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BALCHEM CORP
Form 11-K
June 30, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 15[d] OF THE SECURITIES
EXCHANGE ACT OF 1934

For transition period from _____ to _____

Commission file number 1-13648

A. Full title of the plan and the address of the plan, if different from that of
the issuer named below:

Balchem Corporation 401(k)/Profit Sharing Plan

B. Name of the issuer of the securities held pursuant to the plan and the
address of its principal executive office:

Balchem Corporation
52 Sunrise Park Road
PO Box 600
New Hampton, NY 10958

REQUIRED INFORMATION

Financial Statements:

4. In lieu of requirements of Items 1-3, audited statements and schedules
prepared in accordance with the requirements of ERISA for the plan's fiscal year
ended December 31, 2002 are presented herein.

Exhibits:

Consent of KPMG LLP, independent auditors

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BALCHEM CORPORATION
401(k)/PROFIT SHARING PLAN

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Independent Auditors' Report

Plan Administrator
Balchem Corporation 401(k)/Profit Sharing Plan:

We have audited the accompanying statements of net assets available for plan benefits of Balchem Corporation 401(k)/Profit Sharing Plan (the Plan) as of December 31, 2002 and 2001, and the related statements of changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial

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statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of December 31, 2002 and 2001, and the changes in net assets available for plan benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held at end of year as of December 31, 2002 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

June 6, 2003

BALCHEM CORPORATION
 401(k)/PROFIT SHARING PLAN
 Statements of Net Assets Available for Plan Benefits
 December 31, 2002 and 2001

	2002	2001
	-----	-----
Assets:		
Investments (note 3)	\$6,619,535	5,886,820
Participant loans	140,716	104,691
Receivables:		
Employer contribution	333,882	274,806
Participant contributions	38,247	35,880
Interest	1,055	657
	-----	-----
Total assets	\$7,133,435	6,302,854
	=====	=====

See accompanying notes to financial statements.

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BALCHEM CORPORATION
 401(k)/PROFIT SHARING PLAN
 Statements of Changes in Net Assets Available for Plan Benefits
 Years ended December 31, 2002 and 2001

	2002

Addition to net assets attributed to:	
Investment income (loss):	
Interest	\$ 75,455
Dividends	4,427
Net (depreciation) appreciation in fair value of investments (note 3)	(490,904)

	(411,022)

Contributions:	
Participant	894,705
Employer	563,354

	1,458,059

Total additions	1,047,037

Deductions from net assets attributed to:	
Benefits paid to participants	(193,604)
Fees	(3,344)
Other, net	(19,508)

Total deductions	(216,456)

Net increase in net assets available for plan benefits	830,581
Net assets available for plan benefits at beginning of year	6,302,854

Net assets available for plan benefits at end of year	\$ 7,133,435
	=====

See accompanying notes to financial statements.

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BALCHEM CORPORATION
401(k)/PROFIT SHARING PLAN

Notes to Financial Statements

December 31, 2002 and 2001

(1) Description of the Plan

The following description of the Balchem Corporation 401(k)/Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is principally a participant-directed, defined contribution plan covering all active employees of Balchem Corporation (the Company) who have 60 days of service, as defined, and are 18 years of age or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Company pays administrative and record-keeping fees for the Plan. Plan participants are required to pay fees for participant loans and certain brokerage fees for transactions pertaining to investments in Balchem Corporation Common Stock.

Contributions

Each year, participants may contribute up to 75% of pretax annual compensation, as defined in the Plan. Such amounts may be limited by the maximum amounts allowed under Internal Revenue Service regulations. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. Participants direct the investment of their contributions into various investment options offered by the Plan. The employer matching contributions equal 35% of each participant's elected contribution and the Company may make discretionary company profit-sharing contributions at the option of the Company's Board of Directors. Matching contributions are made in company stock on a monthly basis based upon the closing price of the stock on the last trading day of each month and are subject to the vesting schedule described below. Included in employers' contribution receivable as of December 31, 2002 and 2001 were discretionary company profit-sharing contributions made in January 2003 and 2002 for the 2002 and 2001 plan years totaling \$322,106 and \$263,202, respectively.

Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of the Company's matching contributions and plan earnings or losses. Allocations are based on participant account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting

Participants are 100% vested in their contributions plus actual earnings or losses thereon. Vesting in the Company contribution portion of their

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accounts plus actual earnings or losses thereon is based on years of continuous service, as defined. A participant becomes 100% vested after two years of service, except for employees hired as part of the Company's June 1, 2001 acquisition of certain assets of DCV, Inc. and its affiliate, DuCoa L.P., whose prior credited service is used in determining the vested portion of such matching contributions.

(Continued)

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Investment Options

Upon enrollment in the Plan, participants may direct employee contributions to any of the following options, administered by Connecticut General Life Insurance Company (CIGNA). Employer matching and discretionary contributions are made in company stock and are directed to the Balchem Corporation Common Stock Fund:

Guaranteed Income Fund - A fixed income fund that seeks to provide competitive yields relative to comparable guaranteed fixed income investment funds. The fund offers predictability of investment return. The fund invests primarily in intermediate-term bonds and commercial mortgages within Connecticut General Life Insurance Company's general account.

Janus Adviser Balanced Account - A mutual fund which seeks long-term capital growth consistent with preservation of capital and balanced by current income, by investing in a combination of equity and fixed income securities.

CIGNA Lifetime Funds - Lifetime funds are a family of funds comprised of five distinct, multi-manager investment portfolios, based on the lifecycle approach to investing - that different bond/stock mixes are appropriate for individuals at different stages of their life. The objective of the funds varies in keeping with the investment timeline, which uses the participant's age as indicator of time remaining to retirement.

Large Cap Growth/Morgan Stanley Fund - A mutual fund, managed by Morgan Stanley Dean Witter, whose investment strategy seeks to provide capital appreciation with minimal focus on income. The performance objective is to outperform the S&P 500 Index over full market cycles.

S&P 500 Index Fund - This fund is constructed to reflect the composition of the S&P 500 Index. It seeks to provide long-term growth of capital and income.

Large Cap Value/John A. Levin & Co. Fund - This fund seeks to consistently achieve capital appreciation, capture high rates of return and avoid major losses while remaining fully invested in the market. To achieve this, the investment style emphasizes the preservation of capital, avoidance of risk and control of volatility.

Aim Value Account - A mutual fund that seeks to provide long-term growth of capital by investing primarily in equity securities judged by the portfolio managers to be undervalued. The generation of income is secondary.

INVESCO Dynamics - A mutual fund which seeks to provide capital appreciation. To minimize risk, the portfolio managers invest in a

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multitude of companies in a variety of industries.

Small Cap Growth/Times Square Fund - A mutual fund that seeks to achieve long-term capital appreciation by investing primarily in the common and preferred stock of growing US Companies involved in new product development and technological breakthroughs.

(Continued)

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Janus Adviser Worldwide Growth Account - A fund which seeks long-term growth of capital in a manner consistent with the preservation by investing in foreign as well as domestic securities.

Balchem Corporation Common Stock - Contributions may be invested in common stock of Balchem Corporation. Investments in this fund are limited to 10% of a participant's contribution.

Participant Loans

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balances. Loan terms extend up to five years or in excess of five years for the purchase of a primary residence. The loans are secured by the balance in the participants' accounts and bear interest at 10%.

Payment of Benefits

On termination of service, a participant may receive a lump-sum amount equal to the vested value of his or her account, or upon death, disability or retirement, the participant may elect to receive annual installments over a period not to exceed the participant's lifetime, or the joint lifetime of the participant and the participant's spouse, or an annuity contract.

Income (Loss) Allocations

Investment income (loss) for an accounting period shall be allocated to participants' accounts in proportion to the total of their respective account balances at the beginning of such accounting period plus any contributions or loan repayments credited to the account during the period.

Forfeited Accounts

Forfeited balances of terminated participants' nonvested accounts are allocated to all active participant accounts as of the last day of the plan year. Forfeited nonvested accounts totaled \$2,793 and \$10,786 at December 31, 2002 and 2001, respectively.

(2) Summary of Accounting Policies

Basis of Accounting

The financial statements of the Plan are presented on the accrual basis of accounting.

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Risks and Uncertainties

The assets of the Plan at December 31, 2002 and 2001 are primarily financial instruments which are monetary in nature. Accordingly, interest rates and market fluctuations have a more significant impact on the Plan's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services as measured by the consumer price index.

The investments are subject to risk conditions of the individual investments' objectives, the stock market, interest rates, economic conditions and world affairs.

(Continued)

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Investment Valuation and Income Recognition

Investment securities held in the Plan's funds are stated at fair value determined from publicly quoted market prices. Participant loans are valued at cost, which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Payment of Benefits

Benefits are recorded when paid.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that could affect the reported amounts of net assets at the date of the financial statements and the reported amounts of changes in net assets available for plan benefits during the reporting period. Actual results could differ from those estimates.

(3) Investments

Investments at December 31, 2002 and 2001 consisted of:

	2002	2001
Cash equivalents	\$1,683,800	1,048,856
Mutual funds	3,120,520	3,383,997
Common stock*	1,815,215	1,453,967
	-----	-----
	\$6,619,535	5,886,820
	=====	=====

* A portion of the common stock is nonparticipant-directed

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The following represents investments that represent 5% or more of the Plan's net assets:

	2002	2001
	-----	-----
Balchem Corporation Common Stock*	\$1,815,215	1,453,967
Guaranteed Income Fund	1,683,800	1,048,856
Janus Adviser Balanced Account	719,265	642,395
S&P 500 Index Fund	1,238,971	1,655,841
Janus Adviser Worldwide Growth Account	--	324,734
Cigna Lifetime 40	407,015	420,468
	=====	=====

* A portion of the Balchem Corporation Common Stock is nonparticipant-directed

(Continued)

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During the years ended December 31, 2002 and 2001, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) (depreciated) appreciated in value as follows:

	2002	2001
	-----	-----
Mutual funds	\$ (706,757)	(422,541)
Common stock	215,853	529,800
	-----	-----
	\$ (490,904)	107,259
	=====	=====

(4) Nonparticipant-directed Investments

Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments is as follows:

	December 31	
	-----	-----
	2002	2001
	-----	-----
Net assets - Balchem Corporation Common Stock	\$ 1,815,215	1,453,967

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	Year ended December 31	
	2002	2001
Change in net assets:		
Contributions	\$ 298,611	241,7
Dividends	5,575	4,0
Net appreciation	215,853	529,8
Benefits paid to participants	(27,742)	(79,0
Fees	(941)	(8
Transfers to participant-directed investments	(130,108)	(17,3
Net increase	361,248	678,3
Net assets at beginning of year	1,453,967	775,5
Net assets at end of year	\$ 1,815,215	1,453,9

A portion of the Balchem Corporation Common Stock is participant-directed.

(Continued)

(5) Related-Party Transactions

As of December 31, 2002 and 2001, the Plan holds 74,700 and 68,101 shares of Balchem Corporation common stock, respectively, with a market value of \$1,815,215 and \$1,453,967 at December 31, 2002 and 2001, respectively. Certain Plan investments are shares of various funds managed by CIGNA. CIGNA is the trustee of the Plan and, therefore, these transactions are considered related-party transactions.

(6) Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants will become 100% vested in their accounts.

(7) Income Tax Status

The Plan has received a favorable determination letter dated March 22, 1999

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from the Internal Revenue Service ruling that it is a qualified plan pursuant to the appropriate section of the Internal Revenue Code (IRC) and, accordingly, the earnings of the underlying trust of the Plan are not subject to tax under present income tax law. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualifications. Although the Plan has been amended since receiving the determination letter, the Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

(8) Withdrawn Participants

Amounts allocated to participants who are no longer employed with the Company but have not elected to withdraw from the Plan were \$952,489 and \$871,575 at December 31, 2002 and 2001, respectively.

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BALCHEM CORPORATION
401(k)/PROFIT SHARING PLAN
Schedule H, Part IV, Line 4(i) - Schedule of Assets
Held at End of Year
December 31, 2002

Identity of issue, borrower, lessor or similar party	Description of investments including mat rate of interest, collateral, par or mat
Cigna Guaranteed Income Fund(1)	Units of participation in Guaranteed Income Fund 57,467 units, \$29.30 per unit
Janus Adviser Balanced Account(1)	Units of participation in Janus Adviser Balanced 29,695 units, \$24.22 per unit
Cigna Lifetime 60(1)	Units of participation in CIGNA Lifetime 60 - 2,231 units, \$11.97 per unit
Cigna Lifetime 50(1)	Units of participation in CIGNA Lifetime 50 - 1,080 units, \$11.06 per unit
Cigna Lifetime 40(1)	Units of participation in CIGNA Lifetime 40 - 38,319 units, \$10.62 per unit
Cigna Lifetime 30(1)	Units of participation in CIGNA Lifetime 30 - 4,457 units, \$10.62 per unit
Cigna Lifetime 20(1)	Units of participation in CIGNA Lifetime 20 258 units, \$10.24 per unit
John A. Levin & Co., Inc. Large Cap Value/John A. Levin & Co. Fund(1)	Units of participation in Large Cap Value/John A 13,360 units, \$9.12 per unit
TimesSquare Capital Management, Inc. S&P 500 Index Fund(1)	Units of participation in S&P 500 Index Fund - 25,146 units, \$49.27 per unit
Aim Value Account(1)	Units of participation in AIM Value Account - 1,369 units, \$33.00 per unit
Morgan Stanley Investment Management, Inc. Large Cap Growth/Morgan Stanley Fund(1)	Units of participation in Large Cap Growth/Morga 6,144 units, \$7.98 per unit
INVESCO Dynamics(1)	Units of participation in INVESCO Dynamics - 6,063 units, \$15.25 per unit

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TimesSquare Capital Management, Inc. Small Cap Growth/Times Square Fund(1)	Units of participation in Small Cap Growth/Times 6,434 units, \$12.97 per unit
Janus Adviser Worldwide Growth Account(1)	Units of participation in Janus Adviser Worldwid 11,687 units, \$23,50 per unit
Balchem Corporation Common Stock(1) (2)	Units of participation in Balchem Common Stock - 74,700 units, \$24.30 per unit
Participant loans(1)	Interest rates range from 9.75% to 11.50%
	Total

- (1) Parties-in-interest
(2) The cost basis of the Balchem Corporation Common Stock Fund at December 31, 2002 was \$1,095,435.

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CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of the Balchem Corporation 401K/Profit Sharing Plan (the "Plan") on Form 11-K for the period ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dino A. Rossi, President, Chief Executive Officer and Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the net assets available for plan benefits and changes in net assets available for plan benefits.

/s/ Dino A. Rossi

Dino A. Rossi
President, Chief Executive Officer and
Principal Financial Officer
June 30, 2003

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This certification accompanies the above-described Report on Form 11-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of the Balchem Corporation 401(k)/Profit Sharing Plan (the "Plan") on Form 11-K for the period ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Francis J. Fitzpatrick, Corporate Controller of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the net assets available for plan benefits and changes in net assets available for plan benefits.

/s/ Francis J. Fitzpatrick

Francis J. Fitzpatrick
Corporate Controller and
Treasurer
June 30, 2003

This certification accompanies the above-described Report on Form 11-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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Independent Auditors' Consent

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Plan Administrator
Balchem Corporation
401(k)/ Profit Sharing Plan:

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-78355) of Balchem Corporation of our report dated June 6, 2003, relating to the statements of net assets available for plan benefits of the Balchem Corporation 401(k)/Profit Sharing Plan as of December 31, 2002 and 2001, and the related statements of changes in net assets available for plan benefits for the years then ended, and the related supplemental schedule, included in this annual report on Form 11-K.

/s/ KPMG LLP

KPMG LLP

Short Hills, New Jersey
June 30, 2003