

BIO RAD LABORATORIES INC
Form DEF 14A
April 03, 2009

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
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BIO-RAD LABORATORIES, INC.

(Name of Registrant as Specified In Its Charter)

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

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Notes:

BIO-RAD LABORATORIES, INC.

1000 Alfred Nobel Drive

Hercules, California 94547

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS OF

BIO-RAD LABORATORIES, INC.

TO BE HELD APRIL 28, 2009

TO THE STOCKHOLDERS OF BIO-RAD LABORATORIES, INC.:

The annual meeting of the stockholders of Bio-Rad Laboratories, Inc., a Delaware corporation (Bio-Rad or the Company), will be held at the Company's corporate offices, 1000 Alfred Nobel Drive, Hercules, California 94547 on Tuesday, April 28, 2009 at 4:00 p.m., Pacific Daylight Time, to consider and vote on:

- (1) The election of two directors of the Company by the holders of outstanding Class A Common Stock and five directors of the Company by the holders of outstanding Class B Common Stock;
- (2) A proposal to ratify the selection of Deloitte & Touche LLP as the Company's independent auditors for the fiscal year ending December 31, 2009; and

(3) Such other matters as may properly come before the meeting and at any adjournments or postponements thereof. Our Board of Directors has fixed the close of business on March 2, 2009 as the record date for the determination of stockholders entitled to notice of and to vote at this annual meeting and at any adjournments or postponements thereof. Our stock transfer books will not be closed.

All stockholders are invited to attend the annual meeting in person, but those who are unable to do so are urged to execute and return promptly the enclosed proxy in the provided postage-paid envelope. Since a majority of the outstanding shares of each class of our common stock must be present or represented at the annual meeting to elect directors and conduct the other business matters referred to above, your promptness in returning the enclosed proxy will be greatly appreciated. Your proxy is revocable and will not affect your right to vote in person in the event you attend the meeting and revoke your proxy.

All stockholders who attend the annual meeting are invited to join us for a reception immediately following the meeting.

This proxy statement and the accompanying proxy card are first being distributed to stockholders on or about April 3, 2009.

Important Notice Regarding the Internet Availability of Proxy Materials for our 2009 Annual Meeting of Stockholders to be held on April 28, 2009:

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The proxy statement and annual report of

Bio-Rad Laboratories, Inc. are available at www.bio-radproxy.com.

By order of the Board of Directors

BIO-RAD LABORATORIES, INC.

SANFORD S. WADLER, Secretary

Hercules, California

April 3, 2009

BIO-RAD LABORATORIES, INC.

1000 Alfred Nobel Drive

Hercules, California 94547

PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON APRIL 28, 2009

Information Regarding Proxies

Our Board of Directors is soliciting the enclosed proxy in connection with our annual meeting of stockholders to be held at our corporate offices, 1000 Alfred Nobel Drive, Hercules, California 94547 on Tuesday, April 28, 2009 at 4:00 p.m., Pacific Daylight Time, and at any adjournments or postponements thereof. Copies of this proxy statement and the accompanying notice and proxy card are first being mailed on or about April 3, 2009 to all stockholders entitled to vote.

We will pay the cost of this proxy solicitation. In addition to solicitation by use of the mails, proxies may be solicited from our stockholders by our directors, officers and employees in person or by telephone, telegram or other means of communication. These directors, officers and employees will not be additionally compensated, but may be reimbursed for reasonable out-of-pocket expenses in connection with such solicitation. Arrangements will be made with brokerage houses, custodians, nominees and fiduciaries for forwarding of proxy materials to beneficial owners of shares held of record by such brokerage houses, custodians, nominees and fiduciaries and for reimbursement of their reasonable expenses incurred in connection therewith. We may retain Georgeson Shareholder Services, a proxy solicitation firm, to solicit proxies in connection with our annual meeting at an estimated cost of \$6,500.

Shares for which a properly executed proxy in the enclosed form is returned will be voted at our annual meeting in accordance with the directions on such proxy. If no voting instructions are indicated with respect to one or more of the proposals, the proxy will be voted in favor of the proposal(s), and to approve those other matters that may properly come before the annual meeting at the discretion of the person named in the proxy. Any proxy may be revoked by the record owner of the shares at any time prior to its exercise by filing with our Secretary a written revocation or duly executed proxy bearing a later date or by attending the meeting in person and announcing such revocation. Attendance at the annual meeting will not, by itself, constitute revocation of a proxy.

Voting Securities

Our securities entitled to vote at the meeting consist of shares of our Class A Common Stock and Class B Common Stock, both \$0.0001 par value (collectively, Common Stock). 22,185,669 shares of Class A Common Stock and 5,134,698 shares of Class B Common Stock were issued and outstanding at the close of business on March 2, 2009. Only stockholders of record at the close of business on March 2, 2009 will be entitled to notice of and to vote at the meeting. The presence, in person or by proxy, of the holders of a majority of our Voting Power, as hereinafter defined, will constitute a quorum for the transaction of business; *provided, however*, that the election of the Class A and Class B directors shall require the presence, in person or by proxy, of the holders of a majority of the outstanding shares of each respective class. Each share of Class A Common Stock is entitled to one-tenth of a vote and each share of Class B Common Stock is entitled to one vote, except in the election of directors and any other matter requiring the vote of one or both classes of Common Stock voting separately. The sum of one-tenth the number of outstanding shares of Class A Common Stock and the number of outstanding shares of Class B Common Stock constitutes our Voting Power.

The holders of Class A Common Stock, voting as a separate class, are entitled to elect two directors. The holders of Class B Common Stock, also voting as a separate class, are entitled to elect the other five directors. The stockholders do not have any right to vote cumulatively in any election of directors. Under Delaware law, directors elected by each class shall be elected by a plurality of the votes in the respective class.

On all other matters submitted to a vote at the annual meeting (except matters requiring the vote of one or both classes voting separately), the affirmative vote of the holders of a majority of our Voting Power present in person or represented by proxy is necessary for approval. The Board of Directors is not aware of any matters that might come before the meeting other than those mentioned in this proxy statement. If, however, any other matters properly come before the annual meeting, it is intended that the proxies will be voted in accordance with the judgment of the person or persons voting such proxies.

Abstentions and broker non-votes will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum. With respect to the two directors to be elected by the holders of our Class A Common Stock, the two director nominees receiving the highest number of affirmative votes will be elected. With respect to the five directors to be elected by the holders of our Class B Common Stock, the five director nominees receiving the highest number of affirmative votes will be elected. A properly executed proxy marked to withhold authority with respect to the election of one or more director nominees will not be voted with respect to the director nominee(s) indicated, although it will be counted for purposes of determining the presence of a quorum. The proposal to ratify the appointment of our independent auditors must receive the affirmative vote of a majority of our Voting Power present in person or represented by proxy at the meeting in order for the proposal to be approved. Abstentions and broker non-votes will have the same effect as a vote against this proposal.

There are no statutory or contractual rights of appraisal or similar remedies available to those stockholders who dissent from any matter to be acted upon.

PRINCIPAL AND MANAGEMENT STOCKHOLDERS

The following table presents certain information as of March 2, 2009 (except as noted below), with respect to our Class A Common Stock and Class B Common Stock beneficially owned by: (i) any person who is known to us to be the beneficial owner of more than five percent of the outstanding Common Stock of either class, (ii) each of our directors, (iii) certain of our executive officers named in the Summary Compensation Table of this proxy statement and (iv) all of our directors and executive officers as a group. The address for all executive officers and directors is c/o Bio-Rad Laboratories, Inc., 1000 Alfred Nobel Drive, Hercules, California, 94547.

Name and, with Respect to Owner of 5% or More, Address	Class A Common Stock(1)		Class B Common Stock	
	Number of Shares and Nature of Ownership(2)	Percent of Class	Number of Shares and Nature of Ownership(2)	Percent of Class
Blue Raven Partners, L.P.(3) 1000 Alfred Nobel Drive Hercules, CA 94547		0.0%	4,060,054	79.1%
Ariel Investments, LLC(4) 200 E. Randolph Drive, Suite 2900 Chicago, IL 60601	1,730,364	7.8%		0.0%
Barclays Global Investors, NA(5) 400 Howard Street San Francisco, CA 94105	1,276,446	5.8%		0.0%
TimesSquare Capital Management, LLC(6) 1177 Avenue of the Americas, 39th Floor New York, NY 10036	1,181,675	5.3%		0.0%
David & Alice N. Schwartz(7)(8)(9)(10) Bio-Rad Laboratories, Inc. 1000 Alfred Nobel Drive Hercules, CA 94547	3,207,493	14.5%	4,653,288	87.9%
Norman Schwartz(7)(9)(11)(12)(13) Bio-Rad Laboratories, Inc. 1000 Alfred Nobel Drive Hercules, CA 94547	211,454	1.0%	4,395,818	81.7%
Steven Schwartz(7)(11)(13)(14) Bio-Rad Laboratories, Inc. 1000 Alfred Nobel Drive Hercules, CA 94547	164,867	0.7%	4,074,094	79.3%
James J. Bennett	36,566	0.2%	47,454	0.9%
John Goetz(9)	66,204	0.3%		0.0%
Albert J. Hillman	8,908	0.0%	8,234	0.2%
Ruediger Naumann-Etienne	3,000	0.0%		0.0%
Louis Drapeau		0.0%		0.0%
Sanford S. Wadler(9)	17,433	0.1%		0.0%
Christine A. Tsingos(9)	14,987	0.1%		0.0%
All directors and executive officers as a group(9)(13 persons)	3,641,956	16.3%	5,044,740	91.0%

- (1) Excludes Class A Common Stock that may be acquired on conversion of Class B Common Stock. Class B Common Stock may be converted to Class A Common Stock on a one for one basis and, if fully converted, would result in the following percentage beneficial ownership of Class A Common Stock: Blue Raven Partners, L.P. 14.9%; Ariel Investments, LLC 6.3%; Barclays Global Investors, N.A. 4.7%; TimesSquare Capital Management, LLC 4.3%, David and Alice N. Schwartz 28.6%; Norman Schwartz 16.7%; Steven Schwartz 15.5%; James J. Bennett 0.3%; John Goetz 0.2%; Albert J. Hillman 0.1%; Ruediger Naumann-Etienne 0.0%; Louis Drapeau 0.0%; Sanford S. Wadler 0.1%; Christine A. Tsingos 0.1%; and all directors and executive officers as a group 31.2%. Management considers any substantial conversions by the executive officers or directors listed in the table to be highly unlikely.
- (2) Except as otherwise indicated and subject to applicable community property and similar statutes, the persons listed as beneficial owners of the shares have sole voting and investment power with respect to such shares. Number of shares is based on the statements of the stockholders where not identified specifically in the stockholder register.
- (3) David Schwartz, Alice N. Schwartz, Norman Schwartz and Steven Schwartz are general partners of Blue Raven Partners, L.P., a California limited partnership, and, as such, share voting and dispositive power over the Class B Common Stock held by Blue Raven Partners.
- (4) Based solely on an amended Schedule 13G filed on February 13, 2009 with the Securities and Exchange Commission pursuant to Rule 13d-1(b) of the Exchange Act.
- (5) Based solely on a Schedule 13G filed on February 5, 2009 with the Securities and Exchange Commission pursuant to Rule 13d-1(b) of the Exchange Act.
- (6) Based solely on a Schedule 13G filed on February 4, 2008 with the Securities and Exchange Commission pursuant to Rule 13d-1(b) of the Exchange Act.
- (7) Includes 4,060,054 shares of Class B Common Stock held by Blue Raven Partners, L.P.
- (8) David and Alice N. Schwartz each have a one-half community property interest in these shares. Also includes 34,311 shares of Class A Common Stock held by the David and Alice N. Schwartz Charitable Remainder Unitrust of which David and Alice N. Schwartz are the sole trustees. Also includes 41,176 shares of Class B Common Stock held by DANSA Partners Limited, a California limited partnership, of which David and Alice N. Schwartz are general partners. Also, includes 336,582 shares of Class A Common Stock held by the David Schwartz 2007 Retained Annuity Trust and 233,418 shares of Class A Common Stock held by the David Schwartz 2008 Retained Annuity Trust, each of which David Schwartz is the trustee and a third party is a special trustee who votes these shares, and 336,582 shares of Class A Common Stock held by the Alice N. Schwartz 2007 Retained Annuity Trust and 233,418 shares of Class A Common Stock held by the Alice N. Schwartz 2008 Retained Annuity Trust, each of which Alice N. Schwartz is the trustee and a third party is a special trustee who votes these shares.
- (9) Includes shares with respect to which such persons have the right to acquire beneficial ownership immediately or within sixty days of March 2, 2009, under the Company's employee stock purchase plan and stock option agreements, as follows: David Schwartz, 157,958 Class B shares; Norman Schwartz, 247,990 Class B shares; John Goetz, 44,838 Class A shares; Sanford S. Wadler, 5,726 Class A shares; Christine A. Tsingos, 12,292 Class A shares, and all directors and officers as a group, 129,581 Class A shares and 405,948 Class B shares.
- (10) Includes the following total amount of shares pledged as security: 1,227,451 shares of Class A Common Stock and 41,176 shares of Class B Common Stock.

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- (11) Norman Schwartz and Steven Schwartz are sons of David and Alice N. Schwartz.
- (12) Includes 11,200 shares of Class B Common Stock owned by Norman Schwartz's wife, as to which Norman Schwartz disclaims any beneficial ownership.
- (13) Includes 37,825 shares of Class A Common Stock pledged as security.
- (14) Includes 2,519 shares of Class A Common Stock and 11,200 shares of Class B Common Stock owned by Steven Schwartz's wife, as to which Steven Schwartz disclaims any beneficial ownership.

I. ELECTION OF DIRECTORS

Our Board of Directors currently has seven members. The seven persons nominated are listed in the following table as the candidates nominated for the respective classes of Common Stock indicated. All are currently our directors with terms expiring as of the date of the annual meeting of stockholders or on election and qualification of their successors. David Schwartz and Alice N. Schwartz are husband and wife; Norman Schwartz is their son. No other family relationships exist among our current and nominated directors or executive officers. As husband and wife, David and Alice N. Schwartz share equally in all remuneration and other benefits accorded to either of them by us.

The directors elected at this meeting will serve until the next annual meeting of stockholders or until their respective successors are elected and qualified. The persons named in the proxy intend to vote the shares subject to such proxy for the election as directors of the persons listed in the following table. Although it is not contemplated that any nominee will decline or be unable to serve as a director, in the event that at the meeting or any adjournments or postponements thereof any nominee declines or is unable to serve, the persons named in the enclosed proxy will, in their discretion, vote the shares subject to such proxy for another person selected by them for director.

Name	Class of Common Stock to Elect	Age	Present Principal Employment and Prior Business Experience	Director Since
James J. Bennett	Class B	80	Retired in 2002 as our Chief Operating Officer, in which capacity he served since 1993, and our Executive Vice President, in which capacity he served since 1996; our Vice President and Group Manager, Clinical Diagnostics from 1985 to 1993; our Vice President and Chief Operating Officer from 1977 to 1985.	1977
Louis Drapeau	Class A	65	Board member of Bionovo, Inc. since 2008; Chief Executive Officer of InSite Vision since 2008, Vice President and Chief Financial Officer since 2007; Board member of Intermune, Inc. since 2007; Senior Vice President and Chief Financial Officer of Nektar Therapeutics from 2006 to 2007; Senior Vice President and Chief Financial Officer of BioMarin Pharmaceutical from 2002 to 2005, Acting Chief Executive Officer from 2004 to 2005; Arthur Andersen from 1971 to 2002, Partner in the firm from 1983 to 2002 and Managing Partner from 1985 to 1997.	2007
Albert J. Hillman	Class A	77	Retired from active practice in 1996; Of Counsel to the law firm of Townsend and Townsend and Crew from 1995 through 2005 and partner in the firm from 1965 to 1995, which firm serves as our patent counsel.	1980

Name	Class of Common Stock to Elect	Age	Present Principal Employment	
			and Prior Business Experience	Director Since
Ruediger Naumann-Etienne	Class B	62	Owner and Managing Director of Intertec Group since 1989; Chairman of Cardiac Science since 2006; Chairman of Quinton Cardiology Systems from 2000 to 2005 and Chief Executive Officer of Quinton Cardiology Systems from 2000 to 2003; Director of Varian Medical Systems since 2003; and Director of Encision Inc. since 2008.	2001
Alice N. Schwartz	Class B	82	Retired since 1979; Research Associate, University of California, from 1972 to 1978.	1967
David Schwartz	Class B	85	Chairman of the Board since 1957. Previously our President and Chief Executive Officer from 1957 through 2002.	1957
Norman Schwartz	Class B	59	Our President and Chief Executive Officer since January 1, 2003; our Vice President from 1989 to 2002; our Group Manager, Life Science, from 1997 to 2002; and our Group Manager, Clinical Diagnostics, from 1993 to 1997.	1995

In addition to David Schwartz and Norman Schwartz, the following persons were our executive officers during all or part of 2008: Bradford J. Crutchfield, John Goetz, Giovanni Magni, Ronald W. Hutton, Christine A. Tsingos and Sanford S. Wadler. Bradford J. Crutchfield (age 46) was appointed Vice President and Group Manager of the Life Science Group in 2003. Previously, he held various positions within Bio-Rad since joining us in 1985, including Managing Director, Bio-Rad Microscience, and Manager of our BioMaterials Division. John Goetz (age 59) was appointed Vice President and Group Manager of the Clinical Diagnostics Group in 2000. Previously, he held various positions within Bio-Rad since joining us in 1974 including Plant Engineer, Manufacturing Manager, Division Manager, Quality Systems Division and Operations Manager of the Diagnostics Group. Giovanni Magni (age 52) was appointed Vice President and International Sales Manager in 2004. Previously, he held various positions within Bio-Rad since joining us in 1995, including Diagnostic Division Manager, Southern Europe and Diagnostics Group Operation Manager, France. Ronald W. Hutton (age 51) has been our Treasurer since 1997. Previously, he was Director of Treasury at Kaiser Aluminum & Chemical Corporation from 1993 to 1997. Christine A. Tsingos (age 50) was appointed our Chief Financial Officer in 2002 and Vice President in 2003. Previously, she was the Chief Operating Officer and Chief Financial Officer at Attest Systems, Inc., a provider of information technology asset discovery and management tools, from August 2002 to November 2002. Prior to that, Ms. Tsingos was a consultant to Attest Systems, Inc. from October 2000 to July 2002. She was the Chief Financial Officer at Tavolo, Inc., an online retailer of gourmet cookware and food, from November 1999 to September 2000, and she was Treasurer, and later Vice President and Treasurer, of Autodesk, Inc., a developer of design software, from May 1990 to November 1999. Sanford S. Wadler (age 62) has been our General Counsel and Secretary since 1989 and was appointed Vice President in 1996. Our executive officers also serve in various management capacities with our wholly owned subsidiaries.

The Board of Directors recommends that you vote FOR the above-named director nominees for the class or classes of Common Stock that you hold.

COMMITTEES OF THE BOARD OF DIRECTORS

Our Board of Directors has an Audit Committee and a Compensation Committee. Our Board of Directors has no nominating committee or other committees performing similar functions. During 2008, our Board of Directors held a total of 11 meetings (including regularly scheduled and special meetings) and no director attended fewer than 75% of such meetings and meetings of any committee on which such director served.

Audit Committee

During 2008 our Audit Committee was composed of Louis Drapeau, Albert J. Hillman and Ruediger Naumann-Etienne.

All three Audit Committee members are independent directors, as determined in accordance with the independence standards set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended, and Section 303A.02 of the New York Stock Exchange Listed Company Manual, and each is able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement. Our Board of Directors has determined that Ruediger Naumann-Etienne and Louis Drapeau are financial experts. The purpose of our Audit Committee is to oversee our accounting and financial reporting processes and the audits of our financial statements. Our Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of any independent auditor we engage, including resolution of any disagreements between our management and the independent auditor regarding financial reporting, and is responsible for reviewing and evaluating our accounting policies and system of internal accounting controls. In addition, our Audit Committee reviews the scope of our independent auditor's audit of our financial statements, reviews and discusses our audited financial statements with management, prepares the annual Audit Committee reports that are included in our proxy statements and annually reviews the Audit Committee's performance and the Audit Committee Charter, among other responsibilities. Our Audit Committee has the authority to obtain advice and assistance from, and receive appropriate funding from us for, any independent counsel, experts or advisors that the Audit Committee believes to be necessary or appropriate in order to enable it to carry out its duties. Our Audit Committee met 10 times in the year 2008. A more complete discussion is provided in the Report of the Audit Committee of the Board of Directors of this proxy statement.

Compensation Committee

Our Compensation Committee, consisting of two directors, Albert J. Hillman and Ruediger Naumann-Etienne, met 2 times in 2008. Our Compensation Committee reviews and approves our executive compensation policies. Our Compensation Committee does not have a charter. A more complete discussion of the Compensation Committee's duties and functions is provided in the Compensation Discussion and Analysis section of this proxy statement.

Nominating Committee Functions

Our Board of Directors does not have a standing nominating committee or a committee performing similar functions. Our Board of Directors believes that it is appropriate for us not to have a standing nominating committee because we are controlled by the Schwartz family. Each member of our Board of Directors participates in the consideration of director nominees. Albert J. Hillman, Ruediger Naumann-Etienne and Louis Drapeau are all independent directors, as determined in accordance with the independence standards set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended, and Section 303A.02 of the New York Stock Exchange Listed Company Manual; James J. Bennett, David Schwartz, Alice N. Schwartz and Norman Schwartz are not. However, because we are controlled by the Schwartz family, we are a controlled company for purposes of the New York Stock Exchange listing standards, and thus we are not required to have a standing nominating committee comprised solely of independent directors.

Our Board of Directors has not adopted a charter governing the director nomination process. However, it is the policy of our Board of Directors to consider stockholder nominations for candidates for membership on our Board of Directors that are properly submitted as set forth below under the caption *Communications with the Board of Directors*. The stockholder must submit a detailed resume of the candidate together with a written explanation of the reasons why the stockholder believes that the candidate is qualified to serve on our Board of Directors. In addition, the stockholder must include the written consent of the candidate, provide any additional information about the candidate that is required to be included in a proxy statement pursuant to the rules and regulations of the Securities and Exchange Commission, and must also describe any arrangements or undertakings between the stockholder and the candidate regarding the nomination. In order to be considered for inclusion in next year's proxy statement, any such nominations must be properly submitted by December 4, 2009.

The director qualifications our Board of Directors has developed to date focus on what our Board of Directors believes to be those competencies that are essential for effective service on our Board of Directors. Qualifications for Directors include technical, operational and/or economic knowledge of our business and industries; experience in operational, financial and/or administrative management; financial and risk management acumen and experience in or familiarity with international business, markets and cultures, technological trends and developments, and corporate securities and tax laws. While a candidate may not possess every one of these qualifications, his or her background should reflect many of these qualifications. In addition, a candidate should possess integrity and commitment according to the highest ethical standards; be consistently available and committed to attending meetings; be able to challenge and share ideas in a positive and constructively critical manner and be responsive to our needs and fit in with other Board members from a business culture perspective.

Our Board of Directors identifies director nominees by first evaluating the current members of our Board of Directors who are willing to continue in service. Current members with qualifications and skills that are consistent with our Board of Directors' criteria for Board service are re-nominated. As to new candidates, our Board of Directors generally polls its members and members of our management for their recommendations. Our Board of Directors may also review the composition and qualification of the boards of our competitors, and may seek input from industry experts or analysts. Our Board of Directors reviews the qualifications, experience and background of the candidates. In making its determinations, our Board of Directors evaluates each individual in the context of the Board as a whole, with the objective of assembling a group that can best perpetuate our success and represent stockholder interests through the exercise of sound judgment. Any recommendations properly submitted by stockholders will be processed and are subject to the same criteria as any other candidates.

Each of the nominees included on the attached proxy card was recommended for inclusion by all of the other members of our Board of Directors.

Communications with the Board of Directors

Individuals, including stockholders, can communicate with our Board of Directors by mailing a written communication to:

Bio-Rad Laboratories, Inc.

1000 Alfred Nobel Drive

Hercules, California 94547

Attention: Corporate Secretary

The Corporate Secretary will promptly forward all such communications to the Chairman of the Board.

Board of Directors Policy Regarding Board Members Attendance at Annual Meetings

Every member of our Board of Directors is expected to attend our annual meeting of stockholders in person, absent extraordinary circumstances such as a personal emergency. Six of our directors attended last year's annual meeting of stockholders in person.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Our Compensation Committee is composed of Albert J. Hillman and Ruediger Naumann-Etienne. No member of our Compensation Committee was at any time during 2008 or at any other time an officer or employee of the Company, and no member had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K promulgated by the Securities and Exchange Commission.

None of our executive officers has served on the board of directors or compensation committee of any other entity that has or has had one or more executive officers who served as a member of our board of directors or compensation committee during 2008.

TRANSACTIONS WITH RELATED PERSONS

We maintain various policies and procedures relating to the review, approval, or ratification of transactions in which we are a participant and in which any of our directors, executive officers, 10% stockholders or their family members have a direct or indirect material interest. Our Management Guidelines provide that any transaction proposed, initiated or approved by our employees that poses an actual or potential conflict of interest requires the prior written approval of our Chief Executive Officer. In addition, our Board or certain executive officers, depending on the dollar value of the transaction, review and approve all material transactions through the expenditure approval procedures set forth in the Management Guidelines. Our Code of Business Ethics and Conduct, which applies to all of our directors, officers, employees, and in some cases, their family members, prohibits arrangements, agreements and acts which are, or may give the impression of being, conflicts of interest with us. In addition, each quarter we require our regional managers and financial officers to sign and send a written representation letter to the corporate financial reporting group wherein they are asked to disclose any related party transactions of which they are aware. Also, each year we require our directors and executive officers to complete a questionnaire which, among other things, identifies transactions or potential transactions with us in which a director or an executive officer or one of their family members or associate entities has an interest.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Program Objectives and Philosophy

Our named executive officers are: Norman Schwartz, President and Chief Executive Officer; Christine Tsingos, Vice President and Chief Financial Officer; David Schwartz, Chairman of the Board; John Goetz, Vice President and Group Manager of the Clinical Diagnostics Group; and Sanford S. Wadler, Vice President, General Counsel and Secretary. We maintain various compensation programs for our named executive officers. Our executive compensation program, taken as a whole, has several objectives. The overriding objective of our executive compensation program is to attract, retain, motivate and develop the types of employees and executives who will move our business forward. We also want our executive compensation program to align the interests of the executives with the interests of the Company and its shareholders. Finally, we want to reward our executives for business achievements and satisfaction of corporate objectives.

In developing our overall executive compensation program and in setting individual pay levels for the named executive officers, we strive to meet the following goals:

To pay salaries that are competitive in our industry and our geographical market.

To use executive pay practices that are commonly found in our industry, as appropriate.

To pay salaries and award merit increases on the basis of the individual executive's performance and contributions and the value of the executive's position within our organization.

To maintain a pay for performance outlook, particularly in our incentive programs.

Our executive compensation program is designed to reward our executives for Company and individual performance. Because we feel that each of our named executive officers provides unique services to us, we do not use a fixed relationship between base pay, annual performance-based cash bonus payments and equity awards. When we make our final decisions about a named executive officer's total compensation package for a year, we look at the three elements of compensation (base pay, potential performance-based bonus payments and equity awards) individually and as a complete package. We do not take into account amounts that a named executive officer may have realized with respect to a prior year as a result of performance-based bonus payments or stock option exercises when we establish pay levels and goals for the current year. Overall, we believe that our total compensation program for executives is reasonable while being competitive within the market in which we compete for executive talent.

The Components of Our Executive Compensation Program

To achieve the above goals, we have created an executive compensation program which consists of base pay, a short term cash performance-based program pursuant to the Incentive Bonus Plan, or IBP, and an equity grant program. We use this mix of compensation types for a variety of reasons:

These types of programs, as a package, are typically offered by the types of companies from which we typically seek executive talent.

These programs, as a package, provide an immediate and a long term incentive for the executive officers, thereby helping to align the executives' interests with those of the Company.

These programs, as a package, provide the executives with short and long term rewards.

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We apply differing performance goals to the various types of rewards to help motivate the executives to accomplish separate and diverse corporate and individual goals.

We also provide executives with a package of fringe benefits on the same basis that is provided to all full-time benefits eligible employees. These benefits include such items as health insurance, tax qualified profit sharing plan contributions and group term life insurance. We do not provide the executives with any benefits that are not generally available to other full-time professional employees.

We believe that our executive compensation program, taken as a whole, is a cost-effective method of providing competitive pay to our named executive officers.

Our Process for Setting Executive Compensation

Our Human Resources Department provides various types of compensation information to the President/Chief Executive Officer and to the Compensation Committee for their consideration and reference in the evaluation and eventual determination of each executive's total compensation package. The Compensation Committee's focus is on the compensation of the Chairman of the Board and the President/Chief Executive Officer. The President/Chief Executive Officer determines the compensation for the officers who directly report to him, including three of the named executive officers. Our process for setting executive compensation is described below.

Base Pay

In connection with setting levels of base pay, our Human Resources Department reviews independently published surveys of executive compensation levels which cover over 1,000 U.S. based companies, varying in size and industry and prepares a report summarizing their findings. These surveys include the Radford Executive Survey, which provides data for vice president-and-above-level positions from a wide range of technology sub-industries, and the SIRS Executive Compensation Survey, which provides information for executive positions focusing on engineering, program management and research development jobs in the life sciences, consumer products and high technology industries. From this information, we determine the market median salary for each executive position and establish a guideline range from 80% to 120% of the median for each position. In addition, we look at the compensation of a smaller group of companies in industry sectors in which we compete to provide additional guidance in setting base pay. This group is mostly comprised of the companies in our peer group, which is discussed below under the section titled Incentive Bonus Plan (Cash Based Incentive Program). Our Human Resources Department reviews this information with the President/Chief Executive Officer, and with respect to the Chairman and President/Chief Executive Officer directly with the Compensation Committee, who then decide if the individual base pay levels of executives need to be adjusted within the guideline ranges. Our Compensation Committee does not see any of the individual companies in the surveys, except for the companies mostly within our peer group with respect to our President/Chief Executive Officer's base pay. Other factors considered in determining base pay are:

The financial position of the Company compared to the previous year

General economic conditions both nationally and in the local market of our corporate office

The executive's achievement of individual performance goals established for the year; and

Where the executive's current base pay falls within the pay range guidelines.

Based on all of the factors outlined above, as well as the market data, the Compensation Committee, in the case of the President/Chief Executive Officer and the Chairman, and the President/Chief Executive Officer, for the other named executive officers, determine the named executive officer's base pay for the following year, and thus any of these criteria could materially impact the named executive officer's base pay.

Incentive Bonus Plan (Cash Based Incentive Program)

All of our named executive officers, except David Schwartz, participate in our company-wide annual cash bonus program, which is known as the Incentive Bonus Plan, or IBP. The plan, which covers all of the named executive officers, except David Schwartz, as well as other employees, operates on a calendar year basis. Prior to the beginning of the year, metrics in three areas of achievement are created and approved by executive management. These metrics typically include targets for the following measures: sales, direct contributions from operations, and strategic business goals. In some cases, we may include the assets of the Company or our

divisions as an additional target, which is based on an average of the days that inventory has been on hand and sales in accounts receivable have been outstanding. We have the ability to modify the goals after the beginning of a year, particularly in response to an unforeseen change in business conditions that makes an established goal irrelevant or inappropriate. For our named executives, these metrics are applied at the company-wide level and/or at the division level. We believe these metrics promote a strong link between employee contribution and overall company performance. By rewarding employees for meeting and exceeding sales, profitability, business and/or asset goals, we motivate them to improve the Company's performance.

The IBP makes a payout only if threshold levels in sales and/or direct contributions are satisfied. If the sales and/or direct contributions goal is met, the named executive officers as well as other IBP participants receive a payment indexed to a percentage of their base pay, based on the achievement relative to each of the established metrics. The percentage of base pay which can be awarded varies based upon job position/salary grade. The payments under this program can be as much as twice the target bonus, but the named executive officers (as well as the other people who participate in the IBP) will not receive this benefit unless we meet the minimum required performance goals. Payments are typically made during the first quarter of the following year. We have no policy regarding the adjustment or recovery of IBP awards in the event that an accounting restatement results in corporate goals not being satisfied. We establish the target bonus levels, in part, by reviewing competitive market data of companies in our peer group. The target bonus levels for our named executives in 2008 are set forth in the table, Grants of Plan-Based Awards Table.

In order to determine which companies to include in our peer group, we look for companies that are comparable to ours in at least two of a number of ways including:

Companies in our industry

Companies whose size is similar to ours as measured by sales, market capitalization or asset base

Companies who are in our geographic proximity

Companies with whom we compete for employee talent

Manufacturing companies

U.S. based public companies

The companies we currently consider comprising our peer group are Affymetrix, Life Technologies, Beckman Coulter, Becton Dickinson, Biogen Idec, Dade Behring, Genentech, Meridien BioScience, Millipore, Perkin-Elmer, Qiagen, Sepracor, Sigma Aldrich, Thermo Fisher Scientific and Varian.

Our Company has made discretionary bonus payments to employees. No such payments were made to any of the named executive officers in the last five years except to David Schwartz in lieu of his participation in the IBP in 2007 and 2008, as set forth in the Summary Compensation Table.

Equity Compensation

Another key component of our executive compensation program is equity grants. We make grants of restricted stock and options to purchase our stock to the named executive officers, as well as other employees, under our 2007 Equity Incentive Plan.

In 2008, we granted non-qualified stock options and restricted stock to our named executive officers. We generally grant options to purchase Class A Common Stock to all named executive officers, except for David Schwartz and Norman Schwartz who have received options to acquire Class B Common Stock. The holders of Class B Common Stock have certain preferential voting rights, as described in the section titled Voting Securities above. David Schwartz and Norman Schwartz receive options to acquire Class B Common Stock because the Schwartz family has, and plans to retain, a controlling interest in our Company through its ownership of Class B Common Stock. All options have an exercise price

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equal to fair market value on the date of grant, except for incentive stock options, or ISOs, granted in previous years to David Schwartz and Norman Schwartz, which have an exercise price equal to 110% of fair market value on the date of grant as required by IRC

Section 422(c)(5). Options granted to named executive officers generally vest on a five year basis, at a rate of 20% of the option grant on each anniversary date of the grant. All of the options have a ten year term, except for ISOs granted to David Schwartz and Norman Schwartz which are limited to a five year term under IRC Section 422(c)(5). All options granted prior to 2005 are fully vested as of the date of this report. Restricted stock granted to our named executives in 2008 vests on a five year basis at a rate of 20% per year beginning one year from the grant date. We grant a combination of restricted stock and stock options to our named executive officers to align ourselves with current market equity compensation practices.

Our process for granting equity to named executive officers has been as follows: we first determine an equity pool containing a number of shares that approximates a percentage of our outstanding shares as of the prior year end up to a limit of 1.2%. The amount of equity available for grant to all eligible employees, including our named executive officers, is generally limited by the size of this equity pool. Subject to this limitation, the amount of equity granted to all eligible employees, including our named executive officers, is then determined based on a general review of certain market information provided by outside independent equity compensation surveys which cover large numbers of U.S. companies varying in size and industry. Based on all this information, management creates equity grant guidelines which provide a range of potential option grants based on job position/salary grade, including for the positions of our named executives.

Using the equity grant guidelines established by our Human Resources Department upon review of the survey data, and considering individual performance, management suggests an allocation of the equity pool among all eligible employees to the Compensation Committee. The Compensation Committee reviews the suggested allocation of awards and makes a recommendation to the entire Board of Directors. Based on the Compensation Committee's recommendation, the Board of Directors makes its own determination as to the size of the grants to individuals. The Board provides the approved equity grant and pricing information to the Chief Executive Officer/President for implementation. The Board of Directors met and approved the 2008 equity grants to our executives on June 11, 2008, which was the grant date.

We believe that the grant of restricted stock and fair market value stock options provides benefits to both the Company and the executive. We benefit because:

The restricted stock and the options align the executive's financial interest with the Company's and the shareholders' interests.

The restricted stock and options help us retain the executives in a competitive market.
The executives benefit because:

The Trust's cash receipts in respect of the Royalty Interests are determined after deducting post-production costs and any applicable taxes associated with the Royalty Interests. The Trust's cash available for distribution is reduced by Trust administrative expenses. Post-production costs generally consist of costs incurred to gather, compress, transport, process, treat, dehydrate and market the natural gas produced. Charges (the Post-Production Services Fee), currently limited to \$0.52 per MMBtu gathered, are payable to Greylock Energy for such post-production costs on the Greene County Gathering System; however, Greylock Energy is permitted to increase the Post-Production Services Fee to the extent necessary to recover certain capital expenditures in the Greene County Gathering System. Additionally, if electric compression is utilized in lieu of gas as fuel in the compression process, the Trust will be charged for the electric usage as provided for in the Trust conveyance documents.

The Trust makes quarterly cash distributions of substantially all of its cash receipts, after deducting Trust administrative expenses, including the costs incurred as a result of being a publicly traded entity, on or about the 60th day following the completion of each quarter. Unless sooner terminated, the Trust is scheduled to terminate on or about March 31, 2030 (the Termination Date). At the termination of the Trust, 50% of each of the PDP Royalty Interest and the PUD Royalty Interest will revert automatically to Greylock Production. The remaining 50% of each of the PDP Royalty Interest and the PUD Royalty Interest will be sold, and the net proceeds will be distributed pro rata to the unitholders soon after the termination of the Trust. Greylock Production will have a right of first refusal to purchase the remaining 50% of the Royalty Interests at the termination of the Trust.

The business and affairs of the Trust are administered by The Bank of New York Mellon Trust Company, N.A., as Trustee. Although Greylock Production operates all of the Producing Wells and all of the PUD Wells, Greylock Production has no ability to manage or influence the management of the Trust. Neither the Trust nor the Trustee has any authority or responsibility for, or any involvement with or influence over, any aspect of the operations on or relating to the properties to which the Royalty Interests relate.

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NOTE 2. Basis of Presentation

The preparation of financial statements requires the Trust to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Without limiting the foregoing statement, the information furnished is based upon certain estimates of the revenues attributable to the Trust from natural gas production for the three and six months ended June 30, 2018 and 2017 and is therefore subject to adjustment in future periods to reflect actual production for the periods presented.

The information furnished reflects all normal and recurring adjustments which are, in the opinion of the Trustee, necessary for a fair presentation of the results for the interim period presented. The accompanying unaudited interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Trust's Annual Report on Form 10-K for the year ended December 31, 2017. The December 31, 2017 condensed balance sheet data was derived from audited financial statements, but does not include all applicable financial statement disclosures.

NOTE 3. Significant Accounting Policies

The accompanying unaudited financial information has been prepared by the Trustee in accordance with the instructions to Form 10-Q. The financial statements of the Trust differ from financial statements prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) because certain cash reserves may be established for contingencies, which would not be accrued in financial statements prepared in accordance with GAAP. Amortization of the investment in overriding royalty interests calculated on a unit-of-production basis is charged directly to Trust Corpus. This comprehensive basis of accounting other than GAAP corresponds to the accounting permitted for royalty trusts by the U.S. Securities and Exchange Commission (SEC) as specified by Accounting Standard Codification (ASC) Topic 932, Extractive Activities Oil and Gas: Financial Statements of Royalty Trusts. Income determined on the basis of GAAP would include all expenses incurred for the period presented. However, the Trust serves as a pass-through entity, with expenses for depreciation, depletion, and amortization, interest and income taxes being based on the status and elections of the Trust unitholders. General and administrative expenses, production taxes or any other allowable costs are charged to the Trust only when cash has been paid for those expenses. In addition, the Royalty Interests are not burdened by field and lease operating expenses. Thus, the statement shows distributable income, defined as income of the Trust available for distribution to the Trust unitholders before application of those additional expenses, if any, for depreciation, depletion, and amortization, interest and income taxes. The revenues are presented net of existing royalties and overriding royalties and have been reduced by gathering/post-production expenses.

Cash:

Cash may include highly liquid instruments maturing in three months or less from the date acquired.

Use of Estimates in the Preparation of Financial Statements:

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The preparation of financial statements requires the Trust to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and Expenses:

The Trust serves as a pass-through entity, with items of depletion, interest income and expense, and income tax attributes being based upon the status and election of the unitholders. Thus, the Statements of Distributable Income show income available for distribution before application of those unitholders' additional expenses, if any, for depletion, interest income and expense, and income taxes.

The Trust uses the accrual basis to recognize revenue, with royalty income recorded as reserves are extracted from the Underlying Properties and sold. Expenses are recognized when paid.

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Royalty Interest in Gas Properties:

The Royalty interest in gas properties is assessed to determine whether the net capitalized cost is impaired, whenever events or changes in circumstances indicate that its carrying amount may not be recoverable, pursuant to ASC Topic 360, Property, Plant and Equipment. The Trust determines whether an impairment charge is necessary to its investment in the Royalty interest in gas properties if total capitalized costs, less accumulated amortization, exceed undiscounted future net revenues attributable to proved gas reserves of the Underlying Properties. Determination as to whether and how much an asset is impaired involves estimates of highly uncertain matters such as future commodity prices, the effects of inflation, weighted average cost of capital, and technology improvements on post-production costs and the outlook for national or regional market supply and demand conditions. If required, the Trust will recognize an impairment charge to the extent that the net capitalized costs exceed the discounted fair value of the investment in net profits interests attributable to proved gas reserves of the Underlying Properties. Any such impairment charge would not reduce Distributable Income, although it would reduce Trust Corpus. At December 31, 2017, the undiscounted future net revenues exceeded the Net royalty interest in the gas properties, and therefore no impairment was necessary during the year. No impairment in the Underlying Properties has been recognized during 2018. Significant dispositions or abandonment of the Underlying Properties are charged to Royalty Interests and the Trust Corpus.

Amortization of the Royalty interest in gas properties is calculated on a units-of-production basis, whereby the Trust's cost basis in the properties is divided by Trust total proved reserves to derive an amortization rate per reserve unit. Such amortization does not reduce Distributable Income, rather it is charged directly to Trust Corpus. Revisions to estimated future units-of-production are treated on a prospective basis beginning on the date significant revisions are known.

The conveyance of the Royalty Interests to the Trust was accounted for as a purchase transaction. The \$352,100,000 reflected in the Statements of Assets, Liabilities and Trust Corpus as Royalty Interest in Gas Properties represents 17,605,000 Trust Units valued at \$20.00 per unit. The carrying value of the Trust's investment in the Royalty Interests is not necessarily indicative of the fair value of the Royalty Interests.

NOTE 4. Reaffirmation Agreement

On November 29, 2017, Greylock Energy acquired substantially all of the gas production and midstream assets of Legacy ECA, including Legacy ECA's interests in the natural gas properties that are subject to the Royalty Interests.

In connection with the transaction, Greylock Production assumed all of Legacy ECA's obligations under the Amended and Restated Trust Agreement among the Trust, Legacy ECA and the Trustee, and other instruments to which Legacy ECA and the Trustee are parties, including (1) the Administrative Services Agreement by and among Legacy ECA, the Trust and the Trustee dated July 7, 2010, and (2) a letter agreement between Legacy ECA and the Trustee regarding certain loans to be made by Legacy ECA to the Trust as necessary to enable the Trust to pay its liabilities as they become due (the Letter Agreement). In addition, Legacy ECA, Greylock Production, and the Trustee entered into a Reaffirmation and Amendment of Mortgage, Assignment of Leases, Security Agreement, Fixture Filing and Financing Statement (the Reaffirmation Agreement), pursuant to which, among other things, Greylock Production (1) reaffirmed the liens and the security interest granted

pursuant to the existing mortgage securing the interests in the subject properties, as well as the mortgage and the obligations of Legacy ECA under the mortgage, and (2) assumed the obligations of Legacy ECA under the Letter Agreement.

NOTE 5. Income Taxes

The Trust is a Delaware statutory trust, which is taxed as a partnership for federal and state income taxes. Accordingly, no provision for federal or state income taxes has been made. Uncertain tax positions are accounted for under ASC Topic 740, *Income Taxes* (ASC 740), which prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Additionally, ASC 740 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Trust has not identified any uncertain tax positions through the period ended June 30, 2018.

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NOTE 6. Related Party Transactions

Trustee Administrative Fee:

Under the terms of the Trust Agreement, the Trustee charges an annual administrative fee, subject to adjustment each year, that had been \$150,000 from inception through 2017. The Trustee expects to increase the annual fee to \$151,575 in 2018. The Trust deducts these costs, as well as those to be paid to Greylock Production pursuant to the Administrative Services Agreement referred to below, in the period paid.

Administrative Services Fee:

The Trust and Greylock Production are parties to an Administrative Services Agreement that obligates the Trust to pay Greylock Production an administrative services fee for accounting, bookkeeping and informational services to be performed by Greylock Production on behalf of the Trust relating to the Royalty Interests. The annual fee of \$60,000 is payable in equal quarterly installments. Under certain circumstances, Greylock Production and the Trustee each may terminate the Administrative Services Agreement at any time following delivery of notice at least 90 days prior to the date of termination.

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

References to the Trust in this document refer to ECA Marcellus Trust I. As discussed in Overview below, Greylock Energy, LLC and certain of its wholly-owned subsidiaries (Greylock Energy) acquired substantially all of the assets of Energy Corporation of America in November 2017. References to Legacy ECA in this document refer to Energy Corporation of America and its wholly-owned subsidiaries and, when discussing the conveyance documents, the Private Investors, as such entities existed prior to the asset acquisition by Greylock Energy. References to Greylock Production in this document refer to Greylock Production, LLC, a wholly owned subsidiary of Greylock Energy, LLC. The following review of the Trust's financial condition and results of operations should be read in conjunction with the financial statements and notes thereto and the audited financial statements and notes thereto included in the Trust's Annual Report on Form 10-K for the year ended December 31, 2017 (the 2017 Form 10-K). The Trust's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports are available on the SEC's website at www.sec.gov and also at www.businesswire.com/cnn/ect.htm. Certain terms used herein are defined in Appendix A.

Note Regarding Forward-Looking Statements

This report contains forward-looking statements about Greylock Energy and the Trust and other matters discussed herein that are subject to risks and uncertainties. All statements other than statements of historical fact included in this document, including, without limitation, statements under Management's Discussion and Analysis of Financial Condition and Results of Operations and Risk Factors regarding the financial position, business strategy, production and reserve growth, development activities and costs and other plans and objectives for the future operations of Greylock Energy and all matters relating to the Trust are forward-looking statements. Actual outcomes and results may differ materially from those projected.

When used in this document, the words believes, expects, anticipates, intends or similar expressions, are intended to identify such forward-looking statements. Further, all statements regarding future circumstances or events are forward-looking statements. The following important factors, in addition to those discussed elsewhere in this document, could affect the future results of the energy industry in general, and Greylock Energy and the Trust in particular, and could cause those results to differ materially from those expressed in such forward-looking statements:

- risks incident to the operation of natural gas wells;
- future production costs;
- the effects of existing and future laws and regulatory actions;
- the effects of changes in commodity prices;

- conditions in the capital markets;
- competition in the energy industry;
- the uncertainty of estimates of natural gas reserves and production; and
- other risks described under the caption "Risk Factors" in the 2017 Form 10-K.

This report describes other important factors that could cause actual results to differ materially from expectations of Greylock Energy and the Trust. All subsequent written and oral forward-looking statements attributable to Greylock Energy or the Trust or persons acting on behalf of Greylock Energy or the Trust are expressly qualified in their entirety by such factors. The Trust assumes no obligation, and disclaims any duty, to update these forward-looking statements.

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Overview

The Trust is a statutory trust created under the Delaware Statutory Trust Act. The Bank of New York Mellon Trust Company, N.A. serves as Trustee. The Trust does not conduct any operations or activities. The Trust's purpose is, in general, to hold the Royalty Interests (described below), to distribute to the Trust unitholders cash that the Trust receives in respect of the Royalty Interests after payment of Trust expenses, and to perform certain administrative functions in respect of the Royalty Interests and the Trust units. The Trustee has no authority or responsibility for, and no involvement with, any aspect of the oil and gas operations on the properties to which the Royalty Interests relate. The Trust derives all or substantially all of its income and cash flows from the Royalty Interests. The Trust is treated as a partnership for federal and state income tax purposes.

In November 2017, Greylrock Energy acquired substantially all of the gas production and midstream assets of Legacy ECA, including all of Legacy ECA's interests in the natural gas properties that are subject to the Royalty Interests.

In connection with the transaction, Greylrock Production assumed all of Legacy ECA's obligations under the Amended and Restated Trust Agreement among the Trust, Legacy ECA and the Trustee, and other instruments to which Legacy ECA and the Trustee are parties, including (1) the Administrative Services Agreement by and among Legacy ECA, the Trust and the Trustee dated July 7, 2010, and (2) a letter agreement between Legacy ECA and the Trustee regarding certain loans to be made by Legacy ECA to the Trust as necessary to enable the Trust to pay its liabilities as they become due (the Letter Agreement). In addition, Legacy ECA, Greylrock Production, and the Trustee entered into a Reaffirmation and Amendment of Mortgage, Assignment of Leases, Security Agreement, Fixture Filing and Financing Statement (the Reaffirmation Agreement), pursuant to which, among other things, Greylrock Production (1) reaffirmed the liens and the security interest granted pursuant to the existing mortgage securing the interests in the subject properties, as well as the mortgage and the obligations of Legacy ECA under the mortgage, and (2) assumed the obligations of Legacy ECA under the Letter Agreement.

As part of the acquisition of substantially all of Legacy ECA's assets, neither Greylrock Energy nor Greylrock Production acquired title ownership of Legacy ECA's working interest in two wells in which the Trust also has an interest, the Penneco Morrow #1MH and Penneco Morrow #2MH wells. Legacy ECA retained title ownership of these wells after the acquisition by Greylrock Energy. As Legacy ECA has no field personnel, Greylrock Energy's personnel operate the wells on behalf of and under the direction of Legacy ECA.

The Royalty Interests were conveyed to the Trust from the working interest now held by Greylrock Production in the Producing Wells and the PUD Wells limited to the Underlying Properties. The PDP Royalty Interest entitles the Trust to receive 90% of the proceeds (exclusive of any production or development costs but after deducting post-production costs and any applicable taxes) from the sale of production of natural gas attributable to Greylrock Production's current interest in the Producing Wells for a period of 20 years commencing on April 1, 2010 and 45% thereafter. The PUD Royalty Interest entitles the Trust to receive 50% of the proceeds (exclusive of any production or development costs but after deducting post-production costs and any applicable taxes) from the sale of production of natural gas attributable to Greylrock Production's current interest in the PUD Wells for a period of 20 years commencing on April 1, 2010 and 25% thereafter.

Legacy ECA was obligated to drill all of the PUD Wells by March 31, 2014. As of November 30, 2011, Legacy ECA had fulfilled its drilling obligation to the Trust by drilling 40 development wells (52.06 Equivalent PUD Wells), calculated as provided in the Development Agreement. Consequently, no additional wells will be drilled for the Trust. The Trust was not responsible for any costs related to the drilling of development wells or any other development or operating costs. As of June 30, 2018, the Trust owns royalty interests in 14 Producing Wells and the 40 development wells (52.06 Equivalent PUD Wells) that are now completed and in production.

The Trust's cash receipts in respect of the Royalty Interests are determined after deducting post-production costs and any applicable taxes associated with the Royalty Interests, and the Trust's cash available for distribution is also reduced by Trust administrative expenses and any amounts reserved for administrative expenses. Post-production costs generally consist of costs incurred to gather, compress, transport, process, treat, dehydrate and market the natural gas produced. Charges (the Post-Production Services Fee), currently limited to \$0.52 per

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MMBtu gathered, are payable to Greylock Production for such post-production costs on the related Greene County Gathering System; however, Greylock Production is permitted to increase the Post-Production Services Fee to the extent necessary to recover certain capital expenditures in the Greene County Gathering System.

Generally, the percentage of production proceeds to be received by the Trust with respect to a well equals the product of (i) the percentage of proceeds to which the Trust is entitled under the terms of the conveyances (90% for the Producing Wells and 50% for the PUD Wells) multiplied by (ii) Greylock Production's net revenue interest in the well. Greylock Production on average owns an 81.53% net revenue interest in the Producing Wells. Therefore, the Trust is entitled to receive on average 73.37% of the proceeds of production from the Producing Wells. With respect to the PUD Wells, the conveyance related to the PUD Royalty Interest provides that the proceeds from the PUD Wells will be calculated on the basis that the underlying PUD Wells are burdened only by interests that in total would not exceed 12.5% of the revenues from such properties, regardless of whether the royalty interest owners are actually entitled to a greater percentage of revenues from such properties. As an example, assuming Greylock Production owns a 100% working interest in a PUD Well, the applicable net revenue interest is calculated by multiplying Greylock Production's percentage working interest in the 100% working interest well by the unburdened interest percentage (87.5%), and such well would have a minimum 87.5% net revenue interest. Accordingly, the Trust is entitled to a minimum of 43.75% of the production proceeds from the well provided in this example. To the extent Greylock Production's working interest in a PUD Well is less than 100%, the Trust's share of proceeds would be proportionately reduced.

The Trust makes quarterly cash distributions of substantially all of its cash receipts, after deducting Trust administrative expenses and costs and reserves therefor, on or about the 60th day following the completion of each quarter. Unless sooner terminated, the Trust will terminate in March 2030.

The amount of Trust revenues and cash distributions to Trust unitholders will depend on, among other things:

- natural gas prices received;
- the volume and Btu rating of natural gas produced and sold;
- post-production costs and any applicable taxes; and
- administrative expenses of the Trust including expenses incurred as a result of being a publicly traded entity, and any changes in amounts reserved for such expenses.

The amount of the quarterly distributions will fluctuate from quarter to quarter, depending on the proceeds received by the Trust, among other factors. There is no minimum required distribution.

Pursuant to IRC Section 1446, withholding tax on income effectively connected to a United States trade or business allocated to foreign partners (ECI) should be made at the highest marginal rate. Under IRC Section 1441, withholding tax on fixed, determinable, annual, periodic income from United States sources allocated to foreign partners should be made at 30% of gross income unless the rate is reduced by treaty. This release is intended to be a qualified notice to nominees and brokers as provided for under Treasury Regulation Section 1.1446-4(b) by ECA Marcellus Trust I, and while specific relief is not specified for Section 1441 income, this disclosure is intended to suffice. Nominees and brokers should withhold 39.6% of the distribution made to foreign partners. The recently enacted Tax Cuts and Jobs Act treats a non-U.S. holder's gain on the sale of Trust units as ECI to the extent such holder would have had ECI if the Trust had sold all of its assets at fair market value on the date of the exchange. The new legislation also requires the transferee of units to withhold 10% of the amount realized on the sale of exchange of units (generally, the purchase price) unless the transferor certifies that it is not a nonresident alien individual or foreign corporation.

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Results of Trust Operations

For the Three Months Ended June 30, 2018 compared to the Three Months Ended June 30, 2017

Distributable income for the three months ended June 30, 2018 decreased to \$1.1 million from \$1.8 million for the three months ended June 30, 2017. Compared to the quarter ended June 30, 2017, royalty income decreased by \$0.5 million and general and administrative expenses increased by \$0.1 million.

Royalty income decreased from \$2.0 million for the three months ended June 30, 2017 to \$1.5 million for the three months ended June 30, 2018, a decrease of \$0.5 million. This decrease was due to a decrease in the average sales price as well as natural production declines.

The average price realized for the three months ended June 30, 2018 decreased \$0.32 per Mcf to \$1.91 per Mcf as compared to \$2.23 per Mcf for the three months ended June 30, 2017. The decrease in the average sales price realized for natural gas production was due to a decrease in the weighted average monthly closing NYMEX price and higher post-production costs during the period. The average sales price, before post-production costs, decreased from \$2.88 per Mcf for the three months ended June 30, 2017 to \$2.61 per Mcf for the three months ended June 30, 2018. This decrease in price was primarily the result of a decrease in the weighted average monthly closing NYMEX price for the current period to \$2.79 per MMBtu compared to the weighted average monthly closing NYMEX price of \$3.18 per MMBtu for the three months ended June 30, 2017. This decrease was offset partially by an increase in the average Basis per MMBtu in the current period at minus \$0.26 per MMBtu compared to the prior period Basis of minus \$0.39 per MMBtu.

Post-production costs consist of a post-production services fee together with a charge for electricity used in lieu of gas for compression on the gathering system and firm transportation charges on interstate gas pipelines. Overall, average post-production costs increased to \$0.70 per Mcf in the current period compared to \$0.64 per Mcf for the three-month period ended June 30, 2017. During the three months ended June 30, 2018, there were higher post-production electricity and transportation fees.

Production decreased 14% from 902 MMcf for the three months ended June 30, 2017 to 777 MMcf for the three months ended June 30, 2018. The decreased production was primarily a result of natural production declines that occur during the life of a well.

General and administrative expenses paid by the Trust for the three months ended June 30, 2018 increased \$0.1 million to \$0.4 million compared to \$0.3 million for the three months ended June 30, 2017. This increase was primarily related to expenses related to higher professional services fees.

For the Six Months Ended June 30, 2018 compared to the Six Months Ended June 30, 2017

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Distributable income for the six months ended June 30, 2018 decreased to \$2.2 million from \$3.3 million for the six months ended June 30, 2017. Compared to the six months ended June 30, 2017, royalty income decreased by \$1.1 million and general and administrative expenses remained relatively flat.

Royalty income decreased from \$4.1 million for the six months ended June 30, 2017 to \$3.0 million for the six months ended June 30, 2018, a decrease of \$1.1 million. This decrease was due to a decrease in the average sales price and by natural production declines.

The average price realized for the six months ended June 30, 2018 decreased \$0.29 per Mcf to \$1.95 per Mcf as compared to \$2.24 per Mcf for the six months ended June 30, 2017. The decrease in the average sales price realized for natural gas production was due to a decrease in the weighted average monthly closing NYMEX price as well as higher post-production costs during the period. The decrease in the average sales price for natural gas production was primarily the result of a decrease in the weighted average monthly closing NYMEX price for the current period to \$2.89 per MMBtu compared to the weighted average monthly closing NYMEX price of \$3.25 per MMBtu for the six months ended June 30, 2017. The average Basis per MMBtu in the current six-month period was more favorable at minus \$0.33 per MMBtu compared to the prior period Basis of minus \$0.44 per MMBtu.

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Average post-production costs consist of a post-production services fee together with a charge for electricity used in lieu of gas for compression on the gathering system and firm transportation charges on interstate gas pipelines. Overall, average post-production costs increased \$0.03 from \$0.65 per Mcf for the six-month period ended June 30, 2017, to \$0.68 per Mcf for the six-month period ended June 30, 2018. During the six months ended June 30, 2018, there was an increase in transportation fees, slightly offset by an overall decrease in electricity usage charges during the period.

Production decreased 15% from 1,818 MMcf for the six months ended June 30, 2017 to 1,545 MMcf for the six months ended June 30, 2018. The decreased production was primarily a result of natural production declines that occur during the life of a well.

General and administrative expenses paid by the Trust remained relatively flat at \$0.8 million for the six-month periods ended June 30, 2018 and 2017.

Liquidity and Capital Resources

The Trust has no source of liquidity or capital resources other than net cash flows from the Royalty Interests. Other than Trust administrative expenses, including, if applicable, expense reimbursements to Greylock Production and any reserves established by the Trustee for future liabilities, the Trust's only use of cash is for distributions to Trust unitholders. Administrative expenses include payments to the Trustee and the Delaware Trustee as well as a quarterly fee of \$15,000 to Greylock Production pursuant to the Administrative Services Agreement. Each quarter, the Trustee determines the amount of funds available for distribution. Available funds are the excess cash, if any, received by the Trust from the Royalty Interests and other sources (such as interest earned on any amounts reserved by the Trustee) that quarter, over the Trust's expenses for that quarter. Available funds are reduced by any cash the Trustee determines to hold as a reserve against future expenses or liabilities. The Trustee, on behalf of the Trust, may borrow funds required to pay expenses or liabilities if the Trustee determines that the cash on hand and the cash to be received are insufficient to cover the Trust's expenses or liabilities. If the Trustee borrows funds, the Trust unitholders will not receive distributions until the borrowed funds are repaid.

Payments to the Trust in respect of the Royalty Interests are based on the complex provisions of the various conveyances held by the Trust, copies of which are filed as exhibits to the 2017 Form 10-K, and reference is hereby made to the text of the conveyances for the actual calculations of amounts due to the Trust.

The Trust does not have any transactions, arrangements or other relationships with unconsolidated entities or persons that could materially affect the Trust's liquidity or the availability of capital resources.

Significant Accounting Policies

The financial statements of the Trust differ from financial statements prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) because, among other differences, certain cash reserves may be established for

contingencies, which would not be accrued in financial statements prepared in accordance with GAAP. Amortization of the investment in overriding royalty interests calculated on a unit-of-production basis is charged directly to Trust Corpus. This comprehensive basis of accounting other than GAAP corresponds to the accounting permitted for royalty trusts by the SEC as specified by ASC Topic 932 Extractive Activities Oil and Gas: Financial Statements of Royalty Trusts.

Income determined on the basis of GAAP would include all expenses incurred for the period presented. However, the Trust serves as a pass-through entity, with expenses for depreciation, depletion, and amortization, interest and income taxes being based on the status and elections of the Trust unitholders. General and administrative expenses, production taxes or any other allowable costs are charged to the Trust only when cash has been paid for those expenses. In addition, the Royalty Interests are not burdened by field and lease operating expenses. Thus, the statement shows distributable income, defined as income of the Trust available for distribution to the Trust unitholders before application of those unitholders' additional expenses, if any, for depreciation, depletion, and amortization, interest and income taxes. The revenues are reflected net of existing royalties and overriding royalties and have been reduced by gathering/post-production expenses.

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Revenue and Expenses:

The Trust serves as a pass-through entity, with items of depletion, interest income and expense, and income tax attributes being based upon the status and election of the unitholders. Thus, the Statements of Distributable Income show income available for distribution before application of those unitholders' additional expenses, if any, for depletion, interest income and expense, and income taxes.

The Trust uses the accrual basis to recognize revenue, with royalty income recorded as reserves are extracted from the Underlying Properties and sold. Expenses are recognized when paid.

Royalty Interest in Gas Properties:

The Royalty interest in gas properties is assessed to determine whether the net capitalized cost is impaired, whenever events or changes in circumstances indicate that its carrying amount may not be recoverable, pursuant to ASC Topic 360, *Property, Plant and Equipment*. The Trust determines whether an impairment charge is necessary to its investment in the Royalty interest in gas properties if total capitalized costs, less accumulated amortization, exceed undiscounted future net revenues attributable to proved gas reserves of the Underlying Properties. Determination as to whether and how much an asset is impaired involves estimates of highly uncertain matters such as future commodity prices, the effects of inflation, weighted average cost of capital, and technology improvements on post-production costs and the outlook for national or regional market supply and demand conditions. Estimates of undiscounted future net revenues attributable to proved gas reserves utilize NYMEX forward pricing curves. If required, the Trust will recognize an impairment charge to the extent that the net capitalized costs exceed the discounted fair value of the investment in net profits interests attributable to proved gas reserves of the Underlying Properties. Any such impairment charge would not reduce Distributable Income, although it would reduce Trust Corpus. At December 31, 2017, the undiscounted future net revenues exceeded the Net royalty interest in gas properties, and therefore no impairment was recognized during the year then ended. No impairment in the Underlying Properties has been recognized during 2018. Significant dispositions or abandonment of the Underlying Properties are charged to Royalty Interests and the Trust Corpus.

Amortization of the Royalty interest in gas properties is calculated on a units-of-production basis, whereby the Trust's cost basis in the properties is divided by Trust total proved reserves to derive an amortization rate per reserve unit. Such amortization does not reduce Distributable Income, rather it is charged directly to Trust Corpus. Revisions to estimated future units-of-production are treated on a prospective basis beginning on the date significant revisions are known.

The conveyance of the Royalty Interests to the Trust was accounted for as a purchase transaction. The \$352,100,000 reflected in the Statements of Assets, Liabilities and Trust Corpus as Royalty Interest in Gas Properties represents 17,605,000 Trust units valued at \$20.00 per unit. The carrying value of the Trust's investment in the Royalty Interests is not necessarily indicative of the fair value of such Royalty Interests.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk.*

Exposure to Natural Gas Prices

The primary asset of and source of income to the Trust are the Royalty Interests, which generally entitle the Trust to receive varying portions of the net proceeds from natural gas production from the Underlying Properties. Consequently, the Trust is exposed to market risk from fluctuations in natural gas prices.

Item 4. *Controls and Procedures.*

Evaluation of Disclosure Controls and Procedures. The Trustee maintains disclosure controls and procedures designed to ensure that information required to be disclosed by the Trust in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the Act), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms promulgated by the SEC. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by the Trust in the reports that it files or submits under the Act is accumulated and communicated by Greylock Production to The

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Bank of New York Mellon Trust Company, N.A., as Trustee of the Trust, and its employees who participate in the preparation of the Trust's periodic reports as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, the Trustee carried out an evaluation of the Trustee's disclosure controls and procedures. Sarah Newell, as Trust Officer of the Trustee, has concluded that the disclosure controls and procedures of the Trust are effective.

Due to the nature of the Trust, there are certain potential weaknesses that may limit the effectiveness of the disclosure controls and procedures established by the Trustee. The limitations include the facts that:

- Greylock Production and its consolidated subsidiaries manage virtually all of the information relating to the Trust, including all information regarding (i) historical operating data, production volumes, the number of producing wells and acreage, the marketing and sale of production, operating and capital expenditures, environmental matters and other potential expenses and liabilities, and the effects of regulatory matters and changes, (ii) plans for future operating and capital expenditures and (iii) geological data relating to reserves, and the Trustee necessarily relies on Greylock Production for all such information; and
- The Trustee necessarily relies upon the independent reserve engineer as an expert with respect to the annual reserve report, which includes projected production, operating expenses and capital expenses.

Other than reviewing the financial and other information provided to the Trust by Greylock Production and the independent reserve engineer, the Trustee has made no independent or direct verification of this financial or other information.

The Trustee does not intend to expand its responsibilities beyond those permitted or required by the Trust Agreement and those required under applicable law.

The Trustee does not expect that the Trustee's disclosure controls and procedures or the Trustee's internal control over financial reporting will prevent all errors or all fraud. Further, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Changes in Internal Control over Financial Reporting. During the quarter ended June 30, 2018, there was no change in the Trustee's internal control over financial reporting that has materially affected, or is reasonably likely to

materially affect, the Trustee's internal control over financial reporting relating to the Trust. The Trustee notes for purposes of clarification that it has no authority over, and makes no statement concerning, the internal control over financial reporting of Greylock Energy.

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PART II-OTHER INFORMATION

Item 1A. Risk Factors.

The following description of risk factors includes any material changes to, and supersedes the description of, the Trust's previously disclosed risk factors contained in Item 1A of the 2017 Form 10-K. Any risk factor that has not been updated below remains as previously reported in Item 1A of the 2017 Form 10-K and no material change to such risk factors have occurred since the filing of such report.

The generation of proceeds for distribution by the Trust depends in part on the ability of Greylock and/or its customers to obtain service on transportation facilities owned by third party pipelines. Any limitation in the availability of those facilities and/or any increase in the cost of service on those facilities could interfere with sales of natural gas production from the Underlying Properties.

Natural gas that is gathered on Greylock's Greene County Gathering System (GCGS), including natural gas produced from the Underlying Properties, is currently shipped on three interstate natural gas transportation pipelines. Greylock or its purchasers have contracted with those pipelines for firm or interruptible transportation service. The rates for service on the transportation pipelines are regulated by the Federal Energy Regulatory Commission and are subject to increase if the pipeline demonstrates that the existing rates are unjust and unreasonable.

Greylock has an agreement with Columbia Gas Transmission (Columbia) to provide firm transportation downstream of the GCGS for 50,000 MMBtu per day. This firm transportation arrangement has been in effect since August 1, 2011 and is at Columbia's filed tariff rate, which is currently \$0.2067 per MMBtu at a one hundred percent load factor. The agreement will terminate on July 31, 2021 with respect to 45,000 MMBtu per day, and on July 31, 2022 with respect to the remaining 5,000 MMBtu per day, unless Greylock exercises its right of first refusal to extend the term. Greylock has entered into an additional agreement with Columbia to provide firm transportation downstream of the GCGS for 100,000 MMBtu per day that will utilize Columbia's Mountaineer XPress Project. This agreement will terminate on the 15th anniversary of the effective in-service date, which is currently expected to be in late 2018. This firm transportation will be an additional post-production cost, and the Trust will bear its proportionate share of such costs.

In the future, Greylock may seek to obtain additional firm transportation capacity, but such capacity may not be available. In addition, to the extent Greylock's customers or Greylock became dependent on interruptible service, and to the extent that any pipeline receives requests for service that exceed the capacity of the pipeline, the pipeline will honor requests by its firm customers first, and will then allocate remaining capacity, if any, to interruptible shippers. As a result, Greylock or its customers may be unable to obtain all or a part of any requested interruptible capacity service on the transportation pipelines. Any inability of Greylock or its customers to procure sufficient capacity to transport the natural gas gathered on the GCGS will decrease and/or delay the receipt of any proceeds that may be associated with natural gas production from wells on the Underlying Properties. In addition, any increase in transportation rates paid by Greylock for production attributable to the Trust's interests will decrease the proceeds received by the Trust.

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Item 6. Exhibits.

The exhibits below are filed or furnished herewith or incorporated herein by reference.

Exhibit Number	Description
3.1	<u>Certificate of Trust of ECA Marcellus Trust I (Incorporated herein by reference to Exhibit 3.1 to Registration Statement on Form S-1 (Registration No. 333-165833))</u>
3.2	<u>Amended and Restated Trust Agreement of ECA Marcellus Trust I, dated July 7, 2010, by and among Energy Corporation of America, The Bank of New York Mellon Trust Company, N.A., as Trustee, and Corporation Trust Company, as Delaware Trustee. (Incorporated herein by reference to Exhibit 3.1 to the Trust's Current Report on Form 8-K filed on July 13, 2010 (File No. 001-34800))</u>
31	<u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32	<u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>

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SIGNATURES

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

ECA MARCELLUS TRUST I

By: THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., trustee

By: /s/ SARAH NEWELL
Sarah Newell
Vice President

Date: August 9, 2018

The registrant, ECA Marcellus Trust I, has no principal executive officer, principal financial officer, board of directors or persons performing similar functions. Accordingly, no additional signatures are available, and none have been provided. In signing the report above, the Trustee does not imply that it has performed any such function or that such function exists pursuant to the terms of the Trust agreement under which it serves.

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APPENDIX A

GLOSSARY OF CERTAIN TERMS

The following are definitions of certain significant terms used in this report. Other terms are defined in the text of this report.

AMI - The area of mutual interest, or AMI, consisted of the Marcellus Shale formation in approximately 121 square miles of property located in Greene County, Pennsylvania in which Legacy ECA had leased approximately 9,300 acres and owned substantially all of the working interests at the date of formation of the Trust. Legacy ECA was obligated to drill the 52 development wells from drill sites on approximately 9,300 leased acres in the AMI. Until Legacy ECA satisfied its drilling obligation on November 30, 2011, it was not permitted to drill and complete any well in the Marcellus Shale formation within the AMI for its own account.

Basis - The difference between the spot or cash price and the futures price of the same or related commodity. For natural gas, basis equals the local cash market price minus the price of the nearby NYMEX natural gas futures contract.

Completion - (or its derivatives) means that the well has been perforated, stimulated, tested and permanent equipment for the production of natural gas has been installed.

Development Agreement - An agreement under which Legacy ECA was obligated to drill all of the PUD Wells no later than March 31, 2014. In order to secure the estimated amount of the drilling costs for the Trust's interests in the PUD Wells, Legacy ECA granted to the Trust a lien on Legacy ECA's interest in the Marcellus Shale formation in the AMI, excluding the Producing Wells and any other wells which were producing and not subject to the Royalty Interests.

Equivalent PUD Well - is defined as a well that is drilled horizontally in the Marcellus formation for a lateral distance of 2,500 feet measured from the midpoint of the curve to the end of the lateral multiplied by the working interest held by Legacy ECA. Wells with a horizontal lateral less than 2,500 feet count as fractional wells in proportion to the total lateral length divided by 2,500 feet. Wells with a horizontal lateral greater than 2,500 feet (subject to a maximum of 3,500 feet) count as fractional wells in proportion to the total lateral length divided by 2,500 feet.

Gas - means natural gas and all other gaseous hydrocarbons, excluding condensate, butane, and other liquid and liquefiable components that are actually removed from the Gas stream by separation, processing, or other means.

MMBtu - One million British Thermal Units.

Mcf - One thousand cubic feet of natural gas.

MMcf - One million cubic feet of natural gas.

Private Investors - the persons described as the Private Investors in the Prospectus.

Prospectus - the prospectus dated July 1, 2010 and filed with the SEC pursuant to rule 424(b) on July 1, 2010 relating to the initial public offering of the Trust units.

SEC - means the United States Securities and Exchange Commission.

Subject Gas - means Gas from the Marcellus Shale formation from any Producing Well or PUD Well.

Working Interest - The right granted to the lessee of a property to explore for and to produce and own oil, gas, or other minerals. The working interest owners bear the exploration, development, and operating costs on either a cash, penalty, or carried basis.