,977,109	185,814	2,162,923	*
Charles B. Curtis	18,980	—	10,000	920	29,900	*
Bradford M. Freeman	28,073	—	15,500	52,000	95,573	*
Ronald L. Litzinger	—	—	402,700	45,119	447,819	*
Luis G. Nogales	27,767	—	10,000	—	37,767	*
Ronald L. Olson	27,767	—	15,500	31,358	74,625	*
Richard T. Schlosberg, III	28,073	—	15,500	5,000	48,573	*
Thomas C. Sutton	6,265	—	15,500	60,060	81,825	*
Peter J. Taylor	5,155	—	—	—	5,155	*
Brett White	16,504	—	7,500	—	24,004	*
W. James Scilacci	—	—	409,686	47,518	457,204	*
Robert L. Adler	—	—	372,501	27,252	399,753	*
Bertrand A. Valdman	—	—	49,169	—	49,169	*
Pedro J. Pizarro ⁽⁴⁾	—	—	199,802	20,320	220,122	*
Linda G. Sullivan	—	—	88,954	8,157	97,111	*
Stephen E. Pickett	—	—	27,614	36,293	63,907	*
Peter T. Dietrich	—	—	55,629	1,597	57,226	*
Russell C. Swartz	—	—	116,857	16,565	133,422	*
Lynda Ziegler ⁽⁴⁾	—	—	134,538	16,019	150,557	*
EIX Directors and Executive Officers as a Group (19 individuals)	202,414	—	3,507,760	508,089	4,218,263	1.29%

SCE Directors and Executive Officers as a Group (19 individuals)	202,414	—2,905,373	477,342	3,585,129	1.10%
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(1)

Except as follows, each individual has sole voting and investment power:

Shared voting and sole investment power: Mr. Olson 10,000; Mr. Scilacci 33,707; Mr. Adler 3,829; Mr. Pizarro 9,990; Ms. Sullivan 2,062; Mr. Pickett 36,293; Ms. Ziegler 8,857; all EIX directors and executive officers as a group 58,816; and all SCE directors and executive officers as a group 65,979.

Shared voting and shared investment power: Ms. Chang 113; Mr. Craver 185,814; Mr. Curtis 920; Mr. Litzinger 45,119; Mr. Olson 21,358 (includes 15,000 shares held in a foundation not deemed beneficially owned under Section 16 of the Exchange Act); Mr. Sutton 41,175; Mr. Scilacci 634; Ms. Sullivan 2,090; Ms. Ziegler 7,128; all EIX directors and executive officers as a group 296,219; and all SCE directors and executive officers as a group 297,675.

(2)

Includes shares listed in the four columns to the left.

(3)

Each individual owns less than 1% of the outstanding shares of EIX Common Stock.

(4)

Beneficial ownership for Mr. Pizarro and Ms. Ziegler is listed as of December 31, 2012.

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Certain Shareholders

The following are the only shareholders known to beneficially own more than 5% of any class of EIX or SCE voting securities as of December 31, 2012, except as otherwise indicated:

Title of Class of Stock	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
	State Street Corporation		
EIX Common Stock	One Lincoln Street Boston, Massachusetts 02111 FMR LLC	31,523,081 ⁽¹⁾	9.70%
EIX Common Stock	82 Devonshire Street Boston, MA 02109 Black Rock Inc.	22,525,128 ⁽²⁾	6.91%
EIX Common Stock	40 East 52 nd Street New York, NY 10022 Edison International	21,062,346 ⁽³⁾	6.47%
SCE Common Stock	2244 Walnut Grove Avenue Rosemead, California 91770	434,888,104 ⁽⁴⁾	100%

(1)

This information is based on a Schedule 13G filed with the SEC on February 12, 2013. Acting in various fiduciary capacities, State Street reports that it has shared voting and investment power over all shares. This includes 15,138,670 shares, or 4.6% of the class, held by State Street as the 401(k) Plan Trustee. 401(k) Plan shares are voted in accordance with instructions given by participants, whether vested or not. 401(k) Plan shares for which instructions are not received will be voted by the 401(k) Plan trustee in the same proportion to the 401(k) Plan shares voted by other 401(k) Plan shareholders, unless contrary to ERISA.

(2)

This information is based on a Schedule 13G filed with the SEC on February 14, 2012. FMR LLC reports that it has sole voting power over 2,174,433 shares, or 0.67% of the class, and sole investment power over all shares.

(3)

This information is based on a Schedule 13G filed with the SEC on February 6, 2013. BlackRock Inc. reports that it has sole voting and investment power over all shares.

(4)

EIX became the holder of all issued and outstanding shares of SCE Common Stock on July 1, 1988, when it became the holding company of SCE. EIX continues to have sole voting and investment power over these shares.

ITEM 2 RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the independent registered public accounting firm retained to audit the Company's financial statements. The Audit Committee has selected PricewaterhouseCoopers LLP ("PwC") as the Company's independent registered public accounting firm for calendar year 2013. The Company is asking shareholders to ratify this appointment.

PwC is an international accounting firm which provides leadership in public utility accounting matters. Representatives of PwC are expected to attend the Annual Meeting to respond to appropriate questions and to make a statement if they wish.

PwC has been retained as the Company's independent registered public accounting firm continuously since 2002. The Audit Committee discusses and approves annual audit fees in executive session without PwC present, and periodically considers whether there should be a rotation of the independent external audit firm. Further, in conjunction with the mandated rotation of the audit firm's lead engagement partner, the Audit Committee is involved in the selection of PwC's new lead engagement partner. The members of the Audit Committee and the Board believe that the continued retention of PwC to serve as the Company's independent external auditor is in the best interests of the Company and its investors.

The Company is not required to submit this appointment to a shareholder vote. Ratification would be advisory only. However, if the shareholders of either EIX or SCE do not ratify the appointment, the appropriate Audit Committee will investigate the reasons for rejection by the shareholders and will reconsider the appointment.

The Board recommends that you vote "FOR" Item 2.

[Back to Contents](#)**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES**

The following table sets forth the aggregate fees billed to EIX (consolidated total including EIX and its subsidiaries) and SCE, respectively, for the fiscal years ended December 31, 2012 and December 31, 2011, by PwC:

Type of Fee	EIX and Subsidiaries⁽¹⁾		SCE (\$000)	
	(\$000)			
	2012	2011	2012	2011
Audit Fees	\$ 9,940	\$ 11,841	\$ 6,188	\$ 6,652
Audit-Related				
Fees ⁽²⁾	159	560	140	150
Tax Fees ⁽³⁾	1,802	3,680	1,696	2,965
All Other Fees ⁽⁴⁾	65	341	65	338
TOTAL	\$ 11,966	\$ 16,422	\$ 8,089	\$ 10,105

(1)

Includes \$2,791,000 billed to EME, which was deconsolidated from EIX's financial results as of December 17, 2012.

(2)

The nature of the services comprising these fees were assurance and related services related to the performance of the audit or review of the financial statements and not reported under "Audit Fees" above.

(3)

These aggregate fee amounts are composed of tax compliance fees and other tax fees. Those fees were to support compliance with federal and state tax reporting and payment requirements, including tax return review and review of tax laws, regulations or cases.

(4)

These fees are related to an annual subscription to an Internet accounting research service and other miscellaneous services.

The Audit Committee is required to review with management and pre-approve all audit services to be performed by the independent registered public accounting firm and all non-audit services that require pre-approval under the Exchange Act. The Committee's pre-approval responsibilities may be delegated to one or more Committee members, provided that such delegates present any pre-approval decisions to the Committee at its next meeting. The Committee has delegated such pre-approval responsibilities to the Committee Chair. The independent registered public accounting firm must assure that all audit and non-audit services provided to the Company have been approved by the Audit Committee.

During the fiscal year ended December 31, 2012, all services performed by PwC were pre-approved by the Audit Committee, irrespective of whether the services required pre-approval under the Exchange Act.

AUDIT COMMITTEE REPORT

Management is responsible for the Company's internal controls and the financial reporting process, including the integrity and objectivity of the financial statements. The independent registered public accounting firm is responsible for performing an independent audit of the Company's financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and to issue a report thereon. The Audit Committee monitors and oversees these processes. The Committee members are not accountants or auditors by profession and, therefore, have relied on certain representations from management and the independent registered public accounting firm about carrying out its responsibilities.

In connection with the December 31, 2012 financial statements, the Audit Committee:

-

Reviewed and discussed the audited financial statements with the Company's management;

-

Discussed with PwC, the Company's independent registered public accounting firm, the matters required by the Statement on Auditing Standards No.61 (AU Section 380), Communication with Audit Committees, as adopted by the Public Company Accounting Oversight Board; and

-

Received the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding PwC's communications with the Audit Committee concerning independence, and discussed with PwC its independence from the Company.

Based upon these reviews and discussions, the Audit Committee recommended to the Board that the audited financial statements be included in the Company's 2012 Annual Report on Form 10-K to be filed with the SEC.

Vanessa C.L. Chang, *Chair*

Jagjeet S. Bindra

France A. Córdova

Luis G. Nogales

Peter J. Taylor

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ITEM 3 ADVISORY VOTE TO APPROVE THE COMPANY'S EXECUTIVE COMPENSATION

The advisory vote to approve the Company's executive compensation, commonly known as "Say-on-Pay," gives shareholders the opportunity to endorse or not endorse our executive compensation. This advisory vote is required by SEC rules to be provided at least once every three years. However, in 2011, our shareholders voted to hold the advisory vote every year, and the Board determined that it would be held annually. In 2012, the advisory vote to approve EIX's executive compensation received support from approximately 94% of the votes cast.

Our executive compensation is described under "Compensation Discussion and Analysis" below. We encourage you to read it carefully. Our executive compensation program is reviewed and approved by the Compensation and Executive Personnel Committee. The Board believes our competitive compensation structure aligns executive compensation with shareholder value and serves shareholders well.

EIX and SCE request shareholder approval of the compensation paid to the Company's named executive officers, as disclosed in this Joint Proxy Statement pursuant to the SEC's compensation disclosure rules, including the Compensation Discussion and Analysis, the compensation tables and the narrative discussion that accompanies the compensation tables.

The Company values constructive dialogue with shareholders on compensation and other important governance matters. Because your vote is advisory, it will not be binding on the Board or the Company. However, the Compensation and Executive Personnel Committee will consider the outcome of the vote and any constructive feedback from shareholders when making future executive compensation decisions as it deems appropriate. See "Shareholder Communication and Compensation Program for 2013" in Part I of the Compensation Discussion and Analysis below.

It is expected that the next such vote will occur at the 2014 Annual Meeting.

The Board recommends that you vote "FOR" Item 3.

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COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This Compensation Discussion and Analysis (“CD&A”) describes the principles of our executive compensation program, how we applied those principles in compensating our named executive officers (“NEOs”) for 2012, and how we use our compensation program to drive performance. We also discuss the role and responsibilities of our Compensation and Executive Personnel Committee (the “Committee”) in determining executive compensation. The CD&A is organized to address the following:

I.

Executive summary of our compensation program

II.

What we pay and why: elements of our direct compensation

III.

How we make compensation decisions

IV.

Other benefits in our compensation program

V.

Other compensation policies and guidelines

The CD&A contains information that is relevant to your decision regarding the advisory vote to approve our executive compensation (Item 3 on your proxy card). When voting on Item 3, EIX shareholders will vote on EIX executive compensation, while SCE shareholders will vote on SCE executive compensation.

EIX and SCE NEOs for 2012

EIX NEOs

Theodore F. Craver, Jr.

W. James Scilacci

Robert L. Adler

Bertrand A. Valdman

Ronald L. Litzinger

Pedro J. Pizarro⁽¹⁾

(1)

Title

Chairman of the Board, President and CEO

Executive Vice President, CFO and Treasurer

Executive Vice President and General Counsel

Senior Vice President

SCE President

EME President (EIX executive officer through 12/13/2012)

As explained under “Our Business and Strategy” in Part I below, EME has filed for bankruptcy and is deconsolidated from EIX’s financial results. Mr. Pizarro is President of EME. He ceased to be an executive officer of EIX on December 13, 2012, but is included as an EIX NEO for 2012 in accordance with applicable SEC rules. His compensation is discussed and analyzed separately in “Compensation Arrangements with Mr. Pizarro” in Part II below.

SCE NEOs

Title

Ronald L. Litzinger	President
Linda G. Sullivan	Senior Vice President and CFO
Stephen E. Pickett	Executive Vice President
Peter T. Dietrich	Senior Vice President and Chief Nuclear Officer
Russell C. Swartz	Senior Vice President and General Counsel
Lynda L. Ziegler	Former Executive Vice President (SCE executive officer through 9/30/2012)

In this CD&A, the term “CEO” means the Chief Executive Officer of EIX.

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I. Executive Summary

To facilitate review and understanding of our executive compensation program, certain key information is highlighted in this Executive Summary.

Our Business and Strategy

EIX conducts operations through its subsidiaries. Its core business is its subsidiary SCE, a rate-regulated electric utility that supplies electric energy to an approximately 50,000 square-mile area of southern California. Our strategy is to provide customers safe, reliable and affordable electricity as a foundation for long-term sustainable growth and shareholder value. SCE's investment focus is on transmission and distribution infrastructure. EIX continues to see merit in the ownership and operation of competitive businesses in the electric sector, and is exploring business ventures in a number of areas related to the provision of electric power and infrastructure. Prior to December 17, 2012, EIX had a competitive power generation segment, the majority of which consisted of its indirectly, wholly-owned subsidiary, EME. On December 17, 2012, EME and certain of its wholly-owned subsidiaries filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code. As of December 17, 2012, EME is deconsolidated from EIX's financial results and accounted for as discontinued operations.

2012 Financial Highlights

Significant results for EIX in 2012 include:

-

Our stock price increased 9.2%, outperforming the Philadelphia Utility Index, which decreased 4.7%, and underperforming the S&P 500 Index, which increased 13.4%;

-

Our total shareholder return ("TSR"⁽¹⁾) was 12.4%, which was at the 80th percentile of the Philadelphia Utility Index; and

-

Our consolidated core earnings⁽²⁾ of \$1.28 billion exceeded our goal of \$1.17 billion.

EIX's consolidated core earnings exceeding our goal was a key factor in above-target 2012 annual incentive awards for EIX. The determination of annual incentive awards is described under "Annual Incentives" in Part II below.

2012 NEO Pay

The following table shows the total direct compensation for 2012 compared to 2011 for the executives who were EIX NEOs both years. Total direct compensation consists of base salary, annual incentive awards and long-term incentive awards (columns (c), (e), (f) and (g) of the EIX Summary Compensation Table), but excludes other elements of pay reported in the Summary Compensation Table below.

	2012 TDC	2011 TDC
EIX NEO	(\$)	(\$)
Theodore F. Craver, Jr.	8,581,493	7,662,639
W. James Scilacci	2,284,230	2,139,001
Robert L. Adler	2,358,538	2,130,760
Ronald L. Litzinger	2,279,406	2,095,568

Higher annual incentive awards were the biggest factor in the increases in total direct compensation shown above. The increase for Mr. Craver was also attributable to increases in his base salary, target annual incentive as a percentage of base salary, and long-term incentive awards as a percentage of base salary. For Messrs. Scilacci, Adler, and Litzinger, the increases were also attributable to increases in their base salaries.

For a discussion of the reasons for changes in compensation from 2011 to 2012, see “What We Pay and Why: Elements of Direct Compensation” in Part II below.

The total direct compensation for all EIX and SCE NEOs is shown in the Summary Compensation Tables and discussed under “What We Pay and Why: Elements of Direct Compensation” in Part II below.

(1)

TSR is calculated using the difference between (i) the closing stock price for the relevant stock on the last NYSE trading day preceding the first day of the relevant period and (ii) the closing stock price for the relevant stock on the last trading day of the relevant period, and assumes all dividends during the period are reinvested on the ex-dividend date. A different methodology is used to calculate TSR for performance shares (see “Long-Term Incentives” below)

(2)

Core earnings is defined on a consolidated basis for EIX as earnings attributable to EIX shareholders less income or loss from discontinued operations and income or loss from significant discrete items that management does not consider representative of ongoing earnings, such as: exit activities, including lease terminations, sale of certain assets, early debt extinguishment costs and other activities that are no longer continuing; asset impairments and certain tax, regulatory or legal settlements or proceedings. In 2012, core earnings excluded an after-tax earnings charge during the fourth quarter of 2012 related to the bankruptcy and deconsolidation of EME, and certain other non-core items. For a reconciliation of core earnings to net income determined under GAAP, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Management Overview – Highlights of Operating Results” included as part of the Company’s 2012 Annual Report to Shareholders.

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Executive Compensation Practices

The table below highlights our current compensation practices for NEOs, including practices that we believe drive performance and those we have not implemented because we do not believe they would serve our shareholders' long-term interests.

What We Do	What We Don't Do
We tie pay to performance by making the majority of compensation "at risk" and linking it to shareholders' interests.	We do not have any employment contracts.
We target the market median (50 th percentile) for all elements of direct compensation.	We do not provide perquisites.
We use a peer group based on a recognized market index.	We do not provide excise tax gross-ups on change in control payments.
We balance multiple metrics for short- and long-term incentives.	We do not have individually negotiated change in control agreements.
We have double-trigger change in control provisions for acceleration of equity award vesting.	We do not provide personal use of any corporate aircraft.
We have stock ownership guidelines.	We do not re-price underwater stock options.
We seek shareholder feedback on our executive compensation.	We do not permit pledging of Company securities by EIX executive officers.
Our Compensation Committee's compensation consultant is independent and does not provide any other services to the Company.	We do not permit hedging of Company securities.

How Our CEO Pay Aligns With Performance

The link between pay and performance is highlighted by trends in our CEO's compensation. The following chart shows the alignment of our CEO's total direct compensation over the past four years with our indexed TSR, which represents the value of an initial investment of \$100 in EIX common stock at the beginning of the four-year period, and assumes that dividends are reinvested.

The data used in the chart reflects grant date fair value of stock and option awards. It does not reflect the realized value of equity awards. For example, it does not reflect the actual payout of performance shares, which was \$0 for the performance periods ending in 2009, 2010, and 2012, and 63% of target for the performance period ending in 2011, as discussed below under "How Our Long Term Incentives are Tied to Shareholder Value."

How Our CEO Pay Compares to Peer Group Median

We used the companies in the Philadelphia Utility Index as our peer group for benchmarking performance and comparing CEO compensation for 2012. The following chart shows Mr. Craver's total direct compensation for the last four years as reported in the EIX Summary Compensation Table, relative to the peer group median. (The chart uses the 2011 peer group median as the peer group median for 2012 since proxy data showing 2012 compensation was

generally unavailable for our peer group in time for inclusion in this Joint Proxy Statement.) Mr. Craver's total direct compensation was below the peer group median for 2009 and 2010. In 2011 and 2012, Mr. Craver's total direct compensation was above the peer group median, largely because the peer group median decreased by approximately 13.5% from 2010 to 2011. The decrease in the peer group median was largely driven by chief executive officer turnover. Six of the 19 peers elected a new chief executive officer in late 2010 or 2011, and the new chief executive officer's 2011 total direct compensation was in most cases lower than his or her predecessor's 2010 total direct compensation. Another significant factor was that Mr. Craver's annual incentive awards for 2011 and 2012 were above target, largely due to strong financial performance, as discussed in the Company's 2012 Joint Proxy Statement and under "Annual Incentives" below in this CD&A.

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How Our Short-Term Incentive Plan is Tied to Shareholder Value

Our annual incentive program is designed to enhance long-term shareholder value by encouraging our NEOs to focus on the financial, strategic and operational objectives that support our business strategy discussed above under “Our Business and Strategy.” Approximately half of the value of annual incentive payouts for 2012 was dependent on financial performance. The strategic and operational goals are focused on factors identified as key to the success of our overall business strategy. By focusing on performance and achievement of our overall business strategy, our short-term incentive plan is designed to enhance shareholder value.

How Our Long-Term Incentive Plan is Tied to Shareholder Value

We tie our NEOs’ long-term interests to those of shareholders by making equity a substantial portion of our executive compensation. A decline in stock price results in a decrease in value of the equity compensation. This link is demonstrated in part by the recent payout history of our performance shares. Performance share grants are designed to provide for 17% of CEO total target direct compensation and a smaller, but significant percentage of other NEO total target direct compensation. However, relative TSR as compared to our peer group for the 2010-2012, 2008-2010, 2007-2009, and 2006-2008 performance periods was below the threshold required for payout of the performance shares, resulting in no payouts.

The following chart shows the target value of performance share awards granted between 2006 and 2010 compared to the value realized upon vesting of those awards following the related three-year performance period based on our relative TSR percentile ranking in our peer group, as calculated in the manner described below for performance shares. The value realized upon vesting of the 2009 performance share awards reflects the TSR ranking and the change in the stock price between the grant date and the vesting date.

Likewise, NEOs realize value in the stock option portion of their long-term award only if the EIX stock price appreciates after the grant date. NEOs realize an increase or decrease in value compared to the target value of the restricted stock unit portion of their long-term award commensurate with the increase or decrease in value realized by shareholders from changes in the stock price and dividends over the three-year vesting period.

Shareholder Communication and Compensation Program for 2013

In 2012, the advisory vote to approve EIX’s executive compensation received support from approximately 94% of the votes cast. The Committee reviewed the results of our shareholder vote, including feedback from major shareholders. Taking the vote results and shareholder feedback into account, and considering trends in executive compensation and the best interests of shareholders, the Committee approved maintaining our executive compensation program without any significant changes for 2013.

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II. What We Pay and Why: Elements of Direct Compensation

Our executive compensation program seeks to achieve three fundamental objectives:

-

Attract and retain qualified executives;

-

Focus executives' attention on specific financial, strategic and operating objectives of the Company that will increase shareholder value; and

-

Align executive pay directly with shareholder return through long-term incentives.

This section of the CD&A discusses the elements of direct compensation offered under our program, which include base salaries, annual cash incentives, and long-term equity-based incentives, and how each of these elements contributes to the objectives of our program.

We target the market median for all elements of direct compensation. The Committee's determination of market compensation is discussed in "Use of Competitive Data" in Part III below.

The reasons for the Committee's decision to target the median level include:

-

The policy of the applicable regulatory authorities that SCE should provide market level compensation, and the desire for internal compensation equity between EIX and SCE;

-

Above-median compensation generally has not been necessary, except occasionally for recruitment and retention purposes; and

-

Below-median compensation would create retention and recruitment difficulties.

A significant portion of our total direct compensation is tied to company performance. The following charts show that incentive compensation comprised approximately 85% of our CEO's 2012 target total direct compensation and approximately 65% on average of our other NEOs' 2012 target total direct compensation. Most of the target incentive compensation was in the form of long-term incentives.

This pay mix provides an opportunity for NEO compensation to reflect the upside and downside potential of company performance and helps to focus their attention on our financial, strategic and operating objectives.

Base Salary

We pay our NEOs a fixed base salary to attract talented executives. For 2012, each NEO's base salary was evaluated according to his or her position and performance. For each position, a base salary range was determined, consisting of a minimum, median and maximum. The Committee targets the market median level of base salaries for comparable positions. None of our NEOs has a contractual right to receive a fixed base salary.

The salary increases between 2011 and 2012 shown in the Summary Compensation Tables for Messrs. Craver, Scilacci, Litzinger, and Dietrich were made to bring their salaries closer to the market median. The Committee increased Mr. Adler's salary above the market median after making a subjective determination that the increase was appropriate in light of his overall responsibilities and contributions.

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Annual Incentives

Executive Incentive Compensation Plan

NEOs are eligible for annual incentive awards under the EIX Executive Incentive Compensation Plan for achieving specific financial, strategic and operational goals pre-established at the beginning of each year. The target value is stated as a percentage of base salary and is based on the market median of target annual incentive awards for comparable positions. The minimum award is \$0. The maximum award is 200% of target, which the Committee's independent compensation consultant, Frederic W. Cook & Co., Inc. ("F.W. Cook"), has advised is the most prevalent practice among the peer group companies.

The Committee determines annual incentive awards based on corporate and individual performance. The corporate performance factor is based on performance relative to the pre-established goals. For each goal category, the Committee assigned a target score equal to the relative weight given that goal category and a potential score range. In February 2013, the Committee determined the score achieved for each goal category, depending on the extent to which the goals were unmet, met or exceeded.

Separate goals were established for EIX and SCE. Annual incentive awards for the EIX NEOs (other than Mr. Litzinger) were based on EIX performance. Annual incentive awards for the SCE NEOs, including Mr. Litzinger, were based on SCE performance.

EIX Performance

Performance on the 2012 financial goal for EIX, measured primarily by consolidated core earnings and weighted 60% at target, is shown below. In February 2012, the Committee set the threshold level of consolidated core earnings, below which no incentive would be paid, at \$528 million, and set target and maximum scores at \$757 million and \$923 million in consolidated core earnings, respectively.

These original threshold, target, and maximum levels were set under the assumption that losses at EME would be included in consolidated core earnings. However, EME has been deconsolidated from EIX's financial results and is accounted for as discontinued operations. As a result, EME is classified as non-core for purposes of EIX's 2012 consolidated core earnings. In February 2013, the Committee adjusted the 2012 threshold, target, and maximum levels of consolidated core earnings to exclude EME's results. The adjusted threshold, target, and maximum levels are \$939 million, \$1,168 million, and \$1,334 million, respectively.

EME's 2012 losses through the date of deconsolidation were lower (i.e., better) than the budgeted target, so the adjustment of the threshold, target, and maximum levels to exclude EME's losses resulted in a lower financial performance score than if EME's losses had been included and the original threshold, target, and maximum levels had been applied. For purposes of scoring financial performance, the Committee also reduced the actual consolidated core earnings from \$1,278 million to \$1,245 million by excluding certain deferred tax adjustments.

Financial	Target	Actual	Target	Potential	Actual
Performance	(million)	(million)	Score	Score	Score
Consolidated Core Earnings	\$ 1,168	\$ 1,245	60	0-120	89

Performance on the 2012 strategic and operational goals for EIX, weighted a total of 40% at target, is shown below.

	Target	Potential	Actual
Goal Category	Score	Score	Score
Strategic Initiatives	30	0-60	40
People and Culture	10	0-20	15

Key factors contributing to above-target scores were:

•

Strategic Initiatives: Achieved an outcome from SCE's 2012 General Rate Case that was in line with strategic goals. Achieved significant cost savings for SCE customers through initiatives to further the strategy of providing electricity at affordable rates. Entered into an agreement with EME and a majority of its senior unsecured noteholders (subject to bankruptcy court approval) in furtherance of strategy to resolve uncertainties and reduce business risks.

•

People and Culture: Exceeded goals for addressing results of work environment reviews.

SCE Performance

Performance on the 2012 financial goal for SCE, measured primarily by core earnings and weighted 40%, is shown below. The threshold level was \$1,087 million. The maximum score was the same as target. For SCE, above-target financial performance does not increase the score. The score is capped in order to mitigate a potential perception that SCE executives may be motivated to achieve short-term earnings over the interests of other regulated utility stakeholders. For purposes of scoring financial performance, the Committee reduced the actual core earnings from \$1,338 million to \$1,305 million by excluding certain deferred tax adjustments.

Financial	Target	Actual	Target	Potential	Actual
Performance	(million)	(million)	Score	Score	Score
Core Earnings	\$ 1,202	\$ 1,305	40	0-40	40

Performance on the 2012 strategic and operational goals for SCE, weighted a total of 60% at target, is shown below.

	Target	Potential	Actual
Goal Category	Score	Score	Score
Operational and Service Excellence	25	0-65	20
Strategic Initiatives	25	0-65	60
People and Culture	10	0-30	15

Key factors contributing to above and below target scores were:

•

Operational and Service Excellence: Workplace safety goals were not met.

•

Strategic Initiatives: Achieved an outcome from the 2012 General Rate Case that was in line with strategic goals. Achieved significant cost savings for customers through initiatives to further our strategy of providing electricity at affordable rates.

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•

People and Culture: Exceeded goals for addressing results of work environment reviews.

2012 Annual Incentive Results

Based on 2012 performance, the corporate performance factors for EIX and SCE were 144% and 135% of target, respectively. These factors were determined by adding the “Actual Scores” noted above. The Committee has discretion to increase or decrease the corporate performance factor from the amount determined by application of the scoring matrix. The Committee exercised discretion to reduce EIX’s corporate performance factor from 144%, as determined by application of the matrix, to 135%, to match SCE’s corporate performance factor.

The Committee determined the annual incentive award for each NEO by multiplying the target percentage by the corporate performance factor and an individual performance factor. Individual performance factors were determined by the Committee in its discretion, based on its assessment of each NEO’s performance and achievements for the year and relative impact and contribution compared to executives in similar roles. The maximum award is two times the target percentage. The resulting annual incentive awards to our EIX NEOs were as follows:

	Annual Incentive Target	Individual Performance Factor	Annual Incentive Award
EIX NEOs	(% of salary)	Factor	(% of salary)
Theodore F. Craver, Jr.	115 %	110 %	171 %
W. James Scilacci	70 %	105 %	99 %
Robert L. Adler	70 %	130 %	123 %
Bertrand A. Valdman	55 %	105 %	78 %
Ronald L. Litzinger	70 %	105 %	99 %

Target and actual annual incentive award results for all NEOs are shown in the Grants of Plan-Based Awards tables and the Summary Compensation Tables, respectively.

Impact of Other Plans

Mr. Dietrich also participated in a retention and performance incentive plan (“SONGS Plan”) for executives employed at the San Onofre Nuclear Generating Station (“SONGS”). The SONGS Plan provided that half of Mr. Dietrich’s targeted annual incentive for each of 2010, 2011 and 2012 would be determined under the SONGS Plan, and the actual incentive awards under the SONGS Plan could range from zero to 200% of target. The other half of Mr. Dietrich’s 2012 annual incentive was determined under the EIX Executive Incentive Compensation Plan as described above for SCE NEOs. The portion of Mr. Dietrich’s annual incentive determined under the SONGS Plan for 2010 through 2012 was aggregated, and that aggregate amount was then apportioned across the three years covered by the plan. Thirty percent of any award otherwise earned under the SONGS Plan was deferred to June 30, 2013 and subject to the executive’s continued employment through that date. The SONGS Plan also provided for a three-year supplemental bonus opportunity following 2012. However, since both nuclear reactors at SONGS have been shut down since January 2012, the SCE Committee determined that it would instead be appropriate to determine all of Mr. Dietrich’s annual incentive for 2012 using the methodology described above for the EIX Executive Incentive Compensation

Plan. With respect to the three-year supplemental bonus opportunity under the SONGS Plan, the SCE Committee determined that a supplemental award of \$196,056 was appropriate after reviewing SONGS performance since 2010, with 30% of the award subject to Mr. Dietrich's continued employment through June 30, 2013. The 2012 target and maximum annual incentive award amounts for Mr. Dietrich under the SONGS Plan are in the SCE Grants of Plan-Based Awards table below. The 2012 SONGS Plan annual incentive award for Mr. Dietrich, as well as his supplemental bonus, are reflected in the SCE Summary Compensation Table below.

To qualify annual incentive awards as deductible performance-based compensation under Section 162(m) of the Internal Revenue Code, the EIX Committee adopted the EIX 2012 Executive Annual Incentive Program ("162(m) Program"). Under this Program, an overall maximum annual incentive award for 2012 was established for each participating EIX NEO as a specified percentage of an annual incentive award pool. The aggregate award pool had a maximum value equal to 1.5% of EIX's 2012 consolidated core earnings. The actual annual incentive awarded to each participating EIX NEO under the Executive Incentive Compensation Plan for 2012 was less than the applicable maximum under the 162(m) Program. Thus, all such compensation was tax-deductible.

Long-Term Incentives

We provide our NEOs with long-term incentives that are directly linked to the value provided to EIX shareholders. All of our long-term incentives are awarded as equity instruments reflecting, or valued by reference to, EIX Common Stock. Long-term incentive awards are made under the EIX 2007 Performance Incentive Plan.

Long-Term Equity Mix

In 2012, each NEO's long-term incentive award value was in the form of 50% non-qualified stock options, 25% performance shares, and 25% restricted stock units as shown in the chart below.

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The Committee believes the long-term incentive award allocations strike an appropriate balance among equity awards that reward:

-

Absolute shareholder return (non-qualified stock options);

-

Relative shareholder return and earnings (performance shares); and

-

Shareholder value through retention over a multi-year vesting period (restricted stock units).

More than 50% of our long-term equity mix is performance-based. In addition to the performance shares, we believe stock options are performance-based because NEOs will realize value only if the market value of the EIX Common Stock appreciates over time.

Value of Long-Term Equity

In December 2011, the Committee approved the target long-term incentive award value for each officer for the upcoming year. The target value is stated as a percentage of base salary and is based on the market median level of target long-term incentive award values for comparable positions.

For 2012, the Committee kept the same target long-term incentive award value for each NEO, except Mr. Craver. His target was increased by ten percentage points to move it closer to market median.

The Committee approved grants of stock options, performance shares, and restricted stock units to the NEOs on February 22, 2012, with a grant date of March 5, 2012. The grant date value of each award is listed in the Grants of Plan-Based Awards tables below.

The Committee approved the award values and methodology for converting those values into the number of options, performance shares, and restricted stock units at the time of each long-term incentive grant. The number of options for an NEO was determined by dividing the option award by the grant date value of an option using a Black-Scholes Merton valuation model. As to TSR performance shares, the conversion formula involved dividing the award by the grant date value of the TSR performance shares using a Standard Monte Carlo simulation model. As to EPS performance shares and restricted stock units, the respective grant date value was converted into a specific number of EPS performance shares or units, respectively, by dividing the grant date value by the closing price of a share of EIX Common Stock on the grant date. The aggregate grant date values of NEOs' 2012 long-term incentive awards are reflected in columns (e) and (f) of the Summary Compensation Tables.

Stock Options

Each stock option granted may be exercised to purchase one share of EIX Common Stock at an exercise price equal to the closing price of a share of EIX Common Stock on the applicable grant date. Options vest over a four-year period, subject to continued employment, with one-fourth of each award generally vesting and becoming exercisable at the beginning of each year.

Performance Shares

Performance shares reward performance over three years against pre-established metrics. Each performance share awarded is a contractual right to receive one share of EIX Common Stock or its cash equivalent if performance and continued service vesting requirements are satisfied. The amount realized in the performance share portion of an NEO's long-term award can range from zero to 200% of target, and depends on the performance against pre-established metrics. The performance share awards provide for reinvested dividend equivalents. For each dividend declared for which the ex-dividend date falls within the performance period and after the date of grant, the NEO will be credited with an additional number of target performance shares subject to the same terms and conditions as the original performance shares.

For performance shares granted in 2012, two metrics will be used for measuring payouts, with each metric weighted 50%. One of the two performance metrics is based on the percentile ranking of EIX's TSR for the three-year performance period compared to the TSR of each stock in EIX's peer group for the same period. The following chart provides the percentile ranking and corresponding payout levels:

Payout Levels	TSR Ranking	Payout
Below Threshold	<25 th Percentile	0
Threshold	25 th Percentile	25% of Target
Target	50 th Percentile	Target
Maximum	≥75 th Percentile	200% of Target

If EIX achieves a TSR ranking between the 25th percentile and the 50th percentile or between the 50th percentile and the 75th percentile, the number of shares paid will be interpolated on a straight-line basis with discrete intervals at every 5th percentile. For purposes of determining performance share payouts, TSR is calculated using the difference between (i) the average closing stock price for the relevant stock for the 20 trading days ending with the last NYSE trading day preceding the first day of the performance period and (ii) the average closing stock price for the relevant stock for the 20 trading days ending with the measurement date, and assumes all dividends are reinvested on the ex-dividend date.

The second performance metric for performance shares granted in 2012 is based on EIX's three-year average annual core earnings per share ("EPS"), measured against target levels. Core EPS is defined as GAAP basic EPS, excluding income or loss from discontinued operations and income or loss from significant discrete items that are not representative of ongoing earnings. The Committee establishes the EPS target for each calendar year in February of that year. After the three-year performance period, the Committee will certify the EPS performance multiple for each calendar year in the performance period, based on EIX's actual EPS performance as a percentage of the EPS target for that year, in accordance with the following chart:

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Performance	Actual EPS	EPS Performance
Level	as % of Target EPS	Multiple
Below Threshold	<80 %	0
Threshold	80 %	0.25x
Target	100 %	1.0x
Maximum	≥120%	2.0x

If EIX's EPS for a year as a percentage of target EPS is between 80% and 100% or between 100% and 120%, the EPS performance multiple will be interpolated on a straight-line basis, with discrete intervals at every 4th percentile. The EPS performance multiples achieved for each calendar year in the three-year performance period will be averaged, and the resulting average will determine the performance share payout as a multiple of target.

The performance shares generally are paid half in EIX Common Stock and half in cash having a value equal to the EIX Common Stock that otherwise would have been delivered. EIX converts a portion of the awards otherwise payable in stock to cash to the extent necessary to satisfy minimum tax withholding or any governmental levies. NEOs may elect to defer payment of the portion of performance shares payable in cash under the Executive Deferred Compensation Plan.

The performance shares granted in 2010 utilized only one metric—the TSR metric described above—except that the threshold for a payout was set as a 40th percentile TSR ranking. EIX stock performance from 2010-2012 relative to the peer group did not meet this threshold. As a result, there was no payout from the 2010 performance share grants. There was also no payout from 2006, 2007, or 2008 performance share grants. For 2012 performance share grants, the Committee set the threshold for payout at a 25th percentile TSR ranking, which is in alignment with our peers according to F.W. Cook. For payout values of performance share awards granted over the last five years, see the “Value of CEO Performance Shares” chart under “How Our Long-Term Incentives are Tied to Shareholder Value” in the Executive Summary above.

Restricted Stock Units

Each restricted stock unit awarded is a contractual right to receive one share of EIX Common Stock if continued service vesting requirements are satisfied. The restricted stock units for NEOs provide for reinvested dividend equivalents. For each dividend declared for which the ex-dividend date falls within the vesting period, the NEO will be credited with an additional number of restricted stock units subject to the same terms and conditions as the original restricted stock units.

The restricted stock units are paid in EIX Common Stock, except EIX converts awards to cash having a value equal to the stock that otherwise would have been delivered to satisfy minimum tax withholding and governmental levies. The EIX Committee may elect to pay any restricted stock units in cash rather than shares of EIX Common Stock if and to the extent that payment in shares would exceed the applicable share limits of the EIX 2007 Performance Incentive Plan.

Acceleration of Long-Term Equity

If an NEO terminates employment after reaching age 65, or age 61 with five years of service, (i) stock options will vest and continue to become exercisable as scheduled, (ii) performance shares will be retained with vesting based on the applicable performance metrics, and (iii) restricted stock units will vest and become payable as scheduled; in each instance, subject to a pro-rated reduction if the NEO retires within the year of grant. Messrs. Craver, Adler, Pickett,

and Swartz are eligible for these accelerated vesting provisions. If an NEO dies or becomes disabled while employed, stock options and restricted stock units will immediately vest and become exercisable and payable, respectively, and performance shares will be retained.

Compensation Arrangements with Mr. Pizarro

Based on market data reviewed by F.W. Cook, the Committee determined that Mr. Pizarro's 2011 salary, target annual incentive award, and target long-term incentive award grant value were below the market median for comparable positions. Accordingly, the Committee approved the following changes in Mr. Pizarro's compensation for 2012 to bring his compensation level closer to the market median: an increase in base salary as reflected in the EIX Summary Compensation Table, an increase in his target annual incentive award from 65% to 70% of base salary, and an increase in his target long-term incentive award grant value from 140% to 160% of base salary. Mr. Pizarro was initially a participant in the EIX Executive Incentive Compensation Plan for 2012. In December 2012, the independent Compensation Committee of the EME Board of Directors ("Independent EME Committee") withdrew EME from participation in the EIX Executive Incentive Compensation Plan and established a short-term incentive award program for EME executives for 2012 ("2012 EME Program"), based on the 2012 goals and target awards previously established for EME executives under the EIX Executive Incentive Compensation Plan. EME paid a \$332,500 award to Mr. Pizarro under the 2012 EME Program, which was 100% of his target bonus opportunity. The payout target was based on EME's financial performance, measured by core adjusted EBITDA, exceeding 2012 goals, and the exercise of discretion by the Independent EME Committee to limit payouts to target in light of EME's restructuring issues. Mr. Pizarro's long-term incentive awards for 2012 were a mix of stock options, performance shares and restricted stock units as described above under Long-Term Incentives.

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III. How We Make Compensation Decisions

Role of Compensation Committee and Executive Officers

The Committee is responsible for reviewing and determining the compensation paid to executive-level Company officers, including the NEOs. The Committee annually reviews all components of compensation for our CEO and other NEOs. This review encompasses all forms of compensation, including base salary, annual and long-term incentives, and other benefits, as well as amounts pursuant to retirement and non-qualified deferred compensation plans.

Toward the start of each year, the Committee approves the base salary range, and the target and maximum potential annual and long-term incentive award values for each officer. The annual and long-term incentive target awards are stated as percentages of base salary and are based on the market median of target annual and long-term incentive award values for comparable positions. Each February, after performance results for the prior year are finalized, the Committee determines annual incentive awards for the prior year and performance share payouts for the prior performance period. At that time, the Committee also approves base salary changes and long-term incentive grants for the current year. Base salary changes are effective in March of each year.

The CEO provides the Committee with recommendations regarding the compensation of the NEOs (other than his own). Other NEOs participate in developing and reviewing executive compensation recommendations, but do not participate in recommendations regarding their own compensation.

In determining the compensation of the CEO, the Committee Chair solicits input on his performance from the non-employee directors. The Chair reports to the Committee on the input received. The Committee discusses the report and determines the compensation of the CEO in executive session without the CEO present. The Chair also reports to the Board in a non-management executive session on the input received and the Committee's compensation determination.

For Company officers who are not EIX executive officers, the Committee has authorized the CEO and the EIX executive responsible for executive compensation matters to jointly approve special relocation, recruitment and retention awards within specific limits pre-approved by the Committee. Mid-year compensation determinations for newly hired and promoted officers who are not EIX executive officers that are within guidelines previously approved by the Committee do not require Committee approval.

Tally Sheets

The Committee reviewed tally sheets for the EIX NEOs. Tally sheets provide the Committee with information about the following components of compensation paid over the three-year period ending December 31, 2012:

-

Cash compensation (base pay and annual incentives);

-

Equity award values (stock options, performance shares and restricted stock units); and

-

Changes in pension values and non-qualified plan earnings.

The tally sheets also provide the amounts payable in the event of voluntary or involuntary separation from service, death or disability, or a change in control resulting in termination.

The Committee also reviews additional information regarding long-term incentives, including stock program statistics on share usage, analysis of current exercise values of prior option grants, and a summary of current and past performance share results.

Role of the Committee's Independent Compensation Consultant

The Committee has retained F.W. Cook to assist in the evaluation of officer compensation, including the NEOs; however, the Committee makes all decisions regarding our executives' compensation. Generally, this assistance includes helping the Committee identify industry trends and norms for executive compensation; reviewing and identifying the appropriate peer group companies and pay surveys; and evaluating relevant executive compensation data for these companies.

During 2012, F.W. Cook performed the following specific services:

-

Provided a presentation on executive compensation trends and competitive evaluation of total direct compensation for executives;

-

Reviewed Committee agendas and supporting materials before each meeting, and raised questions/issues with management and the Committee Chair, as appropriate;

-

Reviewed drafts and commented on the CD&A for the proxy statement and related compensation tables; and

-

Provided recommendations on CEO total compensation to the Committee at its February meeting, without prior review by our CEO.

In addition, an F.W. Cook representative attended Committee meetings and communicated directly with the Committee as needed. F.W. Cook did not perform any services for the Company unrelated to the Committee's responsibilities for our compensation programs, and all interactions with management were incidental to its work for the Committee.

The Committee retains sole authority to hire F.W. Cook, approve its compensation, determine the nature and scope of its services, evaluate its performance, and terminate its engagement. Pursuant to SEC rules, the Committee assessed and determined that no conflict of interest exists with respect to the engagement of F.W. Cook as the Committee's compensation consultant.

Amortized

Cost

Unrealized

Gains

Unrealized

Losses

Fair Value

As of June 30, 2018

U.S. government securities

\$

24,909

\$

8

\$

(5

)

\$

24,912

Commercial paper

12,016

—

—

12,016

Overnight repurchase agreement

11,500

—

—

11,500

Total short-term investments

\$

48,425

\$

8

\$

(5

)

\$

48,428

All held-to-maturity short-term investments at June 30, 2018 and December 31, 2017 will mature in less than one year. The gross unrealized gains and losses for the Company's commercial paper and overnight repurchase agreement are not significant. The Company carries short-term investments at amortized cost. The fair value of the short-term investments is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets.

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
Prepaid research and development services	\$ 614	\$ 384
Prepaid insurance	370	279
Other prepaid expenses	120	62
Other receivable due from R-Pharm	175	251
Other current assets	34	91
Total prepaid expenses and other current assets	\$ 1,313	\$ 1,067

5. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
Accrued research and development expenses	\$ 816	\$ 609
Accrued employee bonus compensation	522	763
Employee withholdings	23	29
Other accrued expenses	260	304
Total accrued expenses	\$ 1,621	\$ 1,705

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6. Borrowings

On September 30, 2016, the Company entered into a Loan and Security Agreement (the "Loan Agreement") with Solar, in its capacity as administrative and collateral agent and as lender. Pursuant to the Loan Agreement, Solar is providing the Company with a 48-month secured Term Loan in the amount of \$15.0 million. The Term Loan bears interest at a floating rate equal to the LIBOR rate in effect plus 8.49% and the Company was required to make interest-only payments on the Term Loan beginning November 1, 2016 through March 1, 2018. Beginning April 1, 2018, the Company was required to make monthly payments of interest plus equal monthly principal payments from April 1, 2018 through September 30, 2020 (the "Maturity Date"). In March 2018, the Loan Agreement was amended and the Company is required to make monthly payments of interest plus equal monthly principal payments from October 1, 2018 through the Maturity Date of the Term Loan. The final fee payable at the Maturity Date was also increased by thirty thousand dollars. The Company will continue to pay interest-only payments through October 1, 2018. Except as described above, all other terms and provisions of the Loan Agreement remain in full force and effect. The ultimate term of the Term Loan was not extended and the equal monthly payments of principal will be calculated based on the remaining term of the Term Loan. The obligations under the Loan Agreement are secured by a lien on substantially all assets of the Company other than its intellectual property, which is subject to a negative pledge.

The Loan Agreement contains customary affirmative covenants, including covenants regarding the payment of taxes and other obligations, maintenance of insurance, reporting requirements and compliance with applicable laws and regulations. Further, the Loan Agreement contains customary negative covenants limiting the ability of the Company, among other things, to incur debt, grant liens, make investments, make acquisitions, make certain restricted payments and sell assets, subject to certain exceptions, and maintain certain minimum liquidity requirements. Upon the occurrence and during the continuance of an event of default, the lenders may declare all outstanding principal and accrued but unpaid interest under the Loan Agreement immediately due and payable and may exercise the other rights and remedies provided for under the Loan Agreement and related loan documents. The events of default under the Loan Agreement include payment defaults, cross defaults with certain other agreements, breaches of covenants or representations and warranties, the occurrence of a material adverse effect and certain bankruptcy events. The Company has the right to prepay the Term Loan in whole at any time and the Loan Agreement contains customary prepayment and closing fees.

Pursuant to the Loan Agreement, on September 30, 2016 (the "Closing Date"), the Company issued to Solar a warrant (the "Solar Warrant") to purchase an aggregate of up to 122,435 shares of the Company's common stock at an exercise price of \$3.6754 per share. The Solar Warrant will expire five years from the date of the grant. The Solar Warrant is classified as equity and was recorded at its relative fair value at issuance in the stockholders' equity section of the balance sheet (See Note 8).

Future principal debt payments on the currently outstanding Term Loan payable as of June 30, 2018 are as follows (in thousands):

2018	\$1,875
2019	7,500
2020	5,625
Total principal payments	15,000
Final fee due at maturity	780

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Total principal and final fee payment	15,780
Unamortized discount and debt issuance costs	(916)
Less current portion	(5,474)
Loan payable, long term	\$9,390

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7. Commitments and Contingencies

Leases

On July 13, 2015, the Company entered into a sublease (the "Sublease") that became effective July 22, 2015, to sublet certain premises consisting of 10,141 square feet of space (the "Subleased Premises") located at 101 Hudson Street, Jersey City, New Jersey from Optimer Pharmaceuticals, Inc. The term of the Sublease commenced on August 1, 2015 (the "Commencement Date") and is scheduled to expire on July 30, 2018. No base rent was due under the Sublease until one month after the Commencement Date. Under the Sublease, the Company is obligated to pay monthly base rent of approximately twenty-five thousand dollars per month, which amount increases by 3% annually on each anniversary of the Commencement Date.

On March 1, 2018, the Company entered into a long-term lease agreement for approximately 19,275 square feet of office space in Jersey City, New Jersey. The lease term is eleven years from the commencement date which is the later of July 1, 2018 or the substantial completion of certain improvements to the leased space, with total lease payments of \$7.3 million over the lease term. The Company has the option to renew for two consecutive five-year periods from the end of the first term. Under the lease, the Company must furnish a security deposit in the form of a standby letter of credit in the amount of \$0.3 million, which will be reduced by fifty-five thousand dollars every two years for ten years after the commencement of the lease. The security deposit is classified as restricted cash in the accompanying balance sheets. The Company's lease is for a fully built-out space, which the landlord is currently renovating at its own cost of up to \$1.3 million.

Rent expense was approximately \$0.1 million for the three and six months ended June 30, 2018. Future minimum lease payments for all operating leases as of June 30, 2018 are as follows (in thousands):

2018	\$353
2019	498
2020	508
2021	518
2022	529
Thereafter	4,919
Total	\$7,325

License Arrangement with Potential Future Expenditures

As of June 30, 2018, the Company had a license arrangement with Merck Sharp & Dohme Corp., or Merck, that involves potential future expenditures. Under the license arrangement, the Company exclusively licensed from Merck its rights to ibrexafungerp in the field of human health. Ibrexafungerp is the Company's lead product candidate. Pursuant to the terms of the license agreement, Merck is eligible to receive milestone payments from the Company that could total \$19.0 million upon occurrence of specific events, including initiation of a Phase 3 clinical study, new drug application, and marketing approvals in each of the U.S., major European markets and Japan. In addition, Merck is eligible to receive tiered royalties from the Company based on a percentage of worldwide net sales of ibrexafungerp. The aggregate royalty percentages are mid- to high-single digits.

In December 2014, the Company and Merck entered into an amendment to the license agreement that deferred the remittance of a milestone payment due to Merck, such that no amount would be due upon initiation of the first Phase 2 clinical trial of a product containing the ibrexafungerp compound (the "Deferred Milestone"). The amendment also increased, in an amount equal to the Deferred Milestone, the milestone payment that would be due upon initiation of the first Phase 3 clinical trial of a product containing the ibrexafungerp compound. In December 2016 and January 2018, the Company entered into second and third amendments, respectively, to the license agreement with Merck which clarified what would constitute the initiation of a Phase 3 clinical trial for the purpose of milestone payment. Except as described above, all other terms and provisions of the license agreement remain in full force and effect.

The Company has two additional licensing agreements for other compounds that could require it to make payments of up to \$2.3 million upon achievement of certain milestones by the Company.

Clinical Development Arrangements

The Company has entered into, and expects to continue to enter into, contracts in the normal course of business with various third parties who support its clinical trials, preclinical research studies, and other services related to its development activities. The scope of the services under these agreements can generally be modified at any time, and the agreement can be terminated by either party after a period of notice and receipt of written notice.

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Legal Proceeding

On March 8, 2017, a purported stockholder class action lawsuit was filed in the United States District Court for the District of New Jersey against the Company and certain of its current and former officers, captioned Gibson v. Scynexis, Inc., et al. The action was filed on behalf of a putative class of all persons who purchased or otherwise acquired the Company's securities (1) pursuant or traceable to the Company's IPO, or (2) on the open market between May 2, 2014, and March 2, 2017. It asserts claims for violation of Sections 11 and 15 of the Securities Act of 1933 and Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. The complaint seeks, among other things, compensatory damages and attorneys' fees and costs on behalf of the putative class. The Company believes that the claims lack merit and intends to defend the litigation vigorously.

ASC Topic 450, Contingencies, requires a loss contingency to be accrued by a charge to operating results if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Legal costs in connection with a loss contingency are expensed as incurred. As of June 30, 2018, the Company has not recognized a liability associated with the class action lawsuit contingency.

8. Stockholder's Equity

Authorized, Issued, and Outstanding Common Stock

The Company's common stock has a par value of \$0.001 per share and consists of 125,000,000 authorized shares as of June 30, 2018, and December 31, 2017; 46,844,072 and 28,971,651 shares were issued and outstanding at June 30, 2018, and December 31, 2017, respectively. The following table summarizes common stock share activity for the six months ended June 30, 2018 (dollars in thousands):

	Shares of	Common	Additional	Accumulated	Total
	Common Stock	Stock	Paid-in Capital	Deficit	Stockholders' Equity
Balance, December 31, 2017	28,971,651	\$ 29	\$ 226,631	\$ (205,250)	\$ 21,410
Net loss	—	—	—	(14,761)	(14,761)
Stock-based compensation expense	—	—	893	—	893
Common stock issued through employee stock purchase plan	13,591	—	20	—	20
Common stock issued under Shelf Registration, net of expenses	17,852,193	18	18,980	—	18,998
Common stock issued for vested restricted stock units	6,637	—	(7)	—	(7)
Balance, June 30, 2018	46,844,072	\$ 47	\$ 246,517	\$ (220,011)	\$ 26,553

Shares Reserved for Future Issuance

The Company had reserved shares of common stock for future issuance as follows:

	June 30, 2018	December 31, 2017
Outstanding stock options	4,076,415	3,075,994
Outstanding Series C-1 Preferred warrants	14,033	14,033
Warrants to purchase common stock associated with June 2016 Public Offering	4,218,750	4,218,750
Warrants to purchase common stock associated with March 2018 Public Offering - Series 1	13,313,625	—
Warrants to purchase common stock associated with March 2018 Public Offering - Series 2	7,988,175	—
Warrants to purchase common stock associated with Loan Agreement	122,435	122,435
For possible future issuance under 2014 Equity Incentive Plan (Note 9)	603,066	492,382
For possible future issuance under Employee Stock Purchase Plan (Note 9)	99,437	83,617
For possible future issuance under 2015 Inducement Plan (Note 9)	5,000	5,000
Total common shares reserved for future issuance	30,440,936	8,012,211

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Warrants Associated with Convertible Preferred Stock Issuances

In July 2006, the Company issued warrants to purchase 196,923 shares of Series C-1 Preferred Stock, which converted into the right to purchase 14,033 shares of common stock in connection with the Company's IPO; however, the Company refers to these warrants as its Series C-1 Preferred warrants. The Series C-1 Preferred warrants were issued in conjunction with a loan financing agreement with an original exercise price of \$3.25 per share of Series C-1 Preferred, which converted into an exercise price of \$45.61 per share of common stock in connection with the Company's IPO. These warrants remain outstanding as of June 30, 2018 and will expire on May 7, 2019, which is the five year anniversary of the Company's IPO. The fair value at the date of grant for these instruments was \$0.5 million, which was recorded as a debt discount. The debt discount related to these warrants was fully amortized as of December 31, 2010. The Company determined that the warrants should be recorded as a derivative liability and stated at fair value at each reporting period. As of June 30, 2018 and December 31, 2017, the fair value of the warrant derivative liability was zero.

Warrants Associated with June 2016 and March 2018 Public Offerings

On June 21, 2016, the Company completed the June 2016 Public Offering of its common stock and warrants pursuant to the Company's effective Shelf Registration. Each purchaser received a warrant to purchase 0.45 of a share for each share purchased in the June 2016 Public Offering. There is not expected to be any trading market for the warrants. Each warrant was exercisable immediately upon issuance, will expire five years from the date of issuance, and has an exercise price of \$3.00 per share.

On March 8, 2018, the Company completed the March 2018 Public Offering and sold 17,751,500 shares of its common stock and warrants to purchase up to 21,301,800 shares of the Company's common stock. Each purchaser received a warrant to purchase 0.75 of a share of common stock (the "Series 1 warrants") and 0.45 of a share of common stock (the "Series 2 warrants") for each share purchased in the March 2018 Public Offering. The Series 1 warrants to purchase in the aggregate up to 13,313,625 shares of common stock have a 53-week term and an exercise price of \$1.85 per share, and the Series 2 warrants to purchase in the aggregate up to 7,988,175 shares of common stock have a five-year term and an exercise price of \$2.00 per share. There is not expected to be any market for the warrants and each warrant is exercisable immediately upon issuance, subject to certain limitations on beneficial ownership.

The warrants contain a provision where the warrant holder has the option to receive cash, equal to the Black-Scholes fair value of the remaining unexercised portion of the warrant, as cash settlement in the event that there is a fundamental transaction (contractually defined to include various merger, acquisition or stock transfer activities). Due to this provision, ASC 480, Distinguishing Liabilities from Equity, requires that these warrants be classified as liabilities. The fair values of these warrants have been determined using the Black-Scholes valuation model, and the changes in the fair value are recorded in the accompanying statements of operations. During the three and six months ended June 30, 2018, the Company recorded an expense of \$2.9 million and a gain of \$0.7 million, respectively, due to the change in fair value of the warrant liabilities. As of June 30, 2018, the fair value of the warrant liabilities was \$12.2 million.

Warrant Associated with Loan Agreement

Pursuant to the Loan Agreement, on the Closing Date the Company issued to Solar the Solar Warrant to purchase an aggregate of up to 122,435 shares of the Company's common stock at an exercise price of \$3.6754 per share. The Solar Warrant will expire five years from the date of the grant. The Solar Warrant was classified as equity and recorded at its relative fair value at issuance in the stockholders' equity section of the balance sheet.

9. Stock-based Compensation
2009 Stock Option Plan

The Company had a share-based compensation plan (the “2009 Stock Option Plan”) under which the Company granted options to purchase shares of common stock to employees, directors, and consultants as either incentive stock options or nonqualified stock options. Incentive stock options could be granted with exercise prices not less than 100% to 110% of the fair market value of the common stock. Options granted under the plan generally vest over three to four years and expire 10 years from the date of grant.

2014 Equity Incentive Plan

In February 2014, the Company’s board of directors adopted the 2014 Equity Incentive Plan, or the 2014 Plan, which was subsequently ratified by its stockholders and became effective on May 2, 2014 (the “Effective Date”). The 2014 Plan, as amended on June 18, 2014 and February 25, 2015, is the successor to and continuation of the 2009 Stock Option Plan. As of the Effective Date, no additional awards will be granted under the 2009 Stock Option Plan, but all stock awards granted under the 2009 Stock Option Plan prior to the Effective Date will remain subject to the terms of the 2009 Stock Option Plan. All awards granted on and after the Effective Date will be subject to the terms of the 2014 Plan. The 2014 Plan provides for the grant of the

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following awards: (i) incentive stock options, (ii) nonstatutory stock options, (iii) stock appreciation rights, (iv) restricted stock awards, (v) restricted stock unit awards, and (vi) other stock awards. Employees, directors, and consultants are eligible to receive awards. Options granted under the plan generally vest over three to four years and expire in 10 years from the date of grant.

Under the 2014 Plan, after giving effect to the increases to the share reserve approved by the Company's stockholders in September 2014, and June 2015, but excluding the automatic increases discussed below, the aggregate number of shares of common stock that could be issued from and after the Effective Date (the "share reserve") could not exceed the sum of (i) 1,122,731 new shares, (ii) the shares that represented the 2009 Stock Option Plan's available reserve on the Effective Date, and (iii) any returning shares from the 2009 Stock Option Plan. Under the 2014 Plan, the share reserve will automatically increase on January 1st of each year, for a period of not more than 10 years, commencing on January 1, 2015, and ending on January 1, 2024, in an amount equal to 4.0% of the total number of shares of capital stock outstanding on December 31st of the preceding calendar year. The board of directors may act prior to January 1st of a given year to provide that there will be no increase in the share reserve or that the increase will be a lesser number of shares than would otherwise occur.

Pursuant to the terms of the 2014 Plan, on January 1, 2018 and 2017, the Company automatically added 1,158,866 and 984,376 shares to the total number shares of common stock available for future issuance under the 2014 Plan, respectively. As of June 30, 2018, there were 603,066 shares of common stock available for future issuance under the 2014 Plan.

2015 Inducement Plan

On March 26, 2015, the Company's board of directors adopted the 2015 Inducement Plan, or the 2015 Plan. The 2015 Plan has a share reserve covering 450,000 shares of common stock. During the six months ended June 30, 2018, there were no grants of the Company's common stock under the 2015 Inducement Plan. As of June 30, 2018, there were 5,000 shares of common stock available for future issuance under the 2015 Plan.

The activity for the 2009 Stock Option Plan, 2014 Plan and 2015 Plan for the six months ended June 30, 2018, is summarized as follows:

	Number of	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (\$000)
Outstanding — January 1, 2018	3,075,994	\$ 5.59	7.23	\$ 151
Granted	1,148,129	\$ 1.75		
Exercised	—	\$ —		
Forfeited/Cancelled	(147,708)	\$ 7.63		
Outstanding — June 30, 2018	4,076,415	\$ 4.43	7.66	\$ 12
Exercisable — June 30, 2018	1,958,226	\$ 6.27	6.28	\$ 10
Vested or expected to vest — June 30, 2018	4,076,415	\$ 4.43	7.66	\$ 12

Restricted stock unit ("RSU") activity under the 2014 Plan for the six months ended June 30, 2018, is summarized as follows:

	Weighted Average Grant Date	
	Number of	Fair Value
	Shares	Per Share
Non-vested at December 31, 2017	64,365	\$ 2.70
Granted	53,000	\$ 1.68
Vested	(10,701)	\$ 3.01
Forfeited/Cancelled	(5,239)	\$ 3.02
Non-vested at June 30, 2018	101,425	\$ 2.12

The fair value of RSUs is based on the market price of the Company's common stock on the date of grant. RSUs are only issued to non-executive employees and vest 25% annually over a four-year period from the date of grant. Upon vesting, the RSUs are net share settled to cover the required withholding tax with the remaining shares issued to the holder. The Company recognizes compensation expense for such awards ratably over the corresponding vesting period.

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2014 Employee Stock Purchase Plan

In February 2014, the Company's board of directors adopted the 2014 Employee Stock Purchase Plan ("ESPP"), which was subsequently ratified by the Company's stockholders and became effective on May 2, 2014. The purpose of the ESPP is to provide means by which eligible employees of the Company and of certain designated related corporations may be given an opportunity to purchase shares of the Company's common stock, and to seek and retain services of new and existing employees and to provide incentives for such persons to exert maximum efforts for the success of the Company. Common stock that may be issued under the ESPP will not exceed 47,794 shares, plus the number of shares of common stock that are automatically added on January 1st of each year for a period of ten years, commencing on January 1, 2015 and ending on January 1, 2024, in an amount equal to the lesser of (i) 0.8% of the total number of shares of outstanding common stock on December 31 of the preceding calendar year, and (ii) 29,411 shares of common stock. Similar to the 2014 Plan, the board of directors may act prior to January 1st of a given year to provide that there will be no increase in the share reserve or that the increase will be a lesser number of shares than would otherwise occur. The ESPP is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code.

In the six months ended June 30, 2018, the number of shares of common stock available for issuance under the ESPP was automatically increased by 29,411 shares pursuant to the terms of the ESPP and the Company issued 13,591 shares of common stock under the ESPP. During the six months ended June 30, 2017, the number of shares of common stock available for issuance under the ESPP was automatically increased by 29,411 shares pursuant to the terms of the ESPP and the Company issued 7,667 shares of common stock under the ESPP. As of June 30, 2018, there were 99,437 shares of common stock available for future issuance under the ESPP.

Compensation Cost

The compensation cost that has been charged against income for stock awards under the 2009 Stock Option Plan, the 2014 Plan, the 2015 Plan, and the ESPP was \$0.5 million and \$0.9 million for the three and six months ended June 30, 2018, respectively, and \$0.4 million and \$0.8 million for the three and six months ended June 30, 2017, respectively. The total income tax benefit recognized in the statements of operations for share-based compensation arrangements was zero for the three and six months ended June 30, 2018 and 2017. Cash received from options exercised was zero for the three and six months ended June 30, 2018, and 2017.

Stock-based compensation expense related to stock options is included in the following line items in the accompanying statements of operations (in thousands):

	Three Months Ended June 30, 2018		Six Months Ended June 30, 2017	
Research and development	\$129	\$119	\$237	\$213
Selling, general and administrative	339	319	656	620
Total	\$468	\$438	\$893	\$833

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10. Fair Value Measurements

The carrying amounts of certain financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, prepaid expenses and other current assets, accounts payable, and accrued expenses approximate their respective fair values due to the short-term nature of such instruments.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company evaluates its financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level in which to classify them for each reporting period, pursuant to the policy described in Note 2. This determination requires significant judgments to be made. The following table summarizes the conclusions reached as of June 30, 2018 and December 31, 2017 for financial instruments measured at fair value on a recurring basis (in thousands):

	Balance	Fair Value Hierarchy Classification		
		Quoted	Prices in Active	Markets Significant for Identical Assets (Level 1)
				Other Observable Significant Inputs (Level 2)
				Unobservable Inputs (Level 3)
December 31, 2017				
Cash on deposit	\$1,316	\$1,316	—	—
Money market funds	10,153	10,153	—	—
Total assets	\$11,469	\$11,469	—	—
Warrant liability	\$3,872	—	—	\$ 3,872
Total liabilities	\$3,872	—	—	\$ 3,872
June 30, 2018				
Cash on deposit	\$592	\$592	—	—
Restricted cash	328	328	—	—
Money market funds	6,177	6,177	—	—
Total assets	\$7,097	\$7,097	—	—
Warrant liabilities	\$12,173	—	—	\$ 12,173

Total liabilities	\$12,173	—	—	\$ 12,173
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The Company measures cash equivalents at fair value on a recurring basis. The fair value of cash equivalents is determined based on “Level 1” inputs, which consist of quoted prices in active markets for identical assets.

Level 3 financial liabilities consist of the warrant liability for which there is no current market such that the determination of fair value requires significant judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate. The Company uses the Black-Scholes option valuation model to value the Level 3 warrant liability at inception and on subsequent valuation dates. This model incorporates transaction details such as the Company’s stock price, contractual terms, maturity, risk free rates, as well as volatility.

A reconciliation of the beginning and ending balances for liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is as follows (in thousands):

Balance - January 1, 2018	\$3,872
March 2018 Public Offering - Series 1 Warrants	3,481
March 2018 Public Offering - Series 2 Warrants	5,500
Gain adjustment to fair value	(680)
Balance - June 30, 2018	\$12,173

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Operating results for the three and six months ended June 30, 2018, are not necessarily indicative of results that may occur in future interim periods or future fiscal years. Some of the statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" are forward-looking statements. These forward-looking statements are based on management's beliefs and assumptions and on information currently available to our management and involve significant elements of subjective judgment and analysis. Words such as "expects," "will," "anticipate," "target," "goal," "intend," "plan," "believe," "seek," "estimate," "potential," "should," "could," variations of such similar expressions are intended to identify forward-looking statements. Our actual results and the timing of events may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such a difference include those discussed under the heading "Risk Factors" in Item 1A of Part I of our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 13, 2018. These and many other factors could affect our future financial and operating results. We undertake no obligation to update any forward-looking statement to reflect events after the date of this Quarterly Report on Form 10-Q.

Overview

SCYNEXIS, Inc. is a biotechnology company committed to positively impacting the lives of patients suffering from difficult-to-treat and often life-threatening infections by delivering innovative therapies. We are developing our lead product candidate, ibrexafungerp, formally known as SCY-078, as the first representative of a novel oral and intravenous (IV) triterpenoid antifungal family in clinical development for the treatment of several serious fungal infections, including vulvovaginal candidiasis (VVC), invasive candidiasis (IC), invasive aspergillosis (IA), and refractory invasive fungal infections (rIFI). In July 2018, we announced that ibrexafungerp was approved by the World Health Organization's International Non-proprietary Name group for SCY-078. Ibrexafungerp is a structurally distinct glucan synthase inhibitor that has been shown to be effective in vitro and in vivo against a broad range of human fungi pathogens such as *Candida* and *Aspergillus* species, including multidrug-resistant strains, as well as *Pneumocystis* species. *Candida* and *Aspergillus* species are the fungi responsible for approximately 85% of all invasive fungal infections in the United States (U.S.) and Europe. To date, we have characterized the antifungal activity, pharmacokinetics, and safety profile of oral and IV formulations of ibrexafungerp in multiple studies. The U.S. Food and Drug Administration (FDA) has granted Qualified Infectious Disease Product (QIDP) and Fast Track designations for the formulations of ibrexafungerp for the indications of VVC, IC (including candidemia), and IA, and has granted Orphan Drug designations for the IC and IA indications. These designations may provide us with additional market exclusivity and expedited regulatory paths.

Clinical and Preclinical Development Update

On July 10, 2018, we announced positive results from our Phase 2b, dose-finding study (the DOVE study) evaluating oral ibrexafungerp for the treatment of VVC. The DOVE study evaluated the safety and efficacy of five oral ibrexafungerp regimens, with total doses of ibrexafungerp ranging from 600mg to 1800mg and treatment durations of one or three days, compared to fluconazole (FLU), the standard of care for VVC. The study enrolled a total of 186 patients with moderate-to-severe acute VVC (composite signs and symptoms [S&S] score of seven or higher), with 153 patients in the culture-confirmed modified Intent-to-Treat (mITT) population who were assessed at the Day 10 Test-of-Cure (TOC) visit and at the Day 25 Follow-Up (FU) visit. Key efficacy parameters included clinical cure rate (primary endpoint) and mycological eradication; other efficacy evaluations included use of antifungal rescue therapy and changes of S&S score.

All five doses of oral ibrexafungerp demonstrated meaningful clinical and mycological activity, confirming the potent antifungal effect of ibrexafungerp observed in our previous VVC Phase 2a study. The lowest ibrexafungerp dose

regimen of 600mg exhibited the optimal combination of overall clinical and mycological activity and favorable tolerability. Pending the End-of-Phase 2 meeting with the FDA, we believe that the 600mg dose of ibrexafungerp for one day (given as two doses of 300mg 12 hours apart) is the optimal dose regimen for use in the VVC Phase 3 registration program.

At the Day 10 TOC, we observed a comparable clinical cure rate and mycological eradication in patients in the ibrexafungerp 600mg and FLU dose arms with sustained activity in both endpoints at the Day 25 FU visit. Additionally, fewer patients in the ibrexafungerp 600mg dose arm required rescue antifungal activity versus the FLU arm and there was a statistical significant difference ($p=0.01$) in the S&S change from baseline between the ibrexafungerp 600mg and FLU dose arms at the Day 25 FU visit. The following tables illustrate the data:

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The oral ibrexafungerp 600mg dose was generally well-tolerated, with self-limiting (generally one-day duration), mild-to-moderate gastrointestinal adverse events (AEs) being the most commonly reported.

Results from the efficacy measures of the ibrexafungerp 600mg dose observed in the DOVE study were in-line with the results observed from the prior Phase 2a Proof-of-Concept VVC study (reported in June 2016), which used doses more than four times higher, further supporting the selection of the ibrexafungerp 600mg dose for development.

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In January 2018, we announced encouraging pre-clinical results for the prototype liposomal IV formulation of ibrexafungerp, showing improved local tolerability profile at the infusion site in head-to-head pre-clinical evaluations with the cyclodextrin-based IV formulation. As part of our development plans, the process for the liposomal formulation was transferred for scale-up purposes at a manufacturing site intended to provide clinical supplies. Additional preclinical evaluations were performed with the scaled-up formulation, which unexpectedly revealed differences in tolerability at the injection site, delaying advancement of the IV product into human trials. As it is generally recognized that changes to manufacturing processes and/or or scale-up can impact the characteristics of drug products, particularly for more technically complex formulations such as liposomal products, we are currently working with our vendors and CMC experts to enable us to resume the pre-IND pre-clinical activities for the IV formulation of ibrexafungerp.

Corporate Update

On March 8, 2018, we completed a public offering of our common stock and warrants pursuant to our Form S-3 shelf registration statement filed with the SEC on October 30, 2015 and declared effective on November 16, 2015 (Shelf Registration). We sold an aggregate of 17,751,500 shares of our common stock and warrants to purchase up to 21,301,800 shares of our common stock at a public offering price of \$1.69 per share. Net proceeds from the offering were approximately \$27.9 million, after deducting the underwriting discount and offering expenses. Additionally, in March 2018, we amended our Loan and Security Agreement (Loan Agreement) with Solar Capital Ltd. (Solar) to extend when we are required to start making principal payments, and we will now make payments of interest plus equal monthly principal payments starting October 1, 2018 through the maturity date of the term loan.

We have operated as a public entity since we completed our initial public offering in May 2014, which we refer to as our IPO. We also completed a follow-on public offering of our common stock in April 2015 and public offerings of our common stock and warrants in June 2016 and March 2018. As of June 30, 2018, we had received an aggregate of \$141.2 million in net proceeds from the issuance of our common stock in these four offerings. Our principal source of liquidity is cash and cash equivalents and short-term investments, which totaled \$55.2 million as of June 30, 2018.

We have incurred net losses since our inception, including the year ended December 31, 2017, and the three and six months ended June 30, 2018. As of June 30, 2018, our accumulated deficit was \$220.0 million. We anticipate that we will continue to incur losses for at least the next several years. We expect that our research and development expenses will continue to increase as we continue to execute our research and drug development strategy. We also expect that we will continue to incur selling, general and administrative expenses to support our public reporting company operations. As a result, we will need additional capital to fund our operations, which we may obtain through one or more of equity offerings, debt financings, other non-dilutive third-party funding (e.g., grants), strategic alliances and licensing or collaboration arrangements. We may offer shares of our common stock pursuant to our Shelf Registration, including the related at-the-market facility entered into on April 11, 2016 with Cantor Fitzgerald & Co. (Cantor).

We are an emerging growth company. Under the Jumpstart Our Business Startups Act of 2012, or JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time that those standards apply to private companies. We have irrevocably elected not to adopt this exemption from new or revised accounting standards, and therefore, we will be subject to the same new or revised accounting standards as other public companies that are not “emerging growth companies.”

Collaborations and Licensing Agreements

We are party to a number of licensing and collaboration agreements with partners in human health, including:

(1) Merck, a pharmaceutical company, under which we exclusively licensed the rights to ibrexafungerp in the field of human health, and agreed to pay Merck milestones upon the occurrence of specified events as well as tiered royalties based on worldwide sales of ibrexafungerp when and if it is approved (in 2014, Merck assigned the patents to us related to ibrexafungerp that it had exclusively licensed to us and, as contemplated by the agreement, we will continue to pay milestones and royalties); (2) R-Pharm, CJSC, or "R-Pharm," a leading supplier of hospital drugs in Russia, granting it exclusive rights in the field of human health to develop and commercialize ibrexafungerp in Russia and several non-core markets, under which we are entitled to receive potential milestones and royalties and reimbursement for certain development costs incurred by us; (3) Waterstone, an international pharmaceutical business, granting Waterstone exclusive worldwide rights to development and commercialization of SCY-635 for the treatment of viral diseases in humans, under which we are entitled to receive potential milestones and royalties; and (4) Cypralis Limited, or "Cypralis," a life sciences company, transferring to it certain cyclophilin inhibitor assets of ours, under which we are eligible to receive milestone payments upon the successful progression of certain Cypralis clinical candidates into later stage clinical studies and royalties payable upon product commercialization.

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Components of Operating Results

Revenue

Revenue consists of the continued amortization of a non-refundable upfront payment received under our collaboration arrangement with R-Pharm. The R-Pharm arrangement and our revenue recognition policy is described within Note 2 to our unaudited interim financial statements in Part 1, Item 1 of this Quarterly Report on Form 10-Q.

Research and Development Expense

Research and development expense consists of expenses incurred while performing research and development activities to discover, develop, or improve potential product candidates we seek to develop. This includes conducting preclinical studies and clinical trials, manufacturing and other development efforts, and activities related to regulatory filings for product candidates. We recognize research and development expenses as they are incurred. Our research and development expense primarily consists of:

- costs related to executing preclinical and clinical trials, including related drug formulation, manufacturing and other development;
- salaries and personnel-related costs, including benefits and any stock-based compensation for personnel in research and development functions;
- fees paid to consultants and other third parties who support our product candidate development and intellectual property protection;
- other costs in seeking regulatory approval of our products; and
- allocated overhead.

Our ibrexafungerp project was the only significant research and development project during the periods presented. We plan to increase our research and development expense for the foreseeable future as we continue our effort to develop ibrexafungerp and to potentially develop our other product candidates, subject to the availability of additional funding.

The successful development of product candidates is highly uncertain. At this time, we cannot reasonably estimate the nature, timing or costs required to complete the remaining development of any product candidates. This is due to the numerous risks and uncertainties associated with the development of product candidates.

Selling, General and Administrative Expense

Selling, general and administrative expense consists primarily of salaries and personnel-related costs, including employee benefits and any stock-based compensation. This includes personnel in executive, finance, human resources, business development, and administrative support functions. Other expenses include facility-related costs not otherwise allocated to research and development expense, professional fees for accounting, auditing, tax and legal services, consulting costs for general and administrative purposes, information systems maintenance and marketing efforts.

Other Expense (Income)

All of our other expense (income) recognized in the three and six months ended June 30, 2018, consists of interest income, amortization of debt discount, interest expense, and the warrant liability fair value adjustment.

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Results of Operations for the Three Months Ended June 30, 2018 and 2017

The following table summarizes our results of operations for the three months ended June 30, 2018 and 2017, together with the changes in those items in dollars and percentage (dollars in thousands):

	Three Months Ended June 30,		Period-to-Period		
	2018	2017	Change		
Revenue	\$64	\$64	\$—	—	%
Operating expenses:					
Research and development, net	5,599	4,448	1,151	25.9	%
Selling, general and administrative	2,123	2,361	(238)	(10.1)	%
Total operating expenses	7,722	6,809	913	13.4	%
Loss from operations	(7,658)	(6,745)	(913)	13.5	%
Other expense (income):					
Amortization of debt discount	99	100	(1)	(1.0)	%
Interest income	(271)	(82)	(189)	230.5	%
Interest expense	397	360	37	10.3	%
Warrant liabilities fair value adjustment	2,874	(2,924)	5,798	(198.3)	%
Total other expense (income)	3,099	(2,546)	5,645	(221.7)	%
Net loss	\$(10,757)	\$(4,199)	\$(6,558)	156.2	%

Revenue. For the three months ended June 30, 2018, revenue remained consistent when compared to the three months ended June 30, 2017. Revenue in both periods consisted of the continued amortization of a non-refundable upfront payment received under our collaboration arrangement with R-Pharm.

Research and Development. For the three months ended June 30, 2018, research and development expenses increased to \$5.6 million from \$4.4 million for the three months ended June 30, 2017. The increase of \$1.2 million, or 26%, for the three months ended June 30, 2018 was primarily driven by an increase of \$0.8 million in preclinical development expense and a \$1.0 million increase in clinical development expense; these increases were offset in part by a decrease in regulatory expense of \$0.2 million and a decrease of \$0.4 million in consulting expense. The \$0.8 million increase in preclinical development for the three months ended June 30, 2018, was primarily driven by the expense recognized for certain toxicology and other studies in support of our planned clinical activities. The \$1.0 million increase in clinical development expense for the three months ended June 30, 2018, was primarily driven by a \$0.7 million increase in expense associated with the initiation and completion of a Phase 1 study evaluating the pharmacokinetics, safety, and tolerability of oral ibrexafungerp in healthy subjects during the three months ended June 30, 2018, a \$0.2 million increase in the expense recognized for the ongoing FURI study of oral ibrexafungerp that began enrolling patients in the fourth quarter of 2017, and \$0.2 million in startup expenses associated with our open-label study of oral ibrexafungerp for the treatment of Candida auris infections (CARES study). The \$0.4 million decrease in consulting expense for the three months ended June 30, 2018, was primarily due to the increase in full time employees from the comparable prior period.

Selling, General & Administrative. For the three months ended June 30, 2018, selling, general and administrative expenses decreased to \$2.1 million from \$2.4 million for the three months ended June 30, 2017. The decrease of \$0.2 million, or 10%, for the three months ended June 30, 2018, was primarily driven by a decrease in business development related expenses and legal fees incurred during the three months ended June 30, 2018.

Amortization of Debt Discount. During each of the three months ended June 30, 2018 and 2017, we recognized \$0.1 million in amortization of debt discount. The debt discount comprised issuance costs, customary closing and final fees, and the fair value of the warrants issued in conjunction with the Loan Agreement with Solar.

Interest Income. During the three months ended June 30, 2018 and 2017, we recognized \$0.3 million and \$0.1 million, respectively, in interest income associated with our short-term investments. The increase in interest income was due to our increase in short-term investments held.

Interest Expense. During each of the three months ended June 30, 2018 and 2017, we recognized \$0.4 million in interest expense associated with the Loan Agreement with Solar.

Warrant Liabilities Fair Value Adjustment. On June 21, 2016, we sold an aggregate of 9,375,000 shares of common stock and warrants to purchase up to 4,218,750 shares of our common stock at a public offering price of \$2.40 per share of common stock sold. On March 8, 2018, we sold an aggregate of 17,751,500 shares of common stock and warrants to purchase up to 21,301,800 shares of our common stock at a public offering price of \$1.69 per share of common stock. We accounted for these warrants as liability instruments measured at their fair value. The fair values of these warrants have been determined

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using the Black-Scholes valuation model ("Black-Scholes"). The warrants are subject to remeasurement at each balance sheet date, using Black-Scholes, with any changes in the fair value of the outstanding warrants recognized in the accompanying statements of operation. For the three months ended June 30, 2018, we recognized an expense of \$2.9 million in the fair value adjustment related to the warrant liabilities primarily due to the increase in our stock price during the quarter. For the three months ended June 30, 2017, we recognized a \$2.9 million gain in the fair value adjustment related to the warrant liability, primarily due to the decrease in our stock price during the quarter.

Results of Operations for the Six Months Ended June 30, 2018 and 2017

The following table summarizes our results of operations for the six months ended June 30, 2018 and 2017, together with the changes in those items in dollars and percentage (dollars in thousands):

	Six Months Ended June 30,		Period-to-Period		
	2018	2017	Change		
Revenue	\$ 129	\$ 129	\$ —	—	%
Operating expenses:					
Research and development, net	10,925	8,467	2,458	29.0	%
Selling, general and administrative	4,094	4,420	(326)	(7.4)	%
Total operating expenses	15,019	12,887	2,132	16.5	%
Loss from operations	(14,890)	(12,758)	(2,132)	16.7	%
Other (income) expense:					
Amortization of debt discount	212	200	12	6.0	%
Interest income	(437)	(150)	(287)	191.3	%
Interest expense	776	709	67	9.4	%
Warrant liability fair value adjustment	(680)	(4,447)	3,767	(84.7)	%
Total other income	(129)	(3,688)	3,559	(96.5)	%
Net loss	\$(14,761)	\$(9,070)	(5,691)	62.7	%

Revenue. For the six months ended June 30, 2018, revenue remained consistent when compared to the six months ended June 30, 2017. Revenue in both periods consisted of the continued amortization of a non-refundable upfront payment received under our collaboration arrangement with R-Pharm.

Research and Development. For the six months ended June 30, 2018, research and development expenses increased to \$10.9 million from \$8.5 million for the six months ended June 30, 2017. The increase of \$2.5 million, or 29%, for the six months ended June 30, 2018 was primarily driven by an increase of \$1.5 million in preclinical development expense, a \$1.7 million increase in clinical development expense, a \$0.3 million increase in chemistry, manufacturing, and controls (CMC), and a net increase of \$0.4 million in other research and development costs; these increases were offset in part by a \$0.3 decrease in regulatory expense and a \$1.2 million decrease in consulting expense. The \$1.5 million increase in preclinical development for the six months ended June 30, 2018, was primarily driven by the expense recognized for certain toxicology and other studies in support of our planned clinical activities. The \$1.7 million increase in clinical development expense for the six months ended June 30, 2018, was primarily driven by a \$0.8 million increase in expense associated with the initiation and completion of a Phase 1 study evaluating the pharmacokinetics, safety, and tolerability of oral ibrexafungerp in healthy subjects during the six months ended June 30, 2018, and by the expense recognized for the ongoing DOVE and FURI studies that began enrolling patients in the third and fourth quarters of 2017, respectively. The \$0.3 million increase in CMC for the six months ended June 30, 2018, was primarily driven by increased costs associated with the development and manufacture of the liposomal IV formulation of ibrexafungerp. The \$1.2 million decrease in consulting expense for the six months ended June 30,

2018, was primarily due to the increase in full time employees from the comparable prior period.

Selling, General & Administrative. For the six months ended June 30, 2018, selling, general and administrative expenses decreased to \$4.1 million from \$4.4 million for the six months ended June 30, 2017. The decrease of \$0.3 million, or 7%, for the six months ended June 30, 2018, was primarily driven by a decrease in business development related expenses and legal fees incurred during the six months ended June 30, 2018.

Amortization of Debt Discount. During each of the six months ended June 30, 2018 and 2017, we recognized \$0.2 million in amortization of debt discount. The debt discount comprised issuance costs, customary closing and final fees, and the fair value of the warrants issued in conjunction with the Loan Agreement with Solar.

Interest Income. During the six months ended June 30, 2018 and 2017, we recognized \$0.4 million and \$0.2 million, respectively, in interest income associated with our short-term investments. The increase in interest income was due to our increase in short-term investments held.

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Interest Expense. During the six months ended June 30, 2018 and 2017, we recognized \$0.8 million and \$0.7 million, respectively, in interest expense associated with the Loan Agreement with Solar.

Warrant Liabilities Fair Value Adjustment. See the discussion above for the three months ended June 30, 2018, for background on our warrant liabilities. For the six months ended June 30, 2018, we recognized a \$0.7 million gain in the fair value adjustment related to the warrant liabilities primarily due to the decrease in our stock price during the quarter. For the six months ended June 30, 2017, we recognized a \$4.4 million gain in the fair value adjustment related to the warrant liability, primarily due to the decrease in our stock price during the quarter.

Liquidity and Capital Resources

Sources of Liquidity

Through June 30, 2018, we have funded our operations from net proceeds from debt and equity issuances and through revenue from development services. As of June 30, 2018, we had cash and cash equivalents and short-term investments of approximately \$55.2 million, compared to \$43.9 million as of December 31, 2017. The increase in our cash and cash equivalents and short-term investments was primarily due to the March 2018 public offering offset by our continued development costs associated with our lead product candidate, ibrexafungerp. We have incurred net losses since our inception, including the three and six months ended June 30, 2018. As of June 30, 2018, our accumulated deficit was \$220.0 million.

We anticipate that we will continue to incur losses for at least the next several years. We expect our research and development expenses to increase and we will continue to incur selling, general and administrative expenses to support our operations. As a result, we will need additional capital to fund our operations, which we may obtain through one or more of equity offerings, debt financings, or other non-dilutive third-party funding (e.g., grants), strategic alliances and licensing or collaboration arrangements. We may offer shares of our common stock pursuant to our Shelf Registration, including the related at-market-facility entered into on April 11, 2016 with Cantor. During the six months ended June 30, 2018, we received net proceeds of \$0.2 million under our at-the-market facility.

Cash Flows

The following table sets forth the significant sources and uses of cash for the six months ended June 30, 2018 and 2017 (in thousands):

	Six Months Ended June 30,	
	2018	2017
Cash, cash equivalents, and restricted cash, January 1	\$11,469	\$35,656
Net cash used in operating activities	(16,117)	(14,153)
Net cash used in investing activities	(16,336)	(19,127)
Net cash provided by financing activities	28,081	5,074
Net decrease in cash, cash equivalents, and restricted cash	(4,372)	(28,206)
Cash, cash equivalents, and restricted cash, June 30	\$7,097	\$7,450

Operating Activities

The \$2.0 million increase in net cash used in operating activities for the six months ended June 30, 2018, as compared to the six months ended June 30, 2017, was primarily due to increases in costs associated with ibrexafungerp development efforts. We expect that our research and development expenses will increase as we pursue our ibrexafungerp development efforts and we expect we will continue to incur selling, general and administrative expenses to support our operations.

Net cash used in operating activities of \$16.1 million for the six months ended June 30, 2018, primarily consisted of the \$14.8 million net loss adjusted for non-cash charges that included the gain on change in fair value of the warrant liabilities of \$0.7 million and stock-based compensation expense of \$0.9 million, plus a net unfavorable change in operating assets and liabilities of \$1.7 million. The net unfavorable change in operating assets and liabilities was primarily due to a decrease in accounts payable and accrued expenses of \$1.3 million, offset in part by an increase in prepaid expenses, other assets, and deferred costs of \$0.2 million.

Net cash used in operating activities of \$14.2 million for the six months ended June 30, 2017, primarily consisted of the \$9.1 million net loss adjusted for non-cash charges that included the gain on change in fair value of the warrant liability of \$4.4 million and stock-based compensation expense of \$0.8 million, plus a net unfavorable change in operating assets and liabilities of \$1.9 million. The net unfavorable change in operating assets and liabilities included a decrease in accounts payable and accrued expenses of \$0.4 million and an increase in prepaid expenses, other assets, and deferred costs of \$1.3 million. The increase in prepaid expenses, other assets, and deferred costs is primarily due to a \$1.0 million increase in prepaid ibrexafungerp development services and a \$0.3 million increase in prepaid insurance.

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Investing Activities

Net cash used in investing activities of \$16.3 million for the six months ended June 30, 2018 consisted primarily of purchases and maturities of short-term investments of \$46.1 million and \$30.2 million, respectively.

Net cash used in investing activities of \$19.1 million for the six months ended June 30, 2017 consisted primarily of purchases and maturities of short-term investments of \$44.6 million and \$25.5 million, respectively.

Financing Activities

Net cash provided by financing activities of \$28.1 million for the six months ended June 30, 2018, consisted of gross proceeds from common stock issued under the Shelf Registration of \$30.2 million, partially offset by related underwriting discounts and commissions and offering expenses totaling \$2.1 million.

Net cash provided by financing activities of \$5.1 million for the six months ended June 30, 2017, consisted of gross proceeds from common stock issued under the Shelf Registration of \$5.2 million, partially offset by related underwriting discounts and commissions and offering expenses totaling \$0.2 million.

Future Funding Requirements

To date, we have not generated any revenue from product sales. We do not know when, or if, we will generate any revenue from product sales. We do not expect to generate significant revenue from product sales unless and until we obtain regulatory approval of and commercialize ibrexafungerp. In addition, we expect our expenses to increase in connection with our ongoing development activities, particularly as we continue the research, development and clinical trials of, and seek regulatory approval for, product candidates. We anticipate that we will need substantial additional funding in connection with our continuing future operations.

Based upon our existing operating plan, we believe that our existing cash and cash equivalents and short-term investments will enable us to fund our operating requirements into 2020. We are continually evaluating our operating plan and assessing the optimal cash utilization for of our ibrexafungerp development strategy. We have based our estimates on assumptions that may prove to be wrong, and we may use our available capital resources sooner than we currently expect. Because of the numerous risks and uncertainties associated with the development and commercialization of product candidates, we are unable to estimate the amounts of increased capital outlays and operating expenses necessary to complete the development of product candidates.

Our future capital requirements will depend on many factors, including:

- the progress, and costs, of the clinical development of ibrexafungerp;
- the outcome, costs and timing of seeking and obtaining FDA and any other regulatory approvals;
- the ability of product candidates to progress through clinical development successfully;
- our need to expand our research and development activities;
- the costs associated with securing, establishing and maintaining commercialization and manufacturing capabilities;
- our ability to maintain, expand and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with the licensing, filing, prosecution, defense and enforcement of any patents or other intellectual property rights;
- our need and ability to hire additional management and scientific and medical personnel;
- the costs associated with our securities litigation and the outcome of that litigation;

our need to implement additional, as well as to enhance existing, internal systems and infrastructure, including financial and reporting processes and systems and the associated compliance costs; and
the economic and other terms, timing and success of our existing licensing arrangements and any collaboration, licensing or other arrangements into which we may enter in the future.

Until such time, if ever, as we can generate substantial revenue from product sales, we expect to finance our cash needs through a combination of net proceeds from equity offerings, debt financings, or other non-dilutive third-party funding (e.g., grants), strategic alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities as we did in April 2015, June 2016, and March 2018, the ownership interests of our common stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring

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dividends. If we raise additional funds through sales of assets, other third-party funding, strategic alliances and licensing or collaboration arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us.

Contractual Obligations, Commitments and Contingencies

Our commitments and contingencies, including payment obligations under license agreements that are contingent upon future events such as our achievement of specified development, regulatory and commercial milestones, have been described within Notes 6 and 7 to our unaudited interim financial statements in Part 1 of this Quarterly Report on Form 10-Q. During the quarter ended March 31, 2018, we entered into a long-term lease agreement for approximately 19,275 square feet of office space in Jersey City, New Jersey. Other than the entry into this lease, our contractual obligations and commitments have not changed materially from those disclosed in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 13, 2018.

Off-Balance Sheet Arrangements

During the periods presented we did not have, nor do we currently have, any off-balance sheet arrangements as defined under SEC rules.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our interim financial statements, which we have prepared in accordance with accounting principles generally accepted in the United States, or GAAP. The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of our financial statements, as well as the reported revenues and expenses during the reported periods. We evaluate these estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our critical accounting policies, significant judgments, and estimates are described within Note 2 to our unaudited interim financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosure about Market Risk.

This item is not applicable to smaller reporting companies.

Item 4. Controls and Procedures.

Management's Evaluation of our Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is (1) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

As of June 30, 2018, our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our principal executive officer and principal financial officer have concluded based upon the evaluation described above that, as of June 30, 2018, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

During the quarter ended June 30, 2018, there have been no changes in our internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15(d)-15(f) promulgated under the Securities Exchange Act of 1934, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The information called for by this item is incorporated herein by reference to Note 7 of Notes to the Financial Statements contained elsewhere in this report under the caption Legal Proceeding.

Item 1A. Risk Factors.

Our operations and financial results are subject to various risks and uncertainties, including those described in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017. There have been no material changes to our risk factors since our Annual Report on Form 10-K for the year ended December 31, 2017 except as noted below.

Other Risks Relating to Our Business

New European Privacy Regulations may Impose Additional Liability Risk on Us.

Effective May 25, 2018, the EU implemented the General Data Protection Regulation, or GDPR, a broad data protection framework that expands the scope of current EU data protection law to non-European Union entities that process, or control the processing of, the personal information of EU subjects, including clinical trial data. The GDPR allows for the imposition of fines and/or corrective action on entities that improperly use or disclose the personal information of EU subjects, including through a data security breach. Accordingly, data security breaches experienced by us, our collaborators or contractors could lead to significant fines, required corrective action, loss of trade secrets or other intellectual property, or could lead to the public exposure of personally identifiable information (including sensitive personal information) of our employees, collaborators, clinical trial patients, and others. A data security breach or privacy violation that leads to disclosure or modification of or prevents access to patient information, including personally identifiable information or protected health information, could harm our reputation, compel us to comply with federal and/or state breach notification laws, subject us to mandatory corrective action, require us to verify the correctness of database contents and otherwise subject us to liability under laws and regulations that protect personal data, resulting in increased costs or loss of revenue. The GDPR imposes several requirements relating to the consent of the individuals to whom the personal data relates, the information provided to the individuals, the security and confidentiality of the personal data, data breach notification and the use of third party processors in connection with the processing of personal data. The GDPR also imposes strict rules on the transfer of personal data out of the EU to the United States, provides an enforcement authority and imposes large penalties for noncompliance, including the potential for fines of up to €20 million or 4% of the annual global revenues of the noncompliant company, whichever is greater. The GDPR increases our responsibility and liability in relation to personal data that we process,

including in clinical trials, and we may be required to put in place additional mechanisms to ensure compliance with the GDPR, which could divert management's attention and increase our cost of doing business. If we are unable to prevent such data security breaches or privacy violations or implement satisfactory remedial measures, our operations could be disrupted, and we may suffer loss of reputation, financial loss and other regulatory penalties because of lost or misappropriated information, including sensitive patient data. In addition, these breaches and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm of the type described above. Moreover, the prevalent use of mobile devices that access confidential information increases the risk of data security breaches, which could lead to the loss of confidential information, trade secrets or other intellectual property. While we have implemented security measures to protect our data security and information technology systems, such measures may not prevent such events.

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Item 6. Exhibits.

Exhibit

Number Description of Document

- 3.1 Amended and Restated Certificate of Incorporation (Filed with the SEC as Exhibit 3.1 to our current report on Form 8-K, filed with the SEC on May 12, 2014, SEC File No. 001-36365, and incorporated by reference here).
- 3.2 Amended and Restated By-Laws (Filed with the SEC as Exhibit 3.4 to our Registration Statement on Form S-1, filed with the SEC on February 27, 2014, SEC File No. 333-194192, and incorporated by reference here).
- 4.1 Reference is made to Exhibits 3.1 and 3.2.
- 4.2 Fifth Amended and Restated Investor Rights Agreement, dated December 11, 2013 (Filed with the SEC as Exhibit 10.21 to our Registration Statement on Form S-1, filed with the SEC on February 27, 2014, SEC File No. 333-194192), and incorporated by reference here).
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 13a-14(b) or 15d-14(b) of the Exchange Act
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Schema Linkbase Document
- 101.CAL XBRL Taxonomy Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Definition Linkbase Document
- 101.LAB XBRL Taxonomy Labels Linkbase Document
- 101.PRE XBRL Taxonomy Presentation Linkbase Document

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SIGNATURES

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

SCYNEXIS, INC.

By: /s/ Marco Taglietti, M.D.
Marco Taglietti, M.D.
Chief Executive Officer

(Principal Executive Officer)

Date: August 9, 2018

By: /s/ Eric Francois
Eric Francois
Chief Financial Officer

(Principal Financial and Accounting Officer)

Date: August 9, 2018