



## **POLICY ESTABLISHING STOCK OWNERSHIP FOR DIRECTORS AND EXECUTIVE OFFICERS**

The Board of Directors (the “Board”) of Balchem Corporation (the “Company”) believes that stock ownership by the Company’s non-employee directors (“Directors”) and Executive Officers is important for the continued success of the Company. Stock ownership demonstrates to our shareholders, the investing public and the Company’s employees, the commitment of the Directors and Executive Officers to the Company, and directly aligns their interest with the Company’s shareholders. Therefore, the Board adopts the following stock ownership requirements for Directors and Executive Officers. This Policy is administered and interpreted by the Corporate Governance and Nominating Committee of the Board (“Committee”).

### **Stock Ownership for Directors**

Each Director shall own shares of the Company’s common stock at least equal to five times (5X) their annual cash retainer. Existing Directors will have five (5) years from the date of the adoption of this Policy to attain such level of ownership. Directors appointed after the date of the adoption of this Policy will have five (5) years from the date of his/her appointment to the Board to attain such level of ownership. It is recommended that Director’s acquire at least 1/5 of the ownership amount each year, until the total requirement is met. The number of shares to be held by Directors will be calculated by Company management at the end of each fiscal year based on the closing price of the Company’s common stock on the NASDAQ Stock Exchange (NASDAQ) on December 31 of each calendar year and submitted to the Committee for review and/or subsequent action. Once determined, any subsequent change in the value of the shares will not affect the amount of stock the Directors should hold. In the event the annual cash retainer is increased, the Directors will have five years from the time of increase to acquire any additional shares needed to meet the requirement of the Policy.

### **Stock Ownership for Executive Officers**

For the purpose of this Policy, Executive Officers are defined as the Named Executive Officers set forth in the Company’s annual Proxy Statement. Each Executive Officer shall own shares of the Company’s common stock as determined by a multiple of the Executive Officer’s annual base salary as follows:

<u>Position</u>	<u>Multiple of Annual Base Salary</u>
Chief Executive Officer	3x
Chief Financial Officer	1.5x
Vice President(s)	1x

Existing Executive Officers will have five (5) years from the date of the adoption of this Policy to attain such level of ownership, or will have five (5) years from the date of such appointment to attain such level of ownership. The number of shares to be held by the Executive Officers will be calculated by Company management at the end of each fiscal year based on the closing price of the Company's common stock on NASDAQ as of December 31 of each calendar year and submitted to the Committee for review and/or subsequent action. Any subsequent change in the value of the shares will not affect the amount of stock Executive Officers should hold. In the event an Executive Officer's annual base salary is increased, the Executive Officer will have five (5) years from the time of increase to acquire any additional shares needed to meet the requirements of this Policy. Executive Officers who are subsequently promoted to a higher office level will have five (5) years from the date of promotion to acquire any additional shares needed to meet this Policy.

### **Stock Ownership**

The following shall be used to determine stock ownership for purposes of this Policy:

- value of shares owned separately or owned jointly with, or separately by, his/her immediate family members residing in the same household;
- value of shares held in trust for the benefit of the Executive Officer or Director or his/her immediate family members;
- value of shares purchased on the open market;
- value of shares acquired and held by an Executive Officer through the Company's 401(k) plan;
- value of shares obtained by an executive officer through stock option exercise (and not thereafter sold); and
- value of shares of restricted stock or performance shares, which have vested free and clear of restrictive legends, held by an Executive Officer or Director, as the case may be.

Stock ownership does not include unexercised stock options, stock appreciation rights, or the non-vested portion of any stock options, restricted stock or performance awards.

### **Exceptions**

There may be instances where the requirements of this Policy would place an undue hardship on a Director or Executive Officer. The Committee may, at its discretion, waive the stock ownership required by this Policy if compliance would create an undue hardship or prevent an Executive Officer or Director from complying with a court order. In such instances, the Committee may make a decision to develop an alternative stock ownership program for such Executive Officer or Director that reflects the intention of this Policy and give appropriate consideration of his or her personal circumstances.

## **Compliance**

**If a Director is not in compliance with requirements of this Policy and is not subject to "hardship" exception,** the Committee shall take such fact into account in determining whether, or the extent to which, future equity awards should be made to such person, may require all stock attained through company grants of equity be retained until the Policy requirements are satisfied, or take any other action the Committee deems appropriate.

**Executive Officers will be notified, through the Chief Executive Officer, of noncompliance with the requirements of this Policy at each year end. The Executive Officer's performance evaluation, annual compensation review, bonus evaluation and consideration for equity incentives may be affected, as reasonably determined by the Committee and the Chief Executive Officer.**

## **Administration**

**The Committee may issue such rules as it deems appropriate to implement this Policy, as amended from time to time.**