

BALCHEM CORP  
Form DEF 14A  
April 29, 2019  
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)  
of the Securities Exchange Act of 1934  
(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

- ☐ Definitive Additional Materials
- ☐ Soliciting Material Pursuant to §240.14a-12

**BALCHEM CORPORATION**

**(Name of Registrant as Specified In Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

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

(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11  
(set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of the transaction:

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o Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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Tel: 845-326-5600  
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April 29, 2019

**NOTICE OF  
VIRTUAL ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON JUNE 20, 2019  
AND PROXY STATEMENT**

TO OUR SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the Virtual Annual Meeting of Shareholders (the Annual Meeting or the Meeting ) of Balchem Corporation (the Company ) will begin promptly at 2:00 p.m. Eastern Daylight Savings Time on June 20, 2019. The Annual Meeting will be a virtual meeting and there will be no physical meeting location. The meeting will only be conducted via live webcast and shareholders may participate online by logging in at [www.virtualshareholdermeeting.com/BCPC2019](http://www.virtualshareholdermeeting.com/BCPC2019). Using this website, shareholders will be able to listen, vote, and submit questions from their home or from any remote location that has internet connectivity. If you plan to participate in the Annual Meeting, please see the instructions on page 40 of the attached Proxy Statement.

The Annual Meeting will be conducted for the following purposes:

1. To elect two Class 1 directors to the Board of Directors to serve until the Annual Meeting of Shareholders in 2022;
2. To ratify the appointment of RSM US LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019;
3. To hold an advisory (non-binding) vote on the Company's executive compensation; and,
4. To transact such other business as may properly come before the Meeting or any adjournment thereof.

Information with respect to the above matters is set forth in the Proxy Statement, which accompanies this Notice.

The Board of Directors has set April 23, 2019 as the record date for the Annual Meeting. This means that only shareholders of record at the close of business on that date are entitled to notice of and to vote at the Meeting or any adjournment thereof.

Shareholders who do not expect to be able to attend the Meeting are requested to complete, date and sign the enclosed proxy and promptly return the same in the stamped, self-addressed envelope enclosed for your convenience. Shareholders may also submit a proxy over the internet or by phone.

BY ORDER OF THE BOARD OF DIRECTORS

Theodore L. Harris, Chairman

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**PROXY STATEMENT  
BALCHEM CORPORATION**

**GENERAL**

This Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors (the Board of Directors or the Board ) of Balchem Corporation (the Company ) to be voted at the 2019 Virtual Annual Meeting of Shareholders (the Annual Meeting or the Meeting ) on June 20, 2019 at 2:00 p.m., local time, and at any adjournment or postponement thereof. Shareholders will be able to listen, vote, and submit questions from their home or from any remote location that has internet connectivity. Shareholders may only participate online by logging in at 1:55 p.m. This Proxy Statement and a proxy card are expected to be sent to shareholders beginning on or about April 29, 2019.

The Board of Directors has fixed the close of business on April 23, 2019 as the record date (the Record Date ) for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting. At the Annual Meeting, shareholders will be asked to consider and vote upon the following matters:

- Election of two Class 1 directors to the Board of Directors to serve until the Annual Meeting of Shareholders in 2022;
- Ratification of the appointment of RSM US LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019;
- Holding an advisory (non-binding) vote on the Company's executive compensation ( Say on Pay ); and
- Such other matters as may properly come before the Annual Meeting or any adjournment thereof.

You can ensure that your shares are voted at the Annual Meeting by completing, signing, dating and returning the enclosed proxy card in the envelope provided. Sending in a signed proxy will not affect your right to attend the Meeting and vote. A shareholder who gives a proxy may revoke it at any time before it is exercised by voting by attending the virtual meeting or by proxy at the Annual Meeting, by submitting another proxy bearing a later date or by notifying the Inspectors of Election or the Secretary of the Company of such revocation, in writing, prior to the Annual Meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to attend and vote by attending the virtual meeting or by proxy at the Annual Meeting, you must obtain from the record holder a proxy issued in your name.

If your shares are registered in your name with our transfer agent, you may vote either over the internet or by telephone. Specific instructions for voting in this manner are set forth on the enclosed proxy card. These procedures are designed to authenticate each shareholder's identity and to allow shareholders to vote their shares and confirm that their instructions have been properly recorded. If your shares are registered in the name of a bank or brokerage firm, you may also be able to vote your shares over the internet or by telephone. Many banks and brokerage firms are participating in online programs that allow eligible shareholders to vote over the internet or by telephone. If your bank or brokerage firm is participating in such a program, your voting form will provide instructions. If your voting form does not contain internet or telephone voting information, please complete and return the paper voting form in the self-addressed, postage-paid envelope provided by your bank or brokerage firm.

If you properly specify how a proxy is to be voted, it will be voted accordingly. If you sign a proxy card or voting form but do not provide voting instructions, it will be voted FOR the director nominees, FOR ratification of the appointment of the auditors, FOR approval of the Company's executive compensation, and at the discretion of the proxy holders about any other matter that may come before the Meeting or any adjournment thereof.

Broker non-votes are shares held by brokers or nominees that are present by attending the virtual meeting or represented by proxy but are not voted on a matter because instructions have not been received from the beneficial owner and the broker or nominee does not have discretion to vote without such instructions. Brokers and nominees generally do not have such discretion when the matter is deemed by the broker voting rules to be non-routine. The ratification of the independent registered public accounting firm is a routine matter with respect to which brokers and nominees have discretion to vote shares held by them in

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street-name in their discretion absent any instructions received from the beneficial owners of such shares. Brokers and nominees do not have such discretion with respect to the election of directors or Say on Pay.

Proxies may be solicited, without additional compensation, by directors, officers and other regular employees of the Company by telephone, email, fax or in person. All expenses incurred relating to this solicitation will be borne by the Company. Brokers, nominees, fiduciaries and other custodians have been requested to forward soliciting material to the beneficial owners of our Common Stock, defined in the section below entitled Voting Securities held of record by them, and such custodians will be reimbursed for their reasonable expenses.

**Internet Availability of Proxy Materials**

The Company's Proxy Statement and Annual Report to shareholders for the year ended December 31, 2018 are available at <http://proxymaterials.balchem.com>.



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### **PROPOSAL NO. 1 – ELECTION OF DIRECTORS**

The Company's Bylaws provide for a staggered term Board of Directors consisting of seven (7) members, with the classification of the Board of Directors into three classes (Class 1, Class 2 and Class 3). The term of the two current Class 1 directors will expire at the Annual Meeting. The Class 3 and Class 2 directors will remain in office until their terms expire, at the annual meetings of shareholders to be held in the years 2020 and 2021, respectively.

At the Annual Meeting, two Class 1 directors are to be elected to hold office until the annual meeting of shareholders to be held in 2022 and thereafter until their successors have been elected and qualified. The nominees are listed below with brief biographies. The Board is not aware of any reason why any such nominee may be unable to serve as a director. If any, some or all of such nominees are unable to serve, the shares represented by all valid proxies will be voted for the election of such other person or persons, as the case may be, as the Board may recommend, or the Board may fill the vacancy or may amend the Company's Bylaws to reduce the size of the Board.

#### **Vote Required to Elect Directors**

Under the rules of the Securities and Exchange Commission (the SEC), boxes and a designated blank space are provided on the form of proxy for shareholders to mark if they wish to vote in favor of or withhold authority to vote for the Company's nominees for director.

A director nominee must receive a plurality of the votes cast at the Meeting, assuming a quorum is present. This means that a broker non-vote or a vote withheld from a particular nominee will not affect the outcome of the election of directors. However, we have adopted a majority vote policy, as described below.

If for any reason any such named nominee should not be available as a candidate for director, the proxies will be voted in accordance with the authority conferred in the proxy for such other candidate as may be nominated by the Company's Board of Directors.

#### **Majority Vote Policy**

Under the Company's Corporate Governance Guidelines (the Governance Guidelines), if a nominee for director in an uncontested election receives a greater number of withhold votes for election than for votes, that director shall promptly tender to the Board his or her resignation from the Board of Directors. The Corporate Governance and Nominating Committee will then make a recommendation to the Board whether to accept or reject the resignation tendered by such director or whether other action is necessary.

The Board will act on the tendered resignation, considering the recommendation of the Corporate Governance and Nominating Committee as well as other potentially relevant factors, within 90 days from the date of the certification of the election results. The director whose resignation is under consideration is not permitted to participate in the recommendation of the Corporate Governance and Nominating Committee or deliberations of the Board with respect to his or her resignation. If a director's resignation is accepted by our Board, the Board may fill the resulting vacancy or may amend the Company's Bylaws to decrease the size of the Board.

The Governance Guidelines are available on the Corporate Governance page in the Investor Relations section of the Company's website: [www.balchem.com](http://www.balchem.com).

**Nominees for Election as Director**

**Theodore L. Harris**, age 54, a Class 1 director whose current term expires in 2019, has been a director, and President and Chief Executive Officer of the Company since April 2015, and Chairman of the Company's Board of Directors since January 2017. Prior to joining the Company, Mr. Harris was employed by Ashland Global Holdings Inc. (formerly. Ashland Inc.) (NYSE), a specialty chemical company, in various senior management positions, serving as Senior Vice President, President Performance Materials, from November of 2014 to April

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**PROPOSAL NO. 1 – ELECTION OF DIRECTORS**

2015. Prior to this position, from 2011 to 2014, he served as Senior Vice President, President Performance Materials & Ashland Supply Chain, and prior to that, Vice President, President Performance Materials & Ashland Supply Chain. Mr. Harris' broad managerial, international, operational and sales experience, as well as his proven track record of developing and implementing strategies for delivering sustainable, profitable growth, make him a valuable member of our Board of Directors. Mr. Harris is also a member of the board of directors of Pentair plc (NYSE), a diversified industrial manufacturing company.

**Matthew D. Wineinger**, age 52, a Class 1 director whose current term expires in 2019, has been a director of the Company since September 2015. Since June 2015, Mr. Wineinger has been the President and Chief Executive Officer of United Sugars Corporation, a privately held, leading marketer of sugar. Mr. Wineinger served as President of Bulk Ingredients from June 2010 to November 2014, and as President, Food and Industrial Ingredients of Tate & Lyle PLC (LSE) from March 2008 to June 2010. Mr. Wineinger's thirty-one years of extensive global, operational and strategic industry experience, together with his previous knowledge of manufacturing operations involving many of the Company's current raw materials, make him a valuable member of our Board of Directors, particularly as the Company focuses on development and supply of products to human food and nutrition industries.

**UPON RECOMMENDATION BY THE CORPORATE GOVERNANCE AND NOMINATING COMMITTEE, THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS A VOTE 'FOR' THE ELECTION OF THE ABOVE NOMINEES AS DIRECTORS.**

**Directors Not Standing for Election**

**David B. Fischer**, age 56, a Class 3 director whose current term expires in 2020, was appointed as a director of the Company in September 2010. Mr. Fischer is retired and prior to his retirement, he was a director and President and Chief Executive Officer of Greif, Inc. (NYSE), a supplier of industrial packing systems from November 2011 to October 2015. From 2007 to 2011, Mr. Fischer was the President and Chief Operating Officer of Greif, and from 2004 to 2007, Mr. Fischer served as Greif's Senior Vice President and Divisional President, Industrial Packaging & Services - Americas. He is currently a member of the Boards of Directors of Ingredion Incorporated (NYSE) and DOmedia LLC, a privately held company. Mr. Fischer is also a co-founder and chairman of the board of directors of 10x Materials, a privately-held clean tech materials science company located in Wabash, Indiana. Mr. Fischer holds a Bachelor of Science degree from Purdue University. Mr. Fischer's management and leadership skills, developed over years of responsibility for complex, global manufacturing operations, and his intimate knowledge of mergers and acquisitions, position him as a critical component of our Board of Directors, as we look to grow both organically and by acquisition.

**Perry W. Premdas**, age 66, a Class 3 director whose current term expires in 2020, was appointed as a director of the Company in January 2008. He is currently retired. From 1999 to 2004, Mr. Premdas was Chief Financial Officer of Celanese AG, a chemical and plastics business spun-off by Hoechst AG and listed on the Frankfurt stock exchange and the NYSE. He was Senior Executive Vice President and Chief Financial Officer of Centeon LLC from 1997 to 1998. Over his career, he has led treasury, finance, audit and investor relations functions of US and international companies and had general manager, executive and director roles in various wholly-owned and joint venture operations. Mr. Premdas holds a BA from Brown University and an MBA from the Harvard University Graduate School of Business. He served as a member of the Board of Directors of Compass Minerals International, Inc. (NYSE) until May 2015. Mr. Premdas was our Audit Committee Chairman and the Board of Directors' audit committee financial expert from 2008 to 2018. Mr. Premdas' combination of financial and international business management

experience in the chemical industry makes him a valuable member of our Board of Directors.

**Dr. John Y. Televantos**, age 66, a Class 3 director whose current term expires in 2020, has been a director since February 2005, and lead director since August 2010. Dr. Televantos is a Senior Partner at Arsenal Capital Partners, Inc., a private equity investment firm, where he leads the Chemicals and Materials practice of the firm. Dr. Televantos was formerly with Hercules, Inc., a chemical manufacturing company, as President of the Aqualon Division and as Vice President of Hercules, Inc. from April 2002 through February 2005. Dr. Televantos holds B.S. and Ph.D. degrees in Chemical Engineering from the University of London, United Kingdom. In addition to Dr. Televantos' experience in the chemical manufacturing industry and management of publicly

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### **PROPOSAL NO. 1 – ELECTION OF DIRECTORS**

traded chemical manufacturing entities, Dr. Televantos is also significantly involved in private equity markets and processes involving chemical manufacturing companies. Collectively, these make Dr. Televantos a valuable member of the Board of Directors.

**Paul D. Coombs**, age 63, a Class 2 director whose current term expires in 2021, was appointed to our Board of Directors in September 2010. From April 2005 until his retirement in June 2007, Mr. Coombs served as the Executive Vice President of Strategic Initiatives for Tetra Technologies, Inc. (NYSE), an oil and gas services company, and from May 2001 to April 2005, as its Executive Vice President and Chief Operating Officer. From January 1994 to May 2001, Mr. Coombs served as Tetra's Executive Vice President – Oil & Gas. Mr. Coombs is a director of Tetra and is a member of its Audit and Corporate Governance and Nominating Committees. Mr. Coombs also serves as a director of CSI Compressco GP Inc., the general partner of CSI Compressco LP, CCLP (NASDAQ), a publicly traded limited partnership, both of which are subsidiaries of Tetra. Mr. Coombs has thirty-five years of experience in the oil and gas service and exploration industries, which, together with his entrepreneurial approach to management, provides the Board of Directors with essential counsel and insight into this area.

**Daniel E. Knutson**, age 62, a Class 2 director whose current term expires in 2021, was appointed to our Board in February 2018. Until his retirement at the end of 2017, Mr. Knutson served as the Executive Vice President for Special Projects at Land O' Lakes, Inc. Land O' Lakes is one of America's premier agribusiness and food companies. Previously, Mr. Knutson served as Executive Vice President and Chief Financial Officer at Land O' Lakes from 2000 to 2017, where he oversaw corporate finance, accounting, treasury, audit, information technology and strategy and played key roles in many of Land O' Lakes' transactions. In addition, he was responsible for Land O' Lakes' investment in Moark LLC. Mr. Knutson joined Land O' Lakes in 1978 and prior to his appointment as Chief Financial Officer, he held several leadership roles within its finance and accounting groups. Our Company's financial compliance programs and policies benefit from Mr. Knutson's input and skilled guidance. Mr. Knutson's combination of financial and international business management experience makes him a valuable member of our Board of Directors.

### **Director Independence**

The Board of Directors has made an affirmative determination that each of the Company's directors, other than Mr. Harris is independent, as such term is defined under the NASDAQ Marketplace Rules.

### **Meeting Attendance**

During fiscal 2018, the Board of Directors held five regular meetings and one special meeting. Each director attended at least 75% of the meetings of the Board held when he was a director and of the meetings of those Committees of the Board on which he served.

### **Committees of the Board of Directors**

The Company's Board of Directors has a standing Audit Committee, Executive Committee, Compensation Committee, and Corporate Governance and Nominating Committee. The Board of Directors appoints the members of each

Committee. In 2018, the Audit Committee held three regular meetings and three telephonic or special meetings and each of the Compensation Committee and Corporate Governance and Nominating Committee held three meetings. The Executive Committee did not meet in 2018.

***Audit Committee.*** The Audit Committee is directly responsible for appointing, compensating and overseeing the work of the Company's independent registered public accounting firm. The Audit Committee also assists the Board of Directors in fulfilling its oversight responsibilities with respect to the Company's financial reporting, internal controls and procedures, and audit functions.

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### **PROPOSAL NO. 1 – ELECTION OF DIRECTORS**

The primary duties and responsibilities of the Audit Committee are to:

- (1) monitor the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance;
- (2) monitor the independence, qualifications and performance of the Company's independent auditors;
- (3) establish policies and procedures with respect to enterprise risk assessment and risk management;
- (4) review Company procedures for identifying, monitoring, and mitigating risk exposures; and
- (5) provide an avenue of communication among the independent auditors, management and the Board of Directors.

The Audit Committee's role with respect to the Company's risk oversight is discussed under the section below entitled *Board Role in Risk Oversight*. The Audit Committee also monitors and, if necessary, investigates, reports made to the Company's hotline. Responsibilities, activities and independence of the Audit Committee are discussed in greater detail under the section below entitled *Audit Committee Report*.

The Board of Directors has adopted a written charter for the Audit Committee, which is available on the Corporate Governance page in the Investor Relations section of the Company's website, [www.balchem.com](http://www.balchem.com). The current members of the Audit Committee are Messrs. Knutson (Chair), Coombs and Fischer. The Board of Directors has determined that the Audit Committee chairman, Mr. Knutson, qualifies as an audit committee financial expert, as defined by SEC rules, and that all members of the Audit Committee are independent under the NASDAQ Marketplace Rules and SEC independence requirements applicable to audit committee members.

***Compensation Committee.*** The duties of the Compensation Committee are, among other things, to:

- (1) ensure that all compensation and benefit plans are aligned with the interests of shareholders and meet the needs of the Corporation and its employees;  
review, approve and recommend to the Board of Directors for approval a compensation program, including
- (2) incentives, for the Chief Executive Officer (CEO) and senior executives of the Company (the CEO may not be present during deliberations or voting on his compensation);
- (3) recommend to the Board of Directors for approval the compensation of directors; and
- (4) administer the Company's equity compensation plans.

The Compensation Committee solicits input from our CEO with respect to the performance of our executive officers and their compensation levels no less than once per calendar year, usually in the first quarter.

The members of our Compensation Committee have extensive and varied experience with various public and private corporations - as investors and shareholders, as senior executives, and as directors charged with the oversight of management and the setting of executive compensation levels. In addition to the extensive experience and expertise of the Compensation Committee's members and their familiarity with the Company's performance and the performance of our executive officers, the Compensation Committee is able to draw on the experience of other directors and on various legal and accounting executives employed by the Company, and the Compensation Committee has access to readily available public information regarding executive compensation structures and the establishment of appropriate compensation levels.

The Board of Directors has adopted a written charter for the Compensation Committee, which is available on the Corporate Governance page in the Investor Relations section of the Company's website, [www.balchem.com](http://www.balchem.com). The current members of the Compensation Committee are Dr. Televantos (Chair) and Messrs. Fischer, Premdas and Wineinger, each of whom is independent, as such term is defined under the NASDAQ Marketplace Rules.

The Compensation Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee or, to the extent permitted by applicable law, to any other body or individual. In particular, the Compensation Committee may delegate the approval of certain transactions to a subcommittee



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### **PROPOSAL NO. 1 – ELECTION OF DIRECTORS**

consisting solely of members of the Compensation Committee who are (a) non-employee directors within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934 and (b) outside directors for Section 162(m) of the Internal Revenue Code of 1986, as amended.

The Compensation Committee, in setting 2018 director and executive compensation, engaged Mercer, LLC, an independent executive compensation advisory firm, to provide survey data and advice on market trends on director and executive compensation.

At the Compensation Committee's meetings in early 2018, the Compensation Committee reviewed with senior management its recommendations and basis for Company performance goals for payouts of 2018 annual incentive awards and long-term compensation awards. Following this discussion, the Compensation Committee set the 2018 Company performance goals for annual incentive awards and long-term compensation awards that had to be achieved for payouts of such awards to occur. The Compensation Committee also approved the form of the long-term compensation awards. For information regarding the Compensation Committee's role, absence of conflicts and fees, among other matters, see Compensation Discussion and Analysis.

***Corporate Governance and Nominating Committee.*** The duties of the Corporate Governance and Nominating Committee are, among other things, to:

- (1) consider and make recommendations to the Board concerning the appropriate size, function and needs of the Board;
- (2) determine the criteria for Board membership, oversee searches and evaluate and recommend candidates for election to the Board;
  - (3) evaluate and recommend to the Board responsibilities of the Board committees;
- (4) annually review and assess the adequacy of the Governance Guidelines and recommend any changes to the Board for adoption;
- (5) annually evaluate its own performance as well as oversee an annual self-evaluation of the Board and other Board Committees;
  - (6) oversee compliance with the Company's Stock Ownership Policies;
- (7) consider matters of corporate social responsibility, including reviewing the Company's activities and practices regarding environmental, social and related governance, including sustainability ("ESG") matters that are significant to the Company and periodically reviewing the Company's ESG strategy, initiatives and policies;
- (8) recruit and evaluate new candidates for nomination by the full Board for election as directors, (ix) prepare and update an orientation program for new directors;
- (9) evaluate the performance of current directors in connection with the expiration of their term in office providing advice to the full Board as to nomination for reelection; and
  - (10) annually review and recommend policies on director retirement age.

The Board of Directors has adopted a written charter for the Corporate Governance and Nominating Committee, which is available on the Corporate Governance page in the Investor Relations section of the Company's website, [www.balchem.com](http://www.balchem.com). The current members of the Corporate Governance and Nominating Committee are Messrs. Wineinger (Chair), Coombs, Premdas and Dr. Televantos, each of whom is independent, as such term is defined under the NASDAQ Marketplace Rules.

***Executive Committee.*** The Executive Committee is authorized to exercise all the powers of the Board of Directors in the interim meetings of the Board, subject to the limitations imposed by Maryland law. The Executive Committee is also responsible for:

- (1) the recruitment, evaluation and selection of suitable candidates for the position of CEO, for approval by the full Board;

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### **PROPOSAL NO. 1 – ELECTION OF DIRECTORS**

(2) the preparation, together with the Compensation Committee, of objective criteria for the evaluation of the performance of the CEO; and

(3) reviewing the CEO's plan of succession for key executives of the Company.

The current members of the Executive Committee are Dr. Televantos (Chair), Mr. Fischer and Mr. Premdas.

### **Nominations of Directors**

The Corporate Governance and Nominating Committee considers re-nominating incumbent directors who continue to satisfy the Company's criteria for membership on the Board; whom the Board believes will continue to make contributions to the Board; and who consent to continue their service on the Board. If the incumbent directors are not nominated for re-election or if there is otherwise a vacancy on the Board, the Corporate Governance and Nominating Committee will solicit recommendations for nominees from persons that they believe are likely to be familiar with qualified candidates, including Board members and members of management. The Corporate Governance and Nominating Committee may also determine to engage a professional search firm to assist in identifying qualified candidates. The Corporate Governance and Nominating Committee also considers independent director candidates recommended by one or more substantial, long-term shareholders. Generally, shareholders who individually or as a group hold 5% or more of our Common Stock and have continued to do so for over one year will be considered substantial, long-term shareholders. To be considered by the Corporate Governance and Nominating Committee, the names of such nominees, accompanied by relevant biographical information, must be properly submitted, in writing, to the Secretary of the Company by the deadline for including shareholder proposals in the Company's proxy materials as set forth below in Shareholder Proposals for 2019 Annual Meeting of Shareholders. Shareholder nominations that comply with these procedures and that meet the criteria outlined above will receive the same consideration that other candidates receive.

The Corporate Governance and Nominating Committee and the Board have adopted guidelines for identifying or evaluating nominees for directors, including incumbent directors and nominees recommended by shareholders. The Company's current policy is to require that a majority of the Board of Directors be independent. In addition, directors may not serve on the boards of more than three other public companies without the approval of the Board of Directors and directors must satisfy the Company's age limit policy for directors, which require that a director retire at the conclusion of his or her term in which he or she reaches the age of 70.

The guidelines for nomination for a position on the Board of Directors provide for the selection of nominees based on the nominee's skills, achievements and knowledge, and contemplate that the following will be considered, among other things, in selecting nominees:

- (i) experience and skills in areas critical to understanding the Company and its business;
- (ii) personal characteristics, such as integrity and judgment;
- (iii) diversity of background, experience and perspectives (including business experience, geographic origin, age, gender, and ethnicity); and
- (iv) the candidate's ability to commit to the Board of Directors.

Members of the Corporate Governance and Nominating Committee (and/or the Board) also meet personally with each nominee to evaluate the candidate's ability to work effectively with other members of the Board, while also exercising independent judgment.

The Board believes that diversity within a Board promotes the inclusion of different perspectives and ideas and ensures that the Company benefits from all available talent. Therefore, the Board evaluates each candidate in the context of the Board as a whole, with the objective of recommending an individual that can best perpetuate the success of the business and represent shareholder interests through the exercise of sound judgment based upon a diversity of background, experience and perspectives.

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### **PROPOSAL NO. 1 – ELECTION OF DIRECTORS**

#### **Lead Director**

The Board of Directors has had a Lead Director since 2005. Dr. Televantos has been the Lead Director since August 2010. The Lead Director role reinforces the independence of the Board of Directors and is appointed on a rotating basis from the independent directors.

The Lead Director serves at the pleasure of the Board and, in any event, only so long as that person shall be an independent director of the Company. The Corporate Governance and Nominating Committee reviews annually the functions of the Lead Director and recommends to the Board any changes that it considers appropriate. The Lead Director provides a source of Board leadership complementary to that of the Chairman of the Board.

The Lead Director is responsible for, among other things:

- (i) working with the Chairman and other directors to set agendas for Board meetings;
- (ii) providing leadership in times of crisis together with the Executive Committee;
- (iii) reviewing the individual performance of each of the directors with the Chair of the Corporate Governance and Nominating Committee;
- (iv) chairing regular meetings of independent Board members without management present (executive sessions);
- (v) acting as liaison between the independent directors and the Chairman; and
- (vi) chairing Board meetings when the Chairman is not in attendance.

#### **Current Board Leadership Structure**

The Corporate Governance and Nominating Committee reviews the functioning of the Board and makes recommendations to the Board regarding the CEO, Chairman and Lead Director, in the manner that it determines to be in the best interests of our shareholders, which is consistent with the Governance Guidelines. The Governance Guidelines are available on the Corporate Governance page in the Investor Relations section of the Company's website, [www.balchem.com](http://www.balchem.com). The Governance Guidelines do not require the Chairman of the Board to be independent and do not specify whether the positions of Chairman of the Board and the CEO must be separated. The Board and the Corporate Governance and Nominating Committee regularly consider the appropriate leadership structure for the Company and have concluded that the Company and its shareholders are best served by the Board the Corporate Governance and Nominating Committee retaining discretion to determine whether the same individual should serve as both CEO and Chairman of the Board, or whether the roles should be separated. The Board and the Corporate Governance and Nominating Committee believe that it is important to retain the flexibility to make this determination at any given point in time based on what it believes will provide the best leadership structure for the Company, based on the circumstances at the time.

Mr. Harris, our President and CEO, has been the Chairman of the Board of Directors since January 1, 2017. The Board and the Corporate Governance and Nominating Committee currently believe that the Company and its shareholders are best served by having Mr. Harris serve in both positions. The Board and the Corporate Governance and Nominating Committee believe several factors support this decision. The Board and the Corporate Governance and Nominating Committee believe the combined Chairman and CEO structure promotes decisive leadership, ensures clear accountability and enhances our ability to communicate with a single and consistent voice to shareholders, employees and other stakeholders. Further, Mr. Harris is thoroughly familiar with our business and the challenges the Company faces in the current environment and is best situated to lead and focus discussions on those critical matters

affecting the Company, which eliminates ineffective and unproductive meetings. In addition, the combination of the Chairman and the CEO position succeeds because of the engaged, knowledgeable involvement of our Board of Directors in combination with

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### **PROPOSAL NO. 1 – ELECTION OF DIRECTORS**

our culture of open communication with the CEO and senior management, enabling the CEO to be an effective conduit between management and the Board. This structure's effectiveness is supported by the active function of the Lead Director, who provides and confirms the necessary independence in the functioning of the Board.

#### **Board Role in Risk Oversight**

While our Board provides direct risk oversight, responsibility for risk oversight is primarily administered through the Audit Committee. The Board and the Audit Committee have and will regularly discuss with management our major risk exposures, their potential financial impact on the Company and the management thereof. The Audit Committee receives, or arranges for the Board of Directors to receive, periodic reports from management on areas of material risk to the Company, including financial, operational, legal, regulatory and strategic risks. The Company has an enterprise risk management effort led by its Internal Audit function. The Audit Committee receives these reports from members of management tasked with the responsibility to understand, manage and mitigate the risks. The Chairman of the Audit Committee reports on the discussion to the full Board during the Committee reports portion of the next Board meeting, which enables the Board and its Committees to coordinate the risk oversight role, particularly with respect to cross-discipline risks and interrelated risks. The Compensation Committee also evaluates risk, as such relates to our compensation program. Please refer to the discussion in the Compensation Discussion and Analysis under the section Risk Considerations in our Compensation Program .

#### **Communicating with the Board of Directors**

Members of the Board and executive officers are accessible by mail in care of the Company. Any matter intended for the Board, or for any individual member or members of the Board, should be directed to the General Counsel with a request to forward the communication to the intended recipient. In the alternative, shareholders can direct correspondence to the Board via the Chairman, or to the attention of the Lead Director, in care of the Company at the Company's principal executive office address, 52 Sunrise Park Road, New Hampton, NY 10958. The Company will forward such communications, unless of an obviously inappropriate nature, to the intended recipient.

#### **Executive Sessions of the Board of Directors**

The Company's independent directors meet regularly in executive sessions following each regularly scheduled meeting of the Board of Directors. These executive sessions are presided over by the Lead Director. The independent directors presently consist of all current directors, except Mr. Harris.

#### **Executive Officers**

Set forth below is certain information concerning the executive officers of the Company (other than Mr. Harris, whose background is described above under the caption Directors Standing for Election ).

**Martin Bengtsson**, age 41, is the Company's Chief Financial Officer. He joined the Company in February 2019. He served as Vice President and Chief Financial Officer for the Performance Materials and Technologies business unit of Honeywell International Inc. (Honeywell), a diversified technology and manufacturing company, from April 2018 until January 2019. Prior to that, Mr. Bengtsson was Vice President and Chief Financial Officer for the following Honeywell business units: (i) Advanced Materials (August 2016 – April 2018), (ii) Specialty Products (March 2016 – August 2016), and (iii) Fluorine Products (April 2014 – February 2016). Prior to these roles, Mr. Bengtsson held a number of positions in Honeywell's accounting and finance unit, each with increasing responsibility, including Vice President, Global Controller for the Performance Materials and Technologies business unit from October 2011 until March 2014 and as Vice President, Finance – Group Corporate Audit from February 2009 until September 2011.



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### **PROPOSAL NO. 1 – ELECTION OF DIRECTORS**

**William A. Backus**, CPA, age 53, served as Interim Chief Financial Officer from October 2018 to February 2019. Mr. Backus has been the Company's Chief Accounting Officer since October 2017. Prior to that, Mr. Backus was the Company's Chief Financial Officer and Treasurer from June 2014 to October 2017. He was Chief Accounting Officer and Assistant Treasurer of the Company from June 2011 to June 2014 and was Controller of the Company from January 2006 to June 2011. He was Controller of Stewart EFI, LLC, a precision metal component manufacturer, from 1999 through 2005.

**David F. Ludwig**, age 61, has been Vice President and General Manager, Specialty Products since July 1999, Vice President and General Manager, Industrial Products since February 2017, and an executive officer of the Company since June 2000. He was Vice President and General Manager of Scott Specialty Gases, a manufacturer of high purity gas products and specialty gas blends, from September 1997 to June 1999. From 1986 to 1997 he held various international and domestic sales and marketing positions with Engelhard Corporation's Pigments and Additives Division.

**Scott C. Mason**, age 60, has been the Company's Vice President of Manufacturing and Supply Chain, since October 2017. Prior to joining the Company, he was Senior Vice President for Global Supply Chain at Stepan Company, a producer of specialty and intermediate chemicals, from March 2010 to August 2017. He was Senior Vice President, Global Supply Chain for Nalco Company from January 2006 to December 2009 and Vice President-General Manager of the Institutional, Manufacturing and Municipal Water Treatment Business at Graftech International from February 2000 to September 2006. From 1998 to February 2000, Mr. Mason was Vice President, Global Supply Chain for Union Carbide.

**Mark A. Stach**, age 57, has been General Counsel and Secretary since September 2017. He was Assistant General Counsel of the Company from October 2015 until September 2017. Prior to that he was in private practice and was Assistant General Counsel for Ashland Global Holdings Inc. (formerly, Ashland Inc.) (NYSE), where he was lead counsel and member of the leadership teams for two of Ashland's business units and supervised the commercial, global trade compliance and intellectual property functions within Ashland's Law Department.

**Mary Theresa Coelho**, age 56, was Company's Chief Financial Officer and Treasurer from October 2017 until her resignation in October 2018. As Ms. Coelho served as the Company's principal financial officer during a portion of 2018, information with respect to her compensation is being provided in accordance with Item 402(a)(3)(ii) of Regulation S-K. Prior to joining Balchem, Ms. Coelho was Chief Operating Officer of Diversey, Inc. since September 2017. Prior to that role, Ms. Coelho was Vice President Finance and Global Commercial Excellence for Diversey Care, a division of Sealed Air Corporation, from February 2016 to September 2017 and Vice President Finance for Diversey Care from October 2014 to February 2016.

### **Code of Business Conduct and Ethics**

The Company has adopted a Code of Business Conduct and Ethics applicable to its employees, which is also applicable to the Company's directors and officers. The Company has also adopted a Code of Ethics for Senior Financial Officers that applies to the Company's Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Treasurer and Corporate Controller. Any waiver of any provision in either of these codes in favor of members of the Board or in favor of executive officers may be made only by the Board. Any such waiver, and any material amendment to such Codes, will be publicly disclosed in a Current Report on Form 8-K. The Code of Ethics for Senior Financial Officers and Code of Business Conduct and Ethics are available on the Corporate Governance page in the

Investor Relations section of the Company's website: [www.balchem.com](http://www.balchem.com).

## **Sustainability**

We are committed to operating and delivering financial results in a way that respects the overall environment in which we operate. Therefore, corporate responsibility and sustainability play an important role in our business and operating strategies and long-term value creation for our stakeholders. We believe that our

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### **PROPOSAL NO. 1 – ELECTION OF DIRECTORS**

sustainability practices require transparency and accountability. The Company recently issued its first sustainability report. The report is the output of a process of engagement with select stakeholders to understand their sustainability interests and concerns and to capture Balchem's efforts and achievements in key areas of sustainability. The report can be found at: [www.balchem.com](http://www.balchem.com). Our Corporate Governance and Nominating Committee, in connection with its responsibility for reviewing the Company's activities and practices regarding environmental, social and related governance matters maintains responsibility for oversight of our sustainability-related practices and will be monitoring the Company's progress in this area.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and executive officers and holders of more than 10% of our Common Stock to file with the SEC initial reports of ownership and reports of any subsequent changes in ownership of Common Stock and other equity securities of the Company. Specific due dates for these reports have been established and the Company is required to disclose any failure to file by these dates.

Based upon a review of such reports furnished to the Company, or written representations that no reports were required, the Company believes that during the fiscal year ended December 31, 2018, its officers and directors and holders of more than 10% of our Common Stock timely complied with Section 16(a) filing date requirements with respect to transactions during such year.

### **Compensation Committee Interlocks and Insider Participation**

Messrs. Fischer, Premdas, Wineinger and Edward McMillan (who retired from the Board on June 20, 2018) and Dr. Televantos, each of whom is (or in the case of Mr. McMillan, was) a director of the Company, served as the members of the Compensation Committee during 2018. None of Messrs. Fischer, McMillan, Premdas, Wineinger, nor Dr. Televantos: (i) was, during the last completed fiscal year, an officer or employee of the Company, (ii) was formerly an officer of the Company or (iii) had any relationship requiring disclosure by the Company under Item 404 of Regulation S-K under the Securities Act of 1933, as amended. During 2018, there were no interlocking relationships between the Company's Board of Directors or Compensation Committee, or the board of directors or compensation committee of any other company that are required to be disclosed under Item 407 of Regulation S-K.

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### **EXECUTIVE COMPENSATION**

#### **Compensation Discussion and Analysis**

This Compensation Discussion and Analysis ( CD&A ) provides a detailed description of our executive compensation philosophy and programs, the compensation decisions the Compensation Committee has made under those programs and the factors considered in making those decisions. This CD&A focuses on the compensation of our Named Executive Officers ( Named Executive Officers or NEOs ) for 2018.

#### ***What We Do and Do Not Do***

##### **WE DO**

Target total direct compensation for our NEOs generally at the 50<sup>th</sup> percentile

Pay for performance and, accordingly, a significant portion of each NEO's total compensation opportunity is at risk and dependent upon achievement of specific corporate and individual performance goals, resulting in lesser emphasis on fixed base salary

Base our short-term incentive plan on multiple performance measurements, including both financial and operational metrics

Complement our annual compensation to each NEO with time-based and performance-based multi-year vesting schedules and performance cycles for equity incentive awards

Base any annual base salary adjustments and annual long-term equity awards to our NEOs, partially, on prior-year individual performance

Select and use a similarly-sized peer group to assess the compensation of our NEOs and a publicly traded peer group to compare and rank the Company's total shareholder return

Maintain a claw-back policy pursuant to which the Company can seek reimbursement of either cash or equity-based incentive compensation in the event of a financial restatement

Have stock ownership guidelines for our executives and non-employee directors

Maintain a Compensation Committee, which is comprised solely of independent directors

For awards in 2017 and thereafter, provide for minimum vesting of awards and maximum award limits

##### **WE DO NOT**

Allow hedging or pledging of Company securities

Encourage unnecessary or excessive risk taking as a result of our compensation policies and practices

Have employment agreements with any of our NEOs other than our CEO

Provide a defined benefit pension plan or any supplemental executive retirement plan or other form of non-qualified retirement plan for our NEOs

Provide for any gross ups for any excise taxes imposed with respect to Section 280G (change-in-control payments) or Section 409A (nonqualified deferred compensation) of the Code.

Except as provided in a single employment agreement, provide for single-trigger vesting acceleration upon a change in control of the Company

Allow: (i) any repricing of stock options/stock appreciation rights without shareholder approval or (ii) for the unlimited transferability of awards

Have an employee stock purchase plan

Ensure that a significant portion of our non-employee director compensation consists of time-vested restricted stock

Annually benchmark executive compensation against that of a peer group of companies.

Consult with outside experts to determine the overall competitiveness of the Company's executive compensation program.

***Consideration of 2018 Shareholder Advisory Vote on Executive Compensation***

At our annual meeting of shareholders on June 20, 2018, our shareholders once again expressed support for our compensation programs and the compensation of our NEOs, with an approval rate of approximately 95% of votes cast for our management Say on Pay resolution. The Compensation Committee carefully evaluated

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the results of the 2018 Say on Pay vote and made no significant changes to the overall design of our compensation program during 2018. The Company communicates regularly with shareholders on various matters, including executive compensation, and seeks to incorporate shareholder input into its executive compensation practices. Consequently, in 2018, driven partially by valuable feedback received from some of the Company's most significant shareholders, we did not award to any NEO any off-cycle retention equity grants subject to time-based vesting. The Compensation Committee will continue to consider shareholder feedback and evolving best practices in making compensation decisions in future years and will continuously endeavor to ensure that management's interests are aligned with those of our shareholders and support long-term value creation.

In addition, also driven in part by shareholder input and our continuing efforts to implement best practices in executive compensation decisions, the following features are included in the Company's 2017 Omnibus Incentive Plan (the 2017 Plan):

- **Limitation on Shares:** The maximum number of shares which may be issued under the 2017 Plan is 1,600,000 shares;
- **No Repricing of Options or Stock Appreciation Rights (SARs):** The 2017 Plan does not allow repricing, amendment or exchange of outstanding options/SARs without shareholder approval;
- **No Discounted Awards:** The exercise price per share of stock under an option or SAR award must be not less than the fair market value of our Common Stock on the date of grant;
- **Minimum Vesting:** Except for 5% of the shares authorized for grant under the 2017 Plan or as provided in an employment agreement as in effect on the effective date of the 2017 Plan, awards (other than cash performance awards) are generally subject to a minimum vesting period of one year;
- **Dividends or Dividend Equivalents:** Dividends or dividend equivalents otherwise payable on an unvested award will accrue and be paid only when the vesting conditions applicable to the underlying award have been satisfied;
- **No Liberal Share Recycling:** The 2017 Plan does not allow for the recycling of shares used to satisfy the exercise price or taxes for any awards;
- **No Liberal Change-in-Control:** The 2017 Plan requires the consummation of a merger or similar transaction and a minimum acquisition of 50% of the outstanding shares before a change-in-control occurs;
- **No Automatic Single-Trigger Vesting on Change-in-Control:** Except as provided in an employment agreement as in effect on the effective date of the 2017 Plan, the 2017 Plan does not provide for automatic acceleration of outstanding awards upon the occurrence of a change-in-control;
  - **Limitations on Awards to Non-Employee Directors:** In the case of awards to non-employee directors
    - under the 2017 Plan, the maximum amount or value that may be granted in any calendar year (inclusive of cash compensation) may not exceed \$800,000;
- **Compensation Recovery:** Under the 2017 Plan, in the event that the Company is required to prepare an accounting restatement of its financial statements due to the Company's material noncompliance with any financial reporting requirements under the securities laws, the Compensation Committee would have the discretion to require reimbursement or forfeiture of certain excess performance-based awards received by certain executive officers of the Company during the three completed fiscal years immediately preceding the date that the Company is required to prepare an accounting restatement; and
- **Section 162(m):** Awards may (but need not) be structured to qualify as performance based under Section 162(m) of the Code. The Tax Cuts and Jobs Act of 2017 has eliminated the performance-based compensation exception under Section 162(m) of the Code for fiscal years beginning after December 31, 2017, with transition relief applicable to certain arrangements in place as of November 2, 2017 (the scope of which is uncertain under the legislation).

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### **EXECUTIVE COMPENSATION**

#### **Compensation Objectives and Philosophy**

The Company's compensation philosophy is to offer competitive salaries, cash incentives, equity awards and benefit plans consistent with peer entities, while considering the Company's financial performance. Rewarding key employees who contribute to the continued success of the Company through cash compensation and equity participation are key elements of the Company's compensation policy. The Company's executive compensation policy is to attract and retain key executives necessary for the Company's short and long-term success by establishing a direct link between executive compensation and the performance of the Company, by rewarding individual initiative and the achievement of annual corporate goals through salary and cash bonus awards, and by providing equity awards, wherein executives are incentivized to generate enhanced shareholder value. To effectuate this philosophy, the Compensation Committee favors a pay for performance approach. As a result, our compensation program contains a mix of stable and at-risk compensation components, where a significant percentage of executive compensation is tied to corporate performance.

#### **Compensation Committee Methodology**

The CEO recommends to the Compensation Committee the amount of total annual compensation for each of the other Named Executive Officers. The CEO completes an annual performance assessment for each of the other Named Executive Officers, which is reviewed and considered by the Compensation Committee. The Compensation Committee conducts an annual performance appraisal of the CEO using evaluation information solicited from each of the independent members of the Board of Directors and recommends to the Board of Directors the annual compensation package for the CEO. In determining the compensation of the Company's Named Executive Officers for 2018, including the compensation of the CEO, the Compensation Committee considered many quantitative and qualitative performance factors. The Compensation Committee's considerations included, but were not limited to, financial performance of the Company, including return on equity, cash flow, return on assets, growth, management of assets, liabilities, capital, liquidity and risk. The Compensation Committee endeavors to balance short-term and long-term performance of the Company and cumulative shareholder value when establishing performance criteria for each of the Named Executive Officers and for the management team as a group. The Compensation Committee also considers intangible factors such as: the scope of responsibility of the executive; leadership within the Company, the community and the applicable industries in which the Company engages; and the enhancement of shareholder value. All factors are considered in the context of the market for the Company's products and services, and the complexity and difficulty of managing business risks in the prevailing economic conditions and regulatory environment. The Compensation Committee believes that the total compensation provided to the Company's Named Executive Officers is competitive and has been demonstrated as effective. Details regarding the compensation of each of the Named Executive Officers are set forth in the tables that follow.

#### **Compensation Consultants**

The Compensation Committee has authority to engage attorneys, accountants and consultants, including executive compensation consultants, to solicit input concerning compensation matters, and to delegate any of its responsibilities to one or more directors or members of management, where it deems such delegation appropriate and permitted under

applicable law.

To better understand the compensation practices of similar companies, the Compensation Committee may, from time to time, review data gathered from a custom peer group ( Peer Group ) identified by Willis Towers Watson and general market survey data from Mercer, LLC ( Mercer ). Information gathered from the Peer Group serves as the primary reference point for the Compensation Committee with Mercer survey data used as a secondary reference.

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### **EXECUTIVE COMPENSATION**

The following companies comprise the Peer Group which was identified in late 2016 with the assistance of Willis Towers Watson and remained unchanged for 2018:

Akorn, Inc.	Innophos Holdings Inc	Quaker Chemical Corporation
Emergent BioSolutions, Inc.	Innospec Inc.	Sensient Technologies Corporation
Ferro Corporation	Masimo Corporation	Stepan Company
HB Fuller Co.	Minerals Technologies Inc.	Platform Specialty Products Corporation
Impax Laboratories Inc.		

The Peer Group shown above was developed based on comparability to the Company in terms of industry and size, with data gathered from peer group proxy statements. Further, Willis Towers Watson used data compiled from its Top Management Compensation Survey, which was adjusted to our revenue size. The Company and Willis Towers Watson believe that the survey data was representative for executive compensation benchmarking purposes at the time it was gathered. As part of its 2018 engagement, Mercer identified a new group of peer companies (the New Peers ). The New Peers will be used for benchmarking purposes in 2019. We intend to continue to retain outside compensation consultants that will provide benchmarking data, which will continue to include published survey data and may include Peer Group data.

### **Benchmarks**

While compensation survey data and benchmarking are useful guides for comparative purposes, we believe that a successful compensation program also requires the application of judgment and subjective determinations, particularly with respect to individual performance. Accordingly, our Compensation Committee applies its judgment to adjust and align each individual element of our compensation program with the broader objectives of the program. For example, we consider other factors, including, but not limited to, the Company's historical compensation trends; recommendations of the CEO; the performance of the Company, its operating units and their respective executives; market factors such as the health of the economy and of the industries served by the Company; the availability of executive talent; executives' length of service; and internal assessments and recommendations regarding particular executives. The compensation survey analysis prepared by Willis Towers Watson was not aimed at establishing exact benchmarks for our compensation program, but rather to provide a point of reference and a reality check to obtain a general understanding of the current compensation levels of companies of approximately our size in industries in which we operate.

The results of the analysis of the compensation survey, as well as the other sources consulted, showed that the Company's executive base compensation is below the market median, and the Company's total compensation levels are consistent with the market median compensation levels considering equity awards and at-risk/performance compensation.

### **Base Salary**

Base salary represents the fixed component of the executive compensation program. The base annual salaries we provide to our executive officers are intended as compensation for each executive officer's ongoing contributions to the performance of the area(s) for which they are responsible. Base salary also impacts annual incentive cash bonus

amounts and long-term compensation, because they are based on a percentage of base salary.

In keeping with our compensation philosophy to attract and retain individuals of high quality, executive officer base salaries have been set to be competitive with base salaries paid to executive officers of comparable companies as referenced above. The Compensation Committee also considers: experience and industry knowledge of the Named Executive Officers; the quality and effectiveness of their leadership at the Company; performance relative to total compensation; internal pay equity among the Named Executive Officers and other Company senior executives; historical considerations; company strategy; retention factors and input from our CEO regarding individual performance.

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The base annual salary levels of each of our executive officers are reviewed annually and adjusted from time to time to recognize individual performance, promotions, competitive compensation levels, retention requirements, internal pay equity, overall budgetary considerations and other qualitative factors. As shown below in Executive Compensation - Summary Compensation Table, in 2019, the Compensation Committee increased the base salaries of the Named Executive Officers as a result of overall Company and individual performance in 2018.

**Cash Based Incentives**

Bonuses represent a variable, at-risk, component of the NEO's overall compensation that is tied to both Company and business segment performance. The Company's policy is to base a meaningful portion of its executive officers' cash compensation on bonus opportunities. In determining bonuses, the Company considers factors such as the individual's contribution to the Company's performance and the relative performance of the Company during the year.

At the end of each calendar year, the Compensation Committee approves the Incentive Compensation Program (the ICP) for the succeeding calendar year. The ICP awards cash bonus compensation to NEOs and certain other employees, based upon objective levels of achievement of specific company and business segment goals established for the particular NEO or employee, and for the weighting of those goals to determine the amount of the bonus. Although the Compensation Committee approves the ICP at the end of the preceding year, it also reviews competitive market data for executive officer positions from time to time. The Compensation Committee may also grant incentive awards at other times during the year because of new appointments or promotions during the year. Our Compensation Committee does not time the grants of incentive awards around our release of undisclosed material information.

Establishing applicable goals requires a well-defined annual business plan and targets defined therein from which most ICP goals are measured. Our annual business plan evolves from our corporate strategic plan and is approved by the Board of Directors each December for the following fiscal year. Company Adjusted EBITDA, defined as earnings before interest, other expense/income, taxes, depreciation, amortization, stock-based compensation, acquisition-related expenses and legal settlements, and the fair valuation of acquired inventory, and Free Cash Flow, defined as operating cash flow minus capital expenditures, are the two primary and independent corporate metrics upon which bonuses are determined. Unless the Compensation Committee, in its discretion, determines otherwise, no incentive cash bonus is payable unless the Company attains the Compensation Committee approved threshold minimum Adjusted EBITDA. If the Adjusted EBITDA threshold minimum is achieved and the threshold minimums are exceeded for each metric, then the amount of the ICP awards will be pro-rated up to 100% of target bonus amounts for reaching target levels and in excess thereof for exceeding such target levels up to stretch and then maximum bonus amounts, all as originally established by the Compensation Committee. The Compensation Committee established such threshold, target, stretch and maximum levels of Adjusted EBITDA and Free Cash Flow for 2018 as part of the approval of the ICP for that year, based, amongst other things, upon the Company's preliminary results of operations for 2017, as then available. The Company's threshold and target amounts were set in late 2017 for 2018, as follows:

<b>Metric</b>	<b>Threshold</b>	<b>Target</b>	<b>Stretch</b>	<b>Maximum</b>
<b>Adjusted EBITDA</b>	\$143.8 million	\$154.6 million	\$162.4 million	\$170.0 million
<b>Free Cash Flow</b>	\$76.4 million	\$82.2 million	\$86.3 million	\$90.4 million

For additional detail on the ICP, see Summary Compensation Table — Non-Equity Incentive Plan Compensation.

Adjusted EBITDA and Free Cash Flow are financial measures that are not in accordance with United States generally accepted accounting principles (GAAP). The Company believes that the use of these measures in the executive compensation context is helpful in evaluating and comparing our past financial performance with our future results. These non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP. The Company believes that these non-GAAP measures provide useful information about certain of the Company's core operating results and thus are

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appropriate to enhance the overall understanding of the Company's past financial performance and its prospects for the future in the context of evaluating the performance of our executive officers.

ICP target amounts for each NEO is expressed as a percentage of actual base salary earned during the applicable calendar year. For 2018, NEO ICP targets were:

<b>NEO</b>	<b>ICP Target as a Percent of Base Salary</b>	
<b>Mr. Harris</b>	100	%
<b>Mr. Backus</b>	45	%
<b>Mr. Ludwig</b>	40	%
<b>Mr. Mason</b>	45	%
<b>Mr. Stach</b>	35	%
<b>Ms. Coelho</b>	45	%

ICP target percentages were selected by the Compensation Committee as believed to be consistent with the custom and practice of industry peers and appropriate to attract and retain executive talent. The Compensation Committee may, in its discretion, approve cash-based bonuses when ICP goals are not met, if it believes there has nevertheless been exceptional segment or individual performance.

**2018 ICP Discussion**

On February 12, 2019, the Compensation Committee, following its review of the Company's 2018 financial results, noted that the Company, had achieved the following results:

<b>Metric</b>	<b>2018 Result</b>	<b>Actual vs. Target</b>	<b>Payout Percentage</b>	
<b>Adjusted EBITDA</b>	\$159.9 million	\$5.3 million	120.6	%
<b>Free Cash Flow</b>	\$88.7 million	\$6.5 million	171.1	%

For additional detail on the ICP, see Summary Compensation Table – Non-Equity Incentive Plan Compensation.

**Equity Based Compensation**

The Compensation Committee believes that one important goal of the executive compensation program should be to provide NEO's and, key leaders who have significant responsibility for the management, growth and future success of the Company, and directors with an opportunity for investment in the Company and the incentive advantages inherent in stock ownership in the Company. The goal of this approach is that the interests of the shareholders, executives, employees and directors will be closely aligned. We believe that equity awards provide a strong alignment between the interests of our executives, including the NEOs, and our shareholders. The Long-Term Incentive Compensation Program, (LTIP), is a complementary compensation program to the ICP and accordingly, the Compensation Committee seeks to provide motivation to our executives using equity awards consistent with the reasonable management of the Company's overall equity compensation expense and shareholder dilution. The Compensation Committee grants equity awards to our executives, including the NEOs, in the first quarter of each fiscal year, as a

reward for past corporate and individual performance, as an incentive for future performance, and as a retention tool.

TABLE OF CONTENTS**EXECUTIVE COMPENSATION****LTIP Process**

The Compensation Committee establishes each NEO's LTIP Target Equity Value, which is the dollar amount of equity awards the executive can be granted upon attainment of the established goals for a fiscal year at target level performance. The Compensation Committee, having reviewed the Peer Group data, has established Target Equity Multipliers as set forth below for each NEO:

<b>Named Executive Officer</b>	<b>Target Equity Multipliers (of Base Salary)</b>
<b>Mr. Harris</b>	1.75
<b>Mr. Bengtsson</b>	1.00
<b>Mr. Backus</b>	1.00
<b>Mr. Ludwig</b>	1.00
<b>Mr. Mason</b>	1.00
<b>Mr. Stach</b>	1.00
<b>Ms. Coelho(1)</b>	1.00

(1) Ms. Coelho resigned effective October 23, 2018, information with respect to her compensation is being provided in accordance with Item 402(a)(3)(ii) of Regulation S-K

The Target Equity Multiplier is multiplied by the NEO's annual base salary to determine the Target Equity Value and expressed as the dollar value of the LTIP award. The Target Equity Value is then converted into equity awards based upon the fair value on the date LTIP awards are granted, usually in February of each calendar year, as computed in accordance with FASB Accounting Standards Codification 718. Accordingly, the LTIP Target Equity Values for 2018 were established in late 2017. Although the Compensation Committee approves the LTIP equity in this time frame, it also reviews competitive market data for NEOs from time to time. The Compensation Committee also may grant incentive awards at other times during the year because of new appointments, promotions or other special circumstances. Our Compensation Committee does not time the grants of incentive awards around our release of undisclosed material information. The Compensation Committee may, in its discretion, adjust individual grants based upon individual performance. The Target Equity Value will then be granted to NEOs through a mix of Stock Options, time-based Restricted Shares and Performance Shares as follows:

25% of the 2018 Target Equity Value is awarded to each participant in the form of stock options with an

- exercise price equal to the fair market value of our Common Stock on the date of grant. Options have a ten-year term and vest ratably over a three-year period.

25% of the 2018 Target Equity Value is awarded to each participant in the form of Restricted Share Units ( RSUs )

- which are granted at the fair market value of our Common Stock on the date of grant and cliff vest four (4) years from said date.

25% of the 2018 Target Equity Value is awarded as EBITDA performance shares. The number of EBITDA performance shares that will vest (or not vest) is based upon the attainment of a pre-determined Company EBITDA

- performance target over the three (3) fiscal years beginning with the fiscal year in which the grant was made (the Performance Period ) and will cliff vest (or not vest) at the end of the Performance Period. The number of EBITDA performance shares that will vest is dependent on the level of performance achieved as follows.

**Performance Level**

	<b>% of EBITDA Performance</b>	<b>Shares Vesting as a % of Target</b>
<b>Maximum</b>	130 % of target	200%
<b>Target</b>	100% of target	100%
<b>Threshold</b>	80% of target	50%
<b>Below Threshold</b>	<80% of target	0%

- 25% of the 2018 Target Equity Value is awarded as Total Shareholder Return ( TSR ) performance shares. The number of TSR performance shares that will vest (or not vest) is based upon the relative Company TSR



TABLE OF CONTENTS**EXECUTIVE COMPENSATION**

vs. the Russell 2000 Index over the three (3) fiscal years beginning with the fiscal year in which the grant was made (the Performance Period ). TSR performance shares will cliff vest (or not vest) at the end of the Performance Period. The number of TSR performance shares that will vest is dependent on the level of relative TSR performance as follows:

<b>Performance Level</b>	<b>3 Year TSR Performance</b>	<b>Shares Vesting as a % of Target</b>
<b>Maximum</b>	75 <sup>th</sup> Percentile	200%
<b>Target</b>	50 <sup>th</sup> Percentile	100%
<b>Threshold</b>	25 <sup>th</sup> Percentile	50%
<b>Below Threshold</b>	<25 <sup>th</sup> Percentile	0%

**Stock Ownership Requirements; Trading Limitations**

The Company has formal stock ownership requirements for its directors and executive officers. According to the stock ownership policy, directors are required to own shares of the Company's Common Stock with a value at least equal to five times their annual cash retainer and executive officers must own such shares with a minimum value determined by a reference to a multiple of their annual base salary as follows: (1) CEO, three times; (2) Chief Financial Officer, one and one-half times; and (3) Vice President/Officer, one times. Both directors and executive officers have five years from the later of the date of the adoption of this policy or from the date of hire or commencement of service as a director, as applicable, to attain the required level of ownership. All directors and officers are currently in compliance with this policy. The Company provides in its insider trading policy that directors and executive officers may not sell Company securities short and may not sell puts, calls or other similar derivative securities tied to our Common Stock.

**Employment Agreements**

The Company has an employment agreement with Mr. Harris. Other than such agreement, there are no agreements or understandings between the Company and any executive officer which guarantee continued employment or guarantee any level of compensation, including incentive or bonus payments. The Company does not have a written policy regarding employment agreements. There is no provision in Mr. Harris' employment agreement or in any employment or other arrangement with any other executive officer whereby any tax gross-up payment to cover any excise taxes on excess parachute payments will be made.

**Balchem Corporation 401(k) Plan ( 401(k) Plan )**

The Company sponsors the 401(k) Plan for eligible employees including NEOs. The Company provides a fully vested match equal to 100% of participant contributions up to 6% of eligible compensation, subject to IRS guidelines. The 401(k) Plan also includes a discretionary profit-sharing contribution.

Active employees who have completed 1,000 hours of service, are 18 years of age or older, and are active employees of the Company at December 31 are eligible for the profit-sharing contribution. The amount of the Company's contribution to the 401(k) Plan for each of the NEOs is shown in a footnote to the Summary Compensation Table.



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### **EXECUTIVE COMPENSATION**

#### **Perquisites**

Perquisites are granted to the executive officers occasionally and are generally de minimis and not a material component of compensation.

Mr. Harris is entitled to the use of an automobile owned or leased by the Company and to be reimbursed for a specified level of premiums for life and disability insurance. He is also entitled to the use of a financial planner. The Company pays to insure and maintain Mr. Harris' automobile, as well as reimburses Mr. Harris for auto expenses that are related to Company business. Messrs. Backus, Ludwig and Mr. Mason receive cash allowances associated with the use of their personal automobiles. Prior to resignation, Ms. Coelho received a cash allowance associated with the use of her personal automobile. Mr. Stach receives no such allowance.

#### **Balchem Deferred Compensation Plan**

Balchem offers a voluntary, non-qualified deferred compensation plan ( Deferred Compensation Plan ) for NEOs and select other executives. The Deferred Compensation Plan allows participants to defer up to 75% of annual base salary and up to 100% of annual ICP bonus. Compensation deferred under the Deferred Compensation Plan is deemed invested by the participant among various mutual fund investment options. Earnings (or losses) on investments are market earnings (or losses). The Deferred Compensation Plan is not formally funded nor does the Company guarantee any rate of return. The Company does not match any deferral contributions. Distributions may be in a lump sum or installments as determined by the participant's distribution election.

#### **Risk Considerations in Our Compensation Program**

Our Compensation Committee has discussed the concept of risk as it relates to our compensation program and does not believe our compensation program encourages excessive or inappropriate risk taking for the following reasons:

- Our compensation consists of both fixed and variable components. The fixed (or salary) portion of compensation is designed to provide a steady income regardless of our stock price performance so that executives do not feel pressured to focus exclusively on stock price performance to the detriment of other important business aspects. The variable (cash bonus and equity) portions of compensation are designed to reward both short and long-term corporate performance. For short-term performance, our cash bonus is awarded based primarily on corporate and business segment performance goals or targets. For long-term performance, our stock option awards generally vest ratably over three years and are only valuable if our stock price increases over time. Our restricted stock grants generally cliff vest in four years, while our performance based restricted stock grants generally cliff vest in three years subject to performance criteria being met. We feel that these variable elements of compensation are a sufficient percentage of overall compensation to motivate executives to produce superior short and long-term corporate results, while the fixed element is also sufficient such that the executives are not encouraged to take unnecessary or excessive risks in doing so.
-

Because consolidated Adjusted EBITDA is the contingent factor upon which ICP cash incentive depends, we believe our executives are encouraged to take a balanced approach that focuses on corporate profitability, rather than other measures such as revenue targets, which may create incentives for management to drive sales levels without regard to cost structure. If we are not sufficiently profitable, there would be no payout under the ICP program.

Our ICP and LTIP awards are capped for each participant, which mitigates excessive risk taking. Even if the Company dramatically exceeds its Adjusted EBITDA target, ICP or LTIP, the awards are limited. Conversely,

- there is no ICP award unless minimum performance levels of applicable goals are achieved, nor is there an award of performance shares within LTIP unless minimum performance levels of applicable goals are achieved.

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**EXECUTIVE COMPENSATION**

- We have stock ownership guidelines, which we believe provide a considerable incentive for management to consider the Company's long-term interests because a portion of their personal investment portfolio consists of the Company's stock. In addition, we prohibit all hedging transactions involving our stock, so our executives cannot insulate themselves from the effects of poor Company stock price performance.
- 

**Deductibility of Executive Compensation**

In accordance with Section 162(m) of the Code, the deductibility for federal corporate income tax purposes of compensation paid to certain of our individual executive officers over \$1 million in any year may be restricted. Under the Tax Cut and Jobs Act of 2017, the exemption for qualifying performance based compensation was repealed for taxable years beginning after December 31, 2017. As a result, compensation paid to our individual executive officers (on or after January 1, 2018) in excess of \$1 million is generally not deductible unless it qualifies for certain transition relief. While the Company will monitor guidance and developments in this area, it believes that the tax deduction is only one of several relevant considerations in setting compensation. Accordingly, where it is deemed necessary and in the best interests of the Company to attract and retain the best possible executive talent to compete successfully and to motivate such executives to achieve the goals inherent in our business strategy, the Compensation Committee may approve compensation to executive officers which exceeds the deductibility limits or otherwise may not qualify for deductibility. In this regard, certain portions of compensation paid to the Named Executive Officers may not be deductible for federal corporate income tax purposes under Section 162(m) of the Code.

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**COMPENSATION COMMITTEE REPORT**

We have reviewed and discussed the above Compensation Discussion and Analysis with management.

Based upon this review and discussion, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by the Compensation Committee of the Board of Directors.

John Y. Televantos (Chairman)

David B. Fischer

Perry W. Premdas

Matthew D. Wineinger

TABLE OF CONTENTS**SUMMARY COMPENSATION TABLE**

The following table sets forth the compensation earned by the following Named Executive Officers .

Name and Principal Position	Year	Salary	Bonus	Stock Awards (1)	Option Awards (1)	Non-Equity Incentive Plan Compensation	Deferred Compensation	All Other Compensation	Total
						(2)	Earnings	(3)	
<b>Theodore L. Harris, Chairman, President &amp; CEO</b>	2018	\$ 800,000		\$ 1,051,332	\$ 350,056	\$ 1,086,004	\$ 631	\$ 46,522	\$ 3,334,545
	2017	\$ 700,000	\$ 349,938	\$ 612,787	\$ 612,467	\$ 0		\$ 32,331	\$ 2,307,523
<b>William A. Backus, Chief Accounting Officer</b>	2016	\$ 636,000		\$ 450,290	\$ 449,988	\$ 350,997		\$ 28,212	\$ 1,915,487
	2018	\$ 277,917		\$ 205,730	\$ 68,894	\$ 169,773	\$ 17	\$ 12,000	\$ 734,331
<b>David F. Ludwig, Vice President and General Manager, Specialty and Industrial Products</b>	2017	\$ 268,600	\$ 61,091	\$ 129,477	\$ 129,438	\$ 0		\$ 12,000	\$ 600,606
	2016	\$ 258,720		\$ 123,160	\$ 465,142	\$ 61,778		\$ 12,000	\$ 920,800
<b>Scott C. Mason, Vice President of Manufacturing and Supply Chain</b>	2018	\$ 285,118		\$ 210,125	\$ 70,756	\$ 139,029		\$ 13,200	\$ 718,228
	2017	\$ 276,708	\$ 85,434	\$ 135,164	\$ 135,106	\$ 0		\$ 13,200	\$ 645,612
<b>Mark Stach, General Counsel</b>	2016	\$ 268,000		\$ 130,093	\$ 290,690	\$ 38,513		\$ 13,200	\$ 740,496
	2018	\$ 356,809		\$ 263,579	\$ 87,514	\$ 218,701		N/A	\$ 962,603
<b>Mary Theresa Coelho, Former Chief Financial Officer &amp; Treasurer</b>	2017	\$ 87,500	\$ 19,684	\$ 248,370	\$ 0	\$ 0		N/A	\$ 355,554
	2018	\$ 257,967		\$ 188,147	\$ 63,308	\$ 122,567	(2,046 )	N/A	\$ 629,943
	2017	\$ 222,998	\$ 38,900	\$ 0	\$ 51,964	\$ 0		N/A	\$ 313,862
	2018	\$ 318,312	\$ 128,000 (4)	\$ 15,660	\$ 21,078	\$ 0		\$ 8,931	\$ 491,891
	2017	\$ 72,115	\$ 15,860	\$ 250,410	\$ 0	\$ 0		\$ 2,077	\$ 340,462

(1) The amounts included in the Stock Awards and Option Awards columns reflect the aggregate grant date fair value as computed in accordance with FASB Accounting Standards Codification 718 adjusted to eliminate service-based forfeiture assumptions used for financial reporting purposes. A discussion of the assumptions used in valuation of stock and option awards may be found in Note 3 – Stockholders' Equity in the Notes to Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended December 31, 2018, as

filed with the SEC on February 28, 2018. Amounts shown for the December 31, 2016 fiscal year reflects grants for 2016 based on achievement of performance goals set in the prior year under the LTIP (e.g., amounts shown for 2016 reflect grants made in 2016 based on performance of our achievement goals set in late 2015 under the LTIP). For fiscal years ended December 31, 2018 and 2017, the awards reported in the Stock Awards column above consist of performance-based restricted stock. For those other than Ms. Coelho, the grant date fair value of the performance-based restricted stock is reflected at target payout based on the probable outcome of the applicable performance conditions. The maximum value at the grant date assuming achievement at the highest performance conditions at the conclusion of the applicable performance period would be as follows: (i) for 2018: Mr. Harris - \$1,401,388; Mr. Backus - \$274,624; Mr. Ludwig - \$280,881; Mr. Mason - \$351,093; and Mr. Stach - \$251,455; (ii) for 2017: Mr. Harris - \$1,225,574; Mr. Backus - \$258,954; Mr. Ludwig - \$270,327; Mr. Mason - N/A; and Mr. Stach - N/A; and (iii) for 2016: Mr. Harris - \$900,580; Mr. Backus - \$246,320; Mr. Ludwig - \$260,186; Mr. Mason - N/A; Mr. Stach - N/A. Of the 1,260 shares of restricted stock granted to Ms. Coelho in February 2018, 210 shares vested on October 26, 2018 at a value of \$20,248. The remaining 1,050 shares were cancelled.

(2) Reflects the value of cash incentive bonuses earned under the Company's ICP.

The amounts reflected represent automobile allowance in the following amounts for each Named Executive Officer for the indicated year: (a) Mr. Harris's other compensation for 2018 consisted of \$28,627 for automobile allowance and \$17,895 for tax and financial planning; Mr. Backus's other compensation for 2018 consisted of \$12,000 for automobile allowance and Mr. Ludwig's other compensation for 2018 consisted of \$13,200 for automobile allowance. Ms. Coelho's other compensation for 2018 consisted of \$8,931 for automobile allowance. Mr. Mason and Mr. Stach receive no automobile allowance.

(3)

(4) Represents a pro-rated portion of the 2018 Incentive Compensation Plan (estimated at the date of Ms. Coelho's resignation) which was paid on the first payroll date immediately following her resignation.



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Grant Date	Grant Type	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise Price of Option Awards (3) (\$/Share)	Grant Date
		Threshold	Target	Maximum	Threshold (#)	Target (#)	Maximum (#)				
	ICP	\$ 0	\$ 800,000	\$ 1,600,000							
	Performance										
2/15/2018	Shares				4,830	9,660	19,320				
	Restricted Stock										
2/15/2018	Awards							4,700			
	Stock										
2/15/2018	Options								18,800	\$ 74.57	
											\$ 1,4
	ICP	\$ 0	\$ 125,920	\$ 251,840							
	Performance										
2/15/2018	Shares				945	1,890	3,780				
	Restricted Stock										
2/15/2018	Awards							920			
	Stock										
2/15/2018	Options								3,700	\$ 74.57	
											\$ 2
	ICP	\$ 0	\$ 114,829	\$ 229,658							
	Performance										
2/15/2018	Shares				965	1,930	3,860				
	Restricted Stock										
2/15/2018	Award							940			
	Stock										
2/15/2018	Options								3,800	\$ 74.57	
											\$ 2
	ICP	\$ 162,816	\$ 325,632								

[illegible]

- (1) The maximum amounts equal 200% of target. Additional information regarding the design of the ICP is included in the Compensation Discussion and Analysis.

The target number of shares shown in the table reflects the number of shares of our Common Stock earned if

- (2) performance is achieved at target levels. All shares will be awarded net of applicable tax withholding. Dividend equivalents accrue during the performance cycle and will be paid out in shares, net of applicable tax withholding, based on the actual number of shares earned for the performance cycle, if any.

(3) The exercise price equals the closing price of our Common Stock on the grant date.

- (4) The amounts represent the grant date fair value of the awards as computed in accordance with FASB ASC Topic 718.

- (5) Represents a pro-rated portion of the 2018 Incentive Compensation Plan (estimated at the date of Ms. Coelho's resignation) which was paid on the first payroll date immediately following her resignation.

- (6) In connection with Ms. Coelho's resignation, effective at the date of her resignation: (A) 210 of the 1,260 the Restricted Stock Awards granted to Ms. Coelho in 2018 vested, and (B) 1,132 of the 5,100 Stock Options granted to Ms. Coelho vested. The value of the vested Restricted Stock Awards is as set forth in the table above. The Stock Options lapsed without being exercised.

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### **SUMMARY COMPENSATION TABLE**

#### **Terms and Conditions of Awards**

The 2017 Plan is an omnibus stock plan that provides for a variety of equity award vehicles to maintain flexibility. The 2017 Plan, which was adopted by the Company's shareholders in 2017, permits the grant of stock options, SARs, restricted stock awards and other stock-based awards, and provides for the granting of cash performance awards. The 2017 Plan is flexible and allows the Company to change equity grant practices from time to time.

After the adoption of the 2017 Plan, no further awards have been granted under the Second Amended and Restated 1999 Stock Plan, as amended and restated effective June 20, 2013 (the 1999 Plan ), but outstanding awards granted under the 1999 Plan prior to the adoption of the 2017 Plan continue in accordance with their terms. Under the 1999 Plan, officers and other employees of the Company may be granted options to purchase our Common Stock which qualify as incentive stock options (ISO or ISOs ) under Section 422(b) of the Code; directors, officers and employees may be granted options to purchase Common Stock which do not qualify as ISOs (Non-Qualified Options ); and directors, officers and employees may be granted the right to make direct purchases of Common Stock from the Company (Purchases ) and may also be granted restricted stock and performance award shares. Both ISOs and Non-Qualified Options are referred to in this Proxy Statement individually as an Option and collectively as Options. The exercise price per share specified to each Option granted under the 1999 Plan may not be less than the fair market value per share of Common Stock on the date of such grant.

Time based restricted shares generally vest in full either (1) four years or, (2) three years from the date of grant. In the case of time restricted shares granted under the 1999 Plan, these shares may vest earlier upon change of control of the Company, provided the executive officer is employed by the Company on that date, but become fully vested upon death. In the event the grantee's employment with the Company is terminated for cause or upon the grantee's voluntary resignation from the Company's employ, prior to vesting in full, the restricted shares are forfeited. In the event of a major disability or significant illness, time based restricted shares will vest based upon the amount of time remaining until the vesting date. Our performance based restricted shares generally vest in three years from grant, subject to the achievement of certain performance criteria. Performance based restricted stock will vest based upon the amount of time remaining until the vesting date in the event of recipient's prior death, disability or retirement, as such is defined in the applicable Performance Share Grant Agreement. Upon an earlier change of control, time based restricted shares vest at target level performance. The Compensation Committee may accelerate the vesting of either time based or performance based restricted stock in its discretion.

#### **CEO Pay Ratio**

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 402(u) of Regulation S-K, set forth below is disclosure regarding the relationship of the annual total compensation of our employees and the total annual compensation of Mr. Harris, our Chairman, President and CEO.

Mr. Harris had 2018 annual total compensation of \$3,334,545 as reflected in the Summary Compensation Table included in this Proxy Statement. Our median employee's annual total compensation for 2018 was approximately \$54,024. Therefore, the ratio of Mr. Harris' 2018 annual total compensation to that of our median employee is approximately 62 to 1.

We identified the median employee by examining the 2018 total cash compensation for all individuals, excluding our CEO, who were employed by us on December 31, 2018, the last day of our payroll year. We included all employees, whether employed on a full-time, part-time, or seasonal basis. We did not make any assumptions, adjustments, or estimates with respect to total cash compensation, and annualized the compensation for any full-time employees that were not employed by the Company for all of 2018. We believe the use of total cash compensation for all employees is a consistently applied compensation measure because we do not widely distribute annual equity awards to employees. Approximately seven percent of our employees receive annual equity awards.

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After identifying the median employee based on total cash compensation, we calculated annual total compensation for such employee using the same methodology we use for our NEOs as set forth in the 2018 Summary Compensation Table later in this proxy statement.

**Outstanding Equity Awards at Fiscal Year End 2018**

The following table shows outstanding Option awards classified as exercisable and not currently exercisable as of December 31, 2018 for each Named Executive Officer. The table also discloses the number and value of unvested restricted and performance stock awards as of December 31, 2018.

Name	Option Awards				Stock Awards		Performance Awards	
	# of Securities Underlying Options				Number of Unvested Shares (2)	\$ (3)	Number of Unvested Shares (2)	\$ (3)
	Exercisable (1)	Not Currently Exercisable (1)	Option Exercise Price/Share	Option Expiration Date				
<b>Theodore L. Harris</b>	10,000	0	\$ 54.87	4/28/2025				
	14,610	9,740	\$ 60.85	2/23/2026				
	5,186	20,744	\$ 85.40	2/21/2027				
	0	18,800	\$ 74.57	2/15/2028	4,700	\$ 368,245	23,320	\$ 1,827,122
<b>William A. Backus</b>	4,178	0	\$ 58.52	2/19/2025				
	3,500	0	\$ 60.85	2/23/2026				
	9,000	6,000	\$ 60.85	2/23/2026				
	4,002	2,668	\$ 60.85	2/23/2026				
	1,096	4,384	\$ 85.40	2/21/2027				
	0	3,700	\$ 74.57	2/15/2028	2,235	\$ 175,112	5,220	\$ 408,987
<b>David F. Ludwig</b>	12,750	0	\$ 21.39	12/8/2019				
	23,200	0	\$ 32.21	12/6/2020				
	12,970	0	\$ 29.06	2/28/2022				
	9,134	0	\$ 38.10	2/19/2023				
	1,820	0	\$ 50.32	2/26/2024				
	5,385	0	\$ 58.52	2/19/2025				
	1,200	0	\$ 60.85	2/23/2026				
	4,500	3,000	\$ 60.85	2/23/2026				
	4,218	2,812	\$ 60.85	2/23/2026				
	1,144	4,576	\$ 85.40	2/21/2027				
	0	3,800	\$ 74.57	2/15/2028	2,635	\$ 206,452	5,430	\$ 425,441
	0	4,700	\$ 74.57	2/15/2028	4,180	\$ 327,503	2,480	\$ 189,607

**Scott C.  
Mason**

<b>Mark</b>	1,200	0	\$ 60.85	2/23/2026					
<b>Stach</b>	440	1,760	\$ 85.40	2/21/2027					
	0	3,400	\$ 74.57	2/15/2028	840	\$ 65,814	1,730	\$ 135,546	
<b>Mary</b>	0	0	N/A	2/15/2028	0	N/A	0	N/A	
<b>Theresa</b>									
<b>Coelho</b>									

Stock option awards have a term of ten years from the grant date and become exercisable 20% after 1 year, 60% (1) after 2 years and 100% after 3 years beginning on the first anniversary of the grant date. With respect to Ms. Coelho, please see Note 6 under 2081 Grants of Plan-Based Awards table above.

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(2) Restricted stock generally vests four years from the date of grant. Performance-based restricted stock vests in three years and is reflected at target payout based on the probable outcome of the performance conditions. The following table provides information with respect to the final vesting dates of each outstanding restricted stock award (both performance and time based) held by each Named Executive Officer as of December 31, 2018.

<b>Final Vesting Date</b>	<b>Theodore L. Harris</b>	<b>William A. Backus</b>	<b>David F. Ludwig</b>	<b>Scott. C. Mason</b>	<b>Mark Stach</b>	<b>Mary Theresa Coelho</b>
<b>Jan. 1, 2019</b>	7,130 *	1,950 *	2,060 *			
<b>Feb. 19, 2019</b>		1,315	1,695			
<b>Jan. 1, 2020</b>	6,530	1,380	1,440			
<b>Jan. 1, 2021</b>	9,660	1,890	1,930	2,420	1,730	
<b>Oct. 2, 2021</b>				3,000		
<b>Oct. 23, 2021</b>						
<b>Feb. 15, 2022</b>	4,700	920	940	1,180	840	
<b>Total</b>	28,020	7,455	8,065	6,600	2,570	

Actual number of shares received in satisfaction of the grant, based on the achievement of performance objectives is: (i) for Mr. Harris, 5,128 shares, (ii) for Mr. Backus, 1,405, and (iii) for Mr. Ludwig, 1,480 shares.

(3) Value is computed based on the closing price of our Common Stock on December 31, 2018, which was \$78.35 per share.

**Option Exercises and Stock Vested in 2018**

The following table sets forth certain information regarding options and stock awards exercised and vested, respectively, by each of our Named Executive Officers during the fiscal year ended December 31, 2018.

<b>Name</b>	<b>Option Awards</b>		<b>Stock Awards</b>	
	<b>Number of Shares Acquired on Exercise (#)</b>	<b>Value Realized on Exercise (\$) (1)</b>	<b>Number of Shares Acquired on Vesting (#)</b>	<b>Value Realized on Vesting (\$)</b>
<b>Theodore L. Harris</b>	0	N/A	6,400	\$ 477,248
<b>William A. Backus</b>	0	N/A	8,623	\$ 766,507
<b>David F. Ludwig</b>	0	N/A	3,275	\$ 245,163
<b>Scott C. Mason</b>	0	N/A	0	N/A
<b>Mark A. Stach</b>	0	N/A	0	N/A
<b>Mary Theresa Coelho</b>	0	N/A	3,210	\$309,508 <sup>(2)</sup>

- (1) Value realized represents the excess of the fair market value of the shares at the time of exercise over the exercise price of the options.
- In connection with Ms. Coelho's resignation, effective at the date of her resignation: (A) 210 of the 1,260 Restricted Stock Awards granted to Ms. Coelho in 2018 vested and 3,000 of the Restricted Stock Awards granted
- (2) to Ms. Coelho in 2017 vested, and (B) 1,132 of the 5,100 Stock Options granted to Ms. Coelho vested. The value of the vested Restricted Stock Awards is as set forth in the table above. The Stock Options lapsed without being exercised.



TABLE OF CONTENTS**SUMMARY COMPENSATION TABLE****Nonqualified Deferred Compensation**

For a description of the Balchem Deferred Compensation Plan, see Balchem Deferred Compensation Plan at Page 21 above.

Information regarding deferred elections under the Deferred Compensation Plan are included in the table below:

Name	NEO Contributions in Last Fiscal Year(1) (\$)	Aggregate Earnings in Last Fiscal Year (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last Fiscal Year End (\$)
Theodore L. Harris	100,000	613	0	100,613
William A. Backus	2,798	17	0	2,815
David F. Ludwig	0	0	0	0
Scott C. Mason	0	0	0	0
Mark Stach	26,036	(2,046 )	0	23,990
Mary Theresa Coelho	0	0	0	0

(1) NEO contributions include any deferrals of annual compensation, including earned awards under the ICP. These amounts are included in the NEOs' compensation under either Salary or Non-Equity Incentive Compensation .

**Termination of Employment and Change of Control Arrangements**

*Agreement with Theodore L. Harris.* We entered into an employment agreement with Mr. Harris on April 22, 2015, which provides for automatic one-year extensions of the employment term unless either party provides written notice of its intention not to extend the agreement within 60 days of the end of the then-current term.

If we terminate the employment agreement other than for Cause (as defined below) or in the event Mr. Harris terminates his employment under certain limited circumstances effectively amounting to a constructive termination, subject to his execution of an effective release of claims in favor of the Company, he will be entitled to severance payments equal to 200% of his then current annual salary (payable in 12 monthly installments), and all of his unvested equity grants would become fully vested and exercisable, plus a portion of the ICP bonus he would have received had he been employed by us through the end of the full fiscal year in which the termination occurred, to be determined by the Compensation Committee.

If we terminate the employment agreement other than for Cause within two years after a change of control event, Mr. Harris would be entitled to a lump sum severance payment equal to 200% of the sum of his then current annual salary plus the annual bonus earned by him in respect of the fiscal year immediately preceding the year in which the change of control event occurred (payable within 90 days following such termination, provided that Mr. Harris executes an effective release of claims in favor of the Company).

If Mr. Harris were to voluntarily terminate his employment after the occurrence of a change of control event, but prior to the second anniversary of such an event, subject to his execution of an effective release of claims in favor of the

Company, he would be entitled to severance payments equal to 100% of his then current annual salary (payable in 12 equal monthly installments). In the event of any termination by the Company entitling Mr. Harris to severance payments, the Compensation Committee may accelerate the vesting of Mr. Harris' s restricted stock or options.

In the event that any of the payments provided for in the employment agreement otherwise would constitute an excess parachute payment (as defined in Section 280G of the Code), the amount of payments would be reduced to the maximum level that would not result in excise tax under Section 4999 of the Code, if this reduction would cause Mr. Harris to receive a larger after-tax amount than if no reduction were made.

Under the employment agreement with Mr. Harris, Cause means: habitual absence or lateness; gross insubordination or material violation of published material Company policies; failure to devote full time to the Company' s business; failure to comply with the obligations of confidentiality, non-competition and

TABLE OF CONTENTS**SUMMARY COMPENSATION TABLE**

non-solicitation of the Company's clients, customers and employees; any action which constitutes a violation of any applicable criminal statute; or any act which frustrates or violates the fiduciary duties owed by Mr. Harris to the Company. In addition, Change in Control means:

- any person or group is or becomes (including by merger, consolidation or otherwise) the beneficial owner,
  - (a) directly or indirectly, of 50% or more of the voting power of the total outstanding voting stock of the Company; or
  - the sale or other disposition (other than by way of merger or consolidation) of all or substantially all of the capital stock or assets of Company to any person or group as an entirety or substantially as an entirety in one transaction or a series of related transactions, unless the ultimate beneficial owners of the voting stock of such person immediately after giving effect to such transaction own, directly or indirectly, more than 80% of the total voting power of the total outstanding voting stock of Company immediately prior to such transaction.
  - (b)

During the period of Mr. Harris's employment (or, in the case of a voluntary termination by Mr. Harris or a termination of his employment by the Company for cause, the balance of the term of the employment agreement before giving effect to such termination) and for a period of two years thereafter, the employment agreement imposes on Mr. Harris certain non-competition and non-solicitation obligations regarding the Company and its clients, customers and its employees.

The amount of compensation payable to Mr. Harris in the event of termination of employment, assuming termination as of December 31, 2018, and a share price for our Common Stock equal to the closing market price on the last trading day prior to that date, is set forth in the table below. Mr. Harris's employment agreement does not obligate us to provide any compensation to Mr. Harris in the case of a change in control that does not result in termination of employment; however, the 1999 Plan provides for full vesting of all options and restricted stock awards granted under that plan, upon a change in control, as defined in such Plan and the 2017 Plan allows for the discretionary automatic acceleration of outstanding awards upon the occurrence of a change-in-control pursuant to the terms of Mr. Harris employment agreement.

**Benefits and Payments upon Termination**

	<b>Base Salary</b>	<b>ICP Bonus (1)</b>	<b>Acceleration of Vesting Options and Restricted Stock (2)</b>	<b>Total</b>
<b>Voluntary termination by Mr. Harris or termination for Cause</b>	\$ —	\$ 800,000	\$ 2,195,367	\$ 2,995,367
<b>Termination by Mr. Harris within 12 months after demotion by Company or because of constructive termination</b>	\$ 1,600,000	\$ 800,000	\$ 2,436,881	\$ 4,836,881
<b>Termination by Company following a Change in Control, except for Cause (3)</b>	\$ 1,600,000	\$ 800,000	\$ 2,436,881	\$ 4,836,881
	\$ 800,000	\$ 800,000	\$ 2,436,881	\$ 4,036,881

**Voluntary termination by Mr.  
Harris following a Change of  
Control (3)**

**Termination by Company for  
any reason other than for Cause  
or after receipt of notice of  
termination from Mr. Harris**

	\$ 1,600,000	\$ 800,000	\$ 2,436,881	\$ 4,836,881
<b>Death</b>	\$ —	\$ 800,000	\$ 2,195,367	\$ 2,995,367

(1) Represents the target bonus level under the ICP.

(2) Amounts in this column are calculated by multiplying the number of shares subject to accelerated vesting by the difference between \$78.35, which is the closing market price per share of our common stock on December 31, 2018, and the per share exercise price of the applicable accelerated stock award or option and accelerating the number of performance shares at target level.

(3) Assumes the Change of Control occurred within the two-year period prior to December 31, 2018.

TABLE OF CONTENTS**SUMMARY COMPENSATION TABLE**

The amounts shown in the table above do not include payments for accrued salary and vacation, or payments made under any life insurance policy in the case of death. Amounts shown in the table are subject to reduction to the extent necessary to avoid an excess parachute payment under Section 280G of the Code, if such reduction would cause the executive to receive a larger after-tax amount than if no reduction were made.

*Offer Letter with Mr. Bengtsson.* Under the terms of an offer letter between Mr. Bengtsson and the Company dated January 10, 2019 (Bengtsson Offer Letter), if the Company terminates Mr. Bengtsson's employment for any reason other than Cause (as defined in the Bengtsson Offer Letter), Mr. Bengtsson will receive a severance payment equal to one year of annual base salary, payable in twelve equal installments commencing on the month following the month in which the termination occurs.

All our Named Executive Officers, other than Mr. Harris, are employees-at-will and, as such, do not have employment agreements, therefore, we are not obligated to provide them with any post-employment compensation or benefits. However, upon a change of control, as defined in the 1999 Plan, all unvested option grants granted pursuant to that plan immediately vest and become exercisable, all restrictions, applicable to outstanding shares of restricted stock granted pursuant to that plan, lapse, and all performance shares granted pursuant to that plan shall immediately vest and be deemed earned. Except as provided in Mr. Harris' employment agreement, the 2017 Plan does not provide for automatic acceleration of outstanding awards upon the occurrence of a change of control. Assuming such a change of control occurred on December 31, 2018, based on the closing market price of our Common Stock on December 31, 2018 (the last trading day of 2018), the amount of compensation payable to the Named Executive Officers other than Mr. Harris, are as follows: Mr. Backus, \$0; Mr. Ludwig \$0; Mr. Mason \$0, Mr. Stach, \$0 and Ms. Coelho \$0.

**Director Compensation**

The Company pays each of its directors, other than Mr. Harris, an annual retainer of \$30,000 and \$4,000 for each Board meeting attended, plus expenses. The Lead Director is paid an additional \$16,000 annual retainer. The Chairman of the Audit Committee is paid an additional \$12,000 annual retainer, the Chairman of the Compensation Committee is paid an additional \$10,000 annual retainer and the Chairman of the Corporate Governance and Nominating Committee is paid an additional \$8,000 annual retainer. The Company also pays to each of its directors serving on Committees a fee of \$1,000, plus expenses, for each Committee meeting attended. The Company has a Stock Ownership Policy that applies to directors. See Stock Ownership Requirements; Trading Limitations.

The following table discloses the cash, equity awards, and other compensation earned, paid, or awarded to each of the Company's directors (other than Mr. Harris, whose compensation is set forth in the Summary Compensation Table above) during the fiscal year ended December 31, 2018.

Name	Fees Earned or Paid in		Stock Awards (1)(2)	All Other Compensation (\$)	Total (\$)
	Cash				
<b>Paul Coombs</b>	\$ 57,000		\$ 126,000	—	\$ 183,000
<b>David Fischer</b>	\$ 56,000		\$ 126,000	—	\$ 182,000
<b>Daniel Knutson</b>	\$ 56,500		\$ 126,000	—	\$ 182,500
<b>Edward McMillan (3)</b>	\$ 37,000		\$ 126,000	—	\$ 163,000

<b>Perry Premdas</b>	\$ 64,000	\$ 126,000	—	\$ 190,000
<b>John Televantos</b>	\$ 85,250	\$ 126,000	—	\$ 211,250
<b>Matthew Wineinger</b>	\$ 61,000	\$ 126,000	—	\$ 187,000

- On February 15, 2018, each director, other than Mr. Harris, was granted 845 shares of restricted stock and options to purchase 3,383 shares of stock. The restricted shares are subject to restrictions on transfer until they vest after four years, in accordance with the provisions of the Restricted Stock Grant
- (1) Agreement, dated February 15, 2018, between the Company and each such director. The grant date fair value per share of each share of restricted stock was \$74.57. The options have a strike price of \$74.57 per share and expire on February 20, 2028.

TABLE OF CONTENTS**SUMMARY COMPENSATION TABLE**

- (2) The following table shows the aggregate number of options and stock awards outstanding for each outside director as of December 31, 2018:

Name	Aggregate	Aggregate
	Stock Options Outstanding as of 12/31/2018 (4)	Stock Awards Outstanding as of 12/31/2018
<b>Paul Coombs</b>	3,383	3,941
<b>David Fischer</b>	3,383	3,941
<b>Daniel Knutson</b>	3,383	845
<b>Edward McMillan</b>	3,383	0
<b>Perry Premdas</b>	3,383	3,941
<b>John Televantos</b>	3,383	3,941
<b>Matthew Wineinger</b>	3,383	3,941

- (3) Mr. McMillan retired from the Board on June 20, 2018.

- At its February 14, 2018 meeting, the Compensation Committee approved the alignment of the form of director equity compensation with that of management so that for 2018, director equity compensation is in the form of 50% restricted shares and 50% stock options.

Under the director restricted stock grant agreements, restricted shares vest in full, four years from grant, or upon an earlier change of control of the Company, provided the grantee is a director of the Company on that date. The restricted shares will also vest in full upon the grantee's death. In the event of: (1) the grantee's retirement from the Company's Board of Directors at or after age 70; (2) the grantee's major disability, or (3) the grantee's resignation from the Company's Board of Directors due to a conflict of interest or serious illness, the number of restricted shares that shall vest upon any of such aforementioned events shall be the number of whole shares equal to the product of (A) 1/48 of the total number of Restricted Shares subject to this Grant and (B) the number of full months of that Grantee has served on the Company's Board of Directors from the date of this Agreement to the date of Grantee's retirement or resignation, as applicable; and all Restricted Shares not so vested shall be immediately forfeited.

The Company does not pay any other direct or indirect compensation to directors in their capacity as such.

**Related Party Transactions**

Other than the compensation and employment arrangements described above, since the beginning of 2018, we have not entered into any transactions in which any of our directors or executive officers or their immediate family members have a direct or indirect interest.

The Company has adopted a related party transaction policy. Under the related party transaction policy, our Audit Committee reviews and approves proposed transactions or courses of dealings with respect to which holders of 5% or more of our stock and/or our executive officers or directors or members of their immediate families have an interest. Before entering into any transaction, arrangement or relationship constituting an interested transaction, other than certain basic pre-approved transactions, all material facts are required to be reviewed by the Audit Committee, which has the authority to approve or disapprove the transaction based on appropriate factors, including whether the transaction is on terms no less favorable to the Company than terms generally available from an un-affiliated third party and the extent of the related person's interest in the transaction.





TABLE OF CONTENTS**SUMMARY COMPENSATION TABLE****Equity Compensation Plan Information**

The following table provides information, as of December 31, 2018, with respect to shares of our Common Stock that may be issued pursuant to awards under the 2017 Plan and the 1999 Plan (each as described above). These plans are the Company's only equity compensation plans approved by security holders, and there are no equity compensation plans that have not been approved by security holders. It should be noted that shares of our Common Stock may be allocated to, or purchased on behalf of, participants in the Company's 401(k) retirement plan (described above). Consistent with SEC regulations governing equity compensation plans, information relating to shares issuable or purchased under the Company's 401(k) retirement plan is not included in the table below.

<b>Plan Category</b>	<b>Number of shares to be issued upon exercise of outstanding options, warrants and rights 1</b>	<b>Weighted-average exercise price per share of outstanding options, warrants and rights</b>	<b>Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a))</b>
<b>Equity compensation plans approved by security holders</b>	887,066	\$ 61.59	1,377,544
<b>Equity compensation plans not approved by security holders</b>	0	0	0
<b>Total</b>	887,066	\$ 61.59	1,377,544

(1) 20,550 shares of unvested restricted stock granted to non-employee directors and 52,710 shares of unvested restricted stock granted to NEOs are excluded from this table.

TABLE OF CONTENTS**SUMMARY COMPENSATION TABLE****Security Ownership of Certain Beneficial Owners and of Management**

The table below sets forth as of April 1, 2019, the number of shares of Common Stock beneficially owned by (i) each director, (ii) each of the Named Executive Officers, (iii) each beneficial owner of, or institutional investment manager exercising investment discretion with respect to 5% or more of the outstanding shares of our Common Stock known to the Company based upon filings with the SEC, and (iv) all current directors and executive officers of the Company as a group, and the percentage ownership of our outstanding Common Stock as of such date held by each such holder and group. The table does not include performance-based restricted stock grants under the Company's LTIP (which grants vest at the end of three years), as the number of shares to be awarded is not determinable at the time of grant and the recipients do not have beneficial ownership of such shares.

<b>NAME AND ADDRESS OF BENEFICIAL OWNER</b>		<b>BENEFICIALLY OWNED (1)</b>	<b>PERCENT OF CLASS (2)</b>	
<b>BlackRock Institutional Trust Company, N.A.</b>	3	4,697,980	14.6	%
<b>The Vanguard Group, Inc.</b>	4	3,295,361	10.21	%
<b>Brown Capital Management, LLC</b>	5	2,202,178	6.83	%
<b>David F. Ludwig</b>	6	104,039		*
<b>Theodore L. Harris</b>	7	97,488		*
<b>Perry Premdas</b>	8	49,449		*
<b>Bill Backus</b>	9	49,303		*
<b>John Televantos</b>	10	29,784		*
<b>Paul Coombs</b>	11	22,295		*
<b>David B. Fischer</b>	12	18,710		*
<b>Martin Bengtsson</b>	13	13,300		*
<b>Scott C. Mason</b>	14	9,414		*
<b>Mark A. Stach</b>	15	7,367		*
<b>Matthew D. Wineinger</b>	16	5,396		*
<b>Daniel E. Knutson</b>	17	2,950		*
<b>Mary Theresa Coelho</b>	18	2,023		*
<b>Totals Executive Officers/Directors</b>		411,518	1.28	%
<b>Shares Outstanding April 1, 2018</b>		32,098,840		

\* Less than 1%

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. In accordance with SEC rules, shares which may be acquired upon exercise of stock options which are currently exercisable, or which become exercisable within 60 days after the (1) date of the information in the table are deemed to be beneficially owned by the optionee. Except as indicated by footnote, and subject to community property laws where applicable, to the Company's knowledge, the persons or entities named in the table above are believed to have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.

- For purposes of calculating the percentage of outstanding shares held by each person named above, any shares
- (2) which such person has the right to acquire within 60 days after the date of the information in the table are deemed to be outstanding, but not for calculating the percentage ownership of any other person.
  - (3) Based upon information provided in a Schedule 13G/A for such entity filed with the SEC on January 24, 2019. Such entity's address as reported in its Schedule 13G/A is 55 East 52nd Street, New York, NY 10022.
  - (4) Based upon information provided in a Schedule 13G/A for such entity filed with the SEC on February 11, 2019. Such entity's address as reported in its Schedule 13G/A is 100 Vanguard Blvd, Malvern, PA 19355.
  - (5) Based upon information provided in a Schedule 13G/A for such entity filed with the SEC on February 14, 2019. Such entity's address as reported in its Schedule 13G/A is 1201 N. Calvert Street, Baltimore, MD 21202.
  - (6) Consists of 85,181 shares such person has the right to acquire pursuant to stock options, 1,800 shares of restricted stock, 144 shares held in such person's Company 401(k) retirement plan account, and 16,914 shares held directly.

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**SUMMARY COMPENSATION TABLE**

- Consists of 53,668 shares such person has the right to acquire pursuant to stock options, 10,830 shares of
- (7) restricted stock, 895 shares held in such person's Company 401(k) retirement plan account, and 32,095 shares held directly.
- (8) Consists of 677 shares such person has the right to acquire pursuant to stock options, 4,719 shares of restricted stock, and 44,053 shares held directly.
- (9) Consists of 33,376 shares such person has the right to acquire pursuant to stock options, 4,760 shares of restricted stock, 109 shares held in such person's Company 401(k) retirement plan account, and 11,058 shares held directly.
- (10) Consists of 677 shares such person has the right to acquire pursuant to stock options, 4,719 shares of restricted stock, and 24,388 shares held directly.
- (11) Consists of 677 shares such person has the right to acquire pursuant to stock options, 4,719 shares of restricted stock, and 16,899 shares held directly.
- (12) Consists of 677 shares such person has the right to acquire pursuant to stock options, 4,719 shares of restricted stock, and 13,314 shares held directly.
- (13) Consists of 13,300 shares of restricted stock.
- (14) Consists of 940 shares such person has the right to acquire pursuant to stock options, 8,260 shares of restricted stock, and 214 shares held in such person's Company 401(k) retirement plan account.
- (15) Consists of 3,200 shares such person has the right to acquire pursuant to stock options, 3,620 shares of restricted stock, and 547 shares held in such person's Company 401(k) retirement plan account.
- (16) Consists of 677 shares such person has the right to acquire pursuant to stock options and 4,719 shares of restricted.
- (17) Consists of 677 shares such person has the right to acquire pursuant to stock options, 1,623 shares of restricted stock, and 650 shares held directly.
- (18) Consists of 2,023 shares held directly.

TABLE OF CONTENTS**PROPOSAL NO. 2 – RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has selected RSM US LLP (RSM) as the Company's independent registered public accounting firm for the year ending December 31, 2019. The Company is submitting its selection of RSM for ratification by the shareholders at the Annual Meeting. RSM has audited the Company's financial statements since 2005. Representatives of RSM will be present at the Annual Meeting and will have an opportunity to make a statement if they wish and will be available to respond to appropriate questions.

The Company's Bylaws do not require that the shareholders ratify the selection of RSM as the Company's independent registered public accounting firm. However, the Company is submitting the selection of RSM to shareholders for ratification as a matter of good corporate governance practice. If shareholders do not ratify the selection, the Audit Committee will reconsider whether to retain RSM. Even if the selection is ratified, the Audit Committee in its discretion may change the appointment at any time during the year if they determine that such a change would be in the best interests of the Company and its shareholders.

Assuming a quorum is present, the affirmative vote of a majority of all votes cast on the proposal, by attending the virtual meeting or represented by proxy, is required for approval of this proposal. Abstentions will not be counted as votes cast and will have no effect on the vote. Brokers have discretionary authority to vote on this Proposal.

**THE BOARD UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF RSM AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2019.**

**Principal Accountant Fees and Services**

During 2018, the Company retained RSM to audit the consolidated financial statements for the fiscal year ended 2018. In addition, the Company also retained RSM to provide services relating to Management's Assessment of Internal Controls as required by Section 404 of the Sarbanes-Oxley Act, as well as for other audit-related services. During the period covering the fiscal years ended December 31, 2018 and 2017, RSM performed the following professional services:

	2018	2017
<b>Audit fees (1)</b>	\$ 1,189,375	\$ 1,138,983
<b>Audit-related fees (2)</b>	\$ 51,018	\$ 44,488
<b>Total fees</b>	\$ 1,240,393	\$ 1,183,471

(1) Fees relating to audit of the annual consolidated financial statements and quarterly reviews, including out of pocket disbursements and administrative charges.

(2) Audit-related fees in 2017 consist of fees paid for the employee benefit plan audit.

**Audit Committee Financial Expert**

The Board of Directors has determined that Mr. Knutson, the chairman of the Audit committee, is an audit committee financial expert as defined under SEC rules.

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### **PROPOSAL NO. 2 – RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

#### **Policy on Pre-Approval of Audit and Non-Audit Services**

All audit and non-audit services provided to the Company by the independent accountants are pre-approved by the Audit Committee or in certain instances by one or more of its members pursuant to delegated authority. At the beginning of each year, the Audit Committee reviews and approves all known audit and non-audit services and fees to be provided by and paid to the independent accountants. During the year, specific audit and non-audit services or fees not previously approved by the Audit Committee are approved in advance by the Audit Committee or in certain instances by one or more of its members pursuant to delegated authority. In addition, during the year the Chief Financial Officer and the Audit Committee monitor actual fees to the independent accountants for audit and non-audit services.

The Audit Committee reviewed all audit and non-audit services provided by RSM with respect to the fiscal year ended December 31, 2018 and concluded that the provision of such services was compatible with maintaining independence in the conduct of its auditing functions. All audit and non-audit services provided by RSM described in the table above were pre-approved by the Audit Committee.

#### **Audit Committee Report**

The Board of Directors has appointed an Audit Committee consisting of three directors. Each member of the Audit Committee is independent as defined under the NASDAQ Marketplace Rules and SEC independence requirements applicable to audit committee members. The Board of Directors has adopted a written charter with respect to the Audit Committee's responsibilities. The Audit Committee oversees the Company's internal and independent auditors and assists the Board of Directors in overseeing matters relating to the Company's financial reporting process and risk exposure.

In fulfilling its responsibilities, the Audit Committee reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2018 with management and discussed the audit with RSM, the Company's independent registered public accounting firm. The Audit Committee also discussed with the Company's independent registered public accounting firm the matters required to be discussed by Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 16 (Communications with Audit Committees). This included a discussion of the independent auditors' judgment as to the quality, not just the acceptability, of the Company's accounting principles as applied to the Company's financial reporting, and such other matters that generally accepted auditing standards require to be discussed with the Audit Committee. The Audit Committee also received from RSM the written disclosures and letter required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence, and the Audit Committee discussed with RSM and management RSM's independence.

Management is responsible for maintaining internal controls over financial reporting and assessing the effectiveness of internal control over financial reporting. The independent registered public accounting firm's responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting based on their audit. In fulfilling its oversight responsibilities, the Audit Committee reviewed the Company's assessment process of internal controls over financial reporting. The Audit Committee reviewed with the independent registered public accounting

firm any deficiencies that had been identified during their engagement.

The Audit Committee also considered whether the provision of non-audit services by RSM to the Company is compatible with RSM's independence. RSM advised the Audit Committee that RSM was and continues to be independent with respect to the Company.

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**PROPOSAL NO. 2 – RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Based upon the reviews, discussions and considerations referred to above, the Audit Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2018 for filing with the SEC.

The Audit Committee has also recommended that the Board of Directors approve the selection of RSM as the Company's independent auditors for 2019.

Submitted by the Audit Committee of the Board of Directors.

Daniel E. Knutson (Chair)

Paul D. Coombs

David B. Fischer

being the members of the Audit  
Committee of the Board of Directors



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**PROPOSAL NO. 3 – ADVISORY VOTE ON EXECUTIVE COMPENSATION**

Since 2011, because of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Company's shareholders were provided with an opportunity to vote to approve, on an advisory (nonbinding) basis, the compensation of the Company's Named Executive Officers. At our 2018 annual meeting of shareholders, our shareholders: (i) approved holding advisory (or say on pay) votes on executive an annual basis; and (ii) approved our say-on-pay resolution with approximately 95% of the votes cast by the holders of Common Stock approving the executive compensation described in our 2018 Proxy Statement.

The Company again seeks your advisory vote and asks that you approve the compensation of the Named Executive Officers as disclosed in this Proxy Statement.

Please refer to the sections entitled "Compensation Committee and Processes", "Compensation Discussion and Analysis", and the tables and narratives in the Executive Compensation portion of this Proxy Statement for the discussion and summary of the policies of the Compensation Committee which form the basis for the compensation of our Named Executive Officers and information on the amounts paid.

We are asking for shareholder approval of the compensation of our Named Executive Officers as disclosed in this Proxy Statement in accordance with SEC rules, which includes the disclosures under the "Compensation Discussion and Analysis", the compensation tables and the narrative discussion accompanying the tables. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our Named Executive Officers and the policies and practices described in this Proxy Statement. Because this vote is advisory only, the vote is not binding; however, the Compensation Committee will consider the results of shareholder voting in making future compensation decisions regarding Named Executive Officers.

Assuming a quorum is present, the affirmative vote of a majority of all votes cast on the proposal, by attendance at the virtual meeting or represented by proxy, is required for approval of this proposal. Abstentions and broker non-votes will not be counted as votes cast and will have no effect on the vote.

**THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.**

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### **MISCELLANEOUS ITEMS**

#### **Quorum Required**

Maryland law and the Company's Bylaws require the presence of a quorum for the meeting, defined as the presence at the meeting or represented by proxy of shareholders entitled to cast a majority of all the votes entitled to be cast at the Meeting. Abstentions will be treated as present for purposes of determining whether a quorum has been reached.

#### **Voting Securities**

Shareholders of record on April 23, 2019 (the Record Date ) will be eligible to vote at the Meeting. The voting securities of the Company consist of its Common Stock, \$.06-2/3 par value (our Common Stock ), of which 32,333,546 shares were outstanding on the Record Date. Each share of Common Stock outstanding on the Record Date will be entitled to one vote.

#### **Shareholder Proposals for 2020 Annual Meeting of Shareholders**

From time to time, the shareholders of the Company may wish to submit proposals which they believe should be voted upon by the shareholders. The Securities and Exchange Commission has adopted regulations which govern the inclusion of such proposals in the Company's annual meeting proxy materials. For a proposal to be eligible for inclusion in the Company's proxy statement for the 2020 annual meeting, it must be received by the Secretary of the Company at the Company's principal executive offices no later than January 1, 2020 and must satisfy the other requirements in the SEC regulations. With respect to any Shareholder proposal intended to be presented at the 2020 Annual Meeting of Shareholders, but not submitted for inclusion in the Company's proxy materials for that meeting, the proxy for such meeting will confer discretionary authority to vote on such proposal unless the Company is notified of such proposal not later than March 15, 2020 (45 days prior to the anniversary of the date this Proxy Statement is first being sent to shareholders).

#### **Director Attendance at Annual Meetings of Shareholders**

The Company's policy with regard to directors' attendance at annual meetings of shareholders is included in the Governance Guidelines available on the Corporate Governance page in the Investor Relations section of the Company's website: [www.balchem.com](http://www.balchem.com). All of our directors attended the Company's 2018 annual meeting of shareholders.

#### **Matters Not Determined at the Time of Solicitation**

The Board of Directors is not aware of any matters to come before the Meeting other than as described above. If any matter other than as described above should come before the Meeting, then the persons named in the enclosed form of

proxy will have discretionary authority to vote all proxies with respect thereto in accordance with their judgment.

Approval of any other matter that may come before the Annual Meeting is be determined by the affirmative vote of a majority of all votes cast on the matter, by attending the virtual meeting or represented by proxy. Abstentions and broker non-votes will not be counted as votes cast and will have no effect on the vote.

### **Instructions for the Virtual Annual Meeting**

This year our annual meeting will be a completely virtual meeting. There will be no physical meeting location. The meeting will only be conducted via live webcast.

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**MISCELLANEOUS ITEMS**

To participate in the virtual meeting, visit [www.virtualshareholdermeeting.com/BCPC2019](http://www.virtualshareholdermeeting.com/BCPC2019) and enter the 16-digit control number included on your notice of Internet availability of the proxy materials, on your proxy card, or on the instructions that accompanied your proxy materials. You may begin to log into the meeting platform beginning at 1:50 p.m. Eastern Daylight Savings Time (EDT ) on June 20, 2019. The meeting will begin promptly at 2:00 p.m. EDT on June 20, 2019.

If you wish to submit a question, you may submit your question during the meeting, log into the virtual meeting platform at [www.virtualshareholdermeeting.com/BCPC2019](http://www.virtualshareholdermeeting.com/BCPC2019), type your question into the Ask a Question field, and click Submit.

Questions pertinent to meeting matters will be answered during the meeting, subject to time constraints. Questions regarding personal matters, including those related to employment, product or service issues, or suggestions for product innovations, are not pertinent to meeting matters and therefore will not be answered.

/s/ Mark A. Stach

Mark A. Stach

*Secretary*

April 29, 2019

New Hampton, New York

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**The Annual Report to Shareholders of the Company for the fiscal year ended December 31, 2018 is being mailed to shareholders with these proxy materials. The Annual Report does not form part of these proxy materials for the solicitation of proxies.**

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