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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2010

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 001-12019

QUAKER CHEMICAL CORPORATION

(Exact name of Registrant as specified in its charter)

A Pennsylvania Corporation	**No. 23-0993790**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania	**19428-2380**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (610) 832-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each Exchange on which registered
Common Stock, $1.00 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files) Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant. (The aggregate market value is computed by reference to the last reported sale on the New York Stock Exchange on June 30, 2010): $304,994,986

Indicate the number of shares outstanding of each of the Registrant's classes of common stock as of the latest practicable date: 11,506, 450 shares of Common Stock, $1.00 Par Value, as of February 28, 2011.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on May 11, 2011 are incorporated by reference into Part III.

PART I

As used in this Report, the terms "Quaker," the "Company," "we" and "our" refer to Quaker Chemical Corporation, its subsidiaries, and associated companies, unless the context otherwise requires.

Item 1. *Business*.

General Description

Quaker develops, produces, and markets a broad range of formulated chemical specialty products for various heavy industrial and manufacturing applications and, in addition, offers and markets chemical management services ("CMS"). Quaker's principal products and services include: (i) rolling lubricants (used by manufacturers of steel in the hot and cold rolling of steel and by manufacturers of aluminum in the hot rolling of aluminum); (ii) corrosion preventives (used by steel and metalworking customers to protect metal during manufacture, storage, and shipment); (iii) metal finishing compounds (used to prepare metal surfaces for special treatments such as galvanizing and tin plating and to prepare metal for further processing); (iv) machining and grinding compounds (used by metalworking customers in cutting, shaping, and grinding metal parts which require special treatment to enable them to tolerate the manufacturing process, achieve closer tolerance, and improve tool life); (v) forming compounds (used to facilitate the drawing and extrusion of metal products); (vi) hydraulic fluids (used by steel, metalworking, and other customers to operate hydraulically activated equipment); (vii) technology for the removal of hydrogen sulfide in various industrial applications; (viii) chemical milling maskants for the aerospace industry and temporary and permanent coatings for metal and concrete products; (ix) construction products, such as flexible sealants and protective coatings, for various applications; (x) specialty greases; and (xi) programs to provide chemical management services. Individual product lines representing more than 10% of consolidated revenues for any of the past three years are as follows:

	2010	2009	2008
Rolling lubricants	21.2%	20.8%	19.7%
Machining and grinding compounds	20.3%	18.1%	17.7%
Hydraulic fluids	13.7%	12.9%	11.1%
Corrosion preventives	11.5%	9.9%	10.2%
Chemical management services	3.5%	8.4%	11.1%

A substantial portion of Quaker's sales worldwide are made directly through its own employees and its CMS programs with the balance being handled through value-added resellers and agents. Quaker employees visit the plants of customers regularly and, through training and experience, identify production needs which can be resolved or alleviated either by adapting Quaker's existing products or by applying new formulations developed in Quaker's laboratories. Quaker makes little use of advertising but relies heavily upon its reputation in the markets which it serves. Generally, separate manufacturing facilities of a single customer are served by different personnel. As part of the Company's chemical management services, certain third-party product sales to customers are managed by the Company. Where the Company acts as principal, revenues are recognized on a gross reporting basis at the selling price negotiated with the customers. Where the Company acts as an agent, such revenue is recorded using net reporting as service revenues at the amount of the administrative fee earned by the Company for ordering the goods. Third-party products transferred under arrangements resulting in net reporting totaled $56.5 million, $27.5 million and $32.2 million for 2010, 2009 and 2008, respectively. The Company recognizes revenue in accordance with the terms of the underlying agreements, when title and risk of loss have been transferred, collectability is reasonably assured, and pricing is fixed or determinable. This generally occurs for product sales when products are shipped to customers or, for consignment arrangements, upon usage by the customer and when services are performed. License fees and royalties are recognized in accordance with agreed-upon terms, when performance obligations are satisfied, the amount is fixed or determinable, and collectability is reasonably assured, and are included in other income.

In 2010, the Company completed the acquisition of D.A. Stuart's U.S. aluminum hot rolling oil business from Houghton International for approximately $6.8 million. With this acquisition, Quaker became a leading player in the U.S. aluminum hot rolling market. The Company also completed the acquisition of Summit Lubricants Inc., a leading specialty grease manufacturer and distributor of specialty greases, for approximately $29.1 million. This acquisition is complementary to the Company's existing business lines and the purchase price approximates expected 2011 sales.

Competition

The chemical specialty industry comprises a number of companies of similar size as well as companies larger and smaller than Quaker. Quaker cannot readily determine its precise position in every industry it serves. Based on information available to Quaker, however, it is estimated that Quaker holds a leading and significant global position (among a group in excess of 25 other suppliers) in the market for process fluids to produce sheet steel. It is also believed that Quaker holds significant global positions in the markets for process fluids in portions of the automotive and industrial markets. The offerings of many of our competitors differ from Quaker, with some who offer a broad portfolio of fluids including general lubricants to those who have a more specialized product range and all of whom provide different levels of technical services to individual customers. Competition in the industry is based primarily on the ability to provide products that meet the needs of the customer and render technical services and laboratory assistance to customers and, to a lesser extent, on price.

Major Customers and Markets

In 2010, Quaker's five largest customers (each composed of multiple subsidiaries or divisions with semi-autonomous purchasing authority) accounted for approximately 20% of its consolidated net sales with the largest customer (Arcelor-Mittal Group) accounting for approximately 9% of consolidated net sales. A significant portion of Quaker's revenues are realized from the sale of process fluids and services to manufacturers of steel, automobiles, appliances, and durable goods, and, therefore, Quaker is subject to the same business cycles as those experienced by these manufacturers and their customers. Furthermore, steel customers typically have limited manufacturing locations as compared to metalworking customers and generally use higher volumes of products at a single location. Accordingly, the loss or closure of a steel mill or other major customer site can have a material adverse effect on Quaker's business.

Raw Materials

Quaker uses over 1,000 raw materials, including mineral oils and derivatives, animal fats and derivatives, vegetable oils and derivatives, ethylene derivatives, solvents, surface active agents, chlorinated paraffinic compounds, and a wide variety of other organic and inorganic compounds. In 2010, three raw material groups (mineral oils and derivatives, animal fats and derivatives, and vegetable oils and derivatives) each accounted for as much as 10% of the total cost of Quaker's raw material purchases. The price of mineral oil can be affected by the price of crude oil and refining capacity. In addition, animal fat and vegetable oil prices are impacted by increased biodiesel consumption. Accordingly, significant fluctuations in the price of crude oil can have a material effect upon the Company's business. Many of the raw materials used by Quaker are "commodity" chemicals, and, therefore, Quaker's earnings can be affected by market changes in raw material prices. Reference is made to the disclosure contained in Item 7A of this Report.

Patents and Trademarks

Quaker has a limited number of patents and patent applications, including patents issued, applied for, or acquired in the United States and in various foreign countries, some of which may prove to be material to its business. Principal reliance is placed upon Quaker's proprietary formulae and the application of its skills and experience to meet customer needs. Quaker's products are identified by trademarks that are registered throughout its marketing area.

Research and Development—Laboratories

Quaker's research and development laboratories are directed primarily toward applied research and development since the nature of Quaker's business requires continual modification and improvement of formulations to provide chemical specialties to satisfy customer requirements. Quaker maintains quality control laboratory facilities in each of its manufacturing locations. In addition, Quaker maintains in Conshohocken, Pennsylvania, Santa Fe Springs, California, Uithoorn, The Netherlands and Qingpu, China laboratory facilities that are devoted primarily to applied research and development.

Research and development costs are expensed as incurred. Research and development expenses during 2010, 2009 and 2008 were $15.7 million, $15.0 million and $16.9 million, respectively.

Most of Quaker's subsidiaries and associated companies also have laboratory facilities. Although not as complete as the Conshohocken, Santa Fe Springs, Uithoorn or Qingpu laboratories, these facilities are generally sufficient for the requirements of the customers being served. If problems are encountered which cannot be resolved by local laboratories, such problems may be referred to the laboratory staff in Conshohocken or Uithoorn.

Regulatory Matters

In order to facilitate compliance with applicable Federal, state, and local statutes and regulations relating to occupational health and safety and protection of the environment, the Company has an ongoing program of site assessment for the purpose of identifying capital expenditures or other actions that may be necessary to comply with such requirements. The program includes periodic inspections of each facility by Quaker and/or independent experts, as well as ongoing inspections and training by on-site personnel. Such inspections address operational matters, record keeping, reporting requirements and capital improvements. In 2010, capital expenditures directed solely or primarily to regulatory compliance amounted to approximately $0.7 million compared to $0.7 million and $1.7 million in 2009 and 2008, respectively. In 2011, the Company expects to incur approximately $1.9 million for capital expenditures directed primarily to regulatory compliance.

Number of Employees

On December 31, 2010, Quaker's consolidated companies had 1,385 full-time employees of whom 513 were employed by the parent company and its U.S. subsidiaries and 872 were employed by its non-U.S. subsidiaries. Associated companies of Quaker (in which it owns 50% or less) employed 225 people on December 31, 2010.

Product Classification

The Company organizes its segments by type of product sold. The Company's reportable segments are as follows:

(1) *Metalworking process chemicals*—industrial process fluids for various heavy industrial and manufacturing applications.

(2) *Coatings*—temporary and permanent coatings for metal and concrete products and chemical milling maskants.

(3) *Other chemical products*—other various chemical products.

Incorporated by reference is the segment information contained in Note 17 of Notes to Consolidated Financial Statements included in Item 8 of this Report.

Non-U.S. Activities

Since significant revenues and earnings are generated by non-U.S. operations, Quaker's financial results are affected by currency fluctuations, particularly between the U.S. Dollar, the E.U. Euro, the Brazilian Real, and the Chinese Renminbi, and the impact of those currency fluctuations on the underlying economies. Incorporated by reference is (i) the foreign exchange risk information contained in Item 7A of this Report, (ii) the geographic information in Note 17 of Notes to Consolidated Financial Statements included in Item 8 of this Report, and (iii) information regarding risks attendant to foreign operations included in Item 1A of this Report.

Quaker on the Internet

Financial results, news and other information about Quaker can be accessed from the Company's Web site at http://www.quakerchem.com. This site includes important information on products and services, financial reports, news releases, and career opportunities. The Company's periodic and current reports on Forms 10-K, 10-Q and 8-K, including exhibits and supplemental schedules filed therewith, and amendments to those reports, filed with the Securities and Exchange Commission ("SEC") are available on the Company's Web site, free of charge, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Information contained on, or that may be accessed through, the Company's Web site is not incorporated by reference in this Report and, accordingly, you should not consider that information part of this Report.

Factors that May Affect Our Future Results

(Cautionary Statements under the Private Securities Litigation Reform Act of 1995)

Certain information included in this Report and other materials filed or to be filed by Quaker with the SEC (as well as information included in oral statements or other written statements made or to be made by us) contain or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements can be identified by the fact that they do not relate strictly to historical or current facts. We have based these forward-looking statements on our current expectations about future events. These forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, intentions, financial condition, results of operations, future performance, and business, including:

- statements relating to our business strategy;
- our current and future results and plans; and
- statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan" or similar expressions.

Such statements include information relating to current and future business activities, operational matters, capital spending, and financing sources. From time to time, oral or written forward-looking statements are also included in Quaker's periodic reports on Forms 10-Q and 8-K, press releases, and other materials released to, or statements made to, the public.

Any or all of the forward-looking statements in this Report, in Quaker's Annual Report to Shareholders for 2010, and in any other public statements we make may turn out to be wrong. This can occur as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties. Many factors discussed in this Report will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from our forward-looking statements.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in Quaker's subsequent reports on Forms 10-K, 10-Q and 8-K should be consulted. These forward-looking statements are subject to risks, uncertainties and assumptions about us and our operations that are subject to change based on various important factors, some of which are beyond our control. A major risk is that the demand for the Company's

products and services is largely derived from the demand for its customers' products, which subjects the Company to uncertainties related to downturns in a customer's business and unanticipated customer production shutdowns. Other major risks and uncertainties include, but are not limited to, significant increases in raw material costs, worldwide economic and political conditions, foreign currency fluctuations, and terrorist attacks such as those that occurred on September 11, 2001, each of which is discussed in greater detail in Item 1A of this Report. Furthermore, the Company is subject to the same business cycles as those experienced by steel, automobile, aircraft, appliance, and durable goods manufacturers. These risks, uncertainties, and possible inaccurate assumptions relevant to our business could cause our actual results to differ materially from expected and historical results. Other factors beyond those discussed in this Report could also adversely affect us. Therefore, we caution you not to place undue reliance on our forward-looking statements. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

Item 1A. *Risk Factors*.

Changes to the industries and markets that Quaker serves could have a material adverse effect on the Company's liquidity, financial position and results of operations.

The chemical specialty industry comprises a number of companies of similar size as well as companies larger and smaller than Quaker. It is estimated that Quaker holds a leading and significant global position in the markets for process fluids to produce sheet steel and significant global positions in portions of the automotive and industrial markets. The industry is highly competitive, and a number of companies with significant financial resources and/or customer relationships compete with us to provide similar products and services. Our competitors may be positioned to offer more favorable pricing and service terms, resulting in reduced profitability and loss of market share for us. Historically, competition in the industry has been based primarily on the ability to provide products that meet the needs of the customer and render technical services and laboratory assistance to the customer and, to a lesser extent, on price. Factors critical to the Company's business include successfully differentiating the Company's offering from its competition, operating efficiently and profitably as a globally integrated whole, and increasing market share and customer penetration through internally developed business programs and strategic acquisitions.

The business environment in which the Company operates remains uncertain. The Company is subject to the same business cycles as those experienced by steel, automobile, aircraft, appliance, and durable goods manufacturers. A major risk is that the Company's demand is largely derived from the demand for its customers' products, which subjects the Company to uncertainties related to downturns in our customers' business and unanticipated customer production shutdowns or curtailments. The Company has limited ability to adjust its cost level contemporaneously with changes in sales and gross margins. Thus, a significant downturn in sales or gross margins due to weak end-user markets, loss of a significant customer, and/or rising raw material costs could have a material adverse effect on the Company's liquidity, financial position, and results of operations.

Our business depends on attracting and retaining qualified management personnel.

The unanticipated departure of any key member of our management team could have an adverse effect on our business. Given the relative size of the Company and the breadth of its global operations, there are a limited number of qualified management personnel to assume the responsibilities of management level employees should there be management turnover. In addition, because of the specialized and technical nature of our business, our future performance is dependent on the continued service of, and our ability to attract and retain, qualified management, commercial and technical personnel. Competition for such personnel is intense, and we may be unable to continue to attract or retain such personnel.

Inability to obtain sufficient price increases or contract concessions to offset increases in the costs of raw material could have a material adverse effect on the Company's liquidity, financial position and results of operations. Price increases implemented could result in the loss of sales.

Quaker uses over 1,000 raw materials, including mineral oils and derivatives, animal fats and derivatives, vegetable oils and derivatives, ethylene derivatives, solvents, surface active agents, chlorinated paraffinic

compounds, and a wide variety of other organic and inorganic compounds. In 2010, three raw material groups (mineral oils and derivatives, animal fats and derivatives, and vegetable oils and derivatives) each accounted for as much as 10% of the total cost of Quaker's raw material purchases. The price of mineral oil can be affected by the price of crude oil and refining capacity. In addition, many of the raw materials used by Quaker are "commodity" chemicals. Accordingly, Quaker's earnings can be affected by market changes in raw material prices.

Over the past three years, Quaker has experienced significant volatility in its raw material costs, particularly crude oil derivatives. For example, the price of crude oil averaged $79 per barrel in 2010 versus $61 in 2009 and $100 in 2008 and is currently trading in the $100 per barrel range with market conditions that currently reflect the political instability in the Middle East. In addition, refining capacity has also been constrained by various factors, which further contributed to volatile raw material costs and negatively impacted margins. Animal fat and vegetable oil prices have been impacted by increased biodiesel consumption. In response, the Company has aggressively pursued price increases to offset the increased raw material costs. Although the Company has been successful in recovering a substantial amount of the raw material cost increases, it has experienced competitive as well as contractual constraints limiting pricing actions. In addition, as a result of the Company's pricing actions, customers may become more likely to consider competitors' products, some of which may be available at a lower cost. Significant loss of customers could result in a material adverse effect on the Company's results of operations.

Availability of raw materials, including sourcing from some single suppliers, could have a material adverse effect on the Company's liquidity, financial position and results of operations.

The chemical specialty industry can experience some tightness of supply of certain raw materials. In addition, in some cases, we choose to source from a single supplier. Any significant disruption in supply could affect our ability to obtain raw materials, which could have a material adverse effect on our liquidity, financial position and results of operations.

Loss of a significant manufacturing facility may materially and adversely affect the Company's liquidity, financial position and results of operations.

Quaker has multiple manufacturing facilities throughout the world. In certain countries such as Brazil and China, there is only one such facility. If one of the Company's facilities was damaged to such extent that production was halted for an extended period, the Company may not be able to timely supply affected customers. This could result in a loss of sales over an extended period or permanently. The Company does take steps to mitigate against this risk including contingency planning and procuring property and casualty insurance (including business interruption insurance). Nevertheless, the loss of sales in any one region over any extended period of time could have a significant material adverse effect on Quaker's liquidity, financial position and results of operations.

Bankruptcy of a significant customer could have a material adverse effect on our liquidity, financial position and results of operations.

A significant portion of Quaker's revenues is derived from sales to customers in the U.S. steel and automotive industries, including some of our larger customers, where a number of bankruptcies occurred during recent years and companies have experienced financial difficulties. As part of the bankruptcy process, the Company's pre-petition receivables may not be realized, customer manufacturing sites may be closed or contracts voided. The bankruptcy of a major customer could have a material adverse effect on the Company's liquidity, financial position, and results of operations. Steel customers typically have limited manufacturing locations as compared to metalworking customers and generally use higher volumes of products at a single location. The loss or closure of a steel mill or other major site of a significant customer could have a material adverse effect on Quaker's business.

During 2010, our five largest customers (each composed of multiple subsidiaries or divisions with semi-autonomous purchasing authority) together accounted for approximately 20% of our consolidated net sales with the largest customer (Arcelor-Mittal Group) accounting for approximately 9% of consolidated net sales.

Failure to comply with any material provision of our credit facility or other debt agreements could have a material adverse effect on our liquidity, financial position and results of operations.

The Company maintains a $175.0 million unsecured credit facility (the "Credit Facility") with a group of lenders, which can be increased to $225.0 million at the Company's option if lenders agree to increase their commitments and the Company satisfies certain conditions. The Credit Facility, which matures in 2014, provides the availability of revolving credit borrowings. In general, the borrowings under the Credit Facility bear interest at either a base rate or LIBOR rate plus a margin based on the Company's consolidated leverage ratio.

The Credit Facility contains limitations on capital expenditures, investments, acquisitions and liens, as well as default provisions customary for facilities of its type. While these covenants and restrictions are not currently considered to be overly restrictive, they could become more difficult to comply with as our business or financial conditions change. In addition, deterioration in the Company's results of operations or financial position could significantly increase borrowing costs.

Quaker is exposed to market rate risk for changes in interest rates, due to the variable interest rate applied to the Company's borrowings under its Credit Facility. Accordingly, if interest rates rise significantly, the cost of debt to Quaker will increase, perhaps significantly, depending on the extent of Quaker's borrowings under the Credit Facility. At December 31, 2010, the Company had $55.0 million outstanding under its credit facilities. The Company has entered into interest rate swaps in order to fix a portion of its variable rate debt and mitigate the risks associated with higher interest rates. The combined notional value of the swaps was $15.0 million at December 31, 2010.

Failure to generate taxable income could have a material adverse effect on our financial position and results of operations.

At December 31, 2010, the Company had net U.S. deferred tax assets totaling $14.8 million, excluding deferred tax assets relating to additional minimum pension liabilities. In addition, at that date, the Company had $2.1 million in operating loss carryforwards primarily related to certain of its foreign operations. The Company records valuation allowances when necessary to reduce its deferred tax assets to the amount that is more likely than not to be realized. The Company considers future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. However, in the event the Company were to determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax asset would be a non-cash charge to income in the period such determination was made, which could have a material adverse effect on the Company's financial statements. The Company continues to closely monitor this situation as it relates to its net deferred tax assets and the assessment of valuation allowances.

Environmental laws and regulations and pending legal proceedings may materially and adversely affect the Company's liquidity, financial position and results of operations.

The Company is a party to proceedings, cases, and requests for information from, and negotiations with, various claimants and Federal and state agencies relating to various matters, including environmental matters. An adverse result in one or more matters could materially and adversely affect the Company's liquidity, financial position and results of operations. Incorporated herein by reference is the information concerning pending asbestos-related litigation against an inactive subsidiary and amounts accrued associated with certain environmental non-capital remediation costs in Note 22 of Notes to Consolidated Financial Statements which appears in Item 8 of this Report.

Climate change and greenhouse gas restrictions may materially affect the Company's liquidity, financial position and results of operations.

The Company is subject to various regulations regarding its emission of greenhouse gases in its manufacturing facilities. In addition, a number of countries have adopted, or are considering the adoption of

regulatory frameworks to reduce greenhouse gas emissions. These include adoption of cap and trade regimes, carbon taxes, increased efficiency standards and incentives or mandates for renewable energy. These requirements could make our products more expensive and reduce demand for our products. Current and pending greenhouse gas regulations may also increase our compliance costs.

We might not be able to timely develop, manufacture and gain market acceptance of new and enhanced products required to maintain or expand our business.

We believe that our continued success depends on our ability to continuously develop and manufacture new products and product enhancements on a timely and cost-effective basis, in response to customers' demands for higher performance process chemicals, coatings and other chemical products. Our competitors may develop new products or enhancements to their products that offer performance, features and lower prices that may render our products less competitive or obsolete and, as a consequence, we may lose business and/or significant market share. The development and commercialization of new products require significant expenditures over an extended period of time, and some products that we seek to develop may never become profitable. In addition, we may not be able to develop and introduce products incorporating new technologies in a timely manner that will satisfy our customers' future needs or achieve market acceptance.

The scope of our international operations subjects the Company to risks, including risks from changes in trade regulations, currency fluctuations, and political and economic instability.

Since significant revenues and earnings are generated by non-U.S. operations, Quaker's financial results are affected by currency fluctuations, particularly between the U.S. Dollar, the E.U. Euro, the Brazilian Real, and the Chinese Renminbi, and the impact of those currency fluctuations on the underlying economies. During the past three years, sales by non-U.S. subsidiaries accounted for approximately 59% to 65% of our annual consolidated net sales. All of these operations use the local currency as their functional currency. The Company generally does not use financial instruments that expose it to significant risk involving foreign currency transactions; however, the size of non-U.S. activities has a significant impact on reported operating results and attendant net assets. Therefore, as exchange rates vary, Quaker's results can be materially affected. Incorporated by reference is the foreign exchange risk information contained in Item 7A of this Report and the geographic information in Note 17 of Notes to Consolidated Financial Statements included in Item 8 of this Report.

Additional risks associated with the Company's international operations include, but are not limited to, the following:

- changes in economic conditions from country to country,
- changes in a country's political condition, such as the current political unrest in the Middle East,
- trade protection measures,
- licensing and other legal requirements,
- longer payment cycles in certain foreign markets,
- restrictions on the repatriation of our assets, including cash,
- significant foreign and United States taxes on repatriated cash,
- the difficulties of staffing and managing dispersed international operations,
- less protective foreign intellectual property laws,
- legal systems that may be less developed and predictable than those in the United States, and
- local tax issues.

The breadth of Quaker's international operations subjects the Company to various local non-income taxes, including value-added-taxes ("VAT"). With VAT, the Company essentially operates as an agent for various jurisdictions by collecting VAT from customers and remitting those amounts to the taxing authorities on the goods it sells. The laws and regulations regarding VAT can be complex and vary widely among countries as well as among individual states within a given country for the same products, making full compliance difficult. As VAT is often charged as a percentage of the selling price of the goods sold, the amounts involved can be material. Should there be non-compliance by the Company, it may need to remit funds to the tax authorities prior to collecting the appropriate amounts from customers or jurisdictions which may have been incorrectly paid. In addition, the Company may choose for commercial reasons not to seek repayment from certain customers. This could have a material adverse affect on the Company's liquidity, financial position and results of operations. Refer to Note 22 of Notes to Consolidated Financial Statements, included in Item 8 of this Report, which is incorporated herein by this reference, for further discussion.

Terrorist attacks, other acts of violence or war may affect the markets in which we operate and our profitability.

Terrorist attacks may negatively affect our operations. There can be no assurance that there will not be further terrorist attacks against the U.S. or U.S. businesses. Terrorist attacks, other acts of violence or armed conflicts may directly impact our physical facilities or those of our suppliers or customers. Additional terrorist attacks may disrupt the global insurance and reinsurance industries with the result that we may not be able to obtain insurance at historical terms and levels for all of our facilities. Furthermore, any of these events may make travel and the transportation of our supplies and products more difficult and more expensive and ultimately affect the sales of our products. The consequences of terrorist attacks, other acts of violence or armed conflicts can be unpredictable, and we may not be able to foresee events that could have an adverse effect on our business.

Item 1B. *Unresolved Staff Comments.*

None.

Item 2. *Properties.*

Quaker's corporate headquarters and a laboratory facility are located in Conshohocken, Pennsylvania. Quaker's other principal facilities are located in Detroit, Michigan; Middletown, Ohio; Santa Fe Springs, California; Batavia, New York; Uithoorn, The Netherlands; Santa Perpetua de Mogoda, Spain; Rio de Janeiro, Brazil; Tradate, Italy; and Qingpu, China. All of the properties except that in Santa Fe Springs, California are used by the metalworking process chemicals segment. The Santa Fe Springs, California property is used by the coatings segment. With the exception of the Conshohocken, Santa Fe Springs and Tradate sites, which are leased, all of these principal facilities are owned by Quaker and as of December 31, 2010 were mortgage free. Quaker also leases sales, laboratory, manufacturing, and warehouse facilities in other locations.

Quaker's principal facilities (excluding Conshohocken) consist of various manufacturing, administrative, warehouse, and laboratory buildings. Substantially all of the buildings (including Conshohocken) are of fire-resistant construction and are equipped with sprinkler systems. All facilities are primarily of masonry and/or steel construction and are adequate and suitable for Quaker's present operations. The Company has a program to identify needed capital improvements that are implemented as management considers necessary or desirable. Most locations have various numbers of raw material storage tanks ranging from 18 to 58 at each location with a capacity ranging from 1,000 to 82,000 gallons and processing or manufacturing vessels ranging in capacity from 7 to 16,000 gallons.

Each of Quaker's 50% or less owned non-U.S. associated companies owns or leases a plant and/or sales facilities in various locations.

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Item 3. ***Legal Proceedings.***

The Company is a party to proceedings, cases, and requests for information from, and negotiations with, various claimants and Federal and state agencies relating to various matters, including environmental matters. For information concerning pending asbestos-related litigation against an inactive subsidiary, amounts accrued associated with certain environmental non-capital remediation costs and the Company's value-added-tax dispute settlements, reference is made to Note 22 of Notes to Consolidated Financial Statements, included in Item 8 of this Report, which is incorporated herein by this reference. The Company is a party to other litigation which management currently believes will not have a material adverse effect on the Company's results of operations, cash flow, or financial condition.

Item 4. ***[Reserved]***

Item 4(a). ***Executive Officers of the Registrant.***

Set forth below is information regarding the executive officers of the Company, each of whom (with the exception of Mr. Claro) has been employed by the Company for more than five years, including the respective positions and offices with the Company held by each over the respected periods indicated. Each of the executive officers, with the exception of Mr. Hill, is elected annually to a one-year term. Mr. Hill is considered an executive officer in his capacity as principal accounting officer for purposes of this item.

Name, Age, and Present Position with the Company	Business Experience During Past Five Years and Period Served as an Officer
Michael F. Barry, 52 Chairman of the Board, Chief Executive Officer and President and Director	Mr. Barry, who has been employed by the Company since 1998, has served as Chairman of the Board since May 13, 2009, in addition to his position as Chief Executive Officer and President held since October 2008. He served as Senior Vice President and Managing Director—North America from January 2006 to October 2008. He served as Senior Vice President and Global Industry Leader—Metalworking and Coatings from July 2005 through December 2005. He served as Vice President and Global Industry Leader—Industrial Metalworking and Coatings from July 2005 through December 2005 and Vice President and Chief Financial Officer from 1998 to August 2004.
Mark A. Featherstone, 49 Vice President, Chief Financial Officer and Treasurer	Mr. Featherstone, who has been employed by the Company since 2001, has served as Chief Financial Officer and Treasurer since April 2007 and has served as Vice President since March 2005. He served as Global Controller from May 2001 to April 2007.
D. Jeffry Benoliel, 52 Vice President-Global Strategy, General Counsel and Corporate Secretary	Mr. Benoliel, who has been employed by the Company since 1995, has served as Vice President-Global Strategy, General Counsel and Corporate Secretary since October 2008. He served as Vice President, Secretary and General Counsel from 2001 through September 2008.

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Name, Age, and Present Position with the Company	Business Experience During Past Five Years and Period Served as an Officer
Joseph A. Berquist, 39 Vice President and Managing Director—North America	Mr. Berquist, who has been employed by the Company since 1997, was elected as Vice President and Managing Director—North America on April 1, 2010. He served as Senior Director, North America Commercial from October 2008 through March 2010, as Industry Business Director—Metalworking/Fluid Power from July 2006 through September 2008 and as Industry Business Manager—Metalworking/Fluid Power from January 2006 until July 2006. He served as Regional Sales Manager —Metalworking from November 2004 through December 2005.
Jose Luiz Bregolato, 65 Vice President and Managing Director—South America	Mr. Bregolato, who has been employed by the Company since 1994, has served in his current position since 1994.
Carlos Claro, 49 Vice President	Mr. Claro joined the Company on February 1, 2011 as Vice President. Prior to joining the Company, Mr. Claro was Americas Business Director at Cytec Industries, a specialty chemicals and materials technology company, responsible for the Powder Coating Resins business from April 2008 through January 2011. He served as Latin America Resins Commercial Director and Country Manager—Brazil at Cytec Industries from June 2005 until April 2008.
George H. Hill, 36 Global Controller	Mr. Hill, who has been employed by the Company since 2002, has served in his current position since April 2007. He served as Assistant Global Controller from May 2004 until April 2007.
Joseph F. Matrange, 69 Vice President—Global Coatings	Mr. Matrange, who has been employed by the Company since 2001, has served as Vice President—Global Coatings since October 2008. He has also served as President of AC Products, Inc., a California subsidiary, since October 2000, and Epmar Corporation, a California subsidiary, since April 2002.
Jan F. Nieman, 50 Vice President and Managing Director—Asia/Pacific	Mr. Nieman, who has been employed by the Company since 1992, has served as Vice President since February 2005, and has served in the position of Managing Director, Asia/Pacific since August 2003.
Wilbert Platzer, 49 Vice President and Managing Director—Europe	Mr. Platzer, who has been employed by the Company since 1995, has served in his current position since January 2006. He served as Vice President—Global Industrial Metalworking from July 2005 through December 2005 and served as Vice President —Worldwide Operations from January 2001 through June 2005.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.*

The Company's common stock is listed on the New York Stock Exchange ("NYSE") under the trading symbol KWR. The following table sets forth, for the calendar quarters during the past two most recent fiscal years, the range of high and low sales prices for the common stock as reported on the NYSE composite tape (amounts rounded to the nearest penny), and the quarterly dividends declared and paid:

	Price Range				Dividends Declared		Dividends Paid	
	2010		2009					
	High	Low	High	Low	2010	2009	2010	2009
First quarter	$27.71	$ 16.14	$ 16.53	$ 4.65	$ 0.23	$ —	$ 0.23	$0.23
Second quarter	36.49	22.55	15.25	7.60	0.235	0.46	0.23	0.23
Third quarter	38.16	24.64	23.20	11.97	0.235	0.23	0.235	0.23
Fourth quarter	45.80	32.30	23.82	17.18	0.235	0.23	0.235	0.23

There are no restrictions that currently materially limit the Company's ability to pay dividends or that the Company believes are likely to materially limit the future payment of dividends. If a default under the Company's primary credit facility were to occur and continue, the payment of dividends would be prohibited. Reference is made to the "Liquidity and Capital Resources" disclosure contained in Item 7 of this Report.

As of January 17, 2011, there were 1,020 shareholders of record of the Company's common stock, its only outstanding class of equity securities.

Every holder of Quaker common stock is entitled to one vote or ten votes for each share held of record on any record date depending on how long each share has been held. As of January 17, 2011, 11,494,448 shares of Quaker common stock were issued and outstanding. Based on the information available to the Company on January 17, 2011, as of that date the holders of 871,597 shares of Quaker common stock would have been entitled to cast ten votes for each share, or approximately 45% of the total votes that would have been entitled to be cast as of that record date and the holders of 10,622,851 shares of Quaker common stock would have been entitled to cast one vote for each share, or approximately 55% of the total votes that would have been entitled to be cast as of that date. The number of shares that are indicated as entitled to one vote includes those shares presumed to be entitled to only one vote. Because the holders of these shares may rebut this presumption, the total number of votes entitled to be cast as of January 17, 2011 could be more than 19,338,821.

Reference is made to the information in Item 12 of this Report under the caption "Equity Compensation Plans," which is incorporated herein by this reference.

The following table sets forth information concerning shares of the Company's common stock acquired by the Company during the fourth quarter of the fiscal year covered by this Report, all of which were acquired from employees in payment of the exercise price of employee stock options exercised during the period.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid per Share (2)	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (3)	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (3)
October 1 – October 31	—	$ —	—	252,600
November 1 – November 30	30,039	$ 38.06	—	252,600
December 1 – December 31	—	$ —	—	252,600
Total	30,039	$ 38.06	—	252,600

(1) All of the 30,039 shares acquired by the Company during the period covered by this report were acquired from employees upon their surrender of previously owned shares in payment of the exercise price of employee stock options.

(2) The price paid per share, in each case, represents either a) the average of the high and low price of the Company's common stock on the date of exercise; or b) the closing price of the Company's common stock on date of exercise, as specified by the plan pursuant to which the applicable option was granted.

(3) On February 15, 1995, the Board of Directors of the Company authorized a share repurchase program authorizing the repurchase of up to 500,000 shares of Quaker common stock, and, on January 26, 2005, the Board authorized the repurchase of up to an additional 225,000 shares. Under the 1995 action of the Board, 27,600 shares may yet be purchased. Under the 2005 action of the Board, none of the shares authorized has been purchased and, accordingly, all of those shares may yet be purchased. Neither of the share repurchase authorizations has an expiration date.

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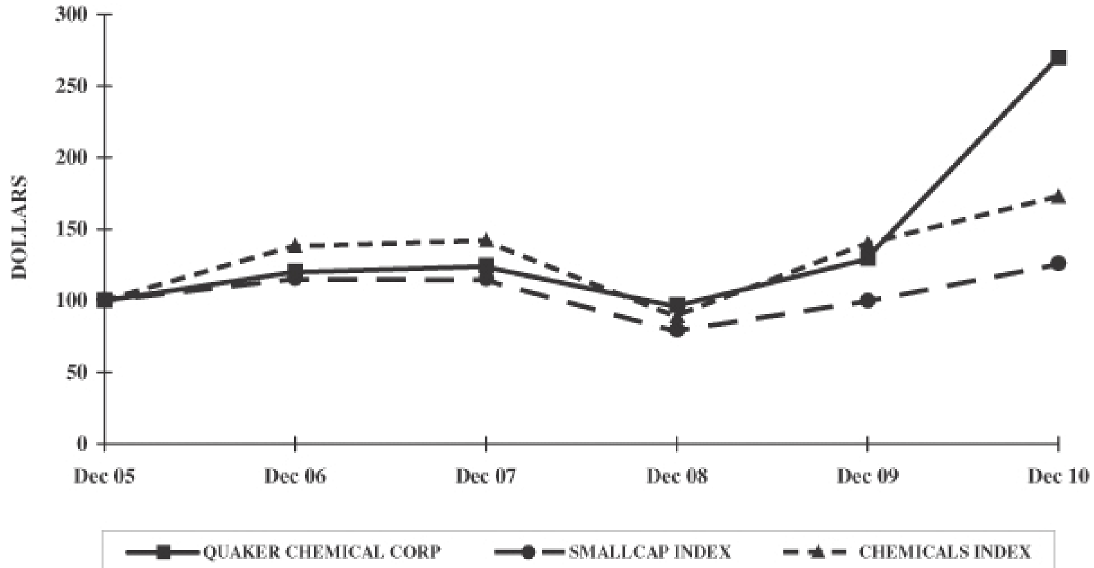
The following graph compares the cumulative total return (assuming reinvestment of dividends) from December 31, 2005 to December 31, 2010 for (i) Quaker's common stock, (ii) the S&P SmallCap 600 Stock Index (the "SmallCap Index") and (iii) the S&P Chemicals (Specialty) Index-SmallCap (the "Chemicals Index"). The graph assumes the investment of $100 on December 31, 2005 in each of Quaker's common stock, the stocks comprising the SmallCap Index, and the stocks comprising the Chemicals Index.

COMPARISON OF CUMULATIVE FIVE–YEAR TOTAL RETURN



	12/31/2005	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010
Quaker	$ 100.00	$119.89	$ 124.06	$ 96.46	$ 128.93	$269.14
SmallCap Index	100.00	115.12	114.78	79.11	99.34	125.47
Chemicals Index	100.00	138.28	142.16	89.29	139.86	172.90

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Item 6. ***Selected Financial Data.***

The following table sets forth selected financial information for the Company and its consolidated subsidiaries:

	Year Ended December 31,				
	2010 (1)	2009 (2)	2008 (3)	2007 (4)	2006
	(In thousands, except per share amounts)				
Summary of Operations:					
Net sales	$ 544,063	$ 451,490	$ 581,641	$545,597	$ 460,451
Income before taxes, equity income and noncontrolling interest	46,213	23,692	16,629	22,735	18,440
Net income attributable to Quaker Chemical Corporation	31,807	16,220	11,132	15,471	11,667
Per share:					
Net income attributable to Quaker Chemical Corporation Common Shareholders—basic	$ 2.82	$ 1.48	$ 1.06	$ 1.53	$ 1.18
Net income attributable to Quaker Chemical Corporation Common Shareholders—diluted	$ 2.77	$ 1.47	1.05	1.52	1.18
Dividends declared	0.935	0.92	0.92	0.86	0.86
Dividends paid	0.93	0.92	0.905	0.86	0.86
Financial Position:					
Working capital	$ 114,291	$ 98,994	$ 116,962	$ 107,150	$ 96,062
Total assets	449,430	395,292	385,439	399,049	357,382
Long-term debt	73,855	63,685	84,236	78,487	85,237
Equity	187,099	156,295	129,875	134,906	114,866

Following amounts in thousands

(1) The results of operations for 2010 include a pre-tax final charge of $1,317 related to the retirement of the Company's former Chief Executive Officer in 2008; a net pre-tax charge of $4,132 related to a Non-Income tax contingency; a $322 charge related to a currency devaluation at the Company's 50% owned affiliate in Venezuela; a $564 charge related to an out-of-period adjustment at the Company's 40% owned affiliate in Mexico; offset by a $2,441 tax benefit from the derecognition of various uncertain tax positions due to the expiration of applicable statutes of limitations and resolution of tax audits for certain tax years.

(2) The results of operations for 2009 include a pre-tax charge for restructuring and related activities of $2,289; a pre-tax charge of $2,443 related to the retirement of the Company's former Chief Executive Officer in 2008; offset by a gain of $1,193 on the disposition of land in Europe and a $583 tax benefit from the derecognition of various uncertain tax positions due to the expiration of applicable statutes of limitations and resolution of tax audits for certain tax years.

(3) The results for operations for 2008 include a pre-tax charge for restructuring and related activities of $2,916; a pre-tax charge of $3,505 for the incremental charges related to the retirement of the Company's Chief Executive Officer; offset by a net arbitration award of $956 related to litigation with one of the former owners of the Company's Italian subsidiary; a tax refund of $460 relating to the Company's increased investment in China; and a $1,508 tax benefit from the derecognition of various uncertain tax positions due to the expiration of applicable statutes of limitations and resolution of tax audits for certain tax years.

(4) The results of operations for 2007 include a pre-tax environmental charge of $3,300 for the settlement of the AC Products, Inc. litigation and ongoing remediation activities at the site; a pre-tax charge of $701 related to a discontinued strategic initiative; a pre-tax charge of $487 related to certain customer bankruptcies; a tax refund of $665 related to the Company's increased investment in China; a non-cash out-of-period tax benefit adjustment of $993 primarily related to deferred tax accounting for the Company's foreign pension plans; and a $391 tax charge related to the revaluation of deferred tax assets as a result of a tax law change.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

Executive Summary

Quaker Chemical Corporation is a leading global provider of process chemicals, chemical specialties, services and technical expertise to a wide range of industries—including steel, aluminum, automotive, mining, aerospace, tube and pipe, coatings and construction materials. Our products, technical solutions and chemical management services ("CMS") enhance our customers' processes, improve their product quality and lower their costs.

The 21% growth in revenue during 2010 compared to 2009 was principally due to double-digit volume increases experienced across the globe as the Company continued to recover from the global economic downturn. These volume increases were partially offset by lower CMS revenue reported on a gross basis as a result of contract renegotiations. While the Company's gross margin improved from 34.7% in 2009 to 35.4% in 2010, the Company experienced significantly higher raw material costs as 2010 progressed, only a portion of which were recovered through price increases in 2010. Additional price increases are being implemented in early 2011 as part of the Company's efforts to recover margins. The Company's selling, general and administrative expenses ("SG&A") increased 10% during 2010 due to higher selling costs with increased business activity, inflationary costs, increased incentive compensation costs as well as higher professional fees related to acquisitions. However, SG&A as a percentage of sales decreased from 28% in 2009 to 26% in 2010.

In 2010, the Company completed the acquisition of D.A. Stuart's U.S. aluminum hot rolling oil business from Houghton International for approximately $6.8 million. With this acquisition, Quaker became a leading player in the U.S. aluminum hot rolling market. The Company also completed the acquisition of Summit Lubricants Inc., a leading specialty grease manufacturer and distributor of specialty greases, for approximately $29.1 million. This acquisition is complementary to the Company's existing business.

The full year 2010 results include some unusual items. The 2010 results include a $4.1 million charge related to a non-income tax contingency discussed below. The Company incurred a final charge related to the former CEO's supplemental retirement plan of approximately $1.3 million. Equity in net income of associated companies includes charges totaling $0.9 million related to the devaluation of the Venezuelan Bolivar Fuerte and an out-of-period charge related to shortfalls in reserves for pensions and other items. The effective tax rate for 2010 includes approximately $2.4 million of benefit from the derecognition of various uncertain tax positions due to the expiration of applicable statutes of limitations.

The full year 2009 results included some unusual items as well. A $2.3 million restructuring charge was taken in an effort to reduce operating costs as volume declines continued in the U.S. and Europe and extended to other regions. The Company also incurred charges related to the former CEO's supplemental retirement plan of approximately $2.4 million. Other income for 2009 includes a $1.2 million gain related to the disposition of excess land in Europe. The effective tax rate for 2009 reflected no tax expense being provided on the land sale gain due to the utilization of net operating losses which were previously not benefited and included approximately $0.6 million of benefit from the derecognition of various uncertain tax positions due to the expiration of applicable statutes of limitations and resolution of tax audits for certain tax years.

The net result was earnings per diluted share of $2.77, up 88% compared to $1.47 for 2009, with 2010 net income surpassing that of any year in the Company's history. In addition, the Company raised its dividend in 2010, made two strategic acquisitions and enhanced its financial flexibility for future growth by amending its primary credit facility. The Company expects to have good growth in 2011 due to its leadership positions in faster growing economies like China, Brazil and India, as well as continued recovery in the more mature markets such as the U.S. and Europe. The Company will also be investing in additional resources to support that growth, especially in the emerging markets. While the current Middle East tensions put greater uncertainty on raw material pricing, the Company's goal is to continue its profit growth and build upon the record profits achieved in 2010. In addition, the Company expects to continue to make strategic acquisitions and is currently evaluating several opportunities.

Critical Accounting Policies and Estimates

Quaker's discussion and analysis of its financial condition and results of operations are based upon Quaker's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires Quaker to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, Quaker evaluates its estimates, including those related to customer sales incentives, product returns, bad debts, inventories, property, plant, and equipment, investments, goodwill, intangible assets, income taxes, financing operations, restructuring, incentive compensation plans (including equity-based compensation), pensions and other postretirement benefits, and contingencies and litigation. Quaker bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Quaker believes the following critical accounting policies describe the more significant judgments and estimates used in the preparation of its consolidated financial statements:

1. Accounts receivable and inventory reserves and exposures—Quaker establishes allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of Quaker's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As part of its terms of trade, Quaker may custom manufacture products for certain large customers and/or may ship product on a consignment basis. Further, a significant portion of Quaker's revenues is derived from sales to customers in the U.S. steel and automotive industries, where a number of bankruptcies have occurred during recent years and companies have experienced financial difficulties. When a bankruptcy occurs, Quaker must judge the amount of proceeds, if any, that may ultimately be received through the bankruptcy or liquidation process. These matters may increase the Company's exposure should a bankruptcy occur, and may require write down or disposal of certain inventory due to its estimated obsolescence or limited marketability. Reserves for customers filing for bankruptcy protection are generally dependent on the Company's evaluation of likely proceeds from the bankruptcy process. Large and/or financially distressed customers are generally reserved for on a specific review basis while a general reserve is established for other customers based on historical experience. The Company's consolidated allowance for doubtful accounts was $4.3 million and $4.0 million at December 31, 2010 and 2009, respectively. Further, the Company recorded provisions for doubtful accounts of $0.9 million, $1.4 million and $1.1 million in 2010, 2009 and 2008, respectively. An increase of 10% to the recorded provisions would have decreased the Company's pre-tax earnings by approximately $0.1 million in 2010, 2009 and 2008, respectively.

2. Environmental and litigation reserves—Accruals for environmental and litigation matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Accrued liabilities are exclusive of claims against third parties and are not discounted. Environmental costs and remediation costs are capitalized if the costs extend the life, increase the capacity or improve the safety or efficiency of the property from the date acquired or constructed, and/or mitigate or prevent contamination in the future. Estimates for accruals for environmental matters are based on a variety of potential technical solutions, governmental regulations and other factors, and are subject to a large range of potential costs for remediation and other actions. A considerable amount of judgment is required in determining the most likely estimate within the range, and the factors determining this judgment may vary over time. Similarly, reserves for litigation and similar matters are based on a range of potential outcomes and require considerable judgment in determining the most probable outcome. If no amount within the range is considered more probable than any other amount, the Company accrues the lowest amount in the range in accordance with generally accepted accounting principles. See Note 22 of Notes to Consolidated Financial Statements which appears in Item 8 of this Report.

3. Realizability of equity investments—Quaker holds equity investments in various foreign companies, whereby it has the ability to influence, but not control, the operations of the entity and its future results. Quaker

records an investment impairment charge when it believes an investment has experienced a decline in value that is other than temporary. Future adverse changes in market conditions, poor operating results of underlying investments, or devaluation of foreign currencies could result in losses or an inability to recover the carrying value of the investments that may not be reflected in an investment's current carrying value. These factors may result in an impairment charge in the future. The carrying amount of the Company's equity investments at December 31, 2010 was $9.2 million and was comprised of four investments totaling $5.8 million in Nippon Quaker Chemical, Ltd. (Japan) at 50%, $1.7 million in TecniQuimia Mexicana S.A. de C.V. (Mexico) at 40%, $1.5 million in Kelko Quaker Chemical, S.A. (Venezuela) at 50% and $0.2 million in Kelko Quaker Chemical, S.A. (Panama) at 50%, respectively. See Note 6 of Notes to Consolidated Financial Statements which appears in Item 8 of this Report.

4. Tax exposures, valuation allowances and uncertain tax positions—Quaker records expenses and liabilities for taxes based on estimates of amounts that will be ultimately determined to be deductible in tax returns filed in various jurisdictions. The filed tax returns are subject to audit, often several years subsequent to the date of the financial statements. Disputes or disagreements may arise during audits over the timing or validity of certain items or deductions, which may not be resolved for extended periods of time. Quaker applies the provisions of FASB's guidance regarding uncertain tax positions. The guidance applies to all income tax positions taken on previously filed tax returns or expected to be taken on a future tax return. The guidance prescribes a benefit recognition model with a two-step approach, a more-likely-than-not recognition criterion, and a measurement attribute that measures the position as the largest amount of tax benefit that is greater than 50% likely of being realized upon effective settlement. The guidance further requires that the amount of interest expense and income to be recognized related to uncertain tax positions be computed by applying the applicable statutory rate of interest to the difference between the tax position recognized in accordance with the guidance, including timing differences, and the amount previously taken or expected to be taken in a tax return. Quaker also records valuation allowances when necessary to reduce its deferred tax assets to the amount that is more likely than not to be realized. While Quaker has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event Quaker were to determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, should Quaker determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made which could have a material adverse impact on the Company's financial statements. U.S. income taxes have not been provided on the undistributed earnings of non-U.S. subsidiaries since it is the Company's intention to continue to reinvest these earnings in those subsidiaries for working capital needs and growth initiatives. U.S. and foreign income taxes that would be payable if such earnings were distributed may be lower than the amount computed at the U.S. statutory rate due to the availability of foreign tax credits.

5. Restructuring liabilities—Restructuring charges may consist of charges for employee severance, rationalization of manufacturing facilities and other items. The Company applies FASB's guidance regarding exit or disposal cost obligations. The guidance requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred.

6. Goodwill and other intangible assets—The Company records goodwill and intangible assets at fair value as of the acquisition date and amortizes intangible assets which do not have indefinite lives on a straight-line basis over the lives of the intangible assets based on third-party valuations of the assets. Goodwill and intangible assets, which have indefinite lives, are not amortized and are required to be assessed at least annually for impairment. The Company compares the assets' fair value to their carrying value primarily based on future discounted cash flows in order to determine if an impairment charge is warranted. The estimates of future cash flows involve considerable management judgment and are based upon assumptions about expected future operating performance. Assumptions used in these forecasts are consistent with internal planning. The actual cash flows could differ from management's estimates due to changes in business conditions, operating performance, and economic conditions. The Company completed its annual impairment assessment as of the end

of the third quarter 2010, and no impairment charge was warranted. The Company's consolidated goodwill and indefinite-lived intangible assets at December 31, 2010 and 2009 were $53.9 million and $47.1 million, respectively. The Company's assumption of weighted average cost of capital and estimated future net operating profit after tax (NOPAT) are particularly important in determining whether an impairment charge has been incurred. The Company currently uses a weighted average cost of capital of 12% and, at September 30, 2010, this assumption would have had to increase by more than 6.75 percentage points before any of the Company's reporting units would fail step one of the impairment analysis. Further, at September 30, 2010, the Company's estimate of future NOPAT would have had to decrease by more than 36% before any of the Company's reporting units would be considered potentially impaired. As a result, the estimated fair value of each of the Company's reporting units substantially exceeds their carrying value.

7. Postretirement benefits—The Company provides certain pension and other postretirement benefits to employees and retirees. Independent actuaries, in accordance with accounting principles generally accepted in the United States, perform the required valuations to determine benefit expense and, if necessary, non-cash charges to equity for additional minimum pension liabilities. Critical assumptions used in the actuarial valuation include the weighted average discount rate, rates of increase in compensation levels, and expected long-term rates of return on assets. If different assumptions were used, additional pension expense or charges to equity might be required. The Company's U.S. pension plan year-end is November 30, and the measurement date is December 31. The following table highlights the potential impact on the Company's pre-tax earnings due to changes in assumptions with respect to the Company's pension plans, based on assets and liabilities at December 31, 2010:

	1/2 Percentage Point Increase			1/2 Percentage Point Decrease		
	Foreign	Domestic	Total	Foreign	Domestic	Total
	(Dollars in millions)					
Discount rate	$ (0.2)	$ (0.1)	$(0.3)	$ 0.3	$ 0.1	$0.4
Expected rate of return on plan assets	$ (0.2)	$ (0.2)	$(0.4)	$ 0.2	$ 0.2	$0.4

Recently Issued Accounting Standards

The FASB updated its guidance regarding a vendor's multiple-deliverable arrangements in October 2009. The updated guidance establishes a selling price hierarchy to be followed in determining the selling price for each deliverable in multiple-deliverable arrangements, eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement using the relative selling price method and requires enhanced disclosure regarding multiple-deliverable arrangements. The guidance is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning after June 15, 2010. The Company is currently assessing the impact of this guidance on its financial statements.

Liquidity and Capital Resources

Quaker's cash and cash equivalents increased to $25.8 million at December 31, 2010 from $25.1 million at December 31, 2009. The $0.7 million increase resulted primarily from $37.5 million of cash provided by operating activities, $41.0 million of cash used in investing activities, $4.3 million of cash provided by financing activities and a $0.1 million decrease from the effect of exchange rates on cash.

Net cash flows provided by operating activities were $37.5 million in 2010, compared to $41.6 million provided by operating activities in 2009. The Company's improvement in net income was more than offset by increased investment in working capital. During 2009, the Company experienced significantly lower business activity as it was still recovering from the global economic downturn, which in turn greatly reduced the Company's investment in working capital. As business volumes began to recover later in 2009 and continued to increase in 2010, the Company's need for working capital investment correspondingly increased. The Company's first quarter 2009 disposition of land in Europe, reduced pension contributions compared to 2009, and the 2009 completion of restructuring activities also impacted the operating cash flow comparisons.

Net cash flows used in investing activities were $41.0 million in 2010, compared to $6.6 million of cash used in investing activities in 2009. Payments related to acquisitions were the primary driver in the change in cash flows used in investing activities. During the third quarter of 2010, the Company completed the acquisition of D.A. Stuart's U.S. aluminum hot rolling business from Houghton International for $6.8 million and, in the fourth quarter of 2010, the Company completed the acquisition of Summit Lubricants, Inc. for $29.1 million. Cash paid for acquisitions in 2009 included the final $1.0 million payment related to the 2005 acquisition of the remaining 40% interest in the Company's Brazilian joint venture and the final payment related to the 2006 acquisition of the remaining minority interest in its China joint venture for approximately $1.0 million. In addition, the 2009 proceeds from the disposition of land in Europe were offset by lower capital expenditures in 2010 as the Company completed its Middletown, Ohio expansion project. Reductions in the use of restricted cash related to the expansion project also affected the investing cash flow comparisons.

In the first quarter of 2007, an inactive subsidiary of the Company reached a settlement agreement and release with one of its insurance carriers for $20.0 million. The proceeds of the settlement are restricted and can only be used to pay claims and costs of defense associated with this subsidiary's asbestos litigation. The payments were structured to be received over a four-year period with annual installments of $5.0 million, the final installment of which was received in the first quarter of 2010. During the third quarter of 2007, the same inactive subsidiary and another of its insurance carriers entered into a Claim Handling and Funding Agreement under which the carrier will pay 27% of the defense and indemnity costs incurred by or on behalf of the subsidiary in connection with asbestos bodily injury claims for a minimum of five years beginning July 1, 2007. See Notes 20, 21, and 22 of Notes to Consolidated Financial Statements which appear in Item 8 of this Report.

Net cash flows provided by financing activities were $4.3 million in 2010, compared to $32.8 million of cash used in financing activities in 2009. The majority of the change was the result of debt repayments in 2009 compared to debt borrowings in 2010. In 2009, the cash flow generated from reduced working capital investments as a result of significantly curtailed business volumes enabled the debt repayments. In 2010, debt borrowings were needed to supplement the Company's cash flow from operations for its acquisition activity, noted above. In addition, a significantly higher number of stock options were exercised in 2010, which impacted the change in cash flows.

In June 2010, the Company amended its primary credit facility to increase the maximum principal amount available for revolving credit borrowings from $125.0 million to $175.0 million. This amount can be increased to $225.0 million at the Company's option if the lenders agree to increase their commitments and the Company satisfies certain conditions. At December 31, 2010 and December 31, 2009, the Company had approximately $55.0 million and $46.4 million, respectively, outstanding under its credit facilities. The amendment also extended the maturity date of the Company's credit line from August 2012 to June 2014 and amended certain acquisition and other covenants, including a reduced interest rate spread and a new interest rate tier for leverage ratios below one times EBITDA that would allow for a further interest rate spread reduction. The Company's access to this credit is largely dependent on its consolidated leverage ratio covenant, which cannot exceed 3.5 to 1, and at December 31, 2010 and December 31, 2009, the consolidated leverage ratio was below 2.0 to 1. Under this covenant, the Company could have borrowed an additional $120.0 million at December 31, 2010. The Company has entered into interest rate swaps with a combined notional value of $15.0 million as of December 31, 2010, in order to fix the interest rate on a portion of its variable rate debt. Outstanding financial derivative instruments may expose the Company to credit loss in the event of nonperformance by the counterparties to the agreements. To manage credit risk, the Company limits its exposure to any single counterparty. However, the Company does not expect any of the counterparties to fail to meet their obligations.

In 2009, the Company filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission (the "SEC"). The registration statement was declared effective on January 29, 2010 and permits the Company to offer and sell from time to time in one or more public offerings up to $100.0 million aggregate dollar amount of its securities, which may be shares of preferred stock (either separately or represented by depositary shares), common stock, debt securities and warrants to purchase our debt or equity securities, as well

as units that include any of these securities, on terms, in each case, established at the time of the offering. This registration statement provides the Company with the ability to issue registered debt or equity securities on an accelerated basis.

At December 31, 2010, the Company's gross liability for uncertain tax positions, including accrued interest and penalties, was $13.1 million. The Company cannot determine a reliable estimate of the timing of cash flows by period related to its uncertain tax position liability. However, should the entire liability be paid, the amount of the payment may be reduced by $7.0 million as a result of offsetting benefits in other tax jurisdictions.

The Company believes it is capable of supporting its operating requirements, including pension plan contributions, payments of dividends to shareholders, possible acquisitions and business opportunities, capital expenditures and possible resolution of contingencies through internally generated funds supplemented with debt or equity as needed.

The following table summarizes the Company's contractual obligations at December 31, 2010, and the effect such obligations are expected to have on its liquidity and cash flow in future periods. Pension and other postretirement plan contributions beyond 2011 are not determinable since the amount of any contribution is heavily dependent on the future economic environment and investment returns on pension trust assets. The timing of payments related to other long-term liabilities, which consist primarily of deferred compensation agreements cannot be readily determined due to their uncertainty. Interest obligations on the Company's short and long-term debt are included assuming the debt levels will be outstanding for the entire period and assuming the interest rates in effect at December 31, 2010. Interest obligations on the contingent acquisition consideration is included assuming the discount rate in effect at the time of acquisition.

	Payments due by period						
Contractual Obligations (Amounts in millions)	Total	2011	2012	2013	2014	2015	2016 and Beyond
Short-term debt	$ 0.077	$ 0.077	$ —	$ —	$ —	$ —	$ —
Long-term debt	89.868	2.695	2.423	1.999	56.567	1.175	25.009
Capital lease obligations	1.471	0.570	0.404	0.246	0.064	0.064	0.123
Non-cancelable operating leases	20.189	4.937	4.270	3.195	2.483	2.210	3.094
Purchase obligations	5.915	5.415	0.500	—	—	—	—
Pension and other postretirement plan contributions	9.220	9.220	—	—	—	—	—
Contingent acquisition consideration	8.031	—	—	8.031	—	—	—
Other long-term liabilities (see Note 21 of Notes to Consolidated Financial Statements)	3.359	—	—	—	—	—	3.359
Total contractual cash obligations	$138.130	$22.914	$7.597	$13.471	$ 59.114	$ 3.449	$31.585

Operations

CMS Discussion

The Company currently has more than 40 CMS contracts in North America, as well as additional CMS contracts in other areas of the world. Under its traditional CMS approach, the Company effectively acts as an agent, and the revenues and costs from these sales are reported on a net sales or "pass-through" basis. Under certain of its CMS contracts, the contracts are structured differently in that the Company's revenue received from the customer is a fee for products and services provided to the customer, which are indirectly related to the actual costs incurred. Profit is dependent on how well the Company controls product costs and achieves product conversions from other third-party suppliers to its own products. As a result, under the alternative structure, the

Company recognizes in reported revenue the gross revenue received from the CMS site customer, and in cost of goods sold the third-party product purchases, which substantially offset each other until the Company achieves significant product conversions, which may result in a decrease in reported gross margin as a percentage of sales.

In 2009, the Company had a mix of contracts with both the traditional product pass-through structure and fixed price contracts covering all services and products. As a result of the global economic downturn and its impact in the automotive sector, during 2009 and early 2010, the Company experienced a shift in customer requirements and business circumstances where almost all of CMS contracts have reverted to the traditional product pass-through structure. However, the Company’s offerings will continue to include both approaches to CMS.

Comparison of 2010 with 2009

Net sales for 2010 were $544.1 million, an increase of $92.6 million, or approximately 21%, compared to $451.5 million in 2009. The increase in sales was driven by significant increases in volume across the globe, as the comparisons to the prior year continue to reflect recovery from the global economic downturn. The volume increases were partially offset by lower CMS revenue reported on a gross basis, which decreased revenues by approximately 4%. Changes in price/mix and foreign exchange rate translation each increased revenues by approximately 1%.

Gross profit increased $36.0 million, or 23%, compared to 2009, largely as a result of increased volumes. The gross margin increased to 35.4% in 2010 from 34.7% in 2009. Raw material costs did not begin to significantly increase until the middle of the second quarter of 2010 and continued through the end of 2010. Only a portion of these higher costs were recovered through price increases in 2010. Additional price increases are being implemented in early 2011 as part of the Company’s effort to recover margins. However, the reduction in gross margin from higher raw material costs was tempered by reduced automotive CMS revenues reported on a gross basis which increased the gross margin by approximately 1 percentage point.

SG&A increased $13.2 million, or 10%, compared to 2009. Higher selling costs with increased business activity, inflationary costs as well as increased incentive compensation were the primary drivers of the increase, representing 66% of the increase. Differences in foreign exchange rates, higher professional fees related to acquisitions and other costs accounted for the remainder of the increase. SG&A as a percentage of sales decreased from 28% in 2009 to 26% in 2010.

As initially disclosed in the Company’s second quarter Form 10-Q, one of the Company’s subsidiaries may have paid certain value-added-taxes (“VAT”) incorrectly and, in certain cases, may not have collected sufficient VAT from certain customers. The VAT rules and regulations at issue are complex, vary among the jurisdictions and can be contradictory, in particular as to how they relate to the subsidiary’s products and to sales between jurisdictions.

Since its inception, the subsidiary had been consistent in its VAT collection and remittance practices and had never been contacted by any tax authority relative to VAT. Now the subsidiary has determined that for certain products, a portion of the VAT was incorrectly paid and that the total VAT due exceeds the amount originally collected and remitted by the subsidiary. In 2010, several jurisdictions contacted the subsidiary requesting information, but no tax assessments were received. In two jurisdictions, the subsidiary has either participated in an amnesty program or entered into a settlement whereby it paid a reduced portion of the amounts owed in resolution of those jurisdictions’ claims. At this time, the subsidiary has either modified or is in the process of modifying its VAT invoicing and payment procedures to eliminate or mitigate future exposure.

In analyzing the subsidiary’s exposure, it is difficult to estimate both the probability and the amount of any potential liabilities due to a number of factors, including: the decrease in exposure over time due to applicable

statutes of limitations and actions taken by the subsidiary, the joint liability of customers and suppliers for a portion of the VAT, the availability of a VAT refund for VAT incorrectly paid through an administrative process, any amounts which may have already been, or will be paid by customers, as well as the timing and structure of any tax amnesties or settlements. In addition, interest and penalties on any VAT due can be a multiple of the base tax. The subsidiary may contest any tax assessment administratively and/or judicially for an extended period of time, but may ultimately resolve its disputes through participation in tax amnesty programs, which are a common practice for settling tax disputes in the jurisdictions in question and which have historically occurred on a regular basis resulting in significant reductions of interest and penalties. Also, the timing of payments and refunds of VAT may not be contemporaneous, and, if additional VAT is owed, it may not be fully recoverable from customers. As a result, this matter has the potential to have a material adverse impact on the Company's financial position, liquidity and capital resources and the results of operations.

Included in the 2010 results is a net charge of $4.1 million, which consists of a net $3.9 million charge related to two tax dispute settlements entered into by the subsidiary, as well as a net $0.2 million charge representing management's best estimate, based on the information available to it, including the factors noted above, of the amount that ultimately may be paid related to the other jurisdiction that has made inquiries. These charges assume a successful recovery of the VAT incorrectly paid, as well as reductions in interest and penalties from anticipated future amnesty programs or settlements. On a similar basis, if all other potentially impacted jurisdictions were to initiate audits and issue assessments, the range of the remaining exposure, net of refunds, could be from $0 to $22.0 million, with one jurisdiction representing approximately 82 percent of this additional exposure, assuming the continued availability of future amnesty programs or settlements to reduce the interest and penalties. If there are future assessments but no such future amnesty programs or settlements, the potential exposure could be higher.

In 2009, the Company implemented and completed a restructuring program totaling $2.3 million, or approximately $0.14 per diluted share. The Company incurred a final charge related to the former CEO's supplemental retirement plan of approximately $1.3 million, or $0.08 per diluted share, in 2010, compared to a charge of $2.4 million, or $0.14 per diluted share, in 2009.

Other income for 2010 includes higher license fees from increased business activities as well as foreign exchange rate gains versus losses in 2009, which partially offset a gain related to the disposition of land in Europe of approximately $0.11 per diluted share in 2009. Net interest expense decreased due to lower interest rates, lower average debt balances as well as higher interest income.

The Company's effective tax rate for 2010 was 27.3% compared to 29.8% in 2009. The 2010 effective tax rate includes a benefit of approximately $0.21 per diluted share, while 2009 includes a benefit of approximately $0.05 per diluted share, due to the expiration of applicable statutes of limitations for uncertain tax positions. In addition, the 2010 effective tax rate was impacted by significantly improved profitability in certain higher rate jurisdictions, which has also allowed for the utilization of the domestic production activities deduction for the first time in the Company's history. The effective tax rate for 2009 reflects no tax provided for the land sale gain, due to the utilization of net operating losses, which were previously not benefited. The Company has experienced, and expects to experience, further volatility in its quarterly effective tax rates due to the varying timing of tax audits and the expiration of applicable statutes of limitations as they relate to uncertain tax positions. During 2010, the Company recorded $2.6 million of excess tax benefits in capital in excess of par on its Consolidated Balance Sheet and in its Consolidated Statement of Cash Flows, related to stock option exercises, which occurred over the current and prior years. Previously, the Company's actual taxable income in affected jurisdictions was not sufficient to recognize these benefits, while the Company's 2010 taxable income was sufficient to recognize these benefits. At the end of 2010, the Company had net U.S. deferred tax assets totaling $14.8 million, excluding deferred tax assets relating to additional minimum pension liabilities. The Company records valuation allowances when necessary to reduce its deferred tax assets to the amount that is more likely than not to be realized. The Company considers future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. However, in the event the

Company were to determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax assets would be a non-cash charge to income in the period such determination was made, which could have a material adverse impact on the Company's financial statements. The global economic downturn has been negatively impacting profitability in certain taxing jurisdictions. The Company continues to closely monitor this situation as it relates to its net deferred tax assets and the assessment of valuation allowances. The Company is continuing to evaluate alternatives that could positively impact taxable income in these jurisdictions.

Equity in net income of associated companies includes charges totaling approximately $0.08 per diluted share related to the first quarter 2010 devaluation of the Venezuelan Bolivar Fuerte and an out-of-period charge relating to errors the Company identified for shortfalls in reserves for pensions and other items at the Company's Mexican affiliate. The affiliate adjusted for these items in the fourth quarter of 2010, and the Company does not believe these adjustments are material to the Company's consolidated financial statements for the years ended December 31, 2007, 2008, 2009 or 2010 and, therefore has not restated any prior period amounts.

The increase in net income attributable to noncontrolling interests reflects improved profitability from these affiliates, as the prior year comparisons are affected by the global economic downturn.

Segment Reviews—Comparison of 2010 with 2009

Metalworking Process Chemicals:

Metalworking Process Chemicals consists of industrial process fluids for various heavy industrial and manufacturing applications and represented approximately 94% of the Company's net sales in 2010. Net sales were up $92.1 million, or 22%, compared to 2009. Foreign currency translation positively impacted net sales by approximately 1%, driven by the Brazilian Real to U.S. Dollar exchange rate offset by the E.U. Euro to U.S. Dollar exchange rate. The average U.S. Dollar to Brazilian Real exchange rate was 0.57 in 2010 compared to 0.51 in 2009, while the average E.U. Euro to U.S. Dollar exchange rate was 1.33 in 2010 compared to 1.39 in 2009. Net sales were positively impacted by increases of 15% in North America, 19% in Europe, 28% in Asia/Pacific and 30% in South America, all on a constant currency basis. The increase in this segment's sales was primarily attributable to increased volumes of 24% with double-digit increases in all regions, as the prior year results continued to reflect the global economic downturn. The product volume increases were partially offset by a reduction in automotive CMS revenue, which was due, in part, to the renegotiation of certain contracts now reported on a pass-through versus gross basis. Consistent with the significant volume increases, this segment's operating income increased $26.0 million over 2009.

Coatings:

The Company's coatings segment, which represented approximately 6% of the Company's net sales in 2010, contains products that provide temporary and permanent coatings for metal and concrete products and chemical milling maskants. Net sales for this segment were up $0.6 million, or 2% for 2010 compared with the prior year, primarily due to higher encapsulant coatings sales. This segment's operating income was up $0.3 million, consistent with the noted volume increases.

Other Chemical Products:

Other Chemical Products, which represented less than 1% of the Company's net sales in 2010, consists of sulfur removal products for industrial gas streams sold by the Company's Q2 Technologies joint venture. Net sales were down $0.1 million and operating income was at a slight loss due to reduced volumes with the downturn in the oil and gas markets.

Comparison of 2009 with 2008

Net sales for 2009 were $451.5 million, a decline of $130.2 million, or approximately 22%, compared to $581.6 million for 2008. Volumes declined approximately 20%, reflective of the global economic downturn. Changes in foreign exchange rates also decreased revenue by approximately 2%.

Gross profit decreased by $6.2 million, or 4%, compared to 2008, reflective of the above noted volume declines which were tempered by gross margin expansion. The gross margin increased to 34.7% in 2009, compared to 28.0% in 2008, primarily due to cost reduction actions taken, a more favorable raw material cost environment and reduced automotive chemical management services revenue reported on a gross basis.

SG&A decreased $10.7 million, or 8%, compared to 2008. Savings from cost reduction programs, lower travel and entertainment expenses and lower commissions, partially offset by higher incentive compensation accruals, accounted for 64% of the decline. Changes in foreign exchange rates accounted for the remainder.

In response to the global economic downturn, the Company initiated restructuring programs and incurred charges of approximately $2.3 million, or approximately $0.14 per diluted share in 2009, and $2.9 million, or approximately $0.18 per diluted share in 2008. The Company completed both initiatives in 2009.

The Company incurred charges related to the former CEO's supplemental retirement plan of approximately $2.4 million in 2009, or approximately $0.14 per diluted share. The CEO transition costs incurred in 2008 were approximately $3.5 million, or approximately $0.22 per diluted share.

Other income for 2009 included a $1.2 million gain related to the disposition of excess land in Europe, while other income for 2008 included a net arbitration award of approximately $1.0 million related to litigation with one of the former owners of the Company's Italian subsidiary. Lower foreign exchange rate losses in 2009 compared to 2008 also contributed to the change in other income in 2009. The increase in net interest expense was primarily due to lower interest income, as lower average debt balances were offset by higher interest rates. The increase in equity in net income of associated companies and net income attributable to noncontrolling interests was due to stronger financial performances from those affiliates as they began to recover from the global economic downturn.

The Company's effective tax rate for 2009 was 29.8%, compared to 29.9% in 2008. The 2009 effective tax rate reflected no tax expense being provided for the land sale gain due to the utilization of net operating losses, which were previously not benefited, while the 2008 effective tax rate included a tax refund of $0.5 million related to the Company's increased investment in China.

Segment Reviews—Comparison of 2009 with 2008

Metalworking Process Chemicals:

Metalworking Process Chemicals consists of industrial process fluids for various heavy industrial and manufacturing applications and represented approximately 93% of the Company's net sales in 2009. Net sales were down $120.9 million, or 22%, compared to 2008. Foreign currency translation negatively impacted net sales by approximately 2%, driven by the E.U. Euro to U.S. Dollar, and Brazilian Real to U.S. Dollar exchange rates. The average Euro to U.S. Dollar exchange rate was 1.39 in 2009 compared to 1.47 in 2008, and the average Brazilian Real exchange rate was 0.51 in 2009 compared to 0.55 in 2008. Net sales were negatively impacted by declines of 32% in North America, 22% in Europe, 3% in Asia/Pacific and 14% in South America, all on a constant currency basis. The decline in this segment's sales was primarily attributable to volume declines of approximately 20% impacting all regions, reflective of the global economic downturn. Part of this segment's volume decline was due to reduced automotive CMS revenue reported on a gross versus pass-through basis. Despite the significant volume declines, this segment's operating income increased $11.3 million reflective of savings from the Company's restructuring programs and reduced discretionary spending as well as a more favorable raw material environment.

Coatings:

The Company's coatings segment, which represented approximately 7% of the Company's net sales in 2009, contains products that provide temporary and permanent coatings for metal and concrete products and chemical milling maskants. Net sales for this segment were down $7.0 million, or 19%, for 2009 compared with the prior year, primarily due to reduced volumes of chemical milling maskants sold to the aerospace industry as well as reduced coating sales to the construction industry. This segment's operating income was down $1.9 million, consistent with the volume decline noted above.

Other Chemical Products:

Other Chemical Products, which represented less than 1% of the Company's net sales in 2009, consists of sulfur removal products for industrial gas streams sold by the Company's Q2 Technologies joint venture. Net sales were down $2.3 million as a result of reduced volumes due to the downturn in the oil and gas market. Operating income was a slight loss for 2009, reflective of the above noted volume declines.

Restructuring and Related Activities

In the fourth quarter of 2008, Quaker's management approved restructuring plans (the 2008 4th Quarter Program) to reduce operating costs, primarily in North America and Europe. Included in restructuring plans were provisions for severance for 57 employees. The Company recognized a $2.9 million restructuring charge in the fourth quarter of 2008. Employee separation benefits varied depending on local regulations within certain foreign countries and included severance and other benefits. The Company implemented an additional restructuring program in the first quarter of 2009 (the 2009 1st Quarter Program) which included provisions for severance for 60 employees totaling approximately $2.3 million. The Company completed the initiatives contemplated under these programs during 2009.

Environmental Clean-up Activities

The Company is involved in environmental clean-up activities in connection with an existing plant location and former waste disposal sites. In April of 1992, the Company identified certain soil and groundwater contamination at AC Products, Inc. ("ACP"), a wholly owned subsidiary. In voluntary coordination with the Santa Ana California Regional Water Quality Board, ACP is remediating the contamination. Effective October 17, 2007, ACP agreed to operate the two existing groundwater treatment systems associated with the extraction wells P-2 and P-3 so as to hydraulically contain groundwater contamination emanating from ACP's site until such time as the concentrations of contaminants are below the current Federal maximum contaminant level for four consecutive quarterly sampling events. At December 31, 2010, the Company believes that the remaining potential-known liabilities associated with the ACP contamination, namely estimated future cost of the soil and water remediation program, is approximately $1.3 million to $2.3 million, for which the Company has sufficient reserves. Notwithstanding the foregoing, the Company cannot be certain that liabilities in the form of remediation expenses and damages will not be incurred in excess of the amount reserved. See Note 22 of Notes to Consolidated Financial Statements which appears in Item 8 of this Report.

General

The Company generally does not use financial instruments that expose it to significant risk involving foreign currency transactions; however, the size of non-U.S. activities has a significant impact on reported operating results and the attendant net assets. During the past three years, sales by non-U.S. subsidiaries accounted for approximately 59% to 65% of our consolidated net annual sales. See Note 17 of Notes to Consolidated Financial Statements which appears in Item 8 of this Report.

Factors that May Affect Our Future Results

(Cautionary Statements Under the Private Securities Litigation Reform Act of 1995)

Certain information included in this Report and other materials filed or to be filed by Quaker with the SEC (as well as information included in oral statements or other written statements made or to be made by us) contain or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements can be identified by the fact that they do not relate strictly to historical or current facts. We have based these forward-looking statements on our current expectations about future events. These forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, intentions, financial condition, results of operations, future performance, and business, including:

- statements relating to our business strategy;
- our current and future results and plans; and
- statements that include the words “may,” “could,” “should,” “would,” “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan” or similar expressions.

Such statements include information relating to current and future business activities, operational matters, capital spending, and financing sources. From time to time, oral or written forward-looking statements are also included in Quaker’s periodic reports on Forms 10-Q and 8-K, press releases and other materials released to, or statements made to, the public.

Any or all of the forward-looking statements in this Report, in Quaker’s Annual Report to Shareholders for 2010 and in any other public statements we make may turn out to be wrong. This can occur as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties. Many factors discussed in this Report will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from our forward-looking statements.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in Quaker’s subsequent reports on Forms 10-K, 10-Q and 8-K should be consulted. These forward-looking statements are subject to risks, uncertainties and assumptions about us and our operations that are subject to change based on various important factors, some of which are beyond our control. A major risk is that the Company’s demand is largely derived from the demand for its customers’ products, which subjects the Company to uncertainties related to downturns in a customer’s business and unanticipated customer production shutdowns. Other major risks and uncertainties include, but are not limited to, significant increases in raw material costs, worldwide economic and political conditions, foreign currency fluctuations, and terrorist attacks such as those that occurred on September 11, 2001, each of which is discussed in greater detail in Item 1A of this Report. Furthermore, the Company is subject to the same business cycles as those experienced by steel, automobile, aircraft, appliance, and durable goods manufacturers. These risks, uncertainties, and possible inaccurate assumptions relevant to our business could cause our actual results to differ materially from expected and historical results. Other factors beyond those discussed in this Report could also adversely affect us. Therefore, we caution you not to place undue reliance on our forward-looking statements. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk.***

Quaker is exposed to the impact of interest rates, foreign currency fluctuations, changes in commodity prices, and credit risk.

Interest Rate Risk. Quaker's exposure to market rate risk for changes in interest rates relates primarily to its short and long-term debt. Most of Quaker's debt is negotiated at market rates. Accordingly, if interest rates rise significantly, the cost of debt to Quaker will increase. This can have an adverse effect on Quaker, depending on the extent of Quaker's borrowings. As of December 31, 2010, Quaker had approximately $55.0 million in borrowings under its credit facility at a weighted average borrowing rate of approximately 2.02% (LIBOR plus a spread). If interest rates were to change by 10%, the Company's interest expense would correspondingly increase or decrease approximately $0.1 million. The Company uses derivative financial instruments primarily for the purposes of hedging exposures to fluctuations in interest rates. The Company does not enter into derivative contracts for trading or speculative purposes. The Company has entered into interest rate swaps in order to fix a portion of its variable rate debt. The swaps had a combined notional value of $15.0 million and a fair value of $(1.0) million at December 31, 2010, and a combined notional value of $40.0 million and a fair value of $(2.2) million at December 31, 2009. As of December 31, 2010, the Company is currently receiving a LIBOR rate and paying an additional average fixed rate of approximately 5% on its interest rate swaps. The Company's remaining three swaps mature in 2012. The counterparties to the swaps are major financial institutions. Outstanding financial derivative instruments expose the Company to credit loss in the event of nonperformance by the counterparties to the agreements. To manage credit risk, the Company limits its exposure to any single counterparty. However, the Company does not expect any of the counterparties to fail to meet their obligations. See the information included under the caption "Derivatives" in Note 1 and the information in Note 5 of Notes to Consolidated Financial Statements which appears in Item 8 of this Report and is incorporated herein by reference.

Foreign Exchange Risk. A significant portion of Quaker's revenues and earnings is generated by its foreign operations. These foreign operations also represent a significant portion of Quaker's assets and liabilities. All such operations use the local currency as their functional currency. Accordingly, Quaker's financial results are affected by risks typical of global business such as currency fluctuations, particularly between the U.S. Dollar, the Brazilian Real, the Chinese Renminbi and the E.U. Euro. As exchange rates vary, Quaker's results can be materially affected. If the Brazilian Real, the E.U. Euro and the Chinese Renminbi were each to change by 10% against the U.S. Dollar, the Company's 2010 revenues and pre-tax earnings would correspondingly have increased or decreased approximately $28.0 million and $4.0 million, respectively.

The Company generally does not use financial instruments that expose it to significant risk involving foreign currency transactions; however, the size of non-U.S. activities has a significant impact on reported operating results and the attendant net assets. During the past three years, sales by non-U.S. subsidiaries accounted for approximately 59% to 65% of consolidated net annual sales.

In addition, the Company often sources inventory among its worldwide operations. This practice can give rise to foreign exchange risk resulting from the varying cost of inventory to the receiving location, as well as from the revaluation of intercompany balances. The Company mitigates this risk through local sourcing efforts.

Commodity Price Risk. Many of the raw materials used by Quaker are commodity chemicals, and, therefore, Quaker's earnings can be materially affected by market changes in raw material prices. In certain cases, Quaker has entered into fixed-price purchase contracts having a term of up to two years. These contracts provide for protection to Quaker if the price for the contracted raw materials rises, however, in certain limited circumstances, Quaker will not realize the benefit if such prices decline. If the Company's gross margin were to change by one percentage point, the Company's 2010 pretax earnings would have correspondingly increased or decreased by approximately $5.5 million.

Credit Risk. Quaker establishes allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of Quaker's customers were to

deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Downturns in the overall economic climate may also exacerbate specific customer financial issues. A significant portion of Quaker's revenues is derived from sales to customers in the U.S. steel and automotive industries, including some of our larger customers, where a number of bankruptcies occurred during recent years and companies have experienced financial difficulty. When a bankruptcy occurs, Quaker must judge the amount of proceeds, if any, that may ultimately be received through the bankruptcy or liquidation process. In addition, as part of its terms of trade, Quaker may custom manufacture products for certain large customers and/or may ship product on a consignment basis. These practices may increase the Company's exposure should a bankruptcy occur, and may require write-down or disposal of certain inventory due to its estimated obsolescence or limited marketability. Customer returns of products or disputes may also result in similar issues related to the realizability of recorded accounts receivable or returned inventory. The Company recorded provisions for doubtful accounts of $0.9 million, $1.4 million and $1.1 million in 2010, 2009 and 2008, respectively. A change of 10% to the recorded provisions would have increased or decreased the Company's pre-tax earnings by approximately $0.1 million in 2010, 2009 and 2008, respectively.

Item 8. ***Financial Statements and Supplementary Data.***

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
of Quaker Chemical Corporation:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Quaker Chemical Corporation and its subsidiaries at December 31, 2010 and December 31, 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control over Financial Reporting appearing under Item 9A, management has excluded Summit Lubricants, Inc. from its assessment of internal control over financial reporting as of December 31, 2010 because it was acquired by the Company in a purchase business combination on December 31, 2010. We have also excluded Summit Lubricants, Inc. from our audit of internal control over financial reporting. Summit Lubricants, Inc. is a wholly-owned subsidiary whose total assets and total revenues represent 8% and 0%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2010.

/s/ PricewaterhouseCoopers LLP
Philadelphia, PA
March 2, 2011

QUAKER CHEMICAL CORPORATION

CONSOLIDATED STATEMENT OF INCOME

	Year Ended December 31,		
	2010	2009	2008
	(In thousands, except per share amounts)		
Net sales	$ 544,063	$ 451,490	$ 581,641
Costs and expenses:			
Cost of goods sold	351,274	294,652	418,580
Selling, general, and administrative expenses	139,209	126,018	136,697
Non-income tax contingency charge	4,132	—	—
CEO transition costs	1,317	2,443	3,505
Restructuring and related activities	—	2,289	2,916
	495,932	425,402	561,698
Operating income	48,131	26,088	19,943
Other income, net	2,106	2,409	1,095
Interest expense	(5,225)	(5,533)	(5,509)
Interest income	1,201	728	1,100
Income before taxes and equity in net income of associated companies	46,213	23,692	16,629
Taxes on income before equity in net income of associated companies	12,616	7,065	4,977
Income before equity in net income of associated companies	33,597	16,627	11,652
Equity in net income of associated companies	494	863	388
Net income	34,091	17,490	12,040
Less: Net income attributable to noncontrolling interest	2,284	1,270	908
Net income attributable to Quaker Chemical Corporation	$ 31,807	$ 16,220	$ 11,132
Earnings per common share data:			
Net income attributable to Quaker Chemical Corporation Common shareholders—basic	$ 2.82	$ 1.48	$ 1.06
Net income attributable to Quaker Chemical Corporation Common shareholders—diluted	$ 2.77	$ 1.47	$ 1.05

The accompanying notes are an integral part of these consolidated financial statements.

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QUAKER CHEMICAL CORPORATION

CONSOLIDATED BALANCE SHEET

	December 31,	
	2010	2009
	(In thousands, except par value and share amounts)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 25,766	$ 25,051
Construction fund (restricted cash)	—	2,358
Accounts receivable, net	116,266	108,793
Inventories	60,841	50,040
Current deferred tax assets	4,624	5,523
Prepaid expenses and other current assets	7,985	7,409
Total current assets	215,482	199,174
Property, plant and equipment, net	76,535	67,426
Goodwill	52,758	46,515
Other intangible assets, net	24,030	5,579
Investments in associated companies	9,218	8,824
Non-current deferred tax assets	28,846	28,237
Other assets	42,561	39,537
Total assets	$ 449,430	$ 395,292
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings and current portion of long-term debt	$ 890	$ 2,431
Accounts payable	61,192	58,389
Dividends payable	2,701	2,550
Accrued compensation	17,140	16,656
Accrued pension and postretirement benefits	1,672	4,717
Current deferred tax liabilities	181	213
Other current liabilities	17,415	15,224
Total current liabilities	101,191	100,180
Long-term debt	73,855	63,685
Non-current deferred tax liabilities	6,108	5,213
Accrued pension and postretirement benefits	30,016	27,602
Other non-current liabilities	51,161	42,317
Total liabilities	262,331	238,997
Commitments and contingencies	—	—
Equity		
Common stock, $1 par value; authorized 30,000,000 shares; Issued: 2010-11,492,142 shares, 2009-11,085,549 shares	11,492	11,086
Capital in excess of par value	38,275	27,527
Retained earnings	144,347	123,140
Accumulated other comprehensive loss	(13,736)	(10,439)
Total Quaker shareholders' equity	180,378	151,314
Noncontrolling interest	6,721	4,981
Total equity	187,099	156,295
Total liabilities and equity	$ 449,430	$ 395,292

The accompanying notes are an integral part of these consolidated financial statements.

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QUAKER CHEMICAL CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2010	2009	2008
		(In thousands)	
Cash flows from operating activities			
Net income	$ 34,091	$ 17,490	$ 12,040
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	9,867	9,525	10,879
Amortization	988	1,078	1,177
Equity in net income of associated companies, net of dividends	19	(833)	(275)
Deferred income taxes	1,849	(505)	1,014
Uncertain tax positions (non-deferred portion)	(1,130)	1,266	211
Deferred compensation and other, net	(628)	652	819
Stock-based compensation	3,096	2,130	3,901
Restructuring and related activities	—	2,289	2,916
Loss (gain) on disposal of property, plant and equipment	32	(1,202)	(10)
Insurance settlement realized	(1,640)	(1,608)	(1,556)
Pension and other postretirement benefits	(2,636)	(7,929)	(3,527)
Increase (decrease) in cash from changes in current assets and current liabilities, net of acquisitions:			
Accounts receivable	(4,469)	(6,816)	15,582
Inventories	(7,153)	9,765	(73)
Prepaid expenses and other current assets	(814)	(129)	(181)
Accounts payable and accrued liabilities	5,511	16,540	(27,892)
Change in restructuring liabilities	—	(4,473)	(749)
Estimated taxes on income	564	4,363	(885)
Net cash provided by operating activities	37,547	41,603	13,391
Cash flows from investing activities			
Capital expenditures	(9,354)	(13,834)	(11,742)
Payments related to acquisitions, net of cash acquired	(35,909)	(1,975)	(1,859)
Proceeds from disposition of assets	229	1,666	177
Insurance settlement received and interest earned	5,122	5,204	5,306
Change in restricted cash, net	(1,124)	2,327	(12,031)
Net cash used in investing activities	(41,036)	(6,612)	(20,149)
Cash flows from financing activities			
Net (decrease) increase in short-term borrowings	(1,456)	(1,755)	743
Proceeds from long-term debt	9,841	3,500	10,000
Repayment of long-term debt	(636)	(23,973)	(3,401)
Dividends paid	(10,449)	(10,111)	(9,503)
Stock options exercised, other	5,500	412	11,919
Excess tax benefit related to stock option exercises	2,558	—	—
Distributions to noncontrolling shareholders	(1,021)	(890)	(404)
Net cash provided by (used in) financing activities	4,337	(32,817)	9,354
Effect of exchange rate changes on cash	(133)	1,985	(1,899)
Net increase in cash and cash equivalents	715	4,159	697
Cash and cash equivalents at beginning of the period	25,051	20,892	20,195
Cash and cash equivalents at end of the period	$ 25,766	$ 25,051	$ 20,892
Supplemental cash flow disclosures			
Cash paid during the year for:			
Income taxes	$ 7,799	$ 180	$ 4,561
Interest	4,884	5,113	5,314
Non-cash activities:			
Restricted insurance receivable (See also Note 20 of Notes to Consolidated Financial Statements)	$ 5,000	$ 5,000	$ 5,000
Property, plant and equipment acquired by capital lease	848	432	—

The accompanying notes are an integral of these consolidated financial statements

QUAKER CHEMICAL CORPORATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) INCOME AND CHANGES IN EQUITY

(In thousands)	Common stock	Capital in excess of par value	Retained earnings	Accumulated other comprehensive loss	Noncontrolling Interest	Comprehensive Income (Loss)	Total
Balance at December 31, 2007	$ 10,147	$ 10,104	$115,767	$ (5,625)	$ 4,513		$ 134,906
Net income	—	—	11,132		908	$ 12,040	
Currency translation adjustments	—	—	—	(10,110)	(1,065)	(11,175)	
Defined benefit retirement plans:							
Net gain (loss) arising during the period, other	—	—	—	(10,238)	—	(10,238)	
Amortization of actuarial (gain) loss	—	—	—	888	—	888	
Amortization of prior service cost (credit)	—	—	—	(477)	—	(477)	
Amortization of initial net asset	—	—	—	(148)	—	(148)	
Current period changes in fair value of derivatives	—	—	—	(1,302)	—	(1,302)	
Unrealized gain on available-for-sale securities	—	—	—	(255)	—	(255)	
Comprehensive loss	—	—	—	—	—	(10,667)	(10,667)
Comprehensive income attributable to noncontrolling interest						157	
Comprehensive loss attributable to Quaker Chemical Corporation						$ (10,510)	
Effects of adjustment to apply change of measurement date provisions of defined benefit retirement plans guidance:							
Service cost, interest cost and expected return on plan assets for December 1, 2007 – December 31, 2007, net of tax	—	—	7	—	—		7
Amortization of prior service cost for December 1, 2007 – December 31, 2007, net of tax	—	—	—	30	—		30
Dividends ($0.92 per share)	—	—	(9,817)	—	—		(9,817)
Dividends paid to noncontrolling interests	—	—	—	—	(404)		(404)
Shares issued upon exercise of options and other	590	11,066	—	—	—		11,656
Shares issued for employee stock purchase plan	13	250	—	—	—		263
Equity-based compensation plans	83	3,818	—	—	—		3,901
Balance at December 31, 2008	10,833	25,238	117,089	(27,237)	3,952		129,875
Net income	—	—	16,220		1,270	$ 17,490	
Currency translation adjustments	—	—	—	10,497	649	11,146	
Defined benefit retirement plans:							
Net gain (loss) arising during the period, other	—	—	—	3,075	—	3,075	
Amortization of actuarial (gain) loss	—	—	—	2,633	—	2,633	
Amortization of prior service cost (credit)	—	—	—	65	—	65	
Amortization of initial net asset	—	—	—	(140)	—	(140)	
Current period changes in fair value of derivatives	—	—	—	642	—	642	
Unrealized gain on available-for-sale securities	—	—	—	26	—	26	
Comprehensive income	—	—	—	—	—	34,937	34,937
Comprehensive loss attributable to noncontrolling interest						(1,919)	
Comprehensive income attributable to Quaker Chemical Corporation						$ 33,018	
Dividends ($0.92 per share)	—	—	(10,169)	—	—		(10,169)
Dividends paid to noncontrolling interests	—	—	—	—	(890)		(890)
Shares issued upon exercise of options and other	10	120	—	—	—		130
Shares issued for employee stock purchase plan	26	256	—	—	—		282
Equity-based compensation plans	217	1,913	—	—	—		2,130
Balance at December 31, 2009	$ 11,086	$ 27,527	$123,140	$ (10,439)	$ 4,981		$156,295
Net income	—	—	31,807		2,284	$ 34,091	
Currency translation adjustments	—	—	—	328	477	805	
Defined benefit retirement plans:							
Net gain (loss) arising during the period, other	—	—	—	(6,267)	—	(6,267)	
Amortization of actuarial (gain) loss	—	—	—	1,832	—	1,832	
Amortization of prior service cost (credit)	—	—	—	91	—	91	
Amortization of initial net asset	—	—	—	(3)	—	(3)	
Current period changes in fair value of derivatives	—	—	—	708	—	708	
Unrealized gain on available-for-sale securities	—	—	—	14	—	14	
Comprehensive income	—	—	—	—	—	31,271	31,271
Comprehensive loss attributable to noncontrolling interest						(2,761)	
Comprehensive income attributable to Quaker Chemical Corporation						$ 28,510	
Dividends ($0.935 per share)	—	—	(10,600)	—	—		(10,600)
Dividends paid to noncontrolling interests	—	—	—	—	(1,021)		(1,021)
Shares issued upon exercise of options and other	297	4,965	—	—	—		5,262
Shares issued for employee stock purchase plan	10	228	—	—	—		238
Equity-based compensation plans	99	2,997	—	—	—		3,096
Excess tax benefit from stock option exercises	—	2,558	—	—	—		2,558
Balance at December 31, 2010	$ 11,492	$ 38,275	$144,347	$ (13,736)	$ 6,721		$ 187,099

The accompanying notes are an integral part of these consolidated financial statements

QUAKER CHEMICAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share amounts)

Note 1—Significant Accounting Policies

Principles of consolidation: All majority-owned subsidiaries are included in the Company's consolidated financial statements, with appropriate elimination of intercompany balances and transactions. Investments in associated (less than majority-owned) companies are accounted for under the equity method. The Company's share of net income or losses of investments is included in the consolidated statement of income. The Company periodically reviews these investments for impairments and, if necessary, would adjust these investments to their fair value when a decline in market value is deemed to be other than temporary.

The Financial Accounting Standards Board's ("FASB's") guidance regarding the consolidation of certain Variable Interest Entities ("VIEs") generally requires that assets, liabilities and results of the activities of a VIE be consolidated into the financial statements of the enterprise that is considered the primary beneficiary. The consolidated financial statements include the accounts of the Company and all of its subsidiaries in which a controlling interest is maintained and would include any VIEs if the Company was the primary beneficiary pursuant to the provisions of the guidance.

Reclassifications: Certain reclassifications of prior years' data have been made to improve comparability.

Translation of foreign currency: Assets and liabilities of non-U.S. subsidiaries and associated companies are translated into U.S. Dollars at the respective rates of exchange prevailing at the end of the year. Income and expense accounts are translated at average exchange rates prevailing during the year. Translation adjustments resulting from this process are recorded directly in equity and will be included in income only upon sale or liquidation of the underlying investment. All non-U.S. subsidiaries use their local currency as its functional currency.

Cash and cash equivalents: The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Inventories: Inventories are valued at the lower of cost or market value. Inventories are valued using the first-in, first-out ("FIFO") method. See also Note 8 of Notes to Consolidated Financial Statements.

Long-lived assets: Property, plant and equipment are stated at cost. Depreciation is computed using the straight-line method on an individual asset basis over the following estimated useful lives: buildings and improvements, 10 to 45 years; and machinery and equipment, 3 to 15 years. The carrying value of long-lived assets is periodically evaluated whenever changes in circumstances or current events indicate the carrying amount of such assets may not be recoverable. An estimate of undiscounted cash flows produced by the asset, or the appropriate group of assets, is compared with the carrying value to determine whether impairment exists. If necessary, the Company recognizes an impairment loss for the difference between the carrying amount of the assets and their estimated fair value. Fair value is based on current and anticipated future undiscounted cash flows. Upon sale or other dispositions of long-lived assets, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount, less proceeds from disposals is recorded to income. Expenditures for renewals and betterments, which increase the estimated useful life or capacity of the assets, are capitalized; expenditures for repairs and maintenance are expensed when incurred.

Capitalized software: The Company capitalizes certain costs incurred in connection with developing or obtaining software for internal use. In connection with the upgrade and implementations of the Company's global transaction and consolidation systems, approximately $2,338 and $1,319 of net costs were capitalized at December 31, 2010 and 2009, respectively. These costs are amortized over a period of five years once the assets are ready for their intended use.

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Goodwill and other intangible assets: The Company records goodwill and indefinite-lived intangible assets at fair value at acquisition. Goodwill and indefinite-lived intangible assets are not amortized, but tested for impairment at least annually. These tests will be performed more frequently if there are triggering events. Definite-lived intangible assets are amortized over their estimated useful lives, generally for periods ranging from 5 to 20 years. The Company continually evaluates the reasonableness of the useful lives of these assets. See also Note 19 of Notes to Consolidated Financial Statements.

Revenue recognition: The Company recognizes revenue in accordance with the terms of the underlying agreements, when title and risk of loss have been transferred, collectability is reasonably assured, and pricing is fixed or determinable. This generally occurs for product sales when products are shipped to customers or, for consignment arrangements, upon usage by the customer and when services are performed. License fees and royalties are recognized in accordance with agreed-upon terms, when performance obligations are satisfied, the amount is fixed or determinable, and collectability is reasonably assured, and are included in other income. As part of the Company's chemical management services, certain third-party product sales to customers are managed by the Company. Where the Company acts as principal, revenues are recognized on a gross reporting basis at the selling price negotiated with customers. Where the Company acts as an agent, such revenue is recorded using net reporting as service revenue at the amount of the administrative fee earned by the Company for ordering the goods. Third-party products transferred under arrangements resulting in net reporting totaled $56,528, $27,483 and $32,194 for 2010, 2009 and 2008, respectively.

Research and development costs: Research and development costs are expensed as incurred. Research and development expenses are included in selling, general and administrative expenses, and during 2010, 2009 and 2008 were $15,690 **,** $14,991 and $16,877, respectively.

Concentration of credit risk: Financial instruments, which potentially subject the Company to a concentration of credit risk, principally consist of cash equivalents, short-term investments, and trade receivables. The Company invests temporary and excess funds in money market securities and financial instruments having maturities typically within 90 days. The Company has not experienced losses from the aforementioned investments. See also Note 7 of Notes to Consolidated Financial Statements.

Environmental liabilities and expenditures: Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. If no amount in the range is considered more probable than any other amount, the Company records the lowest amount in the range in accordance with generally accepted accounting principles. Accrued liabilities are exclusive of claims against third parties and are not discounted. Environmental costs and remediation costs are capitalized if the costs extend the life, increase the capacity or improve safety or efficiency of the property from the date acquired or constructed, and/or mitigate or prevent contamination in the future.

Comprehensive income (loss): The Company presents comprehensive income (loss) in its Statement of Comprehensive (Loss) Income and Changes in Equity. The components of accumulated other comprehensive loss at December 31, 2010 include: accumulated foreign currency translation adjustments of $13,368, minimum pension liability of $(26,448), unrealized holding gains on available-for-sale securities of $11, and the fair value of derivative instruments of $(667). The components of accumulated other comprehensive loss at December 31, 2009 include: accumulated foreign currency translation adjustments of $13,232, minimum pension liability of $(22,293), unrealized holding losses on available-for-sale securities of $(3), and the fair value of derivative instruments of $(1,375).

QUAKER CHEMICAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in thousands except per share amounts)

Income taxes and uncertain tax positions: The provision for income taxes is determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax bases of the Company's assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. The Company applies the FASB's guidance regarding uncertain tax positions to all income tax positions taken on previously filed tax returns or expected to be taken on a future tax return. The guidance prescribes a benefit recognition model with a two-step approach, a more-likely-than-not recognition criterion, and a measurement attribute that measures the position as the largest amount of tax benefit that is greater than 50% likely of being realized upon effective settlement. The guidance also requires that the amount of interest expense and income to be recognized related to uncertain tax positions be computed by applying the applicable statutory rate of interest to the difference between the tax position recognized, including timing differences, and the amount previously taken or expected to be taken in a tax return. The Company's continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense.

Derivatives: The Company uses derivative financial instruments primarily for purposes of hedging exposures to fluctuations in interest rates. The Company does not enter into derivative contracts for trading or speculative purposes. The Company recognizes all derivatives on the balance sheet at fair value. For derivative instruments designated as cash flow hedges, the effective portion of any hedge is reported in Accumulated Other Comprehensive Income (Loss) until it is cleared to earnings during the same period in which the hedged item affects earnings. The Company uses no derivative instruments designated as fair value hedges.

The Company has entered into interest rate swaps in order to fix a portion of its variable rate debt. The swaps had a combined notional value of $15,000 and $40,000 and a fair value of $(1,026) and $(2,160) at December 31, 2010 and December 31, 2009, respectively. The counterparties to the swaps are major financial institutions. Refer to Note 5—Hedging Activities for more information.

Recently issued accounting standards:

The FASB updated its guidance regarding a vendor's multiple-deliverable arrangements in October 2009. The updated guidance establishes a selling price hierarchy to be followed in determining the selling price for each deliverable in multiple-deliverable arrangements, eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement using the relative selling price method and requires enhanced disclosure regarding multiple-deliverable arrangements. The guidance is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning after June 15, 2010. The Company is currently assessing the impact of this guidance on its financial statements.

Accounting estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingencies at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. Actual results could differ from such estimates.

Note 2—Restructuring and Related Activities

In the fourth quarter of 2008, Quaker's management approved a restructuring plan (2008 4th Quarter Program) to reduce operating costs, primarily in North America and Europe. Included in the restructuring plans were provisions for severance for 57 employees. The Company recognized a $2,916 restructuring charge in the fourth

quarter of 2008. Employee separation benefits varied depending on local regulations within certain foreign countries and included severance and other benefits. The Company completed the initiatives under this program during 2009.

In the first quarter of 2009, Quaker's management implemented an additional restructuring program (2009 1st Quarter Program) which included provisions for severance for 60 employees totaling $2,289. The Company completed the initiatives under this program during 2009.

Note 3—Fair Value Measures

The FASB's guidance regarding fair value measurements establishes a common definition for fair value to be applied to guidance requiring use of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. The guidance does not require any new fair value measurements, but rather applies to all other accounting guidance that requires or permits fair value measurements.

The guidance utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

The Company values its interest rate swaps, company-owned life insurance policies, various deferred compensation assets and liabilities at fair value and acquisition related contingent consideration at fair value. The Company's assets and liabilities subject to fair value measurement are as follows (in thousands):

	Fair Value as of December 31, 2010	Fair Value Measurements at December 31, 2010 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Assets				
Company-owned life insurance	$ 2,033	$ —	$ 2,033	$ —
Company-owned life insurance—Deferred compensation assets	593	—	593	—
Other deferred compensation assets				
Large capitalization registered investment companies	69	69	—	—
Mid capitalization registered investment companies	4	4	—	—
Small capitalization registered investment companies	8	8	—	—
International developed and emerging markets registered investment companies	40	40	—	—
Fixed income registered investment companies	10	10	—	—
Total	$ 2,757	$ 131	$ 2,626	$ —

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	Fair Value as of December 31, 2010	Fair Value Measurements at December 31, 2010 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Liabilities				
Deferred compensation liabilities				
Large capitalization registered investment companies	$ 347	$ 347	$ —	$ —
Mid capitalization registered investment companies	88	88	—	—
Small capitalization registered investment companies	71	71	—	—
International developed and emerging markets registered investment companies	213	213	—	—
Fixed income registered investment companies	52	52	—	—
Fixed general account	182	—	182	—
Interest rate derivatives	1,026	—	1,026	—
Acquisition related contingent consideration	5,350	—	—	5,350
Total	$ 7,329	$ 771	$ 1,208	$ 5,350

	Fair Value as of December 31, 2009	Fair Value Measurements at December 31, 2009 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Assets				
Company-owned life insurance	$ 1,869	$ —	$ 1,869	$ —
Company-owned life insurance—Deferred compensation assets	622	—	622	—
Other deferred compensation assets				
Large capitalization registered investment companies	64	64	—	—
Mid capitalization registered investment companies	4	4	—	—
Small capitalization registered investment companies	7	7	—	—
International developed and emerging markets registered investment companies	39	39	—	—
Fixed income registered investment companies	11	11	—	—
Total	$ 2,616	$ 125	$ 2,491	$ —

QUAKER CHEMICAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in thousands except per share amounts)

	Fair Value as of December 31, 2009	Fair Value Measurements at December 31, 2009 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Liabilities				
Deferred compensation liabilities				
Large capitalization registered investment companies	$ 557	$ 557	$ —	$ —
Mid capitalization registered investment companies	98	98	—	—
Small capitalization registered investment companies	108	108	—	—
International developed and emerging markets registered investment companies	205	205	—	—
Fixed income registered investment companies	64	64	—	—
Fixed general account	184	—	184	—
Interest rate derivatives	2,160	—	2,160	—
Total	$ 3,376	$ 1,032	$ 2,344	$ —

The fair values of Company-owned life insurance (“COLI”) and COLI deferred compensation assets are based on quotes for like instruments with similar credit ratings and terms. The fair values of Other deferred compensation assets and liabilities are based on quoted prices in active markets. The fair values of interest rate derivatives are based on quoted market prices from various banks for similar instruments. Upon review of the underlying assets upon which the deferred compensation liabilities are based, the Company reclassified the fixed general account from Level 1 to Level 2 as of December 31, 2009. The fair value of the acquisition related contingent consideration is based on unobservable inputs and is classified as Level 3. Significant inputs and assumptions are management’s estimate of the probability of the earnout ultimately being met/paid and the discount rate used to present value the liability.

Changes in the fair value of the Level 3 liability during the year ended December 31, 2010 was as follows:

	Contingent Consideration
Balance at December 31, 2009	$ —
Purchases, sales, acquisitions and settlements, net	5,350
Realized gains	—
Unrealized gains	—
Balance at December 31, 2010	$ 5,350

Note 4—Uncertain Tax Positions

The FASB’s guidance regarding accounting for uncertainty in income taxes prescribes the recognition threshold and measurement attributes for financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return. The guidance further requires the determination of whether the benefits of tax positions will be more likely than not sustained upon audit based upon the technical merits of the tax position. For tax positions that are determined to be more likely than not sustained upon audit, a company recognizes the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement in the financial

statements. For tax positions that are not determined to be more likely than not sustained upon audit, a company does not recognize any portion of the benefit in the financial statements. Additionally, the guidance provides for derecognition, classification, penalties and interest, accounting in interim periods, disclosure and transition.

As of December 31, 2010, the Company's cumulative liability for gross unrecognized tax benefits was $10,464. The Company had accrued $857 for cumulative penalties and $1,824 for cumulative interest at December 31, 2010.

The Company continues to recognize interest and penalties associated with uncertain tax positions as a component of Taxes on Income in its Consolidated Statement of Income. The Company has recognized $(12) for penalties and $80 for interest (net of expirations and settlements) on its Consolidated Statement of Income for the twelve-month period ended December 31, 2010.

The Company estimates that during the year ending December 31, 2011 it will reduce its cumulative liability for gross unrecognized tax benefits by approximately $1,400 to $1,600 due to the expiration of the statute of limitations with regard to certain tax positions. This estimated reduction in the cumulative liability for unrecognized tax benefits does not consider any increase in liability for unrecognized tax benefits with regard to existing tax positions or any increase in cumulative liability for unrecognized tax benefits with regard to new tax positions for the year ended December 31, 2011.

The Company and its subsidiaries are subject to U.S. Federal income tax, as well as the income tax of various state and foreign tax jurisdictions. Tax years that remain subject to examination by major tax jurisdictions include the Netherlands from 2004, United Kingdom, Brazil, Italy and Spain from 2006, China and the United States from 2007 and various domestic state tax jurisdictions from 1993.

During 2010, the Company derecognized several uncertain tax positions due to expiration of the applicable statutes of limitations for certain tax years. As a result, the Company recognized a $1,828 decrease in its cumulative liability for gross unrecognized tax benefits.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits for the years ended December 31, 2010, 2009 and 2008, respectively, is as follows:

	2010	2009	2008
Unrecognized tax benefits at January 1	$10,686	$ 10,012	$10,861
Increase unrecognized tax benefits taken in prior periods	—	14	—
(Decrease) unrecognized tax benefits taken in prior periods	—	—	(115)
Increase unrecognized tax benefits taken in current period	2,249	1,272	1,824
(Decrease) unrecognized tax benefits taken in current period	—	—	—
Increase unrecognized tax benefits due to settlements	—	—	—
(Decrease) unrecognized tax benefits due to settlements	—	(402)	(1,030)
(Decrease) in unrecognized tax benefits due to lapse of statute of limitations	(1,828)	(422)	(1,114)
Increase (decrease)—foreign exchange rates	(643)	212	(414)
Unrecognized tax benefits at December 31	$ 10,464	$10,686	$ 10,012

QUAKER CHEMICAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in thousands except per share amounts)

Note 5—Hedging Activities

Effective January 1, 2009, the Company adopted FASB's guidance regarding disclosure of derivative instruments and hedging activities. The guidance requires additional disclosure about the Company's derivative activities, but does not require any new accounting related to derivative activities. The Company has applied the requirements of the guidance on a prospective basis. Accordingly, disclosures related to periods prior to the date of adoption have not been presented.

The Company is exposed to the impact of changes in interest rates, foreign currency fluctuations, changes in commodity prices and credit risk. The Company does not use derivative instruments to mitigate the risks associated with foreign currency fluctuations, changes in commodity prices or credit risk. Quaker uses interest rate swaps to mitigate the impact of changes in interest rates. The swaps are designated as cash flow hedges and reported on the Consolidated Balance Sheet at fair value. The effective portions of the hedges are reported in Other Comprehensive Income ("OCI") until reclassified to earnings during the same period the hedged item affects earnings. The Company has no derivatives designated as fair value hedges and only has derivatives designated as hedging instruments under the FASB's authoritative guidance. The notional amount of the Company's interest rate swaps was $15,000 as of December 31, 2010, and $40,000 as of December 31, 2009.

Information about the Company's interest rate derivatives is as follows:

	Consolidated Balance Sheet Location	Fair Value	
		December 31, 2010	December 31, 2009
Derivatives designated as cash flow hedges:			
Interest rate swaps	Other current liabilities	$ —	$ 1,006
Interest rate swaps	Other non-current liabilities	1,026	1,154
		$ 1,026	$ 2,160

Cash Flow Hedges
Interest Rate Swaps

		For the Years Ended December 31,	
		2010	2009
Amount of Gain (Loss) Recognized in Accumulated OCI on Derivative (Effective Portion)		$ 708	$ 642
Amount and Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Interest Expense	$(1,590)	$(1,594)
Amount and Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Other Income	$ —	$ —

QUAKER CHEMICAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in thousands except per share amounts)

Note 6—Investments in Associated Companies

Investments in associated (less than majority-owned) companies are accounted for under the equity method. The Company has a 50% investment in Kelko Quaker Chemical, S.A. (Venezuela), a 50% investment in Nippon Quaker Chemical, Ltd. (Japan), a 40% investment in TecniQuimia Mexicana S.A. de C.V. (Mexico) and a 50% investment in Kelko Quaker Chemical S.A. (Panama).

Effective January 1, 2010, Venezuela's economy was considered to be highly inflationary under U.S. generally accepted accounting principles since it has experienced a rate of general inflation in excess of 100% over the latest three-year period, based upon the blended Consumer Price Index and National Consumer Price Index. Accordingly, all gains and losses resulting from the remeasurement of the Company's Venezuelan 50% owned equity affiliate (Kelko Quaker Chemical, S.A.) are required to be recorded directly in the Consolidated Statement of Income. On January 8, 2010, the Venezuelan government announced the devaluation of the Bolivar Fuerte and the establishment of a two-tier exchange structure. The Company recorded a charge in the first quarter of 2010 of approximately $0.03 per diluted share to reflect the devaluation.

During the fourth quarter of 2010, the Company identified errors in reserves for pension and certain other items at its TecniQuimia Mexicana S.A. de C.V. affiliate. The affiliate adjusted for these items in the fourth quarter of 2010, which had the effect of reducing Equity Income and Net Income by $564 in the fourth quarter and year-to-date periods of 2010. The Company does not believe this adjustment is material to the Consolidated Financial Statements for the years ended December 31, 2007, 2008, 2009 or 2010 and, therefore, has not restated any prior period amounts.

Summarized financial information of the associated companies, in the aggregate, is as follows:

	December 31,	
	2010	2009
Current assets	$ 34,830	$29,739
Noncurrent assets	5,689	5,072
Current liabilities	17,581	14,572
Noncurrent liabilities	4,333	494

	Year Ended December 31,		
	2010	2009	2008
Net sales	$65,592	$52,099	$60,407
Gross margin	24,810	20,215	20,072
Operating income	5,211	4,508	3,456
Net income	1,071	1,856	806

Note 7—Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and generally do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in existing accounts receivable. Reserves for customers filing for bankruptcy protection are dependent on the Company's evaluation of likely proceeds from the bankruptcy process. Large and/or financially distressed customers are generally reserved for on a specific review basis while a general reserve is established for other customers based on historical experience. The Company performs a formal review of its allowance for doubtful accounts quarterly. Account balances are charged off against the allowance when the Company feels it is

probable the receivable will not be recovered. The Company does not have any off-balance-sheet credit exposure related to its customers. During 2010, the Company's five largest customers accounted for approximately 20% of its consolidated net sales with the largest customer (Arcelor-Mittal Group) accounting for approximately 9% of consolidated net sales.

At December 31, 2010 and 2009, the Company had gross trade accounts receivable totaling $120,544 and $112,795 with trade accounts receivable greater than 90 days past due of $4,924 and $4,928, respectively. Following are the changes in the allowance for doubtful accounts during the years ended December 31, 2010, 2009 and 2008.

	Balance at Beginning of Period	Charged to Costs and Expenses	Write-Offs Charged to Allowance	Effect of Exchange Rate Changes	Balance at End of Period
ALLOWANCE FOR DOUBTFUL ACCOUNTS					
Year ended December 31, 2010	$ 4,002	$ 860	$ (538)	$ (46)	$4,278
Year ended December 31, 2009	$3,508	$1,389	$ (918)	$ 23	$ 4,002
Year ended December 31, 2008	$ 3,072	$ 1,087	$ (505)	$ (146)	$3,508

Note 8—Inventories

Total inventories comprise:

	December 31, 2010	December 31, 2009
Raw materials and supplies	$31,909	$ 23,495
Work in process and finished goods	28,932	26,545
	$ 60,841	$ 50,040

Note 9—Other Current Liabilities

Other current liabilities comprise:

	December 31, 2010	December 31, 2009
Non-income taxes	$ 6,100	$ 3,866
Current portion of uncertain tax positions	2,161	2,767
Income taxes payable	1,693	595
Professional fees	1,615	1,304
Freight	1,229	1,099
Legal	1,211	1,051
Current portion of interest rate swaps	—	1,006
Selling expenses	1,110	947
Other	2,296	2,589
Total	$17,415	$15,224

QUAKER CHEMICAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in thousands except per share amounts)

Note 10—Property, Plant and Equipment

Property, plant and equipment comprise:

	December 31, 2010	December 31, 2009
Land	$ 6,458	$ 6,185
Building and improvements	69,233	52,227
Machinery and equipment	124,043	117,527
Construction in progress	5,625	15,041
	205,359	190,980
Less accumulated depreciation	(128,824)	(123,554)
	$ 76,535	$ 67,426

The Company leases certain equipment under capital leases in Europe, South America and the U.S., including its manufacturing facility in Tradate, Italy. Gross property, plant and equipment includes $4,454 and $3,938 of capital leases with $1,020 and $807 of accumulated depreciation at December 31, 2010 and 2009, respectively. The following is a schedule by years of future minimum lease payments:

For the year ended December 31,	
2011	$ 570
2012	404
2013	246
2014	64
2015	64
2016 and beyond	123
Total net minimum lease payments	1,471
Less amount representing interest	(198)
Present value of net minimum lease payments	$1,273

Note 11—Asset Retirement Obligations

The FASB's guidance regarding asset retirement obligations addresses the accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated retirement costs. The FASB issued further guidance which clarified that the term conditional asset retirement obligation ("CARO") refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. A liability is recorded when there is enough information regarding the timing of the CARO to perform a probability weighted discounted cash flow analysis.

The Company's CAROs consist primarily of asbestos contained in certain manufacturing facilities and decommissioning costs related to its aboveground storage tanks and had an accrued CARO of $320 and $306 at December 31, 2010 and 2009, respectively. The Company accrued interest of $14 on this liability, which is included in other non-current liabilities, during each of the years 2010 and 2009.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in thousands except per share amounts)

Note 12—Taxes on Income

Taxes (benefit) on income consist of the following:

	Year Ended December 31,		
	2010	2009	2008
Current:			
Federal	$ 1,429	$1,266	$ 211
State	195	133	20
Foreign	9,143	6,171	3,732
	10,767	7,570	3,963
Deferred:			
Federal	1,204	(948)	355
Foreign	645	443	659
Total	$12,616	$7,065	$4,977

The components of earnings (losses) before income taxes were as follows:

	2010	2009	2008
Domestic	$ 9,482	$ (1,920)	$ 1,960
Foreign	36,731	25,612	14,669
Total	$46,213	$23,692	$16,629

Total deferred tax assets and liabilities are composed of the following at December 31:

	2010		2009 *	
	Current	Non-current	Current	Non-current
Retirement benefits	$ 534	$ 7,720	$1,599	$5,865
Allowance for doubtful accounts	550	—	481	—
Insurance and litigation reserves	574	395	484	541
Postretirement benefits	—	2,447	—	2,110
Supplemental retirement benefits	—	1,811	—	2,408
Performance incentives	3,041	418	2,562	335
Equity-based compensation	185	411	248	888
Alternative minimum tax carryforward	—	2,092	—	2,092
Insurance settlement	—	10,314	—	9,096
Operating loss carryforward	—	3,837	—	5,972
Foreign tax credit	—	3,395	—	3,801
Uncertain tax positions	163	3,871	—	4,034
Interest rate swaps and other	—	511	786	352
	5,047	37,222	6,160	37,494
Valuation allowance	(393)	(4,530)	(612)	(5,054)
Total deferred income tax assets, net	$4,654	$32,692	$ 5,548	$ 32,440
Depreciation	$ —	$ 1,798	$ —	$ 2,110
Europe pension and other	—	2,472	—	2,394
Amortization and other	211	5,684	238	4,912
Total deferred income tax liabilities	$ 211	$ 9,954	$ 238	$ 9,416

QUAKER CHEMICAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in thousands except per share amounts)

Following are the changes in the Company's deferred tax asset valuation allowance for the years ended December 31, 2010, 2009 and 2008:

	Balance at Beginning of Period	Additional Valuation Allowance	Allowance Utilization and Other	Effect of Exchange Rate Changes	Balance at End of Period
VALUATION ALLOWANCE					
Year ended December 31, 2010	$5,666	$ 38	$ (769)	$ (12)	$ 4,923
Year ended December 31, 2009	$ 5,228	$1,397	$(1,188)	$ 229	$5,666
Year ended December 31, 2008	$ 4,161	$1,273	$ (2)	$ (204)	$ 5,228

The Company's net deferred tax assets and liabilities are classified in the Consolidated Balance Sheet as follows:

	2010	2009 *
Current deferred tax assets	$ 4,624	$ 5,523
Non-current deferred tax assets	28,846	28,237
Current deferred tax liabilities	181	213
Non-current deferred tax liabilities	6,108	5,213
Net deferred tax asset	$27,181	$ 28,334

The following is a reconciliation of income taxes at the Federal statutory rate with income taxes recorded by the Company for the years ended December 31:

	2010	2009 *	2008
Income tax provision at the Federal statutory tax rate	$ 16,175	$ 8,292	$5,820
Differences in tax rates on foreign earnings and remittances	(2,546)	(2,106)	(132)
Foreign dividends	15,645	159	—
Excess foreign tax credit utilization	(15,198)	—	—
Foreign tax refunds	—	—	(460)
Uncertain tax positions	(1,130)	457	(494)
Domestic production activities deduction	(932)	—	—
State income tax provisions, net	127	86	13
Non-deductible entertainment and business meals expense	152	118	192
Miscellaneous items, net	323	59	38
Taxes on income	$ 12,616	$ 7,065	$4,977

* During the fourth quarter of 2010, the Company identified errors in the methodology of recording its net deferred tax assets and liabilities on its Consolidated Balance Sheet. The Company corrected for this item in the fourth quarter of 2010, and reclassified its prior year deferred tax balances to conform to the current year presentation. The Company does not believe this adjustment is material to the Consolidated Financial Statements for the years ended 2009 or 2010.

At December 31, 2010, the Company domestically had a net deferred tax asset of $14,835 inclusive of alternative minimum tax (AMT) credits of $2,092. Additionally, the Company has foreign tax credit carryovers

of $3,395 which have the following expiration dates: $129 in 2014, $730 in 2016, $1,023 in 2017, $594 in 2018 and $919 in 2019. A full valuation allowance has been taken against these foreign tax credits. Finally, the Company has foreign tax loss carryforwards of $13,646 of which $330 expires in 2011, $460 in 2014, $351 in 2015, $3,157 in 2018, $184 in 2019, $102 in 2020 and $1,067 in 2023; the remaining foreign tax losses have no expiration dates. A partial valuation allowance has been established with respect to the tax benefit of these losses for $1,528.

U.S. income taxes have not been provided on the undistributed earnings of non-U.S. subsidiaries because it is the Company's intention to continue to reinvest these earnings in those subsidiaries to support growth initiatives. U.S. and foreign income taxes that would be payable if such earnings were distributed may be lower than the amount computed at the U.S. statutory rate due to the availability of tax credits. The amount of such undistributed earnings at December 31, 2010 was approximately $91,000. Any income tax liability which might result from ultimate remittance of these earnings is expected to be substantially offset by foreign tax credits.

Note 13—Pension and Other Postretirement Benefits

The Company maintains various noncontributory retirement plans, the largest of which is in the U.S., covering substantially all of its employees in the U.S. and certain other countries. The plans of the Company's subsidiaries in The Netherlands and in the United Kingdom are subject to the provisions of FASB's guidance regarding employers' accounting for pension plans. The plans of the remaining non-U.S. subsidiaries are, for the most part, either fully insured or integrated with the local governments' plans and are not subject to the provisions of the guidance. The guidance requires that employers recognize on a prospective basis the funded status of their defined benefit pension and other postretirement plans on their consolidated balance sheet and recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost. The Company's U.S. pension plan year ends on November 30 and the measurement date is December 31. The measurement date for the Company's other postretirement benefits plan is December 31.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in thousands except per share amounts)

The following table shows the Company plans' funded status reconciled with amounts reported in the consolidated balance sheet as of December 31:

	Pension Benefits						Other Postretirement Benefits	
	2010			2009			2010	2009
	Foreign	Domestic	Total	Foreign	Domestic	Total	Domestic	Domestic
Change in benefit obligation								
Benefit obligation at beginning of year	$ 47,444	$ 62,432	$109,876	$ 43,577	$ 66,808	$ 110,385	$ 7,576	$ 9,648
Service cost	1,606	368	1,974	1,776	342	2,118	16	15
Interest cost	2,587	3,385	5,972	2,545	3,848	6,393	401	445
Employee contributions	89	—	89	84	—	84	—	—
Curtailment (gain)/loss	—	(5)	(5)	(12)	—	(12)	—	—
Benefits paid	(1,407)	(7,384)	(8,791)	(1,338)	(10,884)	(12,222)	(924)	(966)
Plan expenses and premiums paid	(356)	(175)	(531)	(382)	(175)	(557)	—	—
Actuarial (gain)/loss	6,310	4,504	10,814	(526)	2,493	1,967	746	(1,566)
Translation difference	(3,023)	—	(3,023)	1,720	—	1,720	—	—
Benefit obligation at end of year	$ 53,250	$ 63,125	$116,375	$ 47,444	$ 62,432	$109,876	$ 7,815	$ 7,576
Change in plan assets								
Fair value of plan assets at beginning of year	$50,176	$ 41,690	$ 91,866	$ 43,432	$ 34,716	$ 78,148	$ —	$ —
Actual return on plan assets	4,344	4,601	8,945	2,993	6,732	9,725	—	—
Employer contributions	3,362	4,371	7,733	3,786	11,301	15,087	924	966
Employee contributions	89	—	89	84	—	84	—	—
Benefits paid	(1,407)	(7,384)	(8,791)	(1,338)	(10,884)	(12,222)	(924)	(966)
Plan expenses and premiums paid	(356)	(175)	(531)	(382)	(175)	(557)	—	—
Translation difference	(3,335)	—	(3,335)	1,601	—	1,601	—	—
Fair value of plan assets at end of year	$ 52,873	$ 43,103	$ 95,976	$50,176	$ 41,690	$ 91,866	$ —	$ —
Net amount recognized	$ (377)	$ (20,022)	$ (20,399)	$ 2,732	$ (20,742)	$ (18,010)	$ (7,815)	$ (7,576)
Amounts recognized in the balance sheet consist of:								
Non-current asset	$ 3,474	$ —	$ 3,474	$ 6,733	$ —	$ 6,733	$ —	$ —
Current liabilities	(262)	(587)	(849)	(240)	(3,675)	(3,915)	(823)	(802)
Non-current liabilities	(3,589)	(19,435)	(23,024)	(3,761)	(17,067)	(20,828)	(6,992)	(6,774)
Net amount recognized	$ (377)	$ (20,022)	$ (20,399)	$ 2,732	$ (20,742)	$ (18,010)	$ (7,815)	$ (7,576)
Amounts not yet reflected in net periodic benefit costs and included in accumulated other comprehensive income:								
Transition asset (obligation)	$ —	$ —	$ —	$ 4	$ —	$ 4	$ —	$ —
Prior service credit (cost)	(123)	(624)	(747)	(165)	(728)	(893)	—	—
Accumulated gain (loss)	(8,725)	(27,121)	(35,846)	(4,882)	(26,664)	(31,546)	(1,951)	(1,266)
Accumulated other comprehensive income (AOCI)	(8,848)	(27,745)	(36,593)	(5,043)	(27,392)	(32,435)	(1,951)	(1,266)
Cumulative employer contributions in excess of net period benefit cost	8,471	7,723	16,194	7,775	6,650	14,425	(5,864)	(6,310)
Net amount recognized	$ (377)	$ (20,022)	$ (20,399)	$ 2,732	$ (20,742)	$ (18,010)	$ (7,815)	$ (7,576)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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The accumulated benefit obligation for all defined benefit pension plans was $112,505 ($62,755 Domestic, $49,750 Foreign) and $105,447 ($62,072 Domestic, $43,375 Foreign) at December 31, 2010 and 2009, respectively.

Information for pension plans with accumulated benefit obligation in excess of plan assets:

	2010			2009		
	Foreign	Domestic	Total	Foreign	Domestic	Total
Projected benefit obligation	$11,390	$ 63,125	$74,515	$10,855	$ 62,432	$73,287
Accumulated benefit obligation	10,007	62,755	72,762	9,237	62,072	71,309
Fair value of plan assets	7,540	43,103	50,643	6,854	41,690	48,544

Information for pension plans with a projected benefit obligation in excess of plan assets:

	2010			2009		
	Foreign	Domestic	Total	Foreign	Domestic	Total
Projected benefit obligation	$11,390	$63,125	$74,515	$10,855	$ 62,432	$73,287
Fair value of plan assets	7,540	43,103	50,643	6,854	41,690	48,544

Components of net periodic benefit cost—pension plans:

	2010			2009		
	Foreign	Domestic	Total	Foreign	Domestic	Total
Service cost	$ 1,606	$ 368	$ 1,974	$ 1,776	$ 342	$ 2,118
Interest cost	2,587	3,385	5,972	2,545	3,848	6,393
Expected return on plan assets	(2,135)	(3,307)	(5,442)	(1,969)	(2,886)	(4,855)
Settlement charge	—	1,317	1,317	—	2,443	2,443
Curtailment charge	—	19	19	—	—	—
Other, amortization, net	36	1,516	1,552	(160)	1,704	1,544
Net periodic benefit cost	$ 2,094	$ 3,298	$ 5,392	$ 2,192	$ 5,451	$ 7,643

	2008		
	Foreign	Domestic	Total
Service cost	$ 1,890	$ 925	$ 2,815
Interest cost	2,617	3,812	6,429
Expected return on plan assets	(2,205)	(3,915)	(6,120)
Other, amortization, net	28	1,034	1,062
Net periodic benefit cost	$ 2,330	$ 1,856	$ 4,186

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in thousands except per share amounts)

Other changes recognized in other comprehensive income:

	2010			2009		
	Foreign	Domestic	Total	Foreign	Domestic	Total
Net (gain) loss arising during period	$ 4,100	$ 3,204	$ 7,304	$(1,562)	$ (1,354)	$(2,916)
Prior service cost (credit) arising during the period	—	—	—	—	—	—
Recognition of amortizations in net periodic benefit cost						
Transition (obligation) asset	4	—	4	188	—	188
Prior service (cost) credit	(30)	(104)	(134)	(35)	(85)	(120)
Actuarial gain (loss)	(10)	(2,747)	(2,757)	7	(4,062)	(4,055)
Effect of exchange rates on amounts included in AOCI	(259)	—	(259)	261	—	261
Total recognized in other comprehensive income	3,805	353	4,158	(1,141)	(5,501)	(6,642)
Total recognized in net periodic benefit cost and other comprehensive (income) loss	$5,899	$3,651	$9,550	$ 1,051	$ (50)	$ 1,001

	2008		
	Foreign	Domestic	Total
Net (gain) loss arising during period	$ (360)	$ 14,983	$ 14,623
Prior service cost (credit) arising during the period	—	768	768
Recognition of amortizations in net periodic benefit cost			
Transition (obligation) asset	199	—	199
Prior service (cost) credit	(34)	(61)	(95)
Actuarial gain (loss)	(193)	(973)	(1,166)
Effect of exchange rates on amounts included in AOCI	(836)	—	(836)
Total recognized in other comprehensive income	(1,224)	14,717	13,493
Total recognized in net periodic benefit cost and other comprehensive income	$ 1,106	$16,573	$17,679

Components of net periodic benefit cost—other postretirement plan:

	2010	2009	2008
Service cost	$ 16	$ 15	$ 19
Interest cost and other	462	419	680
Net periodic benefit cost	$478	$ 434	$699

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in thousands except per share amounts)

Other changes recognized in other comprehensive income:

	2010	2009	2008
Net (gain) loss arising during period	$ 747	$(1,566)	$ 1,206
Recognition of amortizations in net periodic benefit cost			
Prior service (cost) credit	—	26	67
Actuarial gain (loss)	(62)	—	(175)
Total recognized in other comprehensive income	685	(1,540)	1,098
Total recognized in net periodic benefit cost and other comprehensive income	$1,163	$ (1,106)	$1,797

Estimated amounts that will be amortized from accumulated other comprehensive loss over the next fiscal year:

	Pension Plans			Other Postretirement Benefits
	Foreign	Domestic	Total	
Actuarial (gain) loss	$ 174	$1,542	$1,716	$ 126
Prior service cost (credit)	31	82	113	—
	$ 205	$1,624	$1,829	$ 126

Weighted-average assumptions used to determine benefit obligations at December 31:

	Pension Benefits		Other Postretirement Benefits	
	2010	2009	2010	2009
U.S. Plans:				
Discount rate	5.20%	5.71%	4.80%	5.50%
Rate of compensation increase	3.40%	3.41%	N/A	N/A
Foreign Plans:				
Discount rate	5.42%	5.95%	N/A	N/A
Rate of compensation increase	3.60%	4.00%	N/A	N/A

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Weighted-average assumptions used to determine net periodic benefit costs for years ended December 31:

	Pension Benefits		Other Postretirement Benefits	
	2010	2009	2010	2009
U.S. Plans:				
Discount rate	5.71%	6.25%	5.50%	6.25%
Expected long-term return on plan assets	8.25%	8.50%	N/A	N/A
Rate of compensation increase	3.41%	3.43%	N/A	N/A
Foreign Plans:				
Discount rate	5.95%	5.83%	N/A	N/A
Expected long-term return on plan assets	4.34%	4.28%	N/A	N/A
Rate of compensation increase	4.00%	3.92%	N/A	N/A

The long-term rates of return on assets were selected from within the reasonable range of rates determined by (a) historical real returns for the asset classes covered by the investment policy and (b) projections of inflation over the long-term period during which benefits are payable to plan participants.

Assumed health care cost trend rates at December 31:

	2010	2009
Health care cost trend rate for next year	7.70%	7.90%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.5%	4.5%
Year that the rate reaches the ultimate trend rate	2027	2027

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1% point Increase	1% point Decrease
Effect on total service and interest cost	$ 32	$ (28)
Effect on postretirement benefit obligations	622	(549)

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Plan Assets and Fair Value

The Company's pension plan target asset allocation and the weighted-average asset allocations at December 31, 2010 and 2009 by asset category were as follows:

	Plan Assets at December 31,		
	Target	2010	2009
Asset Category			
U.S. Plans			
Equity securities	57%	61%	53%
Debt securities	36%	37%	34%
Other	7%	2%	13%
Total	100%	100%	100%
Foreign Plans			
Equity securities and other	17%	17%	17%
Debt securities	83%	83%	83%
Total	100%	100%	100%

As of December 31, 2010 and 2009, "Other" consisted principally of hedge funds (approximately 0% and 5% of plan assets at December 31, 2010 and 2009, respectively) and/or cash and cash equivalents (approximately 2% and 9% of plan assets, respectively).

The Company's pension investment policy is designed to ensure that pension assets are invested in a manner consistent with meeting the future benefit obligations of the pension plans and maintaining compliance with various laws and regulations including the Employee Retirement Income Security Act of 1974 (ERISA).

The Company establishes strategic asset allocation percentage targets and appropriate benchmarks for significant asset classes with the aim of achieving a prudent balance between return and risk. The Company's investment horizon is generally long term, and, accordingly, the target asset allocations encompass a long-term perspective of capital markets, expected risk and return and perceived future economic conditions while also considering the profile of plan liabilities. To the extent feasible, the short-term investment portfolio is managed to immunize the short-term obligations, the intermediate portfolio duration is immunized to reduce the risk of volatility in intermediate plan distributions and the total return portfolio is expected to maximize the long-term real growth of plan assets. The critical investment principles of diversification, assessment of risk and targeting the optimal expected returns for given levels of risk are applied. The Company's investment guidelines prohibit use of securities such as letter stock and other unregistered securities, commodities or commodity contracts, short sales, margin transactions, private placements (unless specifically addressed by addendum), or any derivatives, options or futures for the purpose of portfolio leveraging.

The target asset allocation is reviewed periodically and is determined based on a long-term projection of capital market outcomes, inflation rates, fixed income yields, returns, volatilities and correlation relationships. The interaction between plan assets and benefit obligations is periodically studied to assist in establishing such strategic asset allocation targets. Asset performance is monitored with an overall expectation that plan assets will meet or exceed benchmark performance over rolling five-year periods. The Company's pension committee, as authorized by the Company's Board of Directors, has discretion to manage the assets within established asset allocation ranges approved by senior management of the Company. As of December 31, 2010, the plan's investments were in compliance with all approved ranges of asset allocations.

The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and money market funds and are classified as a Level 1 investment.

Registered investment companies

The shares of registered investment companies, which represent the net asset values of shares held by the Plan, are valued at quoted market prices in an exchange and active markets and are classified as Level 1 investments.

Common Stock

Common stock is valued at quoted market prices in an exchange and active markets, and is classified as a Level 1 investment.

Corporate Bonds

Corporate bonds are valued at quoted market prices in an exchange and active markets, and are classified as a Level 1 investment.

Pooled Separate Accounts

Pooled Separate Accounts consist of insurance annuity contracts and are valued based on the reported unit value at year end. Units of the pooled separate accounts are not traded in an active exchange or market; however, valuation is based on the underlying investments of the units and is classified as a Level 2 investment.

Diversified Equity Securities of Registered Investment Companies

Investment in diversified equity securities of registered investment companies is based upon the quoted redemption value of shares in the fund owned by the plan at year end. The shares of the fund are not available in an exchange and active market; however, the fair value is determined based on the underlying investments in the fund as traded in an exchange and active market and is classified as a Level 2 investment.

Fixed Income Securities of Registered Investment Companies

Investment in fixed income securities of registered investment companies is based upon the quoted redemption value of shares in the fund owned by the plan at year end. The shares of the fund are not available in an exchange and active market; however, the fair value is determined based on the underlying investments in the fund as traded in an exchange and active market and is classified as a Level 2 investment.

Alternative Assets

Alternative assets at December 31, 2009 were comprised of an investment in a Hedge Fund of Funds and were valued based upon the quoted redemption value of units owned by the Plan at year end. Units of the fund were not available in an active exchange and active market and valuation was based on unobservable inputs and classified as a Level 3 investment. The Hedge Fund of Funds was liquidated during the year ended December 31, 2010.

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Insurance Contract

Investment in the foreign pension plan insurance contract is valued at reported cash surrender value of the contract at year end. Cash surrender value is determined based on unobservable inputs, which are contractually determined, regarding return, fees, and the present value of the future cash flows of the contract. The contract is classified as a Level 3 investment.

Real Estate

The foreign pension plan's investment in real estate consists of an investment in a property fund. The fund's underlying investments consist of real property, which are valued using unobservable inputs. The property fund is classified as a Level 3 investment.

As of December 31, 2010 and 2009, the U.S. and Foreign Plans' investments measured at fair value on a recurring basis were as follows:

	Fair Value as of December 31, 2010	Fair Value Measurements at December 31, 2010 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
U.S. Pension Assets				
Cash and cash equivalents	$ 713	$ 713	$ —	$ —
Large capitalization common stock	4,944	4,944	—	—
Large capitalization registered investment companies	11,764	11,764	—	—
Small capitalization common stock	1,971	1,971	—	—
Small capitalization registered investment companies	417	417	—	—
International developed and emerging markets registered investment companies	7,312	7,312	—	—
Fixed income corporate securities	8,781	8,781	—	—
Fixed income registered investment companies	5,820	5,820	—	—
Pooled separate accounts	1,381	—	1,381	—
Total U.S. pension plan assets	$ 43,103	$ 41,722	$ 1,381	$ —
Foreign Pension Assets				
Cash and cash equivalents	$ 105	$ 105	$ —	$ —
Insurance contract (underlying notional investments in debt and equity securities)	45,334	—	—	45,334
Diversified equity securities—registered investment companies	4,008	—	4,008	—
Fixed income registered investment companies	3,087	—	3,087	—
Real estate registered investment companies	339	—	—	339
Total foreign pension assets	$ 52,873	$ 105	$ 7,095	$ 45,673
Total pension assets at fair value	$ 95,976	$ 41,827	$ 8,476	$ 45,673

	Fair Value as of December 31, 2009	Fair Value Measurements at December 31, 2009 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
U.S. Pension Assets				
Cash and cash equivalents	$ 3,614	$ 3,614	$ —	$ —
Large capitalization common stock	4,139	4,139	—	—
Large capitalization registered investment companies	9,147	9,147	—	—
Small capitalization common stock	206	206	—	—
Small capitalization registered investment companies	1,759	1,759	—	—
International developed and emerging markets registered investment companies	6,987	6,987	—	—
Fixed income corporate securities	6,115	6,115	—	—
Fixed income registered investment companies	6,538	6,538	—	—
Pooled separate accounts	1,293	—	1,293	—
Alternative assets	1,892	—	—	1,892
Total U.S. pension plan assets	$ 41,690	$ 38,505	$ 1,293	$ 1,892
Foreign Pension Assets				
Cash and cash equivalents	$ 32	$ 32	$ —	$ —
Insurance contract (underlying notional investments in debt and equity securities)	43,322	—	—	43,322
Diversified equity securities—registered investment companies	3,628	—	3,628	—
Fixed income registered investment companies	2,882	—	2,882	—
Real estate registered investment companies	312	—	—	312
Total foreign pension assets	$ 50,176	$ 32	$ 6,510	$ 43,634
Total pension assets at fair value	$ 91,866	$ 38,537	$ 7,803	$ 45,526

Changes in the fair value of the U.S. and Foreign Level 3 investments during the years ended December 31, 2010 and 2009 were as follows:

	Alternative Assets	Insurance Contract	Real Estate Fund	Total
Balance at December 31, 2008	$ 1,783	$38,557	$ —	$ 40,340
Purchases, sales and settlements, net	—	1,963	308	2,271
Unrealized gains	109	1,792	6	1,907
Currency translation adjustment	—	1,010	(2)	1,008
Balance at December 31, 2009	$ 1,892	$ 43,322	$ 312	$45,526
Purchases, sales and settlements, net	(1,895)	1,614	—	(281)
Realized gains	3	—	—	3
Unrealized gains	—	3,469	39	3,508
Currency translation adjustment	—	(3,071)	(12)	(3,083)
Balance at December 31, 2010	$ —	$ 45,334	339	$ 45,673

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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The total value of plan assets for the Company's pension plans is $95,976 and $91,866 as of December 31, 2010 and 2009, respectively. U.S. pension assets include Company common stock in the amounts of $417 (1% of total U.S. plan assets) and $206 (less than 1% of total U.S. plan assets) at December 31, 2010 and 2009, respectively.

Cash Flows

Contributions

The Company expects to make minimum cash contributions of $8,397 to its pension plans ($4,887 Domestic, $3,510 Foreign) and $823 to its other postretirement benefit plan in 2011.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefits			Other Postretirement Benefits
	Foreign	Domestic	Total	
2011	$ 1,584	$ 4,390	$ 5,974	$ 823
2012	1,640	4,368	6,008	813
2013	1,603	4,862	6,465	792
2014	1,820	4,900	6,720	763
2015	1,686	4,404	6,090	721
2016 and beyond	11,895	22,044	33,939	3,010

The Company maintains a plan under which supplemental retirement benefits are provided to certain officers. Benefits payable under the plan are based on a combination of years of service and existing postretirement benefits. Included in total pension costs are charges of $2,042, $3,489 and $1,773 in 2010, 2009 and 2008, respectively, representing the annual accrued benefits under this plan. Included in the 2010 and 2009 charges are settlement charges of $1,317 and $2,443, respectively, in connection with the retirement of the Company's former CEO.

Defined Contribution Plan

The Company has a 401(k) plan with an employer match covering substantially all domestic employees. Effective January 1, 2006, the plan added a nonelective contribution on behalf of participants who have completed one year of service equal to 3% of the eligible participants' compensation. The Company suspended its elective match to the plan and made its nonelective contribution to the plan in the form of Company common stock in 2009. The Company reinstated the elective match to the plan in 2010 and continues to make its nonelective contribution to the plan in the form of Company common stock. Total Company contributions were $2,197, $1,000 and $1,774 for 2010, 2009 and 2008, respectively.

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Note 14—Debt

Debt consisted of the following:

	December 31,	
	2010	2009
Industrial development authority monthly 5.60% fixed rate demand bonds maturing 2018	$ 5,000	$ 5,000
Industrial development authority monthly 5.26% fixed rate demand bond maturing 2028	10,000	10,000
Credit facilities (2.02% weighted average borrowing rate at December 31, 2010)	55,000	46,428
Ohio Department of Development term loan (see below)	3,395	3,500
Other debt obligations (including capital leases)	1,350	1,188
	74,745	66,116
Short-term debt	(77)	(1,428)
Current portion of long-term debt	(813)	(1,003)
	$73,855	$63,685

During the next five years, payments on the Company's debt, including capital lease maturities, are due as follows: $890 in 2011, $639 in 2012, $552 in 2013, $55,377 in 2014, $384 in 2015 and $16,903 beyond 2015.

The Company's primary credit facility is a syndicated multicurrency credit agreement with Bank of America, N.A., as administrative agent, swing line lender and letter of credit issuer, and certain other financial institutions as lenders. As discussed in a Current Report on Form 8-K filed on June 21, 2010, the Company amended its credit facility to increase the maximum principal amount for revolving credit borrowings from $125,000 to $175,000. This amount can be increased to $225,000 at the Company's option if lenders agree to increase their commitments and the Company satisfies certain conditions. The amendment also extended the maturity date of the Company's credit line from August 2012 to June 2014 and amended certain acquisition and other covenants, including a reduced interest rate spread and a new interest rate tier for leverage ratios below one times EBITDA that would allow for a further interest rate spread reduction.

In May 2008, the Company entered into a financing agreement to issue a $10,000 Industrial Development Revenue Bond (IDRB) to finance the expansion of the Company's Middletown, Ohio manufacturing facility. Proceeds from the bond issuance are restricted, and can be used only for capital expenditures related to the expansion. Of the $10,000 received from the bond issuance, all had been expended at December 31, 2010.

In addition to the IDRB, the Company's Middletown, Ohio expansion project was also financed by a low interest rate $3,500 loan from the Ohio Department of Development. Principal repayment on this loan began in September, 2010 at 1% with final maturity in 2021.

The provisions of the agreements require that the Company maintain certain financial ratios and covenants, all of which the Company was in compliance with as of December 31, 2010 and 2009. At December 31, 2010 and 2009, the Company had approximately $55,000 and $46,428 outstanding on these credit lines at a weighted average borrowing rate of 2.02% and 2.54% (LIBOR plus a spread), respectively. The Company has entered into interest rate swaps in order to fix a portion of its variable rate debt and mitigate the risks associated with higher interest rates. The combined notional value of the swaps was $15,000 and $40,000 at December 31, 2010 and 2009,

respectively. As of December 31, 2010, the Company is currently receiving a LIBOR rate and paying an additional average fixed rate of approximately 5% on its interest rate swaps. The Company's swaps mature in 2012.

At December 31, 2010 and 2009, the amounts at which the Company's debt is recorded are not materially different from their fair market value.

Note 15—Equity and Stock-Based Compensation

The Company has 30,000,000 shares of common stock authorized, with a par value of $1, and 11,492,142 shares issued as of December 31, 2010.

Holders of record of the Company's common stock for a period of less than 36 consecutive calendar months or less are entitled to 1 vote per share of common stock. Holders of record of the Company's common stock for a period greater than 36 consecutive calendar months are entitled to 10 votes per share of common stock.

The Company is authorized to issue 10,000,000 shares of preferred stock, $1 par value, subject to approval by the Board of Directors. The Board of Directors may designate one or more series of preferred stock and the number of shares, rights, preferences, and limitations of each series. No preferred stock has been issued.

In the fourth quarter of 2009, the Company filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission (the "SEC"). The registration statement was declared effective on January 29, 2010 and permits the Company to offer and sell from time to time in one or more public offerings up to $100 million aggregate dollar amount of its securities, which may be shares of preferred stock (either separately or represented by depositary shares), common stock, debt securities and warrants to purchase the Company's debt or equity securities, as well as units that include any of these securities, on terms, in each case, established at the time of the offering. The registration statement provides the Company with the ability to issue registered debt or equity securities on an accelerated basis.

The Company applies the FASB's guidance regarding share-based payments, which requires the recognition of the fair value of stock compensation in net income. The Company elected the modified prospective method in adopting the guidance. Under this method, the provisions of the guidance apply to all awards granted or modified after the date of adoption. In addition, the unrecognized expense of awards not yet vested at the date of adoption is recognized in net income in the periods after the date of adoption using the same valuation method (e.g. Black-Scholes) and assumptions determined under the original provisions of the guidance as disclosed in the Company's previous filings.

Effective October 3, 2008, Ronald J. Naples, Chairman, retired as the Company's Chief Executive Officer. In accordance with Mr. Naples' Employment, Transition and Consulting Agreement, Mr. Naples' equity-based compensation awards (both nonvested stock and stock options) had to be remeasured and vesting accelerated to coincide with the October 3, 2008 retirement date. These actions resulted in incremental equity compensation expense of approximately $2,437 ($989 for nonvested stock and $1,448 for stock options) for the year ended December 31, 2008. These incremental expenses are included in the following reconciliation to total equity-based compensation expense for 2008.

The Company recognized approximately $3,096 of share-based compensation expense and $1,084 of related tax benefits in its consolidated statement of income for the year ended December 31, 2010. The compensation expense was comprised of $404 related to stock options, $1,096 related to nonvested stock awards, $42 related to

the Company's Employee Stock Purchase Plan, $1,424 related to its non-elective 401(k) matching contribution in stock and $130 related to the Company's Director Stock Ownership Plan. The Company recognized approximately $2,130 of share-based compensation expense and $746 of related tax benefits in its consolidated statement of income for the year ended December 31, 2009. The compensation expense was comprised of $241 related to stock options, $989 related to nonvested stock awards, $49 related to the Company's Employee Stock Purchase Plan, $723 related to its non-elective 401(k) matching contribution in stock and $128 related to the Company's Director Stock Ownership Plan. The Company recognized approximately $3,901 of share-based compensation expense and $1,365 of related tax benefits in its consolidated statement of income for the year ended December 31, 2008. The compensation expense was comprised of $1,919 related to stock options, $1,809 related to nonvested stock awards, $46 related to the Company's Employee Stock Purchase Plan, and $127 related to the Company's Director Stock Ownership Plan.

Based on its historical experience, the Company has assumed a forfeiture rate of 13% on the nonvested stock. The Company will record additional expense if the actual forfeiture rate is lower than estimated and will record a recovery of prior expense if the actual forfeiture is higher than estimated.

The Company has a long-term incentive program ("LTIP") for key employees which provides for the granting of options to purchase stock at prices not less than market value on the date of the grant. Most options become exercisable between one and three years after the date of the grant for a period of time determined by the Company not to exceed seven years from the date of grant. Beginning in 1999, the LTIP program provided for common stock awards. Common stock awards issued in 2008, 2009 and 2010 under the LTIP program are subject only to time vesting over a three to five-year period. In addition, as part of the Company's Global Annual Incentive Plan ("GAIP"), nonvested shares may be issued to key employees, which generally vest over a two to five-year period.

During 2010, the Company recorded $2,558 of excess tax benefits in capital in excess of par value on its Consolidated Balance Sheet related to stock option exercises, which occurred over the current and prior years. Previously, the Company's actual taxable income in affected jurisdictions was not sufficient to recognize these benefits, while the Company's full-year 2010 taxable income was sufficient to recognize these benefits. As a result, the Company recognized these benefits as a cash inflow from financing activities in its Consolidated Statement of Cash Flows which represents the Company's estimate of cash savings during 2010.

Stock option activity under all plans is as follows:

	2010			2009		
	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)
Options outstanding at January 1,	526,508	16.66		402,504	21.26	
Options granted	110,939	18.82		165,990	6.93	
Options exercised	(324,903)	19.59		—	—	
Options forfeited	—	—		—	—	
Options expired	(9,100)	20.71		(41,986)	22.27	
Options outstanding at December 31,	303,444	14.19	4.9	526,508	16.66	3.6
Options exercisable at December 31,	64,463	17.27	2.5	311,875	21.24	2.1

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	2008		
	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)
Options outstanding at January 1,	1,033,175	21.36	
Options granted	145,184	19.45	
Options exercised	(683,982)	21.43	
Options forfeited	(14,411)	20.81	
Options expired	(77,462)	17.83	
Options outstanding at December 31,	402,504	21.26	3.1
Options exercisable at December 31,	311,741	21.43	2.4

The total intrinsic value of options exercised during 2010 was approximately $4,924. Intrinsic value is calculated as the difference between the current market price of the underlying security and the strike price of a related option. As of December 31, 2010, the total intrinsic value of options outstanding was $8,513, and the total intrinsic value of exercisable options was approximately $1,610.

A summary of the Company's outstanding stock options at December 31, 2010 is as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/2010	Weighted Average Contractual Life	Weighted Average Exercise Price	Number Exercisable at 12/31/2010	Weighted Average Exercise Price
$5.33 - $7.98	133,023	5.16	6.93	22,366	6.93
$7.99 - $18.62	—	—	—	—	—
$18.63 - $21.28	132,577	5.75	18.92	4,253	19.45
$21.29 - $23.94	37,844	0.76	23.13	37,844	23.13
$23.95 - $26.60	—	—	—	—	—
	303,444	4.87	14.19	64,463	17.27

As of December 31, 2010, unrecognized compensation expense related to options granted in 2008 was $6, for options granted during 2009 was $131 and for options granted in 2010 was $476.

During the first quarter of 2007, the Company granted 166,065 stock options under the Company's LTIP plan subject only to time vesting over a three-year period. The options were valued using the Black-Scholes model with the following assumptions: dividend yield of 4.4%, expected volatility of 27.0%, risk-free interest rate of 4.7%, an expected term of six years, and a forfeiture rate of 3% over the remaining life of the options. Approximately $11, $66 and $660 of expense was recorded on these options during 2010, 2009 and 2008, respectively. The fair value of these awards is amortized on a straight-line basis over the vesting period of the awards.

During the first quarter of 2008, the Company granted 145,184 stock options under the Company's LTIP plan subject only to time vesting over a three-year period. The options were valued using the Black-Scholes model with the following assumptions: dividend yield of 4.1%, expected volatility of 30.31%, risk-free interest rate of 3.15%, an expected term of six years, and a forfeiture rate of 3% over the remaining life of the options. Approximately $72 , $72 and $951 of expense was recorded on these options during 2010, 2009 and 2008, respectively. The fair value of these awards is amortized on a straight-line basis over the vesting period of the awards.

During the first quarter of 2009, the Company granted 165,990 stock options under the Company's LTIP plan subject only to time vesting over a three-year period. The options were valued using the Black-Scholes model with the following assumptions: dividend yield of 3.9%, expected volatility of 44.22%, risk-free interest rate of 2.09%, an expected term of six years, and a forfeiture rate of 3% over the remaining life of the options. Approximately $112 and $94 of expense was recorded on these options during 2010 and 2009. The fair value of these awards is amortized on a straight-line basis over the vesting period of the awards.

During the first quarter of 2010, the Company granted 110,939 stock options under the Company's LTIP subject only to time vesting over a three-year period. The options were valued using the Black-Scholes model with the following assumptions: dividend yield of 5.1%, expected volatility of 53.72%, a risk free interest rate of 2.85%, an expected term of six years, and a forfeiture rate of 3% over the remaining life of the options. Approximately $209 of expense was recorded on these options during 2010. The fair value of these awards is amortized on a straight-line basis over the vesting period of the awards.

Under the Company's LTIP plan, 158,207 shares were outstanding as of December 31, 2009. In the first quarter of 2010, 41,204 shares of nonvested stock were granted at a weighted average grant date fair value of $18.82. In the second quarter of 2010, 11,096 shares of nonvested stock were granted to Directors at a weighted average grant date fair value of $25.94. As of December 31, 2010, 40,531 of these awards were vested, 6,900 shares were forfeited and 163,076 shares were outstanding. The fair value of the nonvested stock is based on the trading price of the Company's common stock on the date of grant. The Company adjusts the grant date fair value for expected forfeitures based on historical experience for similar awards. As of December 31, 2010, unrecognized compensation expense related to these awards was $912, to be recognized over a weighted average remaining period of 1.61 years.

Under the Company's GAIP plan, 69,675 shares were outstanding as of December 31, 2009. Through December 31, 2010, 4,375 shares vested, 2,050 shares were forfeited and 63,250 shares were outstanding. As of December 31, 2010, unrecognized compensation expense related to these awards was $203 to be recognized over a weighted average remaining period of 1.25 years.

Employee Stock Purchase Plan

In 2000, the Board adopted an Employee Stock Purchase Plan ("ESPP") whereby employees may purchase Company stock through a payroll deduction plan. Purchases are made from the plan and credited to each participant's account at the end of each month, the "Investment Date." The purchase price of the stock is 85% of the fair market value on the Investment Date. The plan is compensatory and the 15% discount is expensed on the Investment Date. All employees, including officers, are eligible to participate in this plan. A participant may withdraw all uninvested payment balances credited to a participant's account at any time by giving written notice to the Committee. An employee whose stock ownership of the Company exceeds five percent of the outstanding common stock is not eligible to participate in this plan.

2003 Director Stock Ownership Plan

In March 2003, the Company's Board of Directors approved a stock ownership plan for each member of the Company's Board to encourage the Directors to increase their investment in the Company. The Plan was effective on the date it was approved and remains in effect for a term of ten years or until it is earlier terminated by the Board. The maximum number of shares of Common Stock which may be issued under the Plan is 75,000, subject to certain conditions that the Compensation/Management Development Committee (the "Committee") may elect to adjust the

number of shares. As of December 31, 2010, the Committee has not made any elections to adjust the shares under this plan. Each Director is eligible to receive an annual retainer for services rendered as a member of the Board of Directors. Currently, each Director who owns less than 7,500 shares of Company Common Stock is required to receive 75% of the annual retainer in Common Stock and 25% of the annual retainer in cash. Each Director who owns 7,500 or more shares of Company Common Stock may elect to receive payment of a percentage (up to 100%) of their annual retainer in shares of common stock. Currently, the annual retainer is $40. The number of shares issued in payment of the fees is calculated based on an amount equal to the average of the closing prices per share of Common Stock as reported on the composite tape of the New York Stock Exchange for the two trading days immediately preceding the retainer payment date. The retainer payment date is June 1. The Company recorded approximately $130, $128 and $127 of expense in 2010, 2009 and 2008, respectively.

Note 16—Earnings Per Share

The Company follows FASB's guidance regarding the calculation of earnings per share for nonvested stock awards with rights to non-forfeitable dividends. The guidance requires nonvested stock awards with rights to non-forfeitable dividends to be included as part of the basic weighted average share calculation under the two-class method. The Company previously included such shares as part of its diluted share calculation under the treasury stock method, in accordance with the FASB's previous guidance regarding share-based payments and calculating earnings per share.

The following table summarizes EPS calculations for the years ended December 31, 2010, 2009 and 2008:

	December 31,		
	2010	2009	2008
Basic Earnings per Common Share			
Net income attributable to Quaker Chemical Corporation	$ 31,807	$ 16,220	$ 11,132
Less: income allocated to participating securities	(654)	(280)	(123)
Net income available to common shareholders	$ 31,153	$ 15,940	$ 11,009
Basic weighted average common shares outstanding	11,039,410	10,806,518	10,419,654
Basic earnings per common share	$ 2.82	$ 1.48	$ 1.06
Diluted Earnings per Common Share			
Net income attributable to Quaker Chemical Corporation	$ 31,807	$ 16,220	$ 11,132
Less: income allocated to participating securities	(646)	(279)	(123)
Net income available to common shareholders	$ 31,161	$ 15,941	$ 11,009
Basic weighted average common shares outstanding	11,039,410	10,806,518	10,419,654
Effect of dilutive securities, employee stock options	202,551	59,244	67,340
Diluted weighted average common shares outstanding	11,241,961	10,865,762	10,486,994
Diluted earnings per common share	$ 2.77	$ 1.47	$ 1.05

QUAKER CHEMICAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in thousands except per share amounts)

The following numbers of stock options are not included in dilutive earnings per share since in each case the exercise price is greater than the average market price for the applicable periods: 0, 360,518 and 162,183 in 2010, 2009 and 2008, respectively.

Note 17—Business Segments

The Company organizes its segments by type of product sold. The Company's reportable segments are as follows:

(1) Metalworking process chemicals—industrial process fluids for various heavy industrial and manufacturing applications.

(2) Coatings—temporary and permanent coatings for metal and concrete products and chemical milling maskants.

(3) Other chemical products—other various chemical products.

Segment data includes direct segment costs, as well as general operating costs, including depreciation, allocated to each segment based on net sales. Inter-segment transactions are immaterial.

The table below presents information about the reported segments for the years ended December 31:

	Metalworking Process Chemicals	Coatings	Other Chemical Products	Total
2010				
Net sales	$ 511,305	$ 30,999	$ 1,759	$ 544,063
Operating income for reportable segments	98,427	7,093	(77)	105,443
Depreciation	9,150	555	31	9,736
Segment assets	430,383	18,201	846	449,430
Expenditures for long-lived assets	8,983	370	1	9,354
2009				
Net sales	$ 419,226	$ 30,372	$ 1,892	$ 451,490
Operating income for reportable segments	72,440	6,798	(129)	79,109
Depreciation	8,630	625	39	9,294
Segment assets	376,745	17,592	955	395,292
Expenditures for long-lived assets	13,747	58	29	13,834
2008				
Net sales	$ 540,094	$ 37,327	$ 4,220	$ 581,641
Operating income for reportable segments	61,120	8,714	91	69,925
Depreciation	9,252	639	72	9,963
Segment assets	362,676	21,217	1,546	385,439
Expenditures for long-lived assets	11,317	425	—	11,742

Operating income comprises revenue less related costs and expenses. Nonoperating expenses primarily consist of general corporate expenses identified as not being a cost of operation, interest expense, interest income, and license fees from non-consolidated affiliates.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in thousands except per share amounts)

A reconciliation of total segment operating income to total consolidated income before taxes and equity in net income of associated companies for the years ended December 31, 2010, 2009 and 2008 is as follows:

	2010	2009	2008
Total operating income for reportable segments	$105,443	$ 79,109	$69,925
Non-income tax contingency charge	(4,132)	—	—
CEO transition charges	(1,317)	(2,443)	(3,505)
Restructuring and related charges	—	(2,289)	(2,916)
Non-operating charges	(50,744)	(46,980)	(41,468)
Depreciation of corporate assets and amortization	(1,119)	(1,309)	(2,093)
Interest expense	(5,225)	(5,533)	(5,509)
Interest income	1,201	728	1,100
Other income, net	2,106	2,409	1,095
Consolidated income before taxes and equity in net income of associated companies	$ 46,213	$ 23,692	$16,629

Net sales are attributed to geographic region based on the location of the originating seller. Net sales and long-lived asset information by geographic area as of and for the years ended December 31 is as follows:

	2010	2009	2008
Net sales			
North America	$ 190,623	$ 172,035	$239,466
Europe	148,426	130,217	175,741
Asia/Pacific	125,189	93,389	98,231
South America	75,169	52,197	64,998
South Africa	4,656	3,652	3,205
Consolidated	$ 544,063	$ 451,490	$581,641

	2010	2009	2008
Long-lived assets			
North America	$ 82,383	$ 67,523	$ 57,088
Europe	24,793	28,599	27,485
Asia/Pacific	14,099	13,360	13,704
South America	6,998	6,280	4,721
South Africa	41	25	22
Consolidated	$ 128,314	$115,787	$ 103,020

Note 18—Business Acquisitions and Divestitures

In July 2010, the Company completed the acquisition of the assets of D.A. Stuart's U.S. aluminum hot rolling oil business from Houghton International for $6,793. This acquisition strategically strengthens the Company's position in the non-ferrous industry, as the acquired product portfolio is complementary to its existing business. The Company allocated $2,351 to intangible assets, comprised of customer lists, to be amortized over 15 years; trade names, to be amortized over 10 years; and a trademark, to be amortized over one year. In addition, the Company recorded $3,133 of goodwill, all of which will be tax-deductible, and was assigned to the metalworking process chemicals segment.

QUAKER CHEMICAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in thousands except per share amounts)

In December 2010, the Company completed the acquisition of Summit Lubricants, Inc. for approximately $29,116, subject to certain post closing adjustments. Summit Lubricants manufactures and distributes specialty greases and lubricants and is complementary to the Company's existing business. The Company allocated $17,100 to intangible assets, comprised of formulations, to be amortized over 15 years; customer lists, to be amortized over 20 years; a non-competition agreement, to be amortized over 5 years; and a trademark, which was assigned an indefinite life. In addition, the Company recorded $3,087 of goodwill, all of which will be tax deductible, and was assigned to the metalworking process chemicals segment. Liabilities assumed include an earnout to be paid to the former shareholders if certain earnings targets are met by the end of 2013.

The following table shows the allocation of the purchase price of the assets and liabilities acquired. The pro forma results of operations have not been provided because the effects were not material:

	D.A. Stuart	Summit Lubricants	Total
Current assets	$1,176	$ 6,198	$ 7,374
Fixed assets	133	9,430	9,563
Intangibles	2,351	17,100	19,451
Goodwill	3,133	3,087	6,220
Total assets	6,793	35,815	42,608
Current liabilities	—	(1,349)	(1,349)
Earnout	—	(5,350)	(5,350)
Total liabilities assumed	—	(6,699)	(6,699)
Cash paid	$6,793	$29,116	$35,909

In the fourth quarter of 2006, the Company acquired the remaining interest in its Chinese joint venture. In accordance with the purchase agreement, payments for the acquisition were required as follows: $614 within five business days of closing, $825 one year from the closing date, $825 two years from the closing date, and $889 three years from the closing date. The Company recorded the present value of the remaining payments as debt at the time of acquisition. The Company made the final payment in the fourth quarter of 2009. In addition, the Company allocated $797 to intangible assets, comprising customer lists to be amortized over ten years; and a non-competition agreement to be amortized over two years. The Company also recorded $230 of goodwill, which was assigned to the metalworking process chemicals segment.

In March 2005, the Company acquired the remaining 40% interest in its Brazilian joint venture for $6,700. In addition, annual $1,000 payments for four years were paid subject to the former minority partners' compliance with the terms of the purchase agreement. The final payment was made in February 2009. All four payments were recorded as goodwill and assigned to the metalworking process chemicals segment. Additionally, in connection with the acquisition, the Company allocated $1,475 to intangible assets, comprising customer lists of $600 to be amortized over 20 years; and non-competition agreements of $875 to be amortized over five years. The Company also recorded $610 of goodwill, which was assigned to the metalworking process chemicals segment.

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Note 19—Goodwill and Other Intangible Assets

The Company completed its annual impairment assessment as of the end of the third quarter of 2010 and no impairment charge was warranted. The Company has recorded no impairment charges in the past. The changes in carrying amount of goodwill for the years ended December 31, 2010 and 2009 are as follows:

	Metalworking Process Chemicals	Coatings	Total
Balance as of December 31, 2008	$ 32,916	$8,081	$ 40,997
Goodwill additions	1,000	—	1,000
Currency translation adjustments and other	4,518	—	4,518
Balance as of December 31, 2009	$ 38,434	$8,081	$46,515
Goodwill additions	6,220	—	6,220
Currency translation adjustments	23	—	23
Balance as of December 31, 2010	$ 44,677	$8,081	$52,758

Gross carrying amounts and accumulated amortization for definite-lived intangible assets as of December 31 are as follows:

	Gross Carrying Amount		Accumulated Amortization	
	2010	2009	2010	2009
Amortized intangible assets				
Customer lists and rights to sell	$ 24,379	$ 8,373	$ 4,974	$ 4,428
Trademarks and patents	2,035	1,788	1,800	1,788
Formulations and product technology	5,278	3,278	2,708	2,450
Other	4,004	3,409	3,284	3,203
Total	$35,696	$16,848	$12,766	$11,869

The Company recorded $988, $1,078 and $1,177 of amortization expense in 2010, 2009 and 2008, respectively. Estimated annual aggregate amortization expense for the subsequent five years is as follows:

For the year ended December 31, 2011	$ 1,930
For the year ended December 31, 2012	$ 1,831
For the year ended December 31, 2013	$1,654
For the year ended December 31, 2014	$ 1,422
For the year ended December 31, 2015	$ 1,422

The Company has two indefinite-lived intangible assets totaling $1,100 for trademarks at December 31, 2010. The Company had one indefinite-lived intangible asset of $600 for trademarks at December 31, 2009.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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Note 20—Other Assets

Other assets comprise:

	December 31,	
	2010	2009
Restricted insurance settlement	$ 29,480	$25,998
Pension assets	3,474	6,733
Deferred compensation assets	1,068	1,051
Supplemental retirement income program	2,033	1,869
Uncertain tax positions	2,846	1,174
Other	3,660	2,712
Total	$42,561	$ 39,537

In December 2005, an inactive subsidiary of the Company reached a settlement agreement and release with one of its insurance carriers for $15,000. In accordance with the agreement, the subsidiary received $7,500 cash in December 2005 and the remaining $7,500 in December of 2006. In the first quarter of 2007, the subsidiary reached a settlement agreement and release with another one of its insurance carriers for $20,000 payable in four annual installments of $5,000, the final of which was received in the first quarter of 2010. The proceeds of both settlements are restricted and can only be used to pay claims and costs of defense associated with the subsidiary's asbestos litigation. The proceeds of the settlement and release agreements have been deposited into interest bearing accounts which earned approximately $122 and $204 in 2010 and 2009, respectively, offset by $1,640 and $1,608 of payments in 2010 and 2009, respectively. Due to the restricted nature of the proceeds, a corresponding deferred credit was established in "Other non-current liabilities" for an equal and offsetting amount, and will remain until the restrictions lapse or the funds are exhausted via payments of claims and costs of defense. See Notes 21 and 22 of Notes to Consolidated Financial Statements.

Note 21—Other Non-Current Liabilities

	December 31,	
	2010	2009
Restricted insurance settlement	$ 29,480	$25,998
Uncertain tax positions (includes interest and penalties)	10,985	10,680
Environmental reserves	961	1,237
Fair value of interest rate swaps	1,026	1,154
Contingent acquisition consideration	5,350	—
Other (primarily deferred and long-term compensation agreements)	3,359	3,248
Total	$51,161	$ 42,317

See also Notes 20 and 22 of Notes to Consolidated Financial Statements.

Note 22—Commitments and Contingencies

In April of 1992, the Company identified certain soil and groundwater contamination at AC Products, Inc. ("ACP"), a wholly owned subsidiary. In voluntary coordination with the Santa Ana California Regional Water

Quality Board, ACP has been remediating the contamination, the principal contaminant of which is perchloroethylene (“PERC”). On or about December 18, 2004, the Orange County Water District (“OCWD”) filed a civil complaint in Superior Court in Orange County, California against ACP and other parties potentially responsible for groundwater contamination. OCWD was seeking to recover compensatory and other damages related to the investigation and remediation of the contamination in the groundwater. Effective October 17, 2007, ACP and OCWD settled all claims related to this litigation. Pursuant to the settlement agreement with OCWD, ACP agreed to pay $2,000. In addition to the $2,000 payment, ACP agreed to operate the two existing groundwater treatment systems associated with its extraction wells P-2 and P-3 so as to hydraulically contain groundwater contamination emanating from ACP’s site until such time as the concentrations of PERC are below the current Federal maximum contaminant level for four consecutive quarterly sampling events. As of December 31, 2010, the Company believes that the range of potential-known liabilities associated with ACP contamination including the water and soil remediation program is approximately $1,300 to $2,300, for which the Company has sufficient reserves.

The low and high ends of the range are based on the length of operation of the two extraction wells as determined by groundwater modeling with planned higher maintenance costs in later years if a longer treatment period is required. Costs of operation include the operation and maintenance of the extraction wells, groundwater monitoring and program management. The duration of the well operation was estimated based on historical trends in concentrations in the monitoring wells within the proximity of the applicable extraction wells. Also factored into the model was the impact of water injected into the underground aquifer from a planned recharge basin adjacent to ACP. Based on the modeling, it is estimated that P-2 will operate for another three to five years and P-3 will operate for one and one-half years to up to two years. Operation and maintenance costs were based on historical expenditures and estimated inflation. As mentioned above, a significantly higher maintenance expense was factored into the range if the system operates for the longer period. Also included in the reserve are anticipated expenditures to operate an on-site soil vapor extraction system.

The Company believes, although there can be no assurance regarding the outcome of other unrelated environmental matters, that it has made adequate accruals for costs associated with other environmental problems of which it is aware. Approximately $374 and $99 was accrued at December 31, 2010 and December 31, 2009, respectively, to provide for such anticipated future environmental assessments and remediation costs.

An inactive subsidiary of the Company that was acquired in 1978 sold certain products containing asbestos, primarily on an installed basis, and is among the defendants in numerous lawsuits alleging injury due to exposure to asbestos. The subsidiary discontinued operations in 1991 and has no remaining assets other than the proceeds from insurance settlements received. To date, the overwhelming majority of these claims have been disposed of without payment and there have been no adverse judgments against the subsidiary. Based on a continued analysis of the existing and anticipated future claims against this subsidiary, it is currently projected that the subsidiary’s total liability over the next 50 years for these claims is approximately $7,700 (excluding costs of defense). Although the Company has also been named as a defendant in certain of these cases, no claims have been actively pursued against the Company, and the Company has not contributed to the defense or settlement of any of these cases pursued against the subsidiary. These cases were handled by the subsidiary’s primary and excess insurers who had agreed in 1997 to pay all defense costs and be responsible for all damages assessed against the subsidiary arising out of existing and future asbestos claims up to the aggregate limits of the policies. A significant portion of this primary insurance coverage was provided by an insurer that is now insolvent, and the other primary insurers have asserted that the aggregate limits of their policies have been exhausted. The subsidiary has challenged the applicability of these limits to the claims being brought against the subsidiary. In

response, two of the three carriers entered into separate settlement and release agreements with the subsidiary in late 2005 and in the first quarter of 2007 for $15,000 and $20,000, respectively. The payments under the latest settlement and release agreement were structured to be received over a four-year period with annual installments of $5,000, the final installment of which was received in the first quarter of 2010. The proceeds of both settlements are restricted and can only be used to pay claims and costs of defense associated with the subsidiary's asbestos litigation. During the third quarter of 2007, the subsidiary and the remaining primary insurance carrier entered into a Claim Handling and Funding Agreement, under which the carrier will pay 27% of defense and indemnity costs incurred by or on behalf of the subsidiary in connection with asbestos bodily injury claims for a minimum of five years beginning July 1, 2007. At the end of the term of the agreement, the subsidiary may choose to again pursue its claim against this insurer regarding the application of the policy limits. The Company also believes that, if the coverage issues under the primary policies with the remaining carrier are resolved adversely to the subsidiary and all settlement proceeds were used, the subsidiary may have limited additional coverage from a state guarantee fund established following the insolvency of one of the subsidiary's primary insurers. Nevertheless, liabilities in respect of claims may exceed the assets and coverage available to the subsidiary. See also Notes 20 and 21 of Notes to Consolidated Financial Statements.

If the subsidiary's assets and insurance coverage were to be exhausted, claimants of the subsidiary may actively pursue claims against the Company because of the parent-subsidiary relationship. Although asbestos litigation is particularly difficult to predict, especially with respect to claims that are currently not being actively pursued against the Company, the Company does not believe that such claims would have merit or that the Company would be held to have liability for any unsatisfied obligations of the subsidiary as a result of such claims. After evaluating the nature of the claims filed against the subsidiary and the small number of such claims that have resulted in any payment, the potential availability of additional insurance coverage at the subsidiary level, the additional availability of the Company's own insurance and the Company's strong defenses to claims that it should be held responsible for the subsidiary's obligations because of the parent-subsidiary relationship, the Company believes it is not probable that the Company will incur any material losses. All of the asbestos cases pursued against the Company challenging the parent-subsidiary relationship are in the early stages of litigation. The Company has been successful in the past having claims naming it dismissed during initial proceedings. Since the Company may be in this early stage of litigation for some time, it is not possible to estimate additional losses or range of loss, if any.

As initially disclosed in the Company's second quarter Form 10-Q, one of the Company's subsidiaries may have paid certain value-added-taxes ("VAT") incorrectly and, in certain cases, may not have collected sufficient VAT from certain customers. The VAT rules and regulations at issue are complex, vary among the jurisdictions and can be contradictory, in particular as to how they relate to the subsidiary's products and to sales between jurisdictions.

Since its inception, the subsidiary had been consistent in its VAT collection and remittance practices and had never been contacted by any tax authority relative to VAT. Now the subsidiary has determined that for certain products, a portion of the VAT was incorrectly paid and that the total VAT due exceeds the amount originally collected and remitted by the subsidiary. In 2010, several jurisdictions contacted the subsidiary requesting information, but no tax assessments were received. In two jurisdictions, the subsidiary has either participated in an amnesty program or entered into a settlement whereby it paid a reduced portion of the amounts owed in resolution of those jurisdictions' claims. At this time, the subsidiary has either modified or is in the process of modifying its VAT invoicing and payment procedures to eliminate or mitigate future exposure.

In analyzing the subsidiary's exposure, it is difficult to estimate both the probability and the amount of any potential liabilities due to a number of factors, including: the decrease in exposure over time due to applicable

statutes of limitations and actions taken by the subsidiary, the joint liability of customers and suppliers for a portion of the VAT, the availability of a VAT refund for VAT incorrectly paid through an administrative process, any amounts which may have already been or will be paid by customers, as well as the timing and structure of any tax amnesties or settlements. In addition, interest and penalties on any VAT due can be a multiple of the base tax. The subsidiary may contest any tax assessment administratively and/or judicially for an extended period of time, but may ultimately resolve its disputes through participation in tax amnesty programs, which are a common practice for settling tax disputes in the jurisdictions in question and which have historically occurred on a regular basis, resulting in significant reductions of interest and penalties. Also, the timing of payments and refunds of VAT may not be contemporaneous, and, if additional VAT is owed, it may not be fully recoverable from customers. As a result, this matter has the potential to have a material adverse impact on the Company's financial position, liquidity and capital resources and the results of operations.

Included in the year-end results is a net charge of $4,132, which consists of a net $3,901 charge related to two tax dispute settlements entered into by the subsidiary, as well as a net $231 charge representing management's best estimate, based on the information available to it, including the factors noted above, of the amount that ultimately may be paid related to the other jurisdiction that has made inquiries. These charges assume a successful recovery of the VAT incorrectly paid, as well as reductions in interest and penalties from anticipated future amnesty programs or settlements. On a similar basis, if all other potentially impacted jurisdictions were to initiate audits and issue assessments, the remaining exposure, net of refunds, could be from $0 to $22,000 with one jurisdiction representing approximately 82 percent of this additional exposure, assuming the continued availability of future amnesty programs or settlements to reduce the interest and penalties. If there are future assessments but no such future amnesty programs or settlements, the potential exposure could be higher.

The Company is party to other litigation which management currently believes will not have a material adverse effect on the Company's results of operations, cash flows or financial condition.

The Company leases certain manufacturing and office facilities and equipment under non-cancelable operating leases with various terms from 1 to 15 years expiring in 2019. Rent expense for 2010, 2009 and 2008 was $5,112, $4,885 and $4,473, respectively. The Company's minimum rental commitments under non-cancelable operating leases at December 31, 2010, were approximately $4,937 in 2011, $4,270 in 2012, $3,195 in 2013, $2,483 in 2014, $2,210 in 2015, and $3,094 thereafter.

QUAKER CHEMICAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in thousands except per share amounts)

Note 23—Quarterly Results (unaudited)

	First (1)	Second (2)	Third (3)	Fourth (4)
2010				
Net sales	$128,320	$135,991	$137,669	$ 142,083
Gross profit	47,340	48,531	49,028	47,890
Operating income	13,671	13,413	9,431	11,616
Net income attributable to Quaker Chemical Corporation	9,419	9,153	6,340	6,895
Net income attributable to Quaker Chemical Corporation per share—basic earnings per common share	$ 0.85	$ 0.82	$ 0.56	$ 0.60
Net income attributable to Quaker Chemical Corporation per share—diluted earnings per common share	$ 0.84	$ 0.80	$ 0.55	$ 0.59
2009				
Net sales	$ 98,507	$ 102,335	$118,922	$131,726
Gross profit	28,714	36,037	44,472	47,615
Operating (loss) income	(272)	5,794	8,576	11,990
Net income attributable to Quaker Chemical Corporation	2	3,234	5,052	7,932
Net income attributable to Quaker Chemical Corporation per share—basic earnings per common share	$ 0.00	$ 0.29	$ 0.46	$ 0.72
Net income attributable to Quaker Chemical Corporation per share—diluted earnings per common share	$ 0.00	$ 0.29	$ 0.45	$ 0.71

(1) Net income attributable to Quaker Chemical Corporation in the first quarter of 2010 includes a devaluation charge related to the Company's 50% owned equity affiliate in Venezuela of approximately $0.03 per diluted common share and tax benefits of approximately $0.11 per diluted common share resulting from the derecognition of several uncertain tax positions due to the expiration of applicable statutes of limitation and resolution of tax audits for certain tax years. Net income attributable to Quaker Chemical Corporation in the first quarter of 2009 includes restructuring charges of approximately $0.14 per diluted common share and a non-taxable gain of approximately $0.11 per diluted common share related to the sale of excess land in Europe.

(2) Net income attributable to Quaker Chemical Corporation includes CEO transition costs of approximately $0.07 per diluted common share in the second quarter of 2009.

(3) Net income attributable to Quaker Chemical Corporation includes CEO transition costs of approximately $0.08 per diluted common share and $0.07 per diluted common share in the third quarters of 2010 and 2009, respectively. In addition, net income attributable to Quaker Chemical Corporation includes a non-income tax contingency charge of approximately $0.21 per diluted common share in the third quarter of 2010. Finally, net income attributable to Quaker Chemical Corporation includes tax benefits of approximately $0.04 and $0.02 per diluted common share in the third quarters of 2010 and 2009, respectively, resulting from the derecognition of several uncertain tax positions to the expiration of applicable statutes of limitation and resolution of tax audits for certain tax years.

(4) Net income attributable to Quaker Chemical Corporation includes tax benefits of approximately $0.06 and $0.03 per diluted common share in the fourth quarters of 2010 and 2009, respectively, resulting from the derecognition of several uncertain tax positions to the expiration of applicable statutes of limitation and resolution of tax audits for certain tax years. In addition, net income attributable to Quaker Chemical Corporation includes a non-income tax contingency charge of approximately $0.05 per diluted common share in the fourth quarter of 2010. Finally, net income attributable to Quaker Chemical Corporation includes a charge of approximately $0.05 per diluted common share related to an out-of-period adjustment at one of the Company's equity affiliates. See Note 6 of Notes to the Consolidated Financial Statements for further discussion.

Item 9. *Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.*

None.

Item 9A. *Controls and Procedures.*

Conclusion regarding the Effectiveness of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), our management, including our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our principal executive officer and our principal financial officer have concluded that as of the end of the period covered by this report our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective.

Management's Report on Internal Control over Financial Reporting

The management of Quaker is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) promulgated under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Our management, with the participation of our principal executive officer and principal financial officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2010. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework*. Based on its assessment, Quaker's management has concluded that as of December 31, 2010, the Company's internal control over financial reporting is effective based on those criteria.

Management has excluded Summit Lubricants, Inc. (Summit) from our assessment of internal control over financial reporting as of December 31, 2010 because we acquired Summit on December 31, 2010. Summit is a wholly owned subsidiary of the Company, whose total assets and total revenues represent approximately 8% and 0%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2010.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2010 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included in "Item 8. Financial Statements and Supplementary Data."

Changes in Internal Controls Over Financial Reporting

As required by Rule 13a-15(d) under the Exchange Act, our management, including our principal executive officer and principal financial officer, has evaluated our internal control over financial reporting to determine whether any changes to our internal control over financial reporting occurred during the fourth quarter of the year ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, no such changes to our internal control over financial reporting occurred during the fourth quarter of the year ended December 31, 2010.

Item 9B. *Other Information.*

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance.*

Incorporated by reference is (i) the information beginning immediately following the caption "Proposal 1—Election of Directors and Nominee Biographies" in the Registrant's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held May 11, 2011 to be filed with the SEC no later than 120 days after the close of its fiscal year ended December 31, 2010 (the "2011 Proxy Statement") to, but not including, the caption "Corporate Governance," (ii) the information appearing in Item 4(a) of this Report, (iii) the information in the 2011 Proxy Statement beginning with and including the sub-caption, "Section 16(a) Beneficial Ownership Reporting Compliance" to, but not including the caption "Certain Relationships and Related Transactions," and (iv) the information in the 2011 Proxy Statement beginning with and including the sub-caption "Code of Conduct" to, but not including the caption "Compensation Committee Interlocks and Insider Participation."

Item 11. *Executive Compensation.*

Incorporated by reference is the information in the 2011 Proxy Statement (i) beginning with and including the caption "Compensation Committee Interlocks and Insider Participation" to, but not including the caption "Proposal 2 — Approval of the Global Annual Incentive Plan", (ii) the information in the 2011 Proxy Statement beginning with and including the caption, "Executive Compensation" to, but not including the caption, "Proposal 4 — Advisory Vote on Compensation of Our Named Executive Officers", and (iii) the information in the 2011 Proxy Statement beginning with and including the caption, "Director Compensation" to, but not including the caption "Stock Ownership of Certain Beneficial Owners and Management."

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

Incorporated by reference is the information in the 2011 Proxy Statement beginning immediately following the caption "Stock Ownership of Certain Beneficial Owners and Management" to, but not including the sub-caption "Section 16(a) Beneficial Ownership Reporting Compliance."

The following table sets forth certain information relating to the Company's equity compensation plans as of December 31, 2010. Each number of securities reflected in the table is a reference to shares of Quaker common stock.

Equity Compensation Plans

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	303,444	$ 14.19	413,675(1)
Equity compensation plans not approved by security holders	—	—	—
Total	303,444	$ 14.19	413,675

(1) As of December 31, 2010, 301,500 of these shares were available for issuance as restricted stock awards under the Company's 2001 Global Annual Incentive Plan, 83,757 shares were available for issuance upon the exercise of stock options and/or as restricted stock awards under the Company's 2006 Long-Term Performance Incentive Plan, and 28,418 shares were available for issuance under the 2003 Director Stock Ownership Plan.

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Item 13. *Certain Relationships and Related Transactions, and Director Independence.*

Incorporated by reference is the information in the 2011 Proxy Statement beginning immediately following the sub-caption "Certain Relationships and Related Transactions" to, but not including, the caption "Proposal 6—Ratification of Appointment of Independent Registered Public Accounting Firm," and the additional information in the 2011 Proxy Statement beginning with and including the sub-caption "Director Independence" to, but not including the sub-caption "Governance Committee Procedures for Selecting Director Nominees."

Item 14. *Principal Accountant Fees and Services.*

Incorporated by reference is the information in the 2011 Proxy Statement beginning with and including the sub-caption "Audit Fees" to, but not including the statement recommending a vote for ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the year ending December 31, 2011.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules.***

(a) Exhibits and Financial Statement Schedules

1. Financial Statements and Supplementary Data.

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Consolidated Statement of Income	32
Consolidated Balance Sheet	33
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2. Financial Statement Schedules

All schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto. Financial statements of 50% or less owned companies have been omitted because none of the companies meets the criteria requiring inclusion of such statements.

3. Exhibits (numbered in accordance with Item 601 of Regulation S-K)

3(i)—	Amended and Restated Articles of Incorporation dated July 16, 1990. Incorporated by reference to Exhibit 3(a) as filed by Registrant with Form 10-K for the year 1996.
3(ii)—	By-laws (as amended effective October 4, 2008). Incorporated by reference to Exhibit 10.1 as filed by Registrant with Form 10-Q for the quarter ended September 30, 2008.
4—	Shareholder Rights Plan dated March 6, 2000. Incorporated by reference to Exhibit 1 to Form 8-K as filed by the Registrant on March 7, 2000.
10.1—	Employment Agreement by and between Registrant and Jose Luiz Bregolato dated June 14, 1993. Incorporated by reference to Exhibit 10(k) as filed by Registrant with Form 10-K for the year 1995. *
10.2—	Deferred Compensation Plan as adopted by the Registrant dated December 17, 1999, effective July 1, 1997. Incorporated by reference to Exhibit 10(ff) as filed by Registrant with Form 10-K for the year 1999. *
10.3—	Supplemental Retirement Income Program adopted by the Registrant on November 6, 1984, as amended November 8, 1989. Incorporated by reference to Exhibit 10(gg) as filed by Registrant with Form 10-K for the year 1999. *
10.4—	2001 Global Annual Incentive Plan as approved May 9, 2001, effective January 1, 2001. Incorporated by reference to Exhibit 10(hh) as filed by Registrant with Form 10-K for the year 2001. *
10.5—	2003 Director Stock Ownership Plan as approved May 14, 2003. Incorporated by reference to Exhibit 10(ww) as filed by the Registrant with Form 10-K for the year 2003. *
10.6—	Change in Control Agreement by and between Registrant and Jose Luiz Bregolato, dated June 23, 2004, effective May 14, 2004. Incorporated by reference to Exhibit 10(aaa) as filed by the Registrant with Form 10-Q for the quarter ended June 30, 2004. *

10.7— Credit Agreement between Registrant and Bank of America, N.A. and ABN AMRO Bank, N.V. and Banc of America Securities, in the amount of $100,000,000, dated October 14, 2005. Incorporated by reference to Exhibit 10(jjj) as filed by the Registrant with Form 10-Q for the quarter ended September 30, 2005.

10.8— Settlement Agreement and Release between Registrant, an inactive subsidiary of the Registrant, and Hartford Accident and Indemnity Company dated December 12, 2005. Incorporated by reference to Exhibit 10(nnn) as filed by the Registrant with Form 10-K for the year 2005.

10.9— Amendment to Registrant's Deferred Compensation Plan for key officers dated December 20, 2005. Incorporated by reference to Exhibit 10 as filed by Registrant with Form 8-K filed on December 22, 2005. *

10.10— 2001 Global Annual Incentive Plan, as amended and restated. Incorporated by reference to Appendix D to the Registrant's definitive proxy statement filed on March 31, 2006. *

10.11— 2006 Long-Term Performance Incentive Plan. Incorporated by reference to Appendix E to the Registrant's definitive proxy statement filed on March 31, 2006. *

10.12— Form of Stock Option Agreement provided for associates under the Registrant's 2006 Long-Term Performance Incentive Plan. Incorporated by reference to Exhibit 10.3 as filed by Registrant with Form 8-K filed on May 12, 2006. *

10.13— Form of Restricted Stock Award Agreement for executive officers and other employees under Registrant's 2006 Long-Term Performance Incentive Plan. Incorporated by reference to Exhibit 10 as filed by Registrant with Form 8-K filed on June 27, 2006. *

10.14— Employment Agreement by and between L. Willem Platzer and Quaker Chemical B.V., a Netherlands corporation and a subsidiary of Registrant, dated August 21, 2006. Incorporated by reference to Exhibit 10 as filed by the Registrant with Form 8-K filed on August 22, 2006. *

10.15— First Amendment to Syndicated Multicurrency Credit Agreement between Registrant and Bank of America, N.A. and certain other financial institutions dated October 6, 2006. Incorporated by reference to Exhibit 10.30 as filed by the Registrant with Form 10-K for the year ended 2008.

10.16— 2006 Long-Term Performance Incentive Plan (amended and restated effective November 8, 2006). Incorporated by reference to Exhibit 10(www) as filed by the Registrant with Form 10-K for the year ended 2006. *

10.17— Financing Agreement by and among Montgomery County Industrial Development Authority and Registrant and Brown Brothers Harriman & Co. dated February 1, 2007. Incorporated by reference to Exhibit 10(yyy) as filed by the Registrant with Form 10-K for the year ended 2006.

10.18— Settlement Agreement and Release between Registrant, an inactive subsidiary of Registrant and Federal Insurance Company dated March 26, 2007. Incorporated by reference to Exhibit 10(zzz) as filed by the Registrant with Form 10-Q for the quarter ended March 31, 2007.

10.19— Change in Control Agreement by and between Registrant and L. Willem Platzer dated April 2, 2007, effective January 1, 2007. Incorporated by reference to Exhibit 10(aaaa) as filed by the Registrant with Form 10-Q for the quarter ended March 31, 2007. *

10.20— Change in Control Agreement by and between Registrant and Jan F. Nieman dated June 27, 2007, effective January 1, 2007. Incorporated by reference to Exhibit 10 (cccc) as filed by the Registrant with Form 10-Q for the quarter ended June 30, 2007. *

10.21—	Memorandum of Employment dated June 28, 2007 between Registrant and Mark A. Featherstone, effective April 9, 2007. Incorporated by reference to Exhibit 10 as filed by the Registrant with Form 8-K filed on July 2, 2007. *
10.22—	Amendment No. 1 to the Registrant's Director Stock Ownership Plan (as amended March 7, 2007) approved on July 25, 2007. Incorporated by reference to Exhibit 10.37 as filed by the Registrant with Form 10-K for the year ended 2008. *
10.23—	Second Amendment to Syndicated Multicurrency Credit Agreement between Registrant and Bank of America, N.A. and certain other financial institutions dated August 13, 2007. Incorporated by reference to Exhibit 10(eeee) as filed by the Registrant with Form 10-Q for the quarter ended September 30, 2007.
10.24—	Claim Handling and Funding Agreement between SB Decking, Inc., an inactive subsidiary of Registrant, and Employers Insurance Company of Wausau dated September 25, 2007. Incorporated by reference to Exhibit 10(ffff) as filed by the Registrant with Form 10-Q for the quarter ended September 30, 2007.
10.25—	Settlement Agreement and Mutual Release entered into between AC Products, Inc., wholly owned subsidiary of Registrant, and Orange County Water District, effective November 8, 2007. Incorporated by reference to Exhibit 10.47 as filed by the Registrant with Form 10-K for the year ended 2007.
10.26—	Financing Agreement by and among Butler County Port Authority and Registrant and Brown Brothers Harriman & Co. dated May 15, 2008. Incorporated by reference to Exhibit 10.1 as filed by the Registrant with Form 10-Q for the quarter ended June 30, 2008.
10.27—	Engineering, Procurement and Construction Contract by and between Registrant and FMC Technologies, Inc., effective May 14, 2008. Incorporated by reference to Exhibit 10.2 as filed by the Registrant with Form 10-Q for the quarter ended June 30, 2008.
10.28—	Employment, Transition and Consulting Agreement by and between Registrant and Ronald J. Naples dated May 22, 2008, effective May 7, 2008. Incorporated by reference to Exhibit 10.3 as filed by the Registrant with Form 10-Q for the quarter ended June 30, 2008. *
10.29—	1995 Naples Supplemental Retirement Income Program and Agreement (as amended and restated effective May 7, 2008) dated May 22, 2008. Incorporated by reference to Exhibit 10.4 as filed by the Registrant with Form 10-Q for the quarter ended June 30, 2008. *
10.30—	Employment Agreement by and between Registrant and Michael F. Barry dated July 1, 2008. Incorporated by reference to Exhibit 10.5 as filed by the Registrant with Form 10-Q for the quarter ended June 30, 2008. *
10.31—	Change in Control Agreement by and between Registrant and Michael F. Barry dated July 1, 2008. Incorporated by reference to Exhibit 10.6 as filed by the Registrant with Form 10-Q for the quarter ended June 30, 2008. *
10.32—	Butler County Port Authority Industrial Development Revenue Bond dated May 15, 2008. Incorporated by reference to Exhibit 10.7 as filed by the Registrant with Form 10-Q for the quarter ended June 30, 2008.
10.33—	Expatriate Agreement by and between Jan F. Nieman and Quaker Chemical Limited (Hong Kong) and Quaker Chemical B.V., both subsidiaries of Registrant, dated June 3, 2003, effective August 1, 2003 and Amended Expatriate Agreement by and between Jan F. Nieman and Quaker Chemical (China) Co. Ltd., Quaker Chemical Limited (Hong Kong) and Quaker Chemical B.V., all subsidiaries of Registrant, dated July 27, 2008, effective August 1, 2008. Incorporated by reference to Exhibit 10.37 as filed by the Registrant with Form 10-K for the year ended December 31, 2009.*

10.34— Memorandum of Employment by and between Registrant and Joseph F. Matrange dated September 30, 2008. Incorporated by reference to Exhibit 10.48 as filed by the Registrant with Form 10-K for the year ended 2008. *

10.35— Memorandum of Employment by and between Registrant and D. Jeffry Benoliel dated October 1, 2008. Incorporated by reference to Exhibit 10.49 as filed by the Registrant with Form 10-K for the year ended 2008. *

10.36— Consultancy Agreement by and between Registrant and Mark Harris dated October 29, 2008. Incorporated by reference to Exhibit 10.50 as filed by the Registrant with Form 10-K for the year ended 2008. *

10.37— Compromise Agreement by and between Registrant and Mark Harris dated October 29, 2008. Incorporated by reference to Exhibit 10.51 as filed by the Registrant with Form 10-K for the year ended 2008. *

10.38— Amendment to Memorandum of Employment by and between Mark A. Featherstone and Registrant dated November 19, 2008, effective January 1, 2008. Incorporated by reference to Exhibit 10.52 as filed by the Registrant with Form 10-K for the year ended 2008. *

10.39— Change in Control Agreement by and between Registrant and Mark A. Featherstone dated November 19, 2008, effective January 1, 2008. Incorporated by reference to Exhibit 10.53 as filed by the Registrant with Form 10-K for the year ended 2008. *

10.40— Change in Control Agreement by and between Registrant and D. Jeffry Benoliel dated November 19, 2008, effective January 1, 2008. Incorporated by reference to Exhibit 10.54 as filed by the Registrant with Form 10-K for the year ended 2008. *

10.41— Change in Control Agreement by and between Registrant and Joseph F. Matrange dated November 19, 2008, effective October 1, 2008. Incorporated by reference to Exhibit 10.55 as filed by the Registrant with Form 10-K for the year ended 2008. *

10.42— Change in Control Agreement by and between Registrant and Ronald S. Ettinger dated November 19, 2008, effective October 1, 2008. Incorporated by reference to Exhibit 10.56 as filed by the Registrant with Form 10-K for the year ended 2008. *

10.43— Change in Control Agreement by and between Registrant and George H. Hill dated November 19, 2008, effective October 1, 2008. Incorporated by reference to Exhibit 10.57 as filed by the Registrant with Form 10-K for the year ended 2008. *

10.44— Supplemental Retirement Income Program (as amended and restated effective January 1, 2008), approved November 19, 2008. Incorporated by reference to Exhibit 10.58 as filed by the Registrant with Form 10-K for the year ended 2008. *

10.45— Directors' Deferred Compensation Plan (amended and restated as of January 1, 2005), approved November 19, 2008. Incorporated by reference to Exhibit 10.59 as filed by the Registrant with Form 10-K for the year ended 2008. *

10.46— Amendment No. 1 to the 2001 Global Annual Incentive Plan (as amended and restated effective January 1, 2006), approved November 19, 2008. Incorporated by reference to Exhibit 10.60 as filed by the Registrant with Form 10-K for the year ended 2008. *

10.47— Amendment No. 1 to the 2006 Long-Term Performance Incentive Plan (as amended and restated effective November 8, 2006), approved November 19, 2008. Incorporated by reference to Exhibit 10.61 as filed by the Registrant with Form 10-K for the year ended 2008. *

10.48— Third Amendment to Syndicated Multicurrency Credit Agreement between Registrant and Bank of America, N.A. and certain other financial institutions dated February 13, 2009, effective February 17, 2009. Incorporated by reference to Exhibit 10.62 as filed by the Registrant with Form 10-K for the year ended 2008.

10.49—	Amendment No. 2 to the Quaker Chemical Corporation 2003 Director Stock Ownership Plan (As Amended March 7, 2007). Incorporated by reference to Exhibit 10.1 as filed by the Registrant with Form 10-Q for the quarter ended March 31, 2009. *
10.50—	Amended Expatriate Agreement by and between Jan F. Nieman and Quaker Chemical (China) Ltd., Quaker Chemical Limited (Hong Kong) and Quaker Chemical B.V., all subsidiaries of Registrant, dated April 6, 2010, Effective March 1, 2010. Incorporated by reference to Exhibit 10.1 as filed by the Registrant with Form 10-Q for the quarter ended March 31, 2010. *
10.51—	Employment Agreement by and between Registrant and Joseph Berquist dated April 1, 2010. Incorporated by reference to Exhibit 10.2 as filed by the Registrant with Form 10-Q for the quarter ended March 31, 2010. *
10.52—	Change in Control Agreement by and between Registrant and Joseph Berquist dated April 1, 2010. Incorporated by reference to Exhibit 10.3 as filed by the Registrant with Form 10-Q for the quarter ended March 31, 2010. *
10.53—	Fourth Amendment to Syndicated Multicurrency Credit Agreement between Registrant and Bank of America, N.A. and certain other financial institutions dated June 21, 2010. Incorporated by reference to Exhibit 10.1 as filed by the Registrant with Form 10-Q for the quarter ended June 30, 2010.
10.54—	Stock Purchase Agreement by and among Registrant, Summit Lubricants Inc., Ronald Krol, Brian Caputi, Dale M. Perry and Anthony Musilli, dated December 31, 2010.
10.55—	Amendment No. 3 to the Quaker Chemical Corporation 2003 Director Stock Ownership Plan (As Amended January 26, 2011). *
10.56—	Employment Agreement by and between Carlos Claro and Quaker Chemical Industria e Comercio Ltda., a Brazilian corporation and a subsidiary of the Registrant, dated January 5, 2011. *
21—	Subsidiaries and Affiliates of the Registrant
23—	Consent of Independent Registered Public Accounting Firm
31.1—	Certification of Chief Executive Officer of the Company pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2—	Certification of Chief Financial Officer of the Company pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32.1—	Certification of Michael F. Barry pursuant to 18 U.S.C. Section 1350.
32.2—	Certification of Mark A. Featherstone pursuant to 18 U.S.C. Section 1350.

* This exhibit is a management contract or compensation plan or arrangement required to be filed as an exhibit to this Report.

(b) *Exhibits required by Regulation 601 S-K*

See (a) 3 of this Item 15

(c) *Financial Statement Schedules*

See (a) 2 of this Item 15

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

QUAKER CHEMICAL CORPORATION
Registrant

By: /s/ MICHAEL F. BARRY
Michael F. Barry
Chairman of the Board, Chief Executive Officer and President

Date: March 2, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Capacity	Date
/s/ MICHAEL F. BARRY **Michael F. Barry** **Chairman of the Board, Chief Executive Officer and President**	Principal Executive Officer and Director	March 2, 2011
/s/ MARK A. FEATHERSTONE **Mark A. Featherstone** **Vice President, Chief Financial Officer and Treasurer**	Principal Financial Officer	March 2, 2011
/s/ GEORGE H. HILL **George H. Hill** **Global Controller**	Principal Accounting Officer	March 2, 2011
/s/ JOSEPH B. ANDERSON, JR. **Joseph B. Anderson, Jr.**	Director	March 2, 2011
/s/ PATRICIA C. BARRON **Patricia C. Barron**	Director	March 2, 2011
/s/ DONALD R. CALDWELL **Donald R. Caldwell**	Director	March 2, 2011
/S/ ROBERT E. CHAPPELL **Robert E. Chappell**	Director	March 2, 2011
/s/ WILLIAM R. COOK **William R. Cook**	Director	March 2, 2011
/s/ EDWIN J. DELATTRE **Edwin J. Delattre**	Director	March 2, 2011
/s/ JEFFRY D. FRISBY **Jeffry D. Frisby**	Director	March 2, 2011
/s/ RONALD J. NAPLES **Ronald J. Naples**	Director	March 2, 2011
/s/ ROBERT H. ROCK **Robert H. Rock**	Director	March 2, 2011

Exhibit 10.54

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (this "Agreement") is made and entered into as of December 31, 2010, by and among Quaker Chemical Corporation, a Delaware corporation (the "Purchaser"), Summit Lubricants Inc., a New York corporation (the "Target"), Ronald Krol ("Krol"), Brian Caputi ("Caputi"), Dale M. Perry and Anthony Musilli (each, a "Shareholder" and collectively, the "Shareholders").

RECITALS

A. The Purchaser and the Shareholders believe it is in their respective best interests that the Purchaser acquires all of the outstanding capital stock of Target (the "Stock"). Pursuant to this Agreement, among other things, the Stock shall be acquired by the Purchaser in consideration of the Purchase Price (defined herein) and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged.

B. The Purchaser, Target and the Shareholders desire to make certain representations and warranties and other agreements in connection with the acquisition.

AGREEMENT

The parties hereto, intending to be legally bound, hereby agree as follows:

SECTION ONE

1. **The Transaction.**

1.1. **The Purchase.** On the Closing Date (as defined in Section 1.2) and subject to and upon the terms and conditions of this Agreement, the Purchaser shall purchase the Stock from the Shareholders.

1.2. **Closing.** The closing of the transactions contemplated by this Agreement (the "Closing") shall take place on or before 11:59, p.m., on December 31, 2010 unless extended by the parties (the "Closing Date"), provided that each of the conditions set forth in Section 7 below have been satisfied, waived or modified by the Shareholders and the Purchaser, or at such other time as the parties agree, but in any event the Closing shall be deemed effective as of the Closing Date. The Closing shall take place at the offices of Fox Rothschild LLP, 2000 Market St., 20th Floor, Philadelphia PA 19103, or at such other location as the parties shall agree.

1.3. **Purchase Price**. The purchase price for the Stock shall be Thirty Million Dollars ($30,000,000) (the "Initial Purchase Price"), subject to adjustment pursuant to Sections

1.4, 1.5 and 1.6 hereof (as adjusted, the "Purchase Price"). The Purchaser shall pay the Shareholders Twenty Six Million Dollars ($26,000,000) of the Initial Purchase Price on the Closing Date (the "Cash Portion of the Purchase Price"), in immediately available funds, to bank accounts designated in writing by the Shareholders at least one (1) week prior to the Closing Date, and pay the balance of Four Million Dollars ($4,000,000) to RBS Citizens Bank, N. A., as escrow agent (the "Escrow Agent"), pursuant to the terms of the escrow deposit agreement attached hereto as Exhibit A (the "Escrow Agreement"), to satisfy all or part of any claims for indemnity pursuant to Section 9 hereof and for any other purpose specifically set forth in the Escrow Agreement. All payments to the Shareholders hereunder shall be made on a pro-rata basis as set forth on Section 1.3 of the Target Disclosure Schedule (defined herein). In addition, the Purchaser shall pay to M&T Bank an amount up to $95,000 on account of any pre-payment penalty incurred by Target in connection with pre-paying its Debt (defined herein) with such Bank. Notwithstanding the foregoing, there shall be deducted from the Cash Portion of the Purchase Price to the Shareholders an amount equal to $738,463, which is the amount the parties have agreed is necessary to complete the Treadeasy Plant, less any Excluded Cash (as defined herein).

1.4. **Adjustment for Working Capital at Closing.** The Initial Purchase Price shall be subject to adjustment as provided in this Section 1.4.

1.4.1. Not less than two (2) business days prior to the Closing Date, the Shareholders shall deliver to the Purchaser a balance sheet and statement of Working Capital (as defined below) of Target dated as of November 30, 2010 (the "Working Capital Estimate"). Within ninety (90) days after the Closing Date, the Shareholders shall deliver to the Purchaser a final statement of Working Capital of Target dated as of the Closing Date (the "Closing Working Capital Statement"). For purposes of this Section 1.4, "Working Capital" shall mean the sum of all Inventory (defined herein and meeting the requirements of Section 2.24(b) herein and valued at the lower of cost or market), Accounts Receivable (defined herein and meeting the requirements of Section 2.24(a) herein) and prepaid expenses minus accounts payable and accrued expenses, calculated in accordance with generally accepted accounting principles. For purposes of calculating the Closing Working Capital Statement, accounts receivable over 90 days shall be excluded. To the extent that the Working Capital Estimate is greater or less than $3,900,000 (the "Working Capital Threshold") the Cash Portion of the Purchase Price shall be increased or decreased, as the case may be, on a dollar for dollar basis by that excess or deficiency.

1.4.2. The Purchaser shall have thirty (30) days after receipt of the Closing Working Capital Statement to notify the Shareholders in writing of any exceptions the Purchaser may have to the Closing Working Capital Statement, and the reasons for such exceptions. If the Purchaser raises no such exceptions, the Closing Working Capital Statement shall become final (the "Final Working Capital Statement"). In the event that the Purchaser timely raises an exception, the Purchaser and the Shareholders shall negotiate in good faith for a period of up to thirty (30) days to resolve any such exceptions. If the Purchaser and the Shareholders are unable to resolve such exceptions within such thirty (30) day period, then the Purchaser and the Shareholders shall jointly engage Chiampou Travis Besaw & Kershner LLP ("CPA") to resolve the dispute. Each of the Purchaser and the Shareholders shall direct CPA to

complete its review within thirty (30) days after its engagement. The determination of CPA as to the resolution of such exceptions shall be binding upon the Purchaser and the Shareholders. The fees and expenses relating to CPA's review and report shall be borne equally by the Purchaser and the Shareholders. In the event the process of this 1.4.2 is invoked, the Closing Working Capital Statement, adjusted, if applicable to reflect the resolution of the Purchaser's exceptions, shall be the Final Working Capital Statement for purposes of this Agreement.

1.4.3. If the Working Capital amount on the Final Working Capital Statement exceeds the amount on the Working Capital Estimate, the Purchaser shall pay to the Shareholders a sum equal to such excess by wire transfer of immediately available funds to a bank account or accounts designated by the Shareholders in writing to the Purchaser. If the Working Capital amount on the Final Working Capital Statement is less than the Working Capital on the Working Capital Estimate, the Escrow Agent shall pay an amount equal to such deficit to the Purchaser out of the amounts held under the Escrow Agreement. Any payment required under this Section 1.4.3 shall be paid within ten (10) days of the final determination of such amount in accordance with this Section 1.4.3.

1.4.4. Each party, and to the extent necessary, CPA, shall have reasonable access to Target's books and records and to any work papers for purposes of calculating and confirming the Working Capital Estimate and the Closing Working Capital Statement.

1.5. **Earn Out.** In addition to the Initial Purchase Price, the Shareholders shall be entitled to receive the amounts, if any, set forth in this Section 1.5.

1.5.1. Within sixty (60) days after the Closing Date, the Shareholders shall present to the Purchaser a calculation showing the Net Revenues (defined herein) and related Contribution Margin (defined herein) for the period beginning July 1, 2010 and ending December 31, 2010 (the "2010 Target Net Revenues" and the "2010 Target Contribution Margin", respectively). "Net Revenues" shall mean the total receipts from sales of Target's products and services net of any discounts, returns and allowances during such period. " Contribution Margin" shall mean the value determined by subtracting from Net Revenues the raw material costs and, where applicable, containers costs and in-bound freight charges comprising the products sold which make up Net Revenues. The Purchaser shall have thirty (30) days after receipt of such calculations to notify the Shareholders in writing of any exceptions Purchaser may have with respect to such calculations. In the event any such exceptions are made, the Purchaser and the Shareholders shall negotiate in good faith for a period of up to thirty (30) days to resolve such exceptions. If the Purchaser and the Shareholders are unable to resolve such exceptions within such thirty (30) day period, then the Purchaser and the Shareholders shall jointly engage CPA, pursuant to the procedures set forth in Section 1.4.2 herein, whose determination shall be binding on the parties.

1.5.2. Within sixty (60) days after December 31, 2013, the Purchaser shall present to the Shareholders a calculation showing the Net Revenues for the period beginning July 1, 2013 and ending December 31, 2013 (the " 2013 Target Net Revenues") and the related Contribution Margin for such period (the "2013 Target Contribution Margin"). In

calculating 2013 Target Net Revenues and the 2013 Target Contribution Margin, (A) sales of products and services from Target's customers who were customers of Target as of the Closing Date and those prospective customers listed on Section 1.5.2 of the Target Disclosure Schedule attached hereto shall be included as well as sales to any other customer that is not an Excluded Customer, as defined below (collectively, the "Included Customers"), and (B) sales of products and services to customers of the Purchaser or its Affiliates as of the Closing Date or that resulted from sales efforts of the Purchaser's sales force post-Closing shall be excluded (other than, in each case, to customers that are Included Customers listed on Section 1.5.2 of the Target Disclosure Schedule)(collectively, the "Excluded Customers"). In addition, within sixty (60) days after December 31, 2013, the Purchaser shall present to the Shareholders a calculation showing the Net Revenues for all sales from Excluded Customers during the period beginning July 1, 2013 and ending December 31, 2013 (" 2013 Purchaser Net Revenues"). The Shareholders shall have thirty (30) days after their receipt of such calculations to notify the Purchaser in writing of any exceptions they may have with respect to such calculations. In the event any such exceptions are made, the Purchaser and the Shareholders shall negotiate in good faith for a period of up to thirty (30) days to resolve such exceptions. If the Purchaser and the Shareholders are unable to resolve such exceptions within such thirty (30) day period, then the Purchaser and the Shareholders shall jointly engage CPA, pursuant to the procedures set forth in Section 1.4.2 herein, whose determination shall be binding on the parties. The Purchaser shall promptly make available to Shareholders and, upon request, to CPA, the books, records, documents and work papers necessary to calculate the 2013 Target Net Revenues and the 2013 Purchaser Net Revenues.

1.5.3. In the event that the 2013 Target Contribution Margin exceeds the 2010 Target Contribution Margin, the Shareholders shall be entitled to receive, as additional consideration for the Stock, an amount equal to the product of two times such excess multiplied by 1.35 (the " Target Earn Out Amount") by wire transfer of immediately available funds to bank accounts designated by the Shareholders in writing to the Purchaser. No amount shall be payable under this Section 1.5.3 if the 2013 Target Contribution Margin does not exceed the 2010 Target Contribution Margin.

1.5.4. In addition, the Purchaser shall pay to the Shareholders, as additional consideration for the Stock, an amount equal to twenty-five percent (25%) of two times the 2013 Purchaser Net Revenues (the " Purchaser Earn Out Amount") by wire transfer of immediately available funds to bank accounts designated by the Shareholders in writing to the Purchaser.

1.5.5. The Purchaser shall pay any Target Earn Out Amount and/or Purchaser Earn Out Amount to the Shareholders within ten (10) days after completion of the calculations set forth above.

1.6. Repayment of Debt at the Closing. (a) At the Closing, the Shareholders shall cause Target to deliver cash to the holders of any Debt in an amount sufficient to repay all such Debt by wire transfer, or request and direct Purchaser to pay such Debt and reduce the cash portion of the payment to be made to the Shareholders at the Closing by the amount of such

Debt, together with all pre-payment, breakage and other fees and expenses necessary for the Purchaser to pay all such Debts at Closing, with the result that immediately following the Closing there will be no further monetary obligations of Target with respect to any Debt. As used in this Agreement, "Debt" means, with respect to Target, without duplication: (i) all liabilities for borrowed money, whether current or funded; (ii) all obligations evidenced by a note, bond, debenture, letter of credit, draft or similar instrument; (iii) that portion of obligations with respect to capital leases, if any, that is properly classified as a liability on a balance sheet; (iv) notes payable and drafts accepted representing extensions of credit; (v) any obligation owed for all or any part of the deferred purchase price of property or services, which purchase price is due more than six months from the date of incurrence of the obligation in respect thereof; (vi) all non-employment related obligations of the Target to Shareholders; (vii) all interest on the items set forth in (i) through (vi) above; (viii) all indebtedness and obligations of the types described in the foregoing clauses (i) through (vii) above to the extent secured by any lien on any property or asset owned or held by that person regardless of whether the indebtedness secured thereby shall have been assumed by that person or is nonrecourse to the credit of that person.

(b) Any Excluded Cash shall be paid to the Shareholders in accordance with their applicable ownership percentages on the Closing Date by wire transfer subject to the last sentence of Section 1.3. As used in this Agreement, "Excluded Cash" shall mean any cash held by Target on the Closing Date after repayment by Target of Debt in accordance with Section 1.6(a) hereof. As used in the preceding sentence, "cash" shall mean cash and cash equivalents (including marketable securities and short-term investments) of Target.

1.7. **338(h)(10) Election**. Shareholders and each person set forth on Section 1.7 of the Target Disclosure Schedule shall join with Purchaser in the making of an election under Section 338(h)(10) of the Internal Revenue Code of 1986, as amended (the " Code") and any comparable election under state or local laws (each such election a "Section 338(h)(10) Election") with respect to the purchase of the Stock pursuant to this Agreement. The Section 338(h)(10) Elections shall properly reflect the Allocation Schedule (as defined herein). The Shareholders agree to take, or cause to be taken, any and all action necessary and to do, or cause to be done, or to execute, or cause to be executed, such documents as may be necessary or desirable to effect any Section 338(h)(10) Election, with respect to Purchaser's acquisition of the Stock (" Section 338 Forms"). Purchaser shall, with Target's cooperation, prepare all Section 338 Forms necessary in order to effect the Section 338(h)(10) Elections (other than IRS Form 8883 and any comparable state or local Tax (defined herein) forms) and Shareholders and each person set forth on Section 1.7 of the Target Disclosure Schedule shall execute, as of the Closing Date, the Section 338 Forms, and Purchaser shall execute and shall timely file the Section 338 Forms. In the event that any Section 338 form is not executed by the Closing Date, the Shareholders and each person set forth on Section 1.7 of the Target Disclosure Schedule shall complete and execute each such Section 338 Form and deliver it to Purchaser no later than 15 days prior to the date such Section 338 Form is required to be filed. Within twenty (20) days after the date of this Agreement, Purchaser shall deliver to the Shareholders a schedule setting forth the allocation of the Purchase Price and the liabilities of the Target (plus any other required capitalized costs) (the "Allocation Schedule") which schedule shall be prepared in a manner consistent with Section 338 of the Code. The Allocation Schedule shall be deemed accepted by the Shareholders unless the Shareholders notify the Purchaser in writing of items of disagreement within ten (10) days of

receipt of the Allocation Schedule. If the Shareholders timely advise the Purchaser of items of disagreement, the parties shall proceed in good faith to negotiate a resolution of such dispute. If within ten (10) calendar days of such notification, Purchaser and the Shareholders shall have been unable to resolve their dispute, all unresolved items shall be resolved by CPA in accordance with the method set forth for resolving disputes set forth in Section 1.4.2. Within thirty (30) days after the date that the Final Working Capital Statement is determined, the Purchaser shall deliver (i) a revised Allocation Schedule based on the Final Working Capital Statement, using the same methodology as in the initial Allocation Schedule, and (ii) a completed Form 8883 (and any similar forms under applicable state or local law) that reflects the final Allocation Schedule. Purchaser and the Shareholders shall timely file IRS Form 8883 (and any similar forms under applicable state or local law) in a manner consistent with this Section 1.7. Purchaser, Target and the Shareholders shall file all Tax Returns (defined herein) and information reports in accordance with the final Allocation Schedule and take no position inconsistent with the Allocation Schedule on any applicable Tax Return or in any proceeding before any Governmental Entity or otherwise.

1.8. **Shareholders' Representative; Actions.**

1.8.1. Shareholders hereby appoint Krol as the representative of Shareholders (the "Representative"), to be their true and lawful attorney-in-fact for all matters in connection with this Agreement and the Escrow Agreement, including without limitation the acceptance of any claim by Purchaser, and the compromise of any disputes between Purchaser and Shareholders relating to this Agreement. The Representative will act on behalf of Shareholders with respect to all matters requiring action by Shareholders under this Agreement. The Representative hereby accepts such appointment.

1.8.2. Upon the death, disability incapacity, or resignation of Krol as Representative, Shareholders shall appoint a replacement. Any substituted representative shall be deemed the Representative for all purposes of this Agreement.

1.8.3. The Representative shall take all actions required to be taken by Shareholders or the Representative under this Agreement and may take any action contemplated by this Agreement. By giving notice to the Representative in the manner provided by Section 10.2, Purchaser shall be deemed to have given notice to Shareholders. Any action taken by the Representative may be considered by Purchaser to be the action of Shareholders. The Purchaser agrees that the Representative, in his capacity as such, shall have no personal liability to the Purchaser for any action taken by the Representative in his capacity as Representative. Purchaser shall have no responsibility for any actions by the Representative.

1.8.4. In the event that Purchaser gives notice to the Representative of a claim for which indemnification may be sought, the Representative shall have the authority to determine, in the Representative's sole judgment without consultation with any other person who may represent Shareholders, whether to retain counsel (and to select that counsel) to protect Shareholders' interests, whether to assume the defense of or otherwise to control the handling of the claim, whether to consent to indemnification and to make all other decisions required to be made by Shareholders pursuant to this Agreement, including without limitation whether to consent or withhold his or her consent to any settlement or compromise of a claim.

1.8.5. The Representative shall not be liable to Shareholders for any act or omission taken pursuant to or in conjunction with this Agreement, except for his own gross

negligence or willful misconduct. The Representative shall not have by reason of this Agreement a fiduciary relationship in respect of Shareholders. Shareholders shall indemnify and hold the Representative, and each successor thereof, harmless from any and all liability and expenses (including, without limitation, counsel fees) which may arise out of any action taken or omitted by him or her as Representative in accordance with this Agreement, as the same may be amended, modified or supplemented, except such liability and expense as may result from the gross negligence or willful misconduct of the Representative.

1.8.6. The Representative agrees that after receipt of notice of a claim, the Representative shall promptly give Shareholders notice of same and shall from time to time keep Shareholders apprised as to developments with respect to such claim.

1.8.7. Nothing in this Section 1.8 shall be deemed to limit the personal liability of any Shareholder hereunder.

SECTION TWO

2. **Representations and Warranties of Target and the Shareholders.**

In this Agreement, any reference to any event, change, condition or effect being " material" with respect to any entity or group of entities means any material event, change, condition or effect related to the condition (financial or otherwise), properties, assets (including intangible assets), liabilities, business, operations or results of operations of such entity or group of entities. In this Agreement, any reference to a " Material Adverse Effect" with respect to any entity or group of entities means any event, change or effect that, when taken individually or together with all other adverse changes and effects, is or is reasonably likely to be materially adverse to the condition (financial or otherwise), properties, assets, liabilities, business, operations or results of operations of such entity taken as a whole, or to prevent or materially delay consummation of the transfer of the Stock or otherwise to prevent such party from performing its obligations under this Agreement. To the extent applicable, when representations, warranties or agreements of Target are made in this Agreement, they shall be deemed to have also been made by or about Gen-Val LLC and SL Exports Ltd. (each, a " Subsidiary" and collectively, the "Subsidiaries").

Target and each of the Shareholders jointly and severally represent and warrant to the Purchaser as follows:

2.1. **Organization Standing and Power; Subsidiaries.** Target is a corporation duly organized, validly existing and in good standing or subsisting under the laws of its jurisdiction of organization. Except as set forth on Section 2.1 of the Target Disclosure Schedule, attached hereto and made a part hereof (the "Target Disclosure Schedule"), and except for the Subsidiaries, Target does not have, and has never had, any other subsidiaries. Target has the requisite corporate power and authority and all necessary government approvals to own, lease

and operate its properties and to carry on its business as now being conducted. Target is duly qualified or licensed as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary, except where the failure to be so qualified or licensed would not have a Material Adverse Effect. Target does not directly or indirectly own any equity or similar interest in, or any interest convertible into or exchangeable or exercisable for, any equity or similar interest in, any corporation, partnership, limited liability company, joint venture or other business association or entity other than as set forth on Section 2.1 of the Target Disclosure Schedule.

2.2. **Certificate of Incorporation and Bylaws.** Target has delivered to the Purchaser a true and correct copy of the Certificate of Incorporation, Bylaws and organizational documents, as appropriate, as amended to date, of Target and each Subsidiary. Target is not in violation of any of the provisions of its Certificate of Incorporation or Bylaws.

2.3. **Capital Structure.** The authorized capital stock of Target consists of 200 shares of Common Stock of which there were issued and outstanding as of the date of this Agreement 100 shares, which are owned by the Shareholders as set forth in Section 2.3 of Target's Disclosure Schedule. Except as set forth in Section 2.3 of the Target's Disclosure Schedule, there are no other outstanding shares of capital stock or voting securities of Target. Except as set forth in Section 2.3 of the Target's Disclosure Schedule, Target does not have any outstanding bonds, debentures, notes or other indebtedness the holders of which (a) have the right to vote (or which are convertible or exercisable into securities that have the right to vote) with holders of the Stock on any matter or (b) are or will become entitled to receive any payment as a result of the execution of this Agreement or the consummation of the transactions contemplated hereby. Except as set forth in Section 2.3 of the Target's Disclosure Schedule, all outstanding shares of Stock are duly authorized, validly issued, fully paid and non-assessable and are free of any liens or encumbrances and are not subject to preemptive rights or rights of first refusal created by statute, the Certificate of Incorporation or Bylaws of Target or any agreement to which Target or any Shareholder is a party or by which any of them is bound. All outstanding shares of Stock were issued in compliance with all applicable federal and state securities laws. Except as set forth in Section 2.3 of the Target's Disclosure Schedule, all of the outstanding shares of Stock are owned by the Shareholders free of all liens and encumbrances. Except as set forth in Section 2.3 of the Target's Disclosure Schedule, there are no outstanding subscriptions, options, warrants, puts, calls, rights, exchangeable or convertible securities or other commitments or agreements of any character relating to the issued or unissued capital stock or other securities of Target, or otherwise obligating Target to issue, transfer, sell, purchase, redeem or otherwise acquire any such securities. Except as set forth in Section 2.3 of the Target's Disclosure Schedule, there are no contracts, commitments or agreements relating to voting, purchase or sale of the Stock other than this Agreement. The authorized capital of each Subsidiary is set forth in Section 2.3 of Target's Disclosure Schedule. Target owns all of the equity interests in each of the Subsidiaries free of any liens or encumbrances.

2.4. **Authority.** Target has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Target. This Agreement has been duly executed and delivered by Target and the Shareholders and assuming due authorization, execution and delivery by the Purchaser, constitutes the valid and binding obligation of Target and each of the Shareholders enforceable against Target and each of the Shareholders in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws now or hereinafter in effect affecting the enforcement rights of creditors generally, and to the extent that the availability of equitable remedies may be limited by equitable principles.

2.5. **No Conflicts; Required Filings and Consents.**

(a) Except as set forth in Section 2.5 of the Target Disclosure Schedule, the execution and delivery of this Agreement by Target and the Shareholders do not, and the consummation of the transactions contemplated hereby will not, conflict with, or result in any violation of, or default under (with or without notice or lapse of time, or both), or give rise to a right of termination, cancellation or acceleration of any obligation or loss of any benefit under (i) any provision of the Articles of Incorporation or Bylaws of Target, or (ii) any material agreement, including any note, bond, mortgage, indenture, lease, contract, license, permit, franchise or other agreement, instrument or obligation or concession, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Target or the Shareholders or any of their properties or assets.

(b) Except as set forth in Section 2.5 of the Target Disclosure Schedule, no consent, approval, order or authorization of, or registration, declaration or filing with, any court, administrative agency or commission or other governmental authority or instrumentality, domestic or foreign ("Governmental Entity"), is required by or with respect to Target or the Shareholders in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

2.6. **Financial Statements.** Target has delivered to the Purchaser the following: (the "Financial Statements"): true, correct and complete copies of Target's audited financial statements for the fiscal year ended December 31, 2009 (the "December 31, 2009 Financial Statements"), reviewed financial statements for each of the fiscal years ended December 31, 2008 and 2007 and its unaudited financial statements (balance sheet and statement of operations) as of and for the eleven-month period ended November 30, 2010 (the " November 30 Financial Statements"). Except as set forth in Section 2.6 of the Target Disclosure Schedule, the Financial Statements fairly present the financial condition and operating results of Target as of the dates, and for the periods, indicated therein, subject to normal year-end audit adjustments with respect to the unaudited financial statements which will not be material in the aggregate. Except as set forth in Section 2.6 of the

Target Disclosure Schedule, throughout the period covered by the Financial Statements, Target maintained and continues to maintain, and through the Closing Date will continue to maintain, a standard system of accounting established and administered in accordance with generally accepted accounting principles.

2.7. **Absence of Undisclosed Liabilities.** Target did not have obligations or liabilities of any nature (matured or unmatured, fixed or contingent) as of December 31, 2009 that are required to be reflected on financial statements in accordance with generally accepted accounting principles other than those set forth or adequately provided for in the December 31, 2009 Financial Statements. Since December 31, 2009, except as set forth in Section 2.7 of the Target Disclosure Schedule, Target has not incurred any obligations or liabilities of any nature (matured or unmatured, fixed or contingent) except (i) those reflected on the November 30 Financial Statements, (ii) those incurred in the ordinary course of business since that date and consistent with past practice and not reflected on the November 30 Financial Statements and (iii) those incurred in connection with the execution of this Agreement.

2.8. **Absence of Certain Changes.** Except as set forth in Section 2.8 of the Target Disclosure Schedule, since December 31, 2009 there has not been, occurred or arisen any:

(a) transaction by Target except in the ordinary course of business as conducted on that date and consistent with past practices except as reflected on the November 30 Financial Statements;

(b) amendments or changes to the Certificate of Incorporation or Bylaws of Target;

(c) capital expenditure or capital commitment by Target in any individual amount exceeding $25,000;

(d) destruction of, damage (normal wear and tear excepted) to, or loss of any assets (including, without limitation, intangible assets) (whether or not covered by insurance) which would constitute a Material Adverse Effect;

(e) claim of wrongful discharge or claim of other unlawful labor practice or action;

(f) change in accounting methods or practices (including any change in depreciation or amortization policies or rates, any change in policies in making or reversing accruals, any change in capitalization of development costs or any change in practices with respect to timing or payment of accounts payable) by Target;

(g) revaluation by Target of any of its assets;

(h) any direct or indirect redemption, purchase or other acquisition by Target of any Stock;

(i) increase in the salary or other compensation payable or to become payable by Target to any officers, directors, employees or advisors of Target, the declaration, payment or commitment or obligation of any kind for the payment by Target of a bonus or other additional salary or compensation to any such person, or the establishment by Target of any bonus, insurance, deferred compensation, pension, retirement, profit sharing, stock option (including without limitation, the granting of stock options, stock appreciation rights, performance awards), stock purchase or other employee benefit plan, except in the ordinary course of business consistent with past practice;

(j) sale, lease, license or other disposition of any of the assets or properties of Target, except sales of products or services in the ordinary course of business and except other transactions not in excess of $10,000 in the aggregate;

(k) termination (other than by expiration) or material amendment of any Material Contract (defined herein);

(l) knowledge of any investigation of Target or any of its employees or any individual or entity Target contracts or does business with, by any Governmental Entity;

(m) loan by Target to any person or entity, or guaranty by Target of any loan, except for (x) travel or similar advances made to employees in connection with their employment duties in the ordinary course of business, consistent with past practices and (y) trade payables in the ordinary course of business, consistent with past practices;

(n) waiver or release of any material right or claim of Target, including any write-off or other compromise of any account receivable of Target in excess of $50,000 in the aggregate;

(o) notice of commencement, or, to Target's and the Shareholders' knowledge, threat of commencement, of any lawsuit or proceeding against Target;

(p) to Target's and the Shareholders' knowledge, any investigation by any Governmental Entity of Target or its affairs;

(q) notice or knowledge of any claim by a third party asserting ownership to any of Target's Intellectual Property (as defined in Section 2.13) or of any alleged infringement by Target of any third party's Intellectual Property rights;

(r) issuance or sale by Target of any of its shares of capital stock, or securities exchangeable, convertible or exercisable therefor, or of any other of its securities;

(s) since July 1, 2010, written notice of any price increases in excess of 10% from any material supplier of Target (other than price increases reflected in invoices);

(t) change in business practices that would result in the recognition of revenue by Target in advance of the time at which revenue would be recognized pursuant to Target's past practices; or

(u) agreement by Target or any officer or employee of Target, or agreement by the Shareholders on behalf of Target to do any of the things described in the preceding clauses (a) through (t) (other than pursuant to negotiations with the Purchaser and its representatives regarding the transactions contemplated by this Agreement).

2.9. **Litigation.** Except as set forth in Section 2.9 of the Target Disclosure Schedule, there is no private or governmental action, suit, proceeding, claim, arbitration or investigation pending before any court, arbitrator or Governmental Entity, or, to the knowledge of the Shareholders or Target, threatened against Target or any of its properties, officers or directors (in their capacities as such). Except as set forth in Section 2.9 of the Target Disclosure Schedule, there is no judgment, decree or order against Target or, to the knowledge of Target and the Shareholders, any of Target's directors or officers (in their capacities as such), that could prevent, enjoin, or materially alter or delay any of the transactions contemplated by this Agreement, or that could reasonably be expected to have a Material Adverse Effect on Target. All litigation to which Target is a party (or, to the knowledge of Target and the Shareholders, threatened to become a party) is disclosed in Section 2.9 of the Target Disclosure Schedule.

2.10. **Restrictions on Business Activities.** Except as set forth in Section 2.10 of the Target Disclosure Schedule, there is no agreement, judgment, injunction, order or decree binding upon Target which has or could reasonably be expected to have the effect of prohibiting or materially impairing any current or planned business practice of Target, any acquisition of property by Target or the overall conduct of business by Target as currently conducted by Target. Except as set forth in Section 2.10 of the Target Disclosure Schedule, Target has not entered into any agreement under which Target is restricted from providing, selling, licensing or otherwise distributing any of its products or services to any class of customers, in any geographic area, during any period of time or in any segment of the market.

2.11. **Permits; Company Products; Regulation.**

Except as set forth in Section 2.11 of the Target Disclosure Schedule, Target is in possession of all franchises, grants, authorizations, licenses, including export licenses, classifications, certifications, registrations (including NSF Registration for all actively sold food grade products) and exemptions, permits, easements, variances, exceptions, consents, certificates, approvals, both domestic and foreign, and orders necessary for Target to own, lease and operate its properties or to carry on its business as it is now being conducted, except where the failure to possess such item will not result in a Material Adverse Effect (the "Target

Authorizations") and no suspension or cancellation of any Target Authorization is pending or, to the Shareholders' knowledge, threatened. Except as set forth in Section 2.11 of the Target Disclosure Schedule, Target is not in conflict with, or in default or violation of, (i) any laws applicable to Target by which any property or asset of Target is bound or affected, (ii) any applicable laws, regulations, rules and orders regarding the export of Target's products to their final destination and use of Target's products at their final destination, including but not limited to the Export Compliance Regulations, (iii) any domestic or foreign laws, regulations, rules and orders applicable to Target's business activities including, but not limited to the Registration Evaluation, Authorization and Restriction of Chemicals for sale into the European Union, (iv) any Target Authorization or (v) any Material Contract to which Target is a party or by which Target or any property or asset of Target is bound or affected. A list of all such Target Authorizations is set forth in Section 2.11 of the Target Disclosure Schedule. Except as set forth in Section 2.11 of the Target Disclosure Schedule, the execution, delivery and performance of this Agreement and the transactions contemplated hereby will not adversely affect any Target Authorization.

2.12. **Title to Property.**

(a) Target or a Subsidiary has good title to all of its personal property (other than Intellectual Property described in Section 2.13 herein) and assets reflected on the November 30 Financial Statements, or with respect to leased properties and assets, valid leasehold interests in such properties and assets, free and clear of all mortgages, liens, pledges, charges or encumbrances of any kind or character, except (i) the lien of current Taxes not yet due and payable and (ii) liens securing Debt, which Debt and liens will be discharged and released at Closing. All such assets are located at one of Target's Parcels (defined herein) except as otherwise set forth on Section 2.12 of the Target Disclosure Schedule. The plants, tangible personal property and equipment of Target that are used in the operations of its business are in good operating condition and repair (except for ordinary wear and tear). All assets used in the operations of Target are reflected in the November 30 Financial Statements to the extent generally accepted accounting principles require the same to be reflected.

(b) Section 2.12(b) of the Target Disclosure Schedule sets forth a true, correct and complete list of all equipment having an original purchase price equal to or greater than $5,000 (the "Equipment") owned or leased by Target, and, with respect to leased Equipment, the name of the lessor, the date of the lease and each amendment thereto and the aggregate annual rental and other fees payable under such lease. Such Equipment is (i) adequate for the conduct of Target's business, as conducted on the date hereof, and (ii) except for Equipment that is obsolete or otherwise no longer needed in operations, in good operating condition (except for ordinary wear and tear).

(c) Section 2.12(c) of Target's Disclosure Schedule identifies all real property owned by Target (each, a "Parcel" and, collectively, the "Real Property").

(i) Target has valid, good and marketable fee simple title to the Real Property, free and clear of all liens and encumbrances other than Permitted Liens (defined below).

Target has delivered to the Purchaser copies of the deeds and other instruments (as recorded) by which Target acquired the Real Property, and copies of all title insurance policies, opinions, abstracts and surveys in the possession of Target and relating to the Real Property. For purposes of this Agreement, "Permitted Liens", as such term relates to each Parcel of Real Property, means the exceptions noted in Section 2.12(c) of the Target Disclosure Schedule. Notwithstanding the foregoing, any liens or encumbrances which may be removed from title by payment of money in satisfaction thereof shall be paid, discharged and removed by Target at or prior to Closing.

(ii) Except for those Parcels so designated in Section 2.12(c)(ii) of the Target's Disclosure Schedule, each Parcel and the improvements, buildings and structures thereon (the "Improvements") (a) constitute all of the real property used or operated by Target in the operation of its business, and (b) may continue to be used for the operation of the business as currently operated by Target after the Closing. To Target's and the Shareholders' knowledge, there are no pending or threatened condemnation, expropriation or other proceedings (nor is there any basis for any such action) affecting any Parcel or any assessments made or threatened with respect thereto. Target does not own or hold, and is not obligated under or a party to, any option, right of first refusal or other contractual right to purchase, or dispose of any interest in any of the Parcels.

(iii) Except for those Parcels so designated in Section 2.12(c)(ii) of the Target's Disclosure Schedule, Target holds final, unappealable certificates of occupancy and any other occupancy permits required to be issued by applicable state and local authorities with respect to each Parcel. Each Parcel is in conformity with all applicable zoning, building, health, safety, fire and similar codes, ordinances, statutes or regulations, and the operation of each Parcel is lawful under all applicable zoning and land use codes and ordinances. No notice has been received from any Governmental Entity having jurisdiction over zoning, land use, building, health, safety, fire or other codes, ordinances, statutes or regulations applicable to such Parcel or to the operation thereof stating that such Parcel fails to comply with such codes, ordinances, statutes or regulations, and neither Target nor the Shareholders have any knowledge of any such failure of compliance.

(iv) Except for Improvements located on those Parcels so designated in Section 2.12(c)(ii) of the Target's Disclosure Schedule, to the Shareholders' knowledge, all of the Improvements are structurally sound, adequately supported, free from past damage and in reasonably good condition, normal wear and tear excepted. No such Improvement encroaches upon any other property, there are no encroachments by other buildings onto any Real Property, and to the Shareholders' knowledge, none of such Improvements are located in a flood hazard area. Except for those Parcels so designated in Section 2.12(c)(ii) of the Target's Disclosure Schedule, each Parcel is fully accessible by public roads and no condition exists that would result in the termination of current access from such Parcel. Except for those Parcels so designated in Section 2.12(c)(ii) of the Target's Disclosure Schedule and any Improvements located thereon, all of the Parcels and all of the Improvements are served by all utilities necessary and adequate for the operation of

Target's business. Except for those Parcels so designated in Section 2.12(c)(ii) of the Target's Disclosure Schedule, all of the Parcels are located in an Empire Zone.

(v) Target does not owe any money to any contractor or materialman for labor or materials performed on any Parcel, and Target does not owe any money in connection with any construction or other improvement work being done at any Real Property. Target has fully signed lien waivers from all persons currently performing any construction or other improvement work being done at any Parcel.

(vi) Except as set forth in Section 2.12(c)(ii) of the Target's Disclosure Schedule, there are no leases, licenses, concessions or any other agreements giving anyone, other than Target a right to use or occupy the Real Property or any part thereof.

2.13. **Intellectual Property.**

(a) As used in this Agreement, "Intellectual Property" shall mean any and all patents, trademarks, trade names, service marks, trade dress, copyrights, and any applications for any of the foregoing, formulas, schematics, industrial models, inventions, technology, know-how, trade secrets, ideas, processes, computer software programs or applications (including source code, object code, manuals and other materials related thereto) and all Internet domain names. "Target Intellectual Property" shall mean any and all Intellectual Property used by Target in the conduct of its business other than commercially available third party software.

(b) Section 2.13 of the Target Disclosure Schedule sets forth a true, accurate and complete list of all Target's Intellectual Property to the extent it can be listed. Section 2.13 of the Target Disclosure Schedule also lists, with respect to products currently or previously sold by Target (i) the names of all formulas for Target's grease and lubricant products indicating whether such formulas are owned by Target or a customer and whether the formula is exclusive to a customer, (ii) all licenses, sublicenses and other agreements and arrangements, written or oral, to which Target is a party and pursuant to which any person is authorized to use any Target Intellectual Property ("Target Licenses") and (iii) all material licenses, sublicenses and other agreements and arrangements, written or oral, to which Target is a party and pursuant to which Target is authorized to use any Intellectual Property not owned by Target ("Third Party Licenses") other than commercially available third party software. Except as set forth in Section 2.13 of the Target Disclosure Schedule, Target: (i) owns all of the Target Intellectual Property, and all such Target Intellectual Property is free and clear of any liens, mortgages, encumbrances, restrictions, licenses and security interests of any kind or character whatsoever and (ii) is not contractually obligated to pay any compensation of any kind to any third party in respect of any such Target Intellectual Property. Each Target License and Third Party License is the legal, valid and binding obligation of the parties thereto, enforceable against such parties in accordance with its terms. To the Shareholders' knowledge, no default thereunder by any such party has occurred, nor does any defense, offset, deduction or counterclaim exist thereunder in favor of any such party, except where such default, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect on the business of Target as conducted as of the date hereof.

(c) Except for the Target Intellectual Property, Target Licenses and Third Party Licenses, no Intellectual Property is required or necessary to conduct the business of Target as conducted as of the date hereof, consistent with past practices.

(d) To Target's knowledge, (A) the Target Intellectual Property does not infringe the intellectual property or other proprietary rights of any third party, (B) there is no material unauthorized use, disclosure, infringement or misappropriation of any Target Intellectual Property or of any trade secret that is material to Target or any Third Party Licenses by any third party, including, without limitation, any officer, director or employee, or former officer, director or employee, of Target, (C) no third party is challenging the ownership by Target, or the validity or effectiveness of, any of the Target Intellectual Property, and (D) Target has not infringed or misappropriated any rights in any Intellectual Property of any other person or entity, nor is Target aware of any infringement or misappropriation which will occur as a result of the continued operation of the business of Target as conducted as of the date hereof.

2.14. **Environmental Matters.**

(a) The following terms shall be defined as follows:

(i) "Environmental and Safety Laws" shall mean any federal ,state or local laws, ordinances, codes, regulations, rules, policies and orders, as they may be amended from time to time that are intended to regulate the disposal, handling, use, storage and release into the environment of Hazardous Materials or which are intended to assure the protection, safety and good health of employees, workers or other persons, including the public.

(ii) "Hazardous Materials" shall mean any toxic or hazardous substance, material or waste or any pollutant or contaminant, or infectious or radioactive substance or material, including without limitation, those substances, materials and wastes defined in or regulated under any Environmental and Safety Laws; petroleum and petroleum products including crude oil and any fractions thereof; natural gas, synthetic gas, and any mixtures thereof; radon; asbestos; and any other pollutant or contaminant.

(iii) "Property" shall have the meaning set forth in Section 2.12(c) plus all real property currently leased by Target or owned or leased by Target in the past.

(iv) "Facilities" shall mean all buildings and improvements on the Real Property of Target.

(b) Except as set forth on Section 2.14 of the Target Disclosure Schedule (i) no methylene chloride or asbestos is contained in or has been used at or released from the Facilities by Target or, to the Shareholder's knowledge, by any other person, (ii) except for the minor presence of asbestos, which is properly encapsulated, all Hazardous Materials and wastes have been disposed of by Target or, to Target's knowledge, by any other person in accordance with all Environmental and Safety Laws, (iii) Target has received no notice (verbal or written) of any noncompliance of the Facilities or of its past or present operations with applicable

Environmental and Safety Laws that is unresolved or that was received in the past five (5) years, (iv) no notices, administrative actions or suits are pending or, to the Shareholder's knowledge, threatened relating to Hazardous Materials or a violation of any applicable Environmental and Safety Laws relating to Target, (v) Target has not received notice (verbal or written) of any third party alleging that Target is a potentially responsible party under the federal Comprehensive Environmental Response, Compensation and Liability Act (" CERCLA"), or any applicable state analog statute, (vi) there has not been in the past, and are not now, any unremediated contamination, disposal, spilling, dumping, incineration, discharge, storage, treatment or handling of Hazardous Materials by Target or, to Target's or the Shareholders' knowledge, by any other person on, under or migrating to or from the Facilities or any Property (including without limitation, soils and surface and ground waters) or any location used by Target for disposal, (vii) there have not been in the past, to Target's or the Shareholders' knowledge, and are not now, any underground tanks or underground improvements at, on or under any Property including without limitation, treatment or storage tanks, sumps, or water, gas or oil wells, (viii) no polychlorinated biphenyls ("PCBs") have been deposited, stored, disposed of or located on any Property or Facilities or any equipment on any Property containing PCBs at levels in excess of 50 parts per million, (ix) there is no formaldehyde on any Property or in the Facilities, nor any insulating material containing urea formaldehyde in the Facilities, (x) to Target's or the Shareholders' knowledge, the Facilities and Target's uses and activities therein have at all times complied with all applicable Environmental and Safety Laws, (xi) Target has all the permits and licenses required for its operation and is in material compliance with the terms and conditions of those permits and (xii) Target has not been alleged or found liable under any applicable Environmental and Safety Laws and is not liable for any off-site contamination.

2.15. **Employee Benefit Plans.**

(a) Section 2.15 of the Target Disclosure Schedule lists, with respect to Target and any trade or business (whether or not incorporated) which is treated as a single employer with Target (an "ERISA Affiliate") within the meaning of Section 414(b), (c), (m) or (o) of the Code, (i) all employee benefit plans (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (" ERISA")), (ii) each loan to a non-officer employee in excess of $25,000 and each loan, in any amount, to officers and directors, (iii) any stock option, stock purchase, phantom stock, stock appreciation right, supplemental retirement, severance, sabbatical, medical, dental, vision care, disability, employee relocation, cafeteria benefit, dependent care, life insurance or accident insurance plans, programs or arrangements, including any health savings account, health reimbursement account or flexible spending account plans, (iv) all written contracts and agreements relating to employment and all severance agreements, with any of the directors, officers or employees of Target, (v) all bonus, pension, profit sharing, savings, deferred compensation or incentive plans, programs or arrangements, (vi) other fringe or employee benefit plans, programs or arrangements that apply to senior management of Target and that do not generally apply to all employees and (vii) any current or former employment or executive compensation or severance agreements, written or otherwise, as to which, in any case, (i) through (vii), unsatisfied obligations of Target of greater than $25,000

remain for the benefit of, or relating to, any present or former employee, consultant or director of Target (together, the " Target Employee Plans").

(b) Target has furnished to the Purchaser a copy of each of Target Employee Plans and related plan documents (including trust documents, insurance policies or contracts, employee booklets, summary plan descriptions and other authorizing documents, and, to the extent still in its possession, any material employee communications relating thereto) and has, with respect to each Target Employee Plan that is subject to ERISA reporting requirements, provided copies of the Form 5500 reports filed for the last three plan years. Any Target Employee Plan intended to be qualified under Section 401(a) of the Code either has obtained from the Internal Revenue Service a favorable determination letter as to its qualified status under the Code, including all amendments to the Code effected by the Tax Reform Act of 1986 and subsequent legislation, or has applied to the Internal Revenue Service for such a determination letter prior to the expiration of the requisite period under applicable Treasury Regulations or Internal Revenue Service pronouncements in which to apply for such determination letter and to make any amendments necessary to obtain a favorable determination ("Remedial Amendment Period"), or is still within the Remedial Amendment Period for such an application, or is maintained pursuant to a prototype plan document that is covered by a favorable Internal Revenue Service opinion upon which the plan may rely. Target has also furnished the Purchaser with the most recent Internal Revenue Service determination or opinion letter issued with respect to each such Target Employee Plan, and nothing has occurred since the issuance of each such letter which could reasonably be expected to cause the loss of the tax-qualified status of any Target Employee Plan subject to Code Section 401(a).

(c) Except as set forth in Section 2.15(c) of the Target Disclosure Schedule, (i) none of the Target Employee Plans promises or provides retiree medical or other retiree welfare or life insurance benefits to any person, (ii) there has been no "prohibited transaction," as such term is defined in Section 406 of ERISA and Section 4975 of the Code, with respect to any Target Employee Plan which could reasonably be expected to have, in the aggregate, a Material Adverse Effect on Target, (iii) each Target Employee Plan has been administered in all material respects in accordance with its terms and in compliance with the requirements prescribed by any and all statutes, rules and regulations (including ERISA and the Code), and Target has performed in all material respects all obligations required to be performed by it under, and is not in any material respect in default under or violation of, and has no knowledge of any material default or violation by any other party to, any of Target Employee Plans, (iv) neither Target nor any ERISA Affiliate is subject to any liability or penalty under Sections 4976 through 4980 of the Code with respect to any of Target Employee Plans, (v) all material contributions required to be made by Target or any ERISA Affiliate to any Target Employee Plan have been made on or before their due dates and a reasonable amount has been accrued for contributions to each Target Employee Plan for the current plan year, (vi) with respect to each Target Employee Plan, no "reportable event" within the meaning of Section 4043 of ERISA (excluding any such event for which the 30 day notice requirement has been waived under the regulations to Section 4043 of ERISA) nor any event described in Section 4062, 4063 or 4041 or ERISA has occurred, (vii) no Target Employee Plan is covered by, and neither Target nor any ERISA Affiliate has incurred or expects to incur any direct or indirect liability under,

arising out of or by operation of Title IV of ERISA or under Section 412 of the Code, in connection with the termination of, or an employee's withdrawal from, any Target Employee Plan or other retirement plan or arrangement, and no fact or event exists that could give rise to any such liability, (viii) Target has not incurred any liability under, and has complied in all respects with, the Worker Adjustment Retraining Notification Act, (the "WARN Act") and no fact or event exists that could give rise to liability under the WARN Act and (ix) no compensation paid or payable to any employee of Target has been, or will be, non-deductible by reason of application of Section 162(m) of the Code. No suit, administrative proceeding, action or other litigation has been brought or, to the Shareholders' knowledge, is threatened, against or with respect to any such Target Employee Plan, including any audit or inquiry by the Internal Revenue Service or United States Department of Labor. Neither Target nor any other ERISA Affiliate is a party to, or has made any contribution to or otherwise incurred any obligation under, any "multiemployer plan" as defined in Section 3(37) of ERISA.

(d) With respect to each Target Employee Plan, Target has complied in all material respects with (i) the applicable health care continuation and notice provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended including all regulations thereunder ("COBRA") and (ii) the applicable requirements of the Family Leave Act of 1993 and the regulations thereunder.

(e) Except as set forth on Section 2.15(e) of the Target Disclosure Schedule, there has been no amendment to, written interpretation or announcement (whether or not written) by Target or any other ERISA Affiliate relating to, or change in participation or coverage under, any Target Employee Plan that would materially increase the expense of maintaining such Target Employee Plan above the level of expense incurred with respect to such Target Employee Plan for the most recent fiscal year included in the Financial Statements.

2.16. **Certain Agreements Affected by the Sale of the Stock.** Except as set forth in Section 2.16 of the Target Disclosure Schedule, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (i) result in any payment (including, without limitation, severance, unemployment compensation, golden parachute, bonus or otherwise) becoming due to any current or former director or employee of Target, (ii) materially increase any benefits otherwise payable by Target or (iii) result in the acceleration of the time of payment or vesting of any such benefits.

2.17. **Employee Matters.** Target is in compliance in all material respects with all currently applicable federal, state, local and foreign laws and regulations respecting employment, discrimination in employment, terms and conditions of employment, wages, hours and occupational safety and health and employment practices, and is not engaged in any unfair labor practice. Except as set forth in Section 2.17 of the Target Disclosure Schedule, there are no pending claims against Target under any workers compensation plan or policy or for long-term disability. Except as set forth in Section 2.17 of the Target Disclosure Schedule, there are no controversies pending before any Governmental Entity or, to the knowledge of Target or the Shareholders, threatened, between Target and any of its

employees. Except as set forth in Section 2.17 of the Target Disclosure Schedule, Target is not a party to any collective bargaining agreement or other labor union contract nor does Target or the Shareholders know of any activities or proceedings of any labor union or other group to organize any such employees. The Shareholders have no knowledge indicating that (a) the consummation of the transaction contemplated by this Agreement will have a Material Adverse Effect on Target's labor relations; (b) any employee of Target intends to terminate his or her employment with the Company; or (c) any employee has received an offer to join a business that may be competitive with the business of Target. Section 2.17 of the Target Disclosure Schedule sets forth the name, job description and compensation of each employee of Target.

2.18. **Material Contracts.**

(a) Section 2.18(a) of the Target Disclosure Schedule contains a list of those contracts and agreements as specified below to which Target is a party other than (x) routine purchase orders and pricing quotes in the ordinary course of business covering a period of less than one year, and (y) agreements that can be canceled by Target without penalty or payment (such contracts, agreements and arrangements as are required to be set forth in Section 2.18(a) of the Target Disclosure Schedule being referred to herein collectively as the "Material Contracts"). Subject to such limitations, Material Contracts shall include, without limitation, the following:

(i) each contract and agreement for the purchase of inventory, other materials or personal property with any supplier or for the furnishing of services to Target in excess of $5,000;

(ii) each customer contract and agreement in excess of $5,000;

(iii) all contracts with independent contractors or consultants (or similar arrangements) to which Target is a party in excess of $5,000 and excluding routine property maintenance, snow removal and similar contracts;

(iv) all contracts and agreements (excluding routine checking account overdraft agreements involving petty cash amounts) under which Target has created, incurred, assumed or guaranteed (or may create, incur, assume or guarantee) indebtedness or under which Target has imposed (or may impose) a security interest or lien on any of its assets, whether tangible or intangible, to secure indebtedness;

(v) all contracts and agreements that limit the ability of Target to compete in any line of business or with any person or in any geographic area or during any period of time, or to solicit any customer;

(vi) all contracts and agreements between Target, on the one hand, and any affiliate of Target on the other hand; and

(vii) all equipment leases, rental agreements and similar arrangements having a value greater that $5,000.

(b) Each Material Contract and each other material contract or agreement of Target which would have been required to be disclosed in Section 2.18 of the Target Disclosure Schedule had such contract or agreement been entered into prior to the date of this Agreement, is a legal, valid and binding agreement. Target is not in default of and to the Shareholders' knowledge, no other party is in default of, any Material Contract; none of the Material Contracts have been canceled by Target or by any other party; Target is not in receipt of any written claim of default under any such agreement; and Target does not anticipate any termination or change to, or receipt of a proposal with respect to, any such agreement as a result of the transactions contemplated hereby or otherwise. Target has furnished the Purchaser with true and complete copies of all such agreements, together with all amendments, waivers or other changes thereto.

2.19. **Interested Party Transactions.** Except as set forth in Section 2.19 of the Target Disclosure Schedule, Target is not indebted to any director, officer, employee or agent of Target (except for amounts due as normal salaries and bonuses and in reimbursement of ordinary expenses), and no such person is indebted to Target.

2.20. **Insurance.** Section 2.20 of the Target Disclosure Schedule sets forth a description of all policies of insurance carried by Target, including names of carrier and insured party, premiums, coverage limits and deductible amounts. Except as set forth in Section 2.20 of the Target Disclosure Schedule, there is no claim pending under any of such policies or bonds as to which coverage has been questioned, denied or disputed by the underwriters of such policies or bonds. All premiums due and payable under all such policies and bonds have been paid and Target is otherwise in compliance with the terms of such policies and bonds. Neither Target nor the Shareholders have any knowledge of any threatened termination of, or material premium increase with respect to, any of such policies.

2.21. **Compliance With Laws.** Except as set forth in Section 2.21 of Target's Disclosure Schedule, Target (a) has conducted and continues to conduct its business in all material respects in accordance with all applicable Laws and Orders (as defined below) applicable to it and its business, (b) has complied with and will continue to comply with in all material respects all Laws and Orders applicable to it and its business, (c) is not in violation in any material respect of any such Law or Order, and (d) has not received any notice that any violation of any such Law or Order is being or may be alleged. For purposes of this Agreement "Order" means any order, writ, judgment, injunction, decree, rule, ruling, directive, stipulation, determination or award made, issued or entered by or with any Governmental Entity, whether preliminary, interlocutory or final and " Law" means any federal, national, supranational, foreign, state, provincial, local, county, municipal or similar statute, law, common law, writ, injunction, decree, guideline, policy, ordinance, regulation, rule, code, Order, constitution, treaty, requirement, judgment or judicial or administrative doctrines enacted, promulgated, issued, enforced or entered by any Governmental Entity.

2.22. **Minute Books.** The minute books of Target provided to Purchaser contain a summary of all meetings of directors and the Shareholders or actions by written consent since the time of incorporation of Target through the date of this Agreement, except where the failure to contain such materials would not have a Material Adverse Effect, and reflect all transactions referred to in such minutes accurately in all material respects.

2.23. **Brokers' and Finders' Fees.** Except as set forth in Section 2.23 of the Target Disclosure Schedule, Target has not incurred, nor will it incur, directly or indirectly, any liability for brokerage or finders' fees or agents' commissions or investment bankers' fees or any similar charges in connection with this Agreement or any transaction contemplated hereby.

2.24. **Accounts Receivable/ Inventory.**

(a) Target has made available to the Purchaser a list of all accounts receivable of Target reflected on the Working Capital Estimate ("Accounts Receivable"), along with a range of days elapsed since invoice. All Accounts Receivable of Target arose in the ordinary course of business and are collectible in the ordinary course of business. Except for existing liens securing any outstanding Debt, which will be released at Closing, no person has any lien on any of such Accounts Receivable and no request or agreement for deduction or discount has been made with respect to any of such Accounts Receivable.

(b) All inventory reflected on the November 30 Financial Statements, including raw materials, work in process and finished goods inventory set forth in the Working Capital Estimate (the "Inventory") is saleable or useable in the ordinary course of business without material discount.

2.25. **Customers and Suppliers.** Except as set forth on Schedule 2.25 of the Target Disclosure Schedule, no customer which individually accounted for more than 5% of Target's gross revenues during the 12-month period preceding the date of this Agreement, and no material supplier of Target, has cancelled or otherwise terminated, or made any written threat to Target to cancel or otherwise terminate, its relationship with Target, or has at any time on or after December 31, 2009 materially decreased its services or supplies to Target in the case of any such supplier, or its purchase of the products or services of Target in the case of any such customer, and to the Shareholders' knowledge, no such supplier or customer intends to cancel or otherwise terminate its relationship with Target or to materially decrease its projected services or supplies to Target or its projected purchase or usage of the products or services of Target, as the case may be.

2.26. **Third Party Consents.** Except as set forth in Section 2.26 of the Target Disclosure Schedule, no material consent or approval is needed from any third party in order to effect this Agreement or any of the

transactions contemplated hereby. Without limiting the foregoing, Section 2.26 of the Target Disclosure Schedule lists all consents or approvals required in connection with any Material Contracts, Governmental Entity (including any approval or authorization required in connection with any military application) whether pursuant to change of control provisions or otherwise.

2.27. **[Reserved].**

2.28. **Banks.** Section 2.28 of the Target Disclosure Schedule lists the name of each bank in which Target has an account or safe deposit box, a description and account number of each such account, and the names of all persons who are authorized to draw thereon or who have access thereto.

2.29. **Fiscal Year 2010/2011 Projections**. The projections of Target's operating income, which indicates revenues of $24.4 million and EBITDA of $4.8 million for fiscal year 2010 and revenues of $34.6 million and EBITDA of $7.7 million for fiscal year 2011, a copy of which projections are attached as Section 2.29 of the Target Disclosure Schedule, reflects Target's and the Shareholders' good faith best estimate of expected results of operations for the period covered thereby. Such projections are not guaranteed and are inherently subject to a variety of risks, uncertainties and assumptions that could cause actual results to differ materially from those that have been projected. Such risks, uncertainties and assumptions include, among others, changes in economic conditions and various other events, conditions and circumstances, many of which are beyond the control of the Shareholders and Target.

2.30. **Representations Complete**. None of the representations or warranties made by Target and the Shareholders herein or in any Schedule hereto, including the Target Disclosure Schedule, or the certificate furnished by Target pursuant to this Agreement, when all such documents are read together in their entirety, contains any untrue statement of a material fact, or omits to state any material fact necessary in order to make the statements contained herein or therein, in the light of the circumstances under which made, not misleading.

SECTION THREE

3. **Taxes**.

3.1. **Definitions.**

(a) For purposes of this Agreement, the term "Taxes" shall mean all taxes, however denominated, including any interest, penalties or other additions to tax that may become payable in respect thereof, (A) imposed by any federal, territorial, state, local or foreign government or any agency or political subdivision of any such government, which taxes shall include, without limiting the generality of the foregoing, all income or profits taxes, payroll and employee withholding taxes, unemployment insurance contributions, social security taxes, sales and use taxes, ad valorem taxes, excise taxes, franchise taxes, gross receipts taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, transfer taxes, workers' compensation, and other obligations of the same or of a similar nature to any of the foregoing, which are required to be paid, withheld or collected, or (B) any liability for amounts referred to in (A) as a result of any obligations to indemnify another person.

(b) For purposes of this Agreement, the term "Tax Returns" shall mean all reports, estimates, declarations of estimated tax, information statements and returns required to be filed in connection with any Taxes of the Target and/or the Subsidiaries, including information returns with respect to backup withholding and other payments to third parties.

3.2. **Tax Representations and Warranties**.

(a) At all times from and after January 1, 1992, Target has been and will be at all times through the Closing Date treated as a validly electing S corporation within the meaning of Sections 1361 and 1362 of the Code (and any analogous provisions of state and local Law) until the "S" status of the Target is terminated as a result of the purchase of the Stock or the Section 338(h)(10) Election contemplated by this Agreement. Other than in connection with this Stock purchase, none of the Shareholders has taken or omitted or caused to be taken or omitted to take any actions that could cause the Target to cease to be treated as an S corporation for federal and applicable state and local income Tax purposes.

(b) Target and each of the Subsidiaries have timely filed (or obtained timely extensions with respect thereto) all federal, state, local and other Tax Returns required to be filed by or on behalf of Target or the Subsidiaries on or before the Closing Date. All such Tax Returns are true, correct and complete in all material respects. Except for tax liabilities reflected as a liability on the Final Working Capital Statement, each of the Target and the Subsidiaries has timely paid, or will timely pay, all Taxes due or claimed to be due by any taxing authority for all Pre-Closing Tax Periods (as defined in Section 9.1) (whether or not such Taxes are the subject of a Tax Return and including any Taxes due from the Target or a Subsidiary as a transferee of the assets of, or successor to, any Person).

(c) Each of Target and the Subsidiaries have timely collected and withheld and duly paid to the appropriate taxing authority all Taxes that it is required to collect or withhold from amounts paid or owing to any employee, shareholder, creditor or other person.

(d) The Purchaser has been furnished by Target true and complete copies of all federal, state and foreign income or franchise Tax Returns and state sales and use Tax Returns for or including Target for the three full years immediately preceding the date of this Agreement.

(e) No audit of the Tax Returns of, or including, Target by a government or taxing authority is in process, threatened or, to the Shareholders' knowledge, pending. No deficiencies exist or have been asserted (in writing) with respect to Taxes of Target or any Subsidiary, and Target has not received written notice that it has not filed a Tax Return or paid Taxes required to be filed or paid. Except as set forth in Section 3.2 of the Target Disclosure Schedule, Target is not a party to any action or proceeding for assessment or collection of Taxes, nor has such event been asserted or threatened in writing against Target, any Subsidiary, or any of such entities' respective assets. No waiver or extension of any statute of limitations is in effect with respect to Taxes or Tax Returns of Target. Except as set forth in

Section 3.2 of the Target Disclosure Schedule, neither Target nor the Shareholders has executed any power of attorney with respect to any Taxes, other than powers of attorney that are no longer in force. No closing agreements, private letter rulings, technical advice memoranda or other agreements or rulings relating to Taxes have been entered into or issued by a government or taxing authority with or in respect of Target that materially affects any "open" Pre-Closing Tax Period. Target has properly and adequately disclosed on its federal and state income and franchise Tax Returns all positions taken therein that could give rise to a substantial understatement penalty within the meaning of Section 6662 of the Code or comparable provisions of applicable state Tax Laws.

(f) Target is not and has not been required to make any adjustment pursuant to Section 481(a) of the Code (or any predecessor provision) or any similar provision of state, local, or foreign law that materially affects any "open" tax period by reason of any change in any accounting methods, and there is no application pending with any government or taxing authority requesting permission for any changes in any of its accounting methods for tax purposes, except as set forth in Section 3.2 of the Target Disclosure Schedule. To the knowledge of Target and the Shareholders, no government or taxing authority has proposed any such adjustment or change in accounting method.

(g) Target is not (nor has it ever been) a party to any tax sharing, tax indemnity, or tax allocation agreement or other similar arrangement except with its Subsidiaries.

(h) Target will not be liable for any Tax under Section 1374 of the Code in connection with the deemed sale of Target's assets (including the assets of any qualified subchapter S subsidiary) caused by the Section 338(h)(10) Election. Neither the Target nor any qualified subchapter S subsidiary has, in the past 7 years, (A) acquired assets from another corporation in a transaction in which Target's (or any qualified subchapter S subsidiary's) Tax basis for the acquired assets was determined, in whole or in part, by reference to the Tax basis of the acquired assets (or any other property) in the hands of the transferor or (B) acquired the stock of any corporation that is a qualified subchapter S subsidiary.

(i) Target has satisfied (or will satisfied when due) any Taxes pursuant to Section 1375 of the Code that arose from the effective date of its S corporation election through the Closing Date.

(j) Section 3.2(k) of the Target Disclosure Schedule lists all the states with respect to which either Target or any Subsidiary is required to file any corporate, income or franchise Tax Returns and sets forth whether Target is and has always been treated as the equivalent of an S corporation by or with respect to each such state.

(k) Section 1.7 of the Target Disclosure Schedule lists each S corporation shareholder that is required to sign a Section 338 Form and the percentage of stock that each shareholder owns as of the Closing Date.

3.3. **Tax Covenants.** The Shareholders, Target, and the Purchaser hereby covenant as follows:

(a) The Shareholders through its representatives, at their expense, shall prepare or cause to be prepared (in a manner consistent with past practice) and timely file or cause to be timely filed all Tax Returns for Target for all periods ending on or prior to the Closing Date which are filed after the Closing Date (the "S Year Returns") and shall pay or cause to be paid all Taxes due with respect to the S Year Returns. The Purchaser shall prepare and timely file, or cause to be prepared and timely filed, all Tax Returns required to be filed by the Target for all periods beginning after the Closing Date and shall pay or cause to be paid all Taxes due with respect to such Returns.

(b) Purchaser shall prepare or cause to be prepared and filed, all Tax Returns for Target for all periods beginning before and ending after the Closing Date (collectively, "Straddle Period Returns"). Purchaser shall pay or cause to be paid all Taxes shown as due with respect to such Straddle Period Returns. Purchaser shall permit Shareholders to review and comment on any Straddle Period Returns for which Shareholders have any obligation under this Agreement, and Purchaser shall make such revisions to such Tax Returns as are requested in writing by the Representative if Purchaser consents to such changes (such consent not to be unreasonably withheld). Purchaser shall provide the Shareholders with a statement setting forth the allocation of liability for Taxes shown on such Straddle Period Returns between the portion of the Straddle Period ending on the Closing Date (the "Pre-Closing Portion") and the portion of the Straddle Period beginning after the Closing Date in accordance with Section 3.3(b) hereof, and Shareholders shall pay over to Purchaser no fewer than three (3) Business Days prior to the due date of the applicable Straddle Period Return, an amount of cash equal to the Pre-Closing Portion of such Taxes.

(c) For purposes of this Agreement, income, deductions, and other items in respect of a Straddle Period shall be allocated between the pre-Closing portion of such Straddle Period and the post-Closing portion of such Straddle Period based on an actual closing of the books of the Target or Subsidiary, as the case may be, as of the end of the Closing Date provided, however, that in closing the books, Taxes (such as property Taxes) that are not imposed on income, receipts or otherwise on a transaction basis and exemptions, allowances or deductions that are calculated on an annual basis (including, but not limited to depreciation and amortization deductions) shall be allocated on a daily basis.

(d) The Purchaser, Target and the Shareholders shall cooperate fully, as and to the extent reasonably requested by the other party, in connection with the filing of Tax Returns pursuant to this Section. Such cooperation shall include the retention and (upon the other party's request) the provision of records and information which are relevant to any such filing or any audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Purchaser, Target and the Shareholders agree (A) to retain all books and records with respect to Tax matters pertinent to Target relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by the Purchaser or the Shareholders, any extensions thereof) of the respective taxable periods, and to

abide by all record retention agreements entered into with any taxing authority, and (B) to give the other party reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the other party so requests, Target or the Shareholders, as the case may be, shall allow the other party to take possession of such books and records.

(e) All transfer, documentary, sales, use, stamp, registration and other similar Taxes (including any penalties and interest) incurred in connection with the transfer of Stock pursuant to this Agreement and the Section 338(h)(10) Election shall be paid by the Purchaser and/or Shareholders in accordance with local custom and the Purchaser shall file all necessary Tax Returns and other documentation with respect to all such transfer, documentary, sales, use, stamp, registration and other Taxes.

(f) Target, each Shareholder and any Shareholder set forth on Section 1.7 of the Target Disclosure Schedule shall join with Purchaser in making any Section 338(h)(10) Elections.

(g) Each Shareholder shall include any income, gain, loss, deduction, or other tax item resulting from the Section 338(h)(10) Election on his tax returns to the extent required by applicable law. Each Shareholder shall also pay any Tax imposed on the Target attributable to the making of the Section 338(h)(10) Election, including any Tax imposed under Code Section 1374 of the Code or any comparable provision under applicable state and local law or the failure of any jurisdiction to conform to federal income Tax treatment for the Section 338(h)(10) Election.

(h) Neither the Target nor the Shareholders shall revoke the Target's election to be taxed as an S corporation for purposes of federal or any applicable State or local law within the meaning of Sections 1361 and 1362 of the Code and any applicable State or local provision. Furthermore, except as contemplated by this Agreement, neither the Target nor the Shareholders shall take any or allow any action that would result in the termination of the Target's status as a validly electing S corporation within the meaning of Sections 1361 and 1362 of the Code and any applicable State or local provision. In the event of a determination that the status of Target as an S corporation is subject, for any reason, to termination effective as of any date prior to the Closing Date, the Purchaser, Target, and the Shareholders shall cooperate in seeking approval from the Internal Revenue Service pursuant to Code Sections 1362(b)(5) or 1362(f) to retain or restore Target's status an S corporation for any Pre-Closing Tax Period.

(i) Target shall terminate, or cause to be terminated, on or before the Closing Date all Tax sharing or Tax allocation agreements or arrangements, if any, relating to the Target, the Shareholders, and any Subsidiary (other than this Agreement) and none of Target or any Subsidiary will have any liability thereunder on or after the Closing Date.

SECTION FOUR

4. **Representations and Warranties of the Purchaser.** Except as disclosed in a document dated

as of the date of this Agreement and delivered by the Purchaser to Target and the Shareholders prior to the execution and delivery of this Agreement and referring to the representations and warranties in this Agreement (the "Purchaser Disclosure Schedule"), the Purchaser hereby represents and warrants to Target and the Shareholders as follows:

4.1. **Organization, Standing and Power.** The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization. The Purchaser has the requisite corporate power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as now being conducted and as proposed to be conducted and is duly qualified to do business and is in good standing in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary.

4.2. **Authority.** The Purchaser has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Purchaser. This Agreement has been duly executed and delivered by the Purchaser and assuming the due authorization, execution and delivery by Target and the Shareholders, constitutes the valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws now or hereinafter in effect affecting the enforcement rights of creditors generally, and to the extent that the availability of equitable remedies may be limited by equitable principles.

4.3. **No Conflict; Required Filings and Consents.**

(a) The execution and delivery of this Agreement do not, and the consummation of the transactions contemplated hereby will not, conflict with, or result in any violation of, or default under (with or without notice or lapse of time, or both), or give rise to a right of termination, cancellation or acceleration of any obligation or loss of a benefit under (i) any provision of the Articles of Incorporation or By-Laws of the Purchaser, or (ii) any material mortgage, indenture, lease, contract or other agreement or instrument, permit, concession, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Purchaser or its properties or assets.

(b) No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity, is required by or with respect to the Purchaser in connection with the execution and delivery of this Agreement by the Purchaser or the consummation by the Purchaser of the transactions contemplated hereby.

4.4. **Litigation.** There is no private or governmental action, suit, proceeding, claim, arbitration or investigation pending before any agency, court or tribunal, foreign or domestic, or, to the knowledge of the Purchaser, threatened against the Purchaser, or any of its properties, officers or directors (in their capacities as such) that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect on the Purchaser. There is no judgment, decree or order against the Purchaser or, to the knowledge of the Purchaser or any of its directors or officers (in their capacities as such) that could prevent, enjoin, or materially alter or delay any of the transactions contemplated by this Agreement, or that could reasonably be expected to have a Material Adverse Effect on the Purchaser.

4.5. **Broker's and Finders' Fees.** The Purchaser has not incurred, nor will it incur, directly or indirectly, any liability for brokerage or finders' fees or agents' commissions or investment bankers' fees or any similar charges in connection with this Agreement or any transaction contemplated hereby.

4.6. **Securities Law Compliance.** Purchaser acknowledges that none of the Stock has been registered under the Securities Act of 1933, as amended (the "Securities Act"), or under any state or foreign securities laws. Purchaser is purchasing the Stock solely for investment, with no present intention to distribute any of the Stock any person. Purchaser will not sell or otherwise dispose of any Stock except in compliance with the registration requirements or exemption provisions under the Securities Act and the rules and regulations promulgated thereunder and any other applicable securities laws.

4.7. **Funding.** Purchaser will have sufficient funds to pay the Purchase Price and all other amounts due hereunder when due.

SECTION FIVE
[RESERVED]

5. [Reserved]

SECTION SIX

6. **Additional Agreements.**

6.1 **Non Competition.**

Each Shareholder covenants and agrees with the Purchaser that during the period commencing on the Closing Date and terminating five (5) years after the Closing Date (the "Noncompete Term"), the Shareholders will not, without the prior written consent of Purchaser, which may be withheld or given in its sole discretion, directly or indirectly, or individually or collectively, for their own benefit or the benefit of others engage in any activity or act in any manner, and in any capacity whatsoever, (other than as the record or beneficial owner of less than

five percent (5%) of the outstanding shares of a publicly traded corporation) for the purpose of establishing, operating, assisting or managing any business or entity that is engaged in the business of the sale, development, manufacturing of grease or lubricant products or is otherwise competitive with the business of the Target (or its successor in interest), as it is then being conducted.

6.2 **Non Solicitation.**

Each Shareholder covenants and agrees with the Purchaser that during the Noncompete Term, the Shareholders will not, without the prior written consent of the Purchaser, which may be withheld or given in its sole discretion, directly or indirectly, for their own benefit or the benefit of others individually or collectively, (i) solicit, counsel or attempt to induce any person who is then in the employ of Target (or its successor in interest), or who is then providing services as a consultant or agent of Purchaser, to leave the employ of or cease providing services, as applicable, to Target (or its successor in interest), or employ or attempt to employ any such person or persons who at any time during the preceding one (1) year was in the employ of, or provided services to, Target (or its successor in interest); or (ii) solicit, bid for or accept business from any of the current or former customers of Target (or its successor in interest).

6.3 **Injunctive Relief.**

The Shareholders agree that the remedy of damages at law for the breach by any of them of any of the covenants, obligations or other provisions contained in this Agreement, including those in Sections 6.1 (Non Competition), and 6.2 (Non Solicitation) is an inadequate remedy. In recognition of the irreparable harm that a violation of such covenants would cause Target and the Purchaser, the Shareholders agree that in addition to any other remedies or relief that may be available to Target and the Purchaser, Target and the Purchaser shall be entitled to (a) a decree or order of specific performance or mandamus to enforce the observance and performance of such covenant, obligation or other provision, and (b) an injunction against and restraining any actual or threatened breach, violation or violations. The parties hereto agree that both damages and specific performance shall be proper modes of relief and are not to be considered alternative remedies.

SECTION SEVEN

7. **Conditions to the Transactions.**

7.1. **Conditions to Obligations of Each Party.** The respective obligations of each party to this Agreement to consummate and effect this Agreement and the transactions contemplated hereby shall be subject to the satisfaction on or prior to the Closing Date of each of the following conditions, any of which may be waived, in writing, by agreement of all the parties hereto:

(a) **No Injunctions or Restraints; Illegality.** No temporary restraining order, preliminary or permanent injunction or other order issued by any court of

competent jurisdiction or other legal or regulatory restraint or prohibition preventing the consummation of the transactions contemplated hereby shall be in effect, nor shall any proceeding brought by an administrative agency or commission or other governmental authority or instrumentality, domestic or foreign, or any other person or entity seeking any of the foregoing be pending; nor shall there be any action taken, or any statute, rule, regulation or order enacted, entered, enforced or deemed applicable to the transactions contemplated hereby, which makes the consummation of the transactions contemplated hereby illegal. In the event an injunction or other order shall have been issued, each party agrees to use its reasonable diligent efforts to have such injunction or other order lifted.

(b) **Governmental Approval.** The Purchaser and Target shall have timely obtained from each Governmental Entity all approvals, waivers and consents, if any, necessary for consummation of or in connection with the transactions contemplated hereby and the several transactions contemplated hereby.

7.2. **Additional Conditions to Obligations of the Shareholders.** The obligations of the Shareholders to consummate and effect this Agreement and the transactions contemplated hereby shall be subject to the satisfaction at, or prior to, the Closing Date of each of the following conditions, any of which may be waived, in writing, by the Shareholders:

(a) **Representations, Warranties and Covenants.** (i) Each of the representations and warranties of the Purchaser in this Agreement that is expressly qualified by a reference to materiality shall be true in all respects as so qualified, and each of the representations and warranties of the Purchaser in this Agreement that is not so qualified shall be true and correct in all material respects, on and as of the Closing Date as though such representation or warranty had been made on and as of such time (except that those representations and warranties which address matters only as of a particular date shall remain true and correct as of such date) and (ii) the Purchaser shall have performed and complied in all material respects with all covenants, obligations and conditions of this Agreement required to be performed and complied with by it as of the Closing Date.

(b) **Certificates of the Purchaser.**

(i) **Compliance Certificate of the Purchaser.** The Shareholders shall have been provided with a certificate dated the Closing Date and executed on behalf of the Purchaser by its President or its Chief Financial Officer to the effect that, as of the Closing Date, each of the conditions set forth in Section 7.2(a) has been satisfied with respect to the Purchaser.

(ii) **Certificate of Secretary of the Purchaser.** Target shall have been provided with a certificate dated the Closing Date and executed by the Secretary or Assistant Secretary of the Purchaser certifying:

(A) Resolutions duly adopted by the Board of Directors of the Purchaser authorizing the execution of this Agreement and the execution, performance and delivery of all agreements, documents and transactions contemplated hereby;

(B) the incumbency of the officers of the Purchaser executing this Agreement and all agreements and documents contemplated hereby.

(c) **Third-Party Consents.** The Shareholders shall have been furnished with evidence satisfactory to them that the Purchaser has obtained those consents, waivers, approvals or authorizations of those Governmental Entities and third parties whose consent or approval is required in connection with the transactions contemplated hereby as set forth in Section 2.5.

(d) **Further Deliveries by Purchaser.** At the Closing, in addition to any other documents or agreements required under this Agreement, Purchaser shall deliver to Shareholders the following:

(i) Amounts payable at the Closing pursuant to Section 1 of the Agreement; and

(ii) The Escrow Agreement.

In addition, at the Closing, Purchaser shall deliver the Escrow Amount to Escrow Agent under the Escrow Agreement.

(e) **Employment Agreements**. Each of Target and Purchaser shall have delivered executed copies of the Employment Agreements with Krol and Caputi respectively in the form attached hereto as Exhibit B-1 and B-2 (the "Employment Agreements").

7.3. **Additional Conditions to the Obligations of the Purchaser.** The obligations of the Purchaser to consummate and effect this Agreement and the transactions contemplated hereby shall be subject to the satisfaction at or prior to the Closing Date of each of the following conditions, any of which may be waived, in writing, by the Purchaser:

(a) **Representations, Warranties and Covenants.** (i) Each of the representations and warranties of Target and the Shareholders in this Agreement that is expressly qualified by a reference to materiality shall be true in all respects as so qualified, and each of the representations and warranties of Target and the Shareholders in this Agreement that is not so qualified shall be true and correct in all material respects, on and as of the Closing Date as though such representation or warranty had been made on and as of such time (except that those representations and warranties which address matters only as of a particular date shall remain true and correct as of such date), and (ii) Target and the Shareholders shall have performed and complied in all material respects with all covenants, obligations and conditions of this Agreement required to be performed and complied with by it as of the Closing Date.

(b) **No Material Adverse Changes.** There shall not have occurred any material adverse change in the condition (financial or otherwise), properties, assets (including intangible assets), liabilities, business, operations, results of operations or prospects of Target, other than any change resulting from changes in the state of the economy in general or from changes in federal or state legislation.

(c) **Certificates of Target and the Shareholders.**

(i) **Compliance Certificate of Target and the Shareholders.** The Purchaser shall have been provided with a certificate dated the Closing Date and executed on behalf of Target, by its President or its Chief Financial Officer, and by the Shareholders, to the effect that, as of the Closing Date, each of the conditions set forth in Section 7.3(a) and Section 7.3(b) has been satisfied.

(ii) **Certificate of Secretary of Target.** The Purchaser shall have been provided with a certificate dated the Closing Date and executed by the Secretary of Target certifying:

(A) Resolutions duly adopted by the Board of Directors and the Shareholders of Target authorizing the execution of this Agreement and the execution, performance and delivery of all agreements, documents and transactions contemplated hereby;

(B) The Certificate of Incorporation and Bylaws of Target, as in effect immediately prior to the Closing Date, including all amendments thereto; and

(C) The incumbency of the officers of Target executing this Agreement and all agreements and documents contemplated hereby.

(d) **Third Party Consents.** The Purchaser shall have been furnished with evidence satisfactory to it that Target and the Shareholders have obtained those consents, waivers, approvals or authorizations of those Governmental Entities and third parties whose consent or approval are required in connection with the transactions contemplated hereby as set forth in Section 2.26 or Section 2.5, and including any consent required pursuant to any Material Contract.

(e) **Injunctions or Restraints on the Sale of the Stock and Conduct of Business.** No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction, or other legal or regulatory restraint provision limiting or restricting the Purchaser's conduct or operation of the business of Target following the transactions, and contemplated hereby shall be in effect, nor shall any proceeding brought by an administrative agency or commission or other Governmental Entity, domestic or foreign or any other person or entity, seeking the foregoing be pending.

(f) **Legal Opinion.** The Purchaser shall have received opinions dated the Closing Date from Drew & Drew, LLP, Target's and the Shareholders' legal counsel, and Jaeckle Fleischmann & Mugel, LLP, Target's and the Shareholders' special counsel, reasonably acceptable to the Purchaser and covering the matters set forth in Exhibit C attached hereto.

(g) **Employment Agreements.** Krol and Caputi shall have executed and delivered the Employment Agreements. In addition, the Purchaser shall have received executed copies of an employment memorandum acceptable to the Purchaser from Brian Kusak.

(h) **Resignation of Officers and Directors.** The officers and directors of Target shall have delivered their resignations.

(i) **Delivery of Stock.** The Shareholders shall have delivered the Stock to the Purchaser, together with duly executed stock powers.

(j) **Title to Real Property**. With respect to each Parcel, the Purchaser shall have received fully effective title insurance policy on ALTA form under which the title insurer insures fee simple title to the Purchaser, subject only to Permitted Liens (each, a " Title Policy" and collectively, the "Title Policies"). Except as otherwise agreed by the Purchaser, each Title Policy shall be in the amount of the portion of the Purchase Price allocated to each Parcel insured thereby and shall contain such endorsements as the Purchaser may reasonably require. The costs and fees of the Title Policies, and the costs for any surveys, and any recording fees and transfer taxes, shall be borne by the Shareholders, who shall have the right to select the title company, which selection shall be reasonably acceptable to the Purchaser.

(k) **Section 338(h)(10)**. Each Shareholders and each of the Shareholders listed on Section 1.7 of the Target's Disclosure Schedule shall have executed and delivered to Purchaser a completed copy of IRS Form 8023 (and any comparable form under any state or local Tax law).

(l) **Non-Foreign Person Affidavits**. The Purchaser shall have received a non-foreign person affidavit from each of the Shareholders pursuant to Section 1445 of the Code.

SECTION EIGHT

8. **[Reserved]**

SECTION NINE

9. **Indemnification.**

9.1. **Indemnification by the Shareholders.** Subject to the other provisions of this Section 9, each of the Shareholders shall, jointly and severally, indemnify, hold harmless and

defend the Purchaser and Target and their respective officers, directors, shareholders, employees and agents (each, an " Indemnified Party" and collectively, the "Indemnified Parties"), from and against any and all claims, liabilities, losses, damages, demands, suits, costs and expenses, whether or not based upon a liability or potential liability to a third party, including reasonable counsel fees and costs incurred in investigation (each of the foregoing being referred to herein as a "Loss" and collectively, "Losses") incurred or suffered by an Indemnified Party by reason of: (i) any breach by Target (prior to Closing) or any of the Shareholders of any of the representations, warranties or covenants made by Target (prior to Closing) or any of the Shareholders contained in this Agreement or the breach by Target or any of the Shareholders of any other term of this Agreement; (ii) Taxes of the Target and its Subsidiaries for all Taxable periods ending on or before the Closing Date and the portion through the end of the Closing Date for any Taxable period that includes (but does not end on) the Closing Date ("Pre-Closing Tax Period"); (iii) any and all Taxes of any Affiliated Group, including pursuant to Treasury Regulation Section 1.1502-6 or any analogous or similar state, local, or foreign law or regulation; (iv) any and all Taxes of any Person (other than the Target and the Subsidiaries) imposed on the Target or its Subsidiaries as a transferee or successor, by contract or pursuant to any law, rule or regulation, which Taxes relate to an event or transaction occurring before the Closing Date; and (v) any claims listed on Section 2.9 of the Target Disclosure Schedule. For purposes of this indemnity, the representations, warranties and covenants of Target and the Shareholders shall not be deemed to be qualified by any reference to materiality, except for Section 2.30 of this Agreement.

9.2. **Indemnification by the Purchaser.** The Purchaser shall indemnify, hold harmless, and defend the Shareholders from and against all Losses incurred or suffered by the Shareholders by reason of (i) any breach by the Purchaser or any inaccuracy of any of the representations and warranties or covenants made by the Purchaser contained in this Agreement or for the breach by the Purchaser of any other terms of this Agreement or (ii) any liabilities or obligations of, or claims against, the Shareholders which arise from or relate to the ownership of Target on or after the Closing Date, or the operation of Target's business on or after the Closing Date, or (ii) any liability or obligation of Target set forth or properly reserved for in the Final Working Capital Statement. For purposes of this indemnity, the representations, warranties and covenants of the Purchaser shall not be deemed to be qualified by any reference to materiality.

9.3. **Notice of Indemnification Claim.** Any party which may be entitled to indemnification under this Agreement (the " Indemnitee") shall give notice to the indemnifying party (the "Indemnifying Party") following receipt of notice of any fact that would give rise to a claim for indemnification hereunder. In the event the indemnity claim is based upon a liability or potential liability to a third party (including any taxing authority), then (a) the Indemnifying Party shall have the right, at its expense, to assume and direct the investigation and defense of the claim, action or proceeding, including selection of counsel, provided any counsel selected by the Indemnifying Party is reasonably satisfactory to the Indemnitee and (b) the Indemnifying Party shall be entitled to any and all rights the Indemnitee may have against such third party with respect to the subject matter of that claim, by subrogation or otherwise. If the Indemnifying Party so assumes the defense of the claim, the Indemnitee shall not be entitled to indemnification for separate counsel retained by Indemnitee with respect to that claim. No settlement for monetary

payment to a third party which is or may be the subject of indemnity under this Agreement shall be made without the consent of the Indemnifying Party (which consent shall not be unreasonably withheld), and the Indemnifying Party shall have the right to a direct proceedings with respect to such settlement.

9.4. **Failure to Give Notice.** Failure by an Indemnitee to give prompt notice to the Indemnifying Party specified in Section 9.3 above shall not release, waive, or otherwise affect the Indemnifying Party's obligation to indemnify hereunder except to the extent that the Indemnifying Party can demonstrate actual loss and prejudice as a result of such failure.

9.5. **Limitations.** Notwithstanding anything herein to the contrary, the right of the Indemnified Parties and the Shareholders to indemnification hereunder is limited as follows:

(a) The Indemnified Parties shall not have any right to indemnification until aggregate Losses exceed $200,000 (the " Basket"), and in such event, the Indemnified Parties will be entitled to indemnification from the first dollar of Losses with respect to such claims.

(b) The indemnification obligations of Shareholders hereunder shall be limited in the aggregate to Six Million Dollars ($6,000,000), plus twenty percent (20%) of any amounts payable pursuant to Section 1.5. (the " Cap").

(c) The limitations set forth in Sections 9.5(a) and (b) shall not apply to any Loss arising out of a breach of a representation, warranty or covenant of Target or any of the Shareholders contained in Sections 1.6, 1.7, 2.1, 2.3, 2.4, claims listed on Section 2.9 of the Target Disclosure Schedule, 2.14 (provided, however, that the Basket shall apply to any Loss arising out of a breach of Section 2.14), 3 and any Loss arising from fraud or a knowing misrepresentation or intentional breach of this Agreement by any such party. In connection with any Loss arising out of a breach of Section 2.14 of the Target Disclosure Schedule, the Shareholders' liability shall be limited to Five Million Dollars ($5,000,000).

(d) No party shall be liable hereunder, and the term "Losses" shall not include, punitive damages or damages of a remote or speculative nature, it being understood that the foregoing limitations shall not be applicable to Losses sought or recovered by a third party. No claim for indemnification may be made hereunder if the Indemnitee has not given notice of such claim within the applicable time period for that claim as set forth in Section 10.1 hereto.

9.6. **Other Limitations.**

(a) An Indemnitee shall use commercially reasonable efforts to obtain under any applicable insurance policies any insurance proceeds in respect of any Losses for which the Indemnitee seeks indemnification under this Section 9. The amount of any indemnified Losses hereunder shall be determined net of the amount, if any, of the recovery

actually received with respect to such indemnified Losses under any such insurance or similar policy less any out-of-pocket collection costs. In the event that an insurance recovery is received by an Indemnitee with respect to any Losses for which any Indemnitee has previously been indemnified and paid by the Indemnifying Party pursuant hereto, then such Indemnitee shall promptly make a refund to the Indemnifying Party in an amount equal to the lesser of (x) the total amount of such insurance recovery (net of any reasonable out-of-pocket collection costs) and (y) the amount previously paid by the Indemnifying Party to the Indemnitee as indemnification for such Losses.

(b) The amount of any Losses for which indemnification is provided pursuant to this Agreement shall be determined net of any reserves, liabilities, accruals or other provisions for such Losses taken into account in determining the Final Working Capital Statement.

(c) The Indemnitee shall use commercially reasonable efforts to mitigate any Losses that could reasonably be expected to give rise to a claim for indemnification under this Agreement with respect to those Losses.

9.7. **Limitations on Environmental Indemnity**.

(a) In addition to other limitations contained in this Section 9, the following terms and conditions apply to Shareholders' indemnification obligations for any breach of the representations and warranties in Section 2.14 ("Indemnified Environmental Losses"):

(i) The Shareholders shall have no indemnification obligations with respect to any Indemnified Environmental Losses to the extent resulting from willful misconduct or negligence by the Indemnitee; and

(ii) The Shareholders shall have no indemnification obligations with respect to any remediation or cleanup that is otherwise an Indemnified Environmental Loss to the extent that such remediation or cleanup undertaken by the Purchaser exceeds the standard for such remediation or cleanup required under applicable Environmental Law.

(b) With respect to the premises owned and/or occupied by the Target or any of its predecessors prior to the Closing Date, the Shareholders shall control the defense or negotiation (including without limitation, any investigatory, response and remedial actions) of any litigation involving any claim for which indemnification with respect to Indemnified Environmental Losses ("Environmental Matter"), including the compromise or settlement of the Environmental Matter with counsel and environmental consultants selected by the Shareholders and reasonably acceptable to Purchaser. No compromise or settlement in respect of such Environmental Matter may be reached by the Shareholders without the Purchaser's written consent (which consent shall not be unreasonably withheld, conditioned or delayed).

The Purchaser shall control any remediation or cleanup with respect to any Environmental Matter, provided that such remediation or cleanup is conducted in accordance

with applicable legal standards and in a manner so as to not unreasonably increase any amounts due under the indemnification obligation of the Shareholders.

The Purchaser, Target and the Shareholders agree to take all reasonable measures to minimize any Indemnified Environmental Losses and cooperate with the other party in their efforts with respect thereof. Purchaser agrees that neither it nor the Target post-Closing shall undertake environmental investigations or testing with respect to any real property occupied or formerly occupied by the Target prior to the date of Closing unless all of the following are met: (i) Purchaser gives the Shareholders at least two business days prior notice of such testing or investigation unless such testing or investigation is required immediately by applicable law, any governmental authority or by reason of an immediate threat to human health or the environment (in which event notice to the Shareholders shall be by telephone or similar means at the earliest possible opportunity and followed by written notice); (ii) such investigation or testing is required by and conducted in accordance with applicable law; and (iii) the results of all testing and investigation shall be made available to the Shareholders. Notwithstanding the forgoing, after the Closing, Purchaser and/or the Target may undertake environmental investigations or testing with respect to any real property occupied or formerly occupied by the Target prior to the Closing Date that is (a) in connection with the possible sale of the business (through an asset sale, sale of stock, merger, or otherwise), or the expansion, modification or capital improvement undertaken on any Parcel, (b) in connection with or any financing or refinancing for Purchaser, the Target or any of their Affiliates, or (c) in response to a condition, event or circumstance (not currently known) in, on or near such real property that makes it reasonably necessary or advisable to conduct such an investigation provided that Purchaser complies with clauses (i) and (iii) of the immediately preceding sentence For the purpose of clarification, this Section 9.7(b) shall not apply to any property owned or leased by Purchaser or the Target after the Closing which is not currently owned or leased by the Target as of the Closing Date.

Notwithstanding any other provision of this Agreement, any obligation of the Shareholders to indemnify with respect to Indemnified Environmental Losses shall be for the benefit of only the Indemnitees associated with Purchaser and no other person.

(c) The Purchaser agrees to maintain Target’s environmental insurance that is currently in place for a period of five (5) years after Closing so long as such insurance continues to be available at approximately the same cost as such current policy.

9.8. **Escrow**. In the event an Indemnified Party associated with the Purchaser is entitled pursuant to the provisions of this Agreement to receive any indemnification payment under this Agreement, such Indemnified Party shall first recover all or any portion of such indemnification amount to which the Purchaser is entitled from the Escrow Fund in accordance with the terms of the Escrow Agreement. Only after the Escrow Fund has been exhausted shall such Party be entitled to seek recovery from the Shareholders.

9.9. **Exclusivity for Breach**. Except in the case of fraud or a knowing breach of any representation or warranty by a party, the indemnification provided for in this Section 9 shall be the sole and exclusive remedy for all matters arising under or in connection with this

Agreement for any inaccuracy or breach of any representation, warranty, covenant or agreement set forth herein or made pursuant hereto. Notwithstanding the foregoing, nothing herein shall preclude any party from seeking any rights or remedies under any other agreements executed in connection herewith or from seeking injunctive or other equitable relief under Section 6.3 hereof as may be reasonably necessary to protect that party's rights hereunder.

9.10. **Right of Set Off Against Additional Purchase Price .** Subject to the limitations of this Section 9, the Purchaser shall be entitled to set off any amounts that it is entitled to receive pursuant to this Section 9 against the payments due and owing to the Shareholders pursuant to Section 1.4 and/or 1.5 hereof if the Escrow Fund is exhausted.

SECTION TEN

10. **General Provisions.**

10.1. **Survival of Representations and Warranties.** The representations and warranties set forth in Sections 1.6, 2.1, 2.3, 2.4, 4.1 and 4.2 of this Agreement and all covenants shall survive the Closing Date for a period equal to the duration of the statute of limitations applying to contracts entered into in the State of New York. The representations and warranties set forth in Section 2.14 of this Agreement shall survive for a period of five (5) years. The representations and warranties set forth in Section 3.2 and the covenants set forth in Sections 1.7 and 3.3 shall survive the Closing Date until thirty (30) days following the expiration of the statute of limitations (giving effect to any waiver, mitigation or extension thereof) applicable to the Taxes covered by such representations, warranties and covenants. The balance of the representations and warranties set forth in this Agreement shall survive the Closing Date for a period of eighteen (18) months.

10.2. **Notices.** Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon receipt, when delivered personally or by courier, overnight delivery service or confirmed facsimile, or 48 hours after being deposited in the regular mail as certified or registered mail (airmail if sent internationally) with postage prepaid, if such notice is addressed to the party to be notified at such party's address or facsimile number as set forth below, or as subsequently modified by written notice,

if to the Purchaser, to:

Quaker Chemical Corporation
One Quaker Park
901 Hector Street
Conshohocken, PA 19428
Attention: Craig Bush
Facsimile: (610) 832-4494

with a copy to:

Quaker Chemical Corporation
One Quaker Park
901 Hector Street
Conshohocken, PA 19428
Attention: Robert Traub, Esquire
Facsimile: (610) 832-4494

Fox, Rothschild LLP
2000 Market Street, Twentieth Floor
Philadelphia, PA 19103-3291
Attention: Kevin B. Scott, Esquire
Facsimile: (215) 299-2150

if to Target, or the Shareholders, to:

Ronald Krol, as Shareholders' Representative
1980 Hall Road
Elma, NY 14059

with a copy to:
Jaeckle Fleischmann & Mugel, LLP
12 Fountain Plaza, Suite 800
Buffalo, New York 14202
Attention: Peter G. Klein, Esquire
Jessica E. Lankford, Esquire
Facsimile: (716) 856-0432

with a copy to:
Drew & Drew, LLP
159 Linwood Avenue
Buffalo NY 14209
Attention: Dean M. Drew, Esquire
Facsimile: (716) 884-3707

10.3. **Interpretation.** When a reference is made in this Agreement to Exhibits or Schedules, such reference shall be to an Exhibit or Schedule to this Agreement unless otherwise indicated. The words "include," "includes" and "including" when used herein shall be deemed in each case to be followed by the words "without limitation." The phrase "made available" in this Agreement shall mean that the information referred to has been made available if requested by the party to whom such information is to be made available. The phrases " the date of this Agreement," "the date hereof,"

and terms of similar import, unless the context otherwise requires, shall be deemed to refer to December 31, 2010. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The phrase "to Target's knowledge" and terms of similar import shall be deemed to refer to the knowledge of either Krol or Caputi.

10.4. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

10.5. **Entire Agreement; Nonassignability; Parties in Interest.** This Agreement and the documents and instruments and other agreements specifically referred to herein or delivered pursuant hereto, including the Exhibits, the Schedules, including the Target Disclosure Schedule and the Purchaser Disclosure Schedule (a) constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, including but not limited to the Letter of Intent among the parties dated November 15, 2010, and shall survive any termination of this Agreement or the Closing, in accordance with its terms; (b) are not intended to confer upon any other person any rights or remedies hereunder; and (c) shall not be assigned by operation of law or otherwise except as otherwise specifically provided. Notwithstanding the foregoing, the Purchaser may assign this Agreement to an Affiliate provided no such assignment shall relieve Purchaser of its obligations hereunder.

10.6. **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith, in order to maintain the economic position enjoyed by each party as close as possible to that under the provision rendered unenforceable. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of this Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of this Agreement shall be enforceable in accordance with its terms.

10.7. **Remedies Cumulative.** Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such party, and the exercise by a party of any one remedy will not preclude the exercise of any other remedy.

10.8. **Governing Law.** This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of New York, without giving effect to principles of conflicts of law.

10.9. **Waiver of Jury Trial.** EACH PARTY HERETO WAIVES THE RIGHT TO A TRIAL BY JURY IN ANY DISPUTE IN CONNECTION WITH OR RELATING TO THIS AGREEMENT, ANY RELATED AGREEMENT OR ANY MATTERS DESCRIBED OR CONTEMPLATED HEREIN OR THEREIN, AND AGREES TO TAKE ANY AND ALL ACTION NECESSARY OR APPROPRIATE TO EFFECT SUCH WAIVER.

10.10. **Rules of Construction.** The parties hereto agree that they have been represented by counsel during the negotiation, preparation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

10.11. **Amendments and Waivers.** Any term of this Agreement may be amended or waived only with the written consent of the parties or their respective successors and assigns. Any amendment or waiver effected in accordance with this Section 10.11 shall be binding upon the parties and their respective successors and assigns.

[Remainder of Page Intentionally Left Blank. Signature Page Follows.]

IN WITNESS WHEREOF, Target, the Purchaser and the Shareholders have executed this Agreement as of the date first written above.

TARGET:

SUMMIT LUBRICANTS INC.

By: /s/ Ronald Krol
Name: Ronald Krol
Title: President

THE PURCHASER:

QUAKER CHEMICAL CORPORATION

By: /s/ Mark A. Featherstone
Name: Mark A. Featherstone
Title: President

SHAREHOLDERS:

/s/ Ronald Krol
Ronald Krol

/s/ Brian Caputi
Brian Caputi

/s/ Dale M. Perry
Dale M. Perry

/s/ Anthony H. Musilli
Anthony Musilli

Exhibit 10.55

AMENDMENT NO. 3 TO THE
QUAKER CHEMICAL CORPORATION
2003 DIRECTOR STOCK OWNERSHIP PLAN
(As amended January 26, 2011)

WHEREAS, Quaker Chemical Corporation (the "Corporation") maintains the Quaker Chemical Corporation 2003 Director Stock Ownership Plan (the "Plan") for the benefit of its Eligible Directors; and

WHEREAS, the Corporation wishes to amend the Plan to change the cash and stock allocations applicable to the Annual Retainer;

NOW, THEREFORE, the Plan is hereby amended as follows:

1. Section 6 ("Payment of Annual Retainer") is amended in its entirety to read as follows:

   (a) The Company will pay the Annual Retainer on the Retainer Payment Date.

   (b) Subject to adjustment in accordance with Section 6(d), if on the Measuring Date immediately preceding the Retainer Payment Date for 2004 or any subsequent year an Eligible Director is the Beneficial Owner of less than 7,500 shares of Common Stock, 75% of the Annual Retainer payable to the Eligible Director for such year shall be paid in shares of Common Stock and 25% of the Annual Retainer for such year shall be paid in cash.

   (c) Shares of Common Stock issued in payment of the Annual Retainer shall be valued at Fair Market Value.

   (d) No fractional shares of Common Stock shall be issued pursuant to the Plan. The number of shares of Common Stock otherwise issuable to an Eligible Director on any Retainer Payment Date, if not a whole number, shall be rounded down to the nearest whole share, and any fractional share otherwise issuable shall be paid in cash.

   (e) The Plan is not intended, and shall not be deemed, to limit the authority of the Board or any committee of the Board that is so authorized by the Board to increase or decrease the amount of the Annual Retainer from time to time.

2. The first sentence of Section 7 ("Discretionary Election") is amended to read as follows:

   7. Discretionary Election.

   If on the Measuring Date immediately preceding the Retainer Payment Date an Eligible Director is the Beneficial Owner of 7,500 or more shares of Common Stock, the Eligible Director may, in the Eligible

Director's discretion, within the 10-day period following the Measuring Date for the applicable year (the "Option Period"), irrevocably elect to receive Common Stock in payment of a percentage (up to 100%) of the Annual Retainer for the applicable year.

3. Section 8 ("Suspension, Termination and Amendment of the Plan") is amended by deleting the reference to Subsections 6(c), 6(d) and 6(e).

4. Section 9 ("Adjustment Provisions") is amended by deleting the reference to 6(c), 6(d) and 6(e).

IN WITNESS WHEREOF, Quaker Chemical Corporation has caused these presents to be duly executed on this 26th day of January, 2011.

Quaker Chemical Corporation

Attest: /s/ Irene M. Kisleiko

By: /s/ D. Jeffry Benoliel
D. Jeffry Benoliel
Vice President – Global Strategy,
General Counsel and Corporate Secretary

CONTRATO DE TRABALHO

Quaker Chemical Indústria e Comércio Ltda., sociedade brasileira, estabelecida na Cidade do Rio de Janeiro, Estado do Rio de Janeiro, na Av. Brasil, nº 44.178, inscrita no Cadastro Nacional das Pessoas Jurídicas (CNPJ/MF) sob o nº 00.999.042/0001-88, neste ato representada pelo Sr. José Luiz Bregolato abaixo assinado, (doravante designada "EMPREGADORA" ou a "Empresa"), e, do outro lado, Carlos Claro, portador da Carteira de Trabalho e Previdência Social nº [______], série [______], (doravante designado "EMPREGADO"), têm entre si justo e contratado o seguinte:

1. A EMPREGADORA, pelo presente, contrata os serviços do EMPREGADO para atuar na posição de Vice Presidente e Diretor Geral da América do Sul da EMPREGADORA.

   1.1 O EMPREGADO declara e garante ao EMPREGADOR que: (a) não há restrições, acordos ou entendimentos em que ele seja parte que o impeça ou torne ilegal a sua contratação pelo EMPREGADOR e (b) o contrato de trabalho do EMPREGADO com o EMPREGADOR não constitui uma violação de qualquer contrato, acordo ou entendimento, oral ou por escrito, que ele seja parte ou pelo qual ele esteja vinculado. Imediatamente antes de sua data de início, ele será obrigado a ratificar que essas representações e garantias permanecem válidas a partir da sua admissão.

EMPLOYMENT AGREEMENT

Quaker Chemical Indústria e Comércio Ltda., a Brazilian company with head offices in the City of Rio de Janeiro, State of Rio de Janeiro, at Av. Brasil, nº 44.178, enrolled with the National Taxpayers' Registry under number 00.999.042/0001-88, represented herein by its undersigned Mr. José Luiz Bregolato (hereinafter referred to as "EMPLOYER" or the "Company"), and, on the other hand, Carlos Claro, bearer of the labor booklet nº [______] series [______] (hereinafter referred to as "EMPLOYEE"), have agreed and contracted the following:

1. EMPLOYER hereby contracts the services of EMPLOYEE to act in the position of Vice President and Managing Director of South America, of EMPLOYER.

   1.1 The EMPLOYEE represent and warrant to EMPLOYER that: (a) there are no restrictions, agreements, or understandings to which he is a party that would prevent or make unlawful his employment with EMPLOYER and (b) EMPLOYEE`s employment by EMPLOYER shall not constitute a breach of any contract, agreement, or understanding, oral or written, to which he is a party or by which he is bound. Immediately prior to his Start Date he will be required to recertify that these representations and warranties remain valid as of his admission date.

1.2 No desempenho de suas funções, o EMPREGADO se reportará ao Presidente e CEO da Quaker Chemical Corporation ou a quem este(a) indicar.

1.3 O local de trabalho do EMPREGADO será na Cidade do Rio de Janeiro, Estado do Rio de Janeiro.

2. Durante o prazo deste Contrato, o EMPREGADO dedicará todo seu tempo de trabalho e atenção durante seu período de trabalho exclusivamente aos negócios e interesses da EMPREGADORA, desempenhará os seus deveres à satisfação total da EMPREGADORA e fará o máximo para desenvolver os negócios e interesses da EMPREGADORA.

3. Pelos serviços prestados sob este Contrato, a EMPREGADORA pagará ao EMPREGADO a remuneração prevista no Adendo 1, que está anexado a este Contrato de Trabalho e que o integra.

3.1 Toda a remuneração do EMPREGADO será revista anualmente e qualquer modificação ou ajuste tanto do salário base quanto da remuneração de incentivo estará sujeita à aprovação que será realizada de forma discricionária pelo Comitê de Remuneração do Conselho de Administração da Quaker Chemical Corporation.

Os ajustes ou modificações à remuneração do EMPREGADO serão considerados antecipações dos reajustes estabelecidos em instrumento coletivo celebrado entre o Sindicato dos Empregados e o Sindicato dos Empregadores (ou a EMPREGADORA).

1.2. While performing his functions, EMPLOYEE shall report to President and CEO of Quaker Chemical Corporation or to whom the latter appoints

1.3 The place of work of the EMPLOYEE will be the City of Rio de Janeiro, State of Rio de Janeiro.

2. During the term of this Agreement, EMPLOYEE shall devote his entire time and attention during his working time exclusively to the business and interests of EMPLOYER, shall perform his duties to the entire satisfaction of EMPLOYER and shall do his utmost to develop the business and interest of EMPLOYER.

3. For the services rendered hereunder, EMPLOYER shall pay to EMPLOYEE the compensation sets forth in Addendum 1, which is attached hereto and made a part hereof.

3.1 All compensation of the EMPLOYEE will be reviewed on an annual basis and any changes or adjustments to both base salary and, or incentive compensation will be subject to the approval and done at the sole discretion of the Compensation Committee of the Board of Directors of, Quaker Chemical Corporation.

The changes or adjustments to the compensation of the EMPLOYEE will be considered as an advance of the salary adjustment determined by the Labor Union and Association (or EMPLOYER) in respective the collective bargaining agreement/convention.

3.2 O EMPREGADO terá direito aos benefícios previstos no Adendo 1, que está anexado a este Contrato de Trabalho e que o integra.

4. Uma vez que o empregado ocupa cargo de confiança, ele não estará sujeito a controle de horário, nos termos do art. 62, II, da Consolidação das Leis do Trabalho

5. O EMPREGADO concorda em prestar serviços a outras sociedades do mesmo grupo da EMPREGADORA, sem qualquer remuneração adicional.

6. O EMPREGADO concorda em realizar viagens dentro e fora do território nacional sempre que solicitado pela EMPREGADORA.

7. A EMPREGADORA fica, pelo presente, autorizada a deduzir da remuneração do EMPREGADO as quantias necessárias para cobrir os danos causados pelo EMPREGADO que sejam resultantes de dolo.

8. O EMPREGADO, por meio desta, reconhece e concorda que todos os equipamentos, computadores e softwares que venha a usar no exercício de suas atividades são exclusivamente de propriedade da EMPREGADORA, incluindo sua conta de correio eletrônico, e que não terá qualquer privacidade ou confidencialidade no acesso à intranet ou à internet da EMPREGADORA, e que poderá ser constantemente inspecionado em tudo o que produzir ou receber por correio eletrônico ou por internet, ou no uso dos softwares da EMPREGADORA.

9. Durante e/ou depois do prazo deste Contrato, o EMPREGADO não usará, revelará, autorizará ou auxiliará quem

3.2 EMPLOYEE will be entitled to the benefits that are set forth in Addendum 1, which is attached hereto and made a part hereof.

4. Since the employee holds a position of trust, he will not be subject to the working hour control, under the terms of Article 62, II, of the Labor Code.

5. EMPLOYEE agrees to render services to other companies of the same group of EMPLOYER, with no right to any additional remuneration.

6. EMPLOYEE agrees to travel inside or outside the national territory whenever so requested by EMPLOYER.

7. EMPLOYER is hereby authorized to deduct from EMPLOYEE's compensation the amount necessary to cover the damages caused by EMPLOYEE due to willful misconduct ("dolo").

8. EMPLOYEE hereby acknowledges and agrees that all the equipment, computers and software that he may use in connection with his activities are exclusively owned by the EMPLOYER, including his e-mail, and that he will have no privacy or confidentiality when he accesses the EMPLOYER's intranet or the Internet, and that he may be constantly subject to inspections regarding everything that he produces or receives through e-mail or the Internet, or by using EMPLOYER's software.

9. During and/or after the term of this Agreement EMPLOYEE shall not use, disclose, authorize or assist anyone else to

quer que seja a revelar, usar ou tornar conhecido, para benefício próprio ou de terceiros, quaisquer dados, conhecimentos ou Informações Confidenciais da EMPREGADORA, bem como deverá observar as condições mencionadas abaixo:

9.1 No presente Contrato, o termo "Informações Confidenciais" será entendido como todos os segredos comerciais ou termos confidenciais ou informações de propriedade da EMPREGADORA, bem como de clientes atuais ou em prospecção da EMPREGADORA e, também, de afiliadas, controladas e controladoras da EMPREGADORA. "Informações Confidenciais" incluem, mas não se limitam a, resultados de pesquisas de clientes e outros relatórios de clientes e da EMPREGADORA (incluindo afiliadas, controladas e controladoras da EMPREGADORA), planos ou projetos de pesquisa ou desenvolvimento, informações do cliente, relatórios de pesquisas da EMPREGADORA ou de clientes da EMPREGADORA, e outros relatórios de clientes e da EMPREGADORA, incluindo afiliadas, controladas e controladoras da EMPREGADORA; materiais relativos à computação, como programas, instruções, códigos, versões impressas de arquivos; fórmulas; invenções, itens desenvolvidos e descobertas; informações decorrentes de testes em produtos; aperfeiçoamentos de gestão empresarial, processos, propaganda e venda; planos de negócios (adquiridos ou não); orçamentos; dados financeiros não publicados; licenças; cotações de preços, estratégias de preços e dados de custos; informações relativas aos conhecimentos e remuneração dos empregados da

disclose, use or make known for his or other's benefit, any Confidential Information of EMPLOYER and shall comply with the conditions provided below:

9.1 As used in this Agreement, the term "Confidential Information" shall mean all trade secrets or confidential or proprietary information of EMPLOYER as well as those of EMPLOYER's clients and prospective clients and EMPLOYER'S affiliates. By way of illustration and not limitation, "Confidential Information" shall include the results of client opinion surveys, research and development plans or projects, client data, client survey and other client and EMPLOYER (or EMPLOYER'S affiliates) reports; computer materials such as programs, instructions, source and object code, and printouts; formulas; inventions, developments, and discoveries; product testing information; business improvements, processes, marketing and selling ideas; business plans (whether pursued or not); budgets; unpublished financial statements; licenses; pricing, pricing strategy and cost data; information regarding the skills and compensation of employees of EMPLOYER (or EMPLOYER'S affiliates); the identities of the EMPLOYER's (or EMPLOYER'S affiliates') clients and potential clients, customers and potential customers (hereinafter referred to collectively as "Customers"); the particular preferences, likes, dislikes and needs of those Customers; Customer information regarding contact persons, pricing, sales calls,

EMPREGADORA, afiliadas, controladas e controladoras da EMPREGADORA; a identidade dos clientes e potenciais clientes da EMPREGADORA,afiliadas, controladas e controladoras da EMPREGADORA, consumidores e consumidores potenciais (doravante designados coletivamente "Consumidores"); as preferências específicas destes Consumidores, predileções, aversões e necessidades; informações dos Consumidores relativas a contatos, cotações de preços, relações de vendas, hábitos diários, chamadas de vendas, e planos de serviços; métodos, práticas, estratégias, previsões, know how e outras estratégias de propaganda; dados das principais contas e principais contas potenciais; as identidades dos fornecedores e Consultores da EMPREGADORA, incluindo afiliadas, controladas e controladoras da EMPREGADORA, qualquer informação sobre estes fornecedores e Consultores, tais como contatos, políticas de preços e outros; e, se aplicável, informações referentes a clientes da EMPREGADORA ou de seus consumidores.

timing, sales terms, and service plans; methods, practices, strategies, forecasts, know-how, and other marketing techniques; the identities of key accounts and potential key accounts; the identities of the EMPLOYER's (or EMPLOYER'S affiliates') suppliers and consultants, all information about those supplier and consultant relationships such as contact person(s), pricing and other terms; and, if appropriate, information concerning patient data of the EMPLOYER or its Customers

9.2 O EMPREGADO concorda que, exceto na hipótese de ordem judicial, exigência legal ou nos casos referidos no presente Contrato, o EMPREGADO não irá, durante o Contrato ou subsequentemente ao término deste, (i) usar Informações Confidenciais da EMPREGADORA ou Informações Confidenciais de clientes da EMPREGADORA para qualquer propósito, ou (ii) revelar Informações Confidenciais da EMPREGADORA ou Informações Confidenciais dos clientes da EMPREGADORA a qualquer

9.2 EMPLOYEE agrees that, except as required by judicial order or governmental laws or regulations and except as provided elsewhere in this Agreement, EMPLOYEE will not, during or subsequent to the term of this Agreement, (i) use EMPLOYER's Confidential Information or the Confidential Information of EMPLOYER's Clients for any purpose whatsoever, or (ii) disclose EMPLOYER's Confidential Information or the Confidential Information of EMPLOYER's Clients to any third party. It is understood that

terceiro. Fica estabelecido que as Informações Confidenciais da EMPREGADORA devem permanecer propriedade única e exclusiva da EMPREGADORA e que as Informações Confidenciais de qualquer cliente da EMPREGADORA devem permanecer de única propriedade deste cliente. O EMPREGADO também concorda em tomar todas as precauções razoáveis para prevenir qualquer uso não autorizado ou divulgação das Informações Confidenciais.

EMPLOYER's Confidential Information shall remain the sole property of EMPLOYER and that the Confidential Information of any of EMPLOYER's Clients shall remain the sole property of that client. EMPLOYEE further agrees to take all reasonable precautions to prevent any unauthorized use or disclosure of the Confidential Information.

9.3 Caso o EMPREGADO, ou qualquer um a quem o EMPREGADO transmita Informações Confidenciais, tornar-se obrigado legalmente a revelar quaisquer das Informações Confidenciais, o EMPREGADO fornecerá à EMPREGADORA prontamente uma notificação por escrito informando esta obrigação de forma que a EMPREGADORA, ou o cliente da EMPREGADORA, se for o caso, poderá tomar uma medida de salvaguarda ou outra medida apropriada ou renunciar aos termos deste dispositivo do presente Contrato. Se esta medida de salvaguarda ou outra medida não for bem sucedida, ou se a EMPREGADORA ou cliente da EMPREGADORA, conforme o caso, renunciar aos termos deste dispositivo do presente contrato, o EMPREGADO fornecerá apenas as Informações Confidenciais que estiver legalmente obrigado a revelar e realizará seus melhores esforços para se assegurar de que será concedido tratamento confidencial às Informações Confidenciais reveladas.

9.3 If EMPLOYEE, or anyone to whom EMPLOYEE transmits the Confidential Information, becomes legally obligated to disclose any of the Confidential Information, EMPLOYEE will provide the EMPLOYER with prompt written notice of such obligation so that EMPLOYER, or EMPLOYER's client as the case may be, may seek a protective order or other appropriate remedy or waive compliance with the provisions of this Agreement. If such protective order or other remedy is not obtained, or if EMPLOYER or EMPLOYER's client as the case may be waives compliance with the provisions of this Agreement, EMPLOYEE will furnish only that portion of the Confidential Information which EMPLOYEE is legally required to disclose and will exercise his best efforts to obtain reliable assurance that confidential treatment will be accorded to the Confidential Information disclosed.

9.4 Em caso de rescisão deste Contrato ou

9.4 Upon the termination of this

mediante solicitação antecipada da EMPREGADORA, o EMPREGADO deverá restituir à EMPREGADORA todas e quaisquer propriedades da EMPREGADORA, incluindo propriedades contendo Informações Confidenciais.

10. O EMPREGADO por meio deste também aceita e concorda que:

10.1 Todos os arquivos, documentos, papéis (incluindo cópias e resumos), textos, descobertas, desenhos, técnicas, esquemas, rascunhos, modelos, *know-how*, programas de computador, códigos, fonte e documentação relacionada a software, modelo, fórmulas, aperfeiçoamentos, desenvolvimentos, idéias, modelos de utilidade, aplicativos, processos, produtos, inovações e/ou invenções e outras obras protegidas por direitos autorais, bem como qualquer expressão tangível original do acima descrito, patenteável ou não, ou passível de proteção de outra forma pelas leis de proteção da propriedade intelectual (coletivamente "as Invenções") feitas ou adquiridas pelo EMPREGADO, resultantes, parcial ou inteiramente, do uso do tempo, meios, informações, materiais ou equipamentos da EMPREGADORA ou relacionados com a atividade da EMPREGADORA, serão e permanecerão, conjuntamente com todos os Direitos de Propriedade Intelectual existentes sobre tais obras, de propriedade absoluta da EMPREGADORA e das empresas afiliadas.

10.2 O EMPREGADO neste ato cede e transfere à EMPREGADORA, de forma gratuita, todos os direitos, titularidade e interesse sobre todos e

Agreement or upon EMPLOYER's earlier request, EMPLOYEE will return to EMPLOYER any and all EMPLOYER property, including property containing Confidential Information.

10. EMPLOYEE hereby also acknowledges and agrees that:

10.1 All records, documents, papers (including copies and summaries thereof), texts, discoveries, designs, techniques, schemes, drawings, models, know-how, computer program, software source code and related documentation, mask works, formulae, improvements, developments, ideas, utility models, appliances, processes, products, innovations and/or inventions and other copyright protected works, as well as any original tangible expression of the foregoing, whether patentable or not, or otherwise protected under intellectual property laws (collectively "the Inventions") made or acquired by EMPLOYEE, resulting, partially or entirely from the use of EMPLOYER's time, means, data, materials or equipment in the course of, or related to EMPLOYEE's activities, shall, together with all the Intellectual Property Rights in all such works, be and at all times remain the absolute property of the EMPLOYER and affiliated companies.

10.2 EMPLOYEE hereby assigns and transfers to EMPLOYER, free of charge, the entire right, title and interest to any and all rights on the

quaisquer direitos sobre as Invenções. Esta cessão é perpétua e válida para todos os países do mundo, para todas as formas de uso e tipos de mídia, sendo que a EMPREGADORA terá o direito exclusivo de determinar, a seu único critério e de acordo com suas próprias práticas de negócio, as condições comerciais para o uso e a exploração de qualquer de tais direitos e Invenções, incluindo a cessão total de seus direitos para terceiros. O EMPREGADO concorda que o EMPREGADO não terá direito a qualquer remuneração adicional pela cessão de direitos ou pelo uso ou exploração pela EMPREGADORA dos direitos cedidos à EMPREGADORA de acordo com os termos do presente instrumento. O EMPREGADO concorda em celebrar todos os formulários e registros de direitos autorais, patentes, marcas e quaisquer outros instrumentos considerados necessários ou desejáveis para que a EMPREGADORA obtenha, reitere, comprove e execute seus direitos, bem como em renovar a cessão prevista neste instrumento, caso necessário em vista de qualquer legislação que limite a cessão de obras futuras. Caso a renovação da cessão de obras futuras criadas após o prazo previsto na legislação aplicável seja considerada nula, o EMPREGADO neste ato concede à EMPREGADORA uma licença perpétua e gratuita sobre tais obras, sob as mesmas condições da cessão descrita acima. O EMPREGADO não cobrará ou reclamará qualquer remuneração adicional para a assinatura de tais documentos. Caso o EMPREGADO tenha direito a quaisquer direitos que não possam ser cedidos à EMPREGADORA, o

Inventions. This assignment is valid for all countries in the world, perpetually and for all forms of use and types of media, and EMPLOYER will have the exclusive right to determine, at its sole discretion and in accordance with its own business practices, the commercial conditions for the use and exploitation of any such right and Invention, including the total assignment of its rights to any third parties. EMPLOYEE agrees that EMPLOYEE will not be entitled to any additional compensation for the assignment of rights or for the use or exploitation by EMPLOYER of the rights assigned to EMPLOYER pursuant to the terms set forth herein. EMPLOYEE agrees to execute all applications or registrations for copyrights, patents and trademarks, and any other instruments deemed necessary or helpful for EMPLOYER to secure, reiterate, evidence and enforce its rights, as well as to renew the assignment set forth herein, if necessary in view of any legislation restricting the assignment of future works. If the renewal of the assignment of future works created after the term set forth in the relevant law is considered null, EMPLOYEE hereby grants to EMPLOYER a perpetual license free of charge to such works, under the same conditions of the assignment described above. EMPLOYEE shall make no charge or claim for additional compensation or any other consideration for signing such documents. If EMPLOYEE is entitled to any rights that cannot be assigned to EMPLOYER, EMPLOYEE agrees not to exercise them in a manner that negatively affect or limit EMPLOYER’s right, title and interest in the rights assigned

EMPREGADO concorda em não exercê-los de uma forma que afete negativamente ou limite os direitos, titularidade e interesses da EMPREGADORA sobre os direitos cedidos sob o presente instrumento.

hereunder.

10.3 Quaisquer Invenções feitas, desenvolvidas ou descobertas pelo EMPREGADO, isoladamente ou em conjunto com outros, no curso da execução de suas obrigações de trabalho, serão imediatamente reveladas à EMPREGADORA e pertencerão e serão propriedade absoluta da EMPREGADORA, de acordo com os termos previstos nas Cláusulas 10.1 e 10.2 acima. Caso o EMPREGADO realize alguma invenção que não pertença à EMPREGADORA nos termos das leis atuais e que não possam ser cedidos à EMPREGADORA, o EMPREGADO neste ato cede e transfere à EMPREGADORA seus direitos relativos a tais invenções de acordo com os termos previstos nas Cláusulas 10.1 e 10.2 acima, e concorda em entregar à EMPREGADORA todos os documentos e outros materiais referentes a tais invenções.

10.3 Any Inventions made, developed or discovered by EMPLOYEE, either alone or together with others, in the course of the performance of his duties of employment, will forthwith be disclosed to EMPLOYER and will belong to and be the absolute property of EMPLOYER, in accordance with the terms set forth in Section 10.1 and 10.2 above. If EMPLOYEE makes any inventions that do not belong to EMPLOYER under existing statutes and that cannot be assigned to EMPLOYER, EMPLOYEE hereby assigns and transfers to EMPLOYER his rights in relation to such inventions in accordance with the terms set forth in Section 10.1 and 10.2 above, and agrees to deliver to the EMPLOYER all documents and other materials relating to them.

11. O EMPREGADO reconhece que qualquer medida jurídica para proteger o descumprimento, efetivo ou em potencial, do disposto nas cláusulas 9 e 10 (confidencialidade e propriedade intelectual), será inadequada para proteger de forma completa e apropriada a EMPREGADORA, e, neste sentido, o EMPREGADO concorda que a EMPREGADORA fará jus a medidas liminares, além de outros meios jurídicos disponíveis, observando-se, no entanto, que nada contido no presente Contrato deve ser interpretado de forma a impedir

11. EMPLOYEE acknowledges that any remedy at law for the breach or threatened breach of provisions contained in clauses 9 and 10 (confidentiality and intellectual property) would be inadequate to fully and properly protect EMPLOYER and, therefore, EMPLOYEE agrees that EMPLOYER shall be entitled to injunctive relief in addition to other available remedies; provided, however, that nothing contained herein shall be construed as prohibiting EMPLOYER from pursuing any other remedies available in law or in equity for such breach or threatened

a EMPREGADORA de buscar quaisquer outros meios jurídicos disponíveis nos termos da lei e da equidade para reparar os prejuízos decorrentes desta ofensa, litigiosa ou não.

breach.

12. O EMPREGADO autoriza desde já a EMPREGADORA a compartilhar com as demais empresas pertencentes ao mesmo grupo econômico informações pessoais do EMPREGADO que, de alguma forma, estão relacionadas ao seu contrato de trabalho e histórico profissional, como, apenas a título de exemplo, salário, formação acadêmica, histórico profissional, outras informações curriculares, estado civil, etc. Tais informações pessoais do EMPREGADO também poderão ser compartilhadas com terceiros que tenham a necessidade de ter acesso a elas, tais como empresas de folha de pagamento, administradora do plano de saúde etc.

12. EMPLOYEE authorizes EMPLOYER to share with the other companies that belong to the same economic group, personal information of EMPLOYEE that, in some way, is related to his employment agreement and professional history, such as, for instance, salary, education, prior jobs, other curricular information, marital status, etc. The disclosure of such information may also be made to third parties that need to have access to such information, such as the payroll provider and the health care management company.

13. O EMPREGADO concorda em cumprir com todas as leis, regulamentos e normas governamentais do Brasil e dos Estados Unidos da América, durante a vigência deste contrato de trabalho, relacionadas com sua relação de emprego com a EMPREGADORA.

13. EMPLOYEE agrees to comply with all applicable laws, regulations, and governmental orders of Brazil and the United States, now or hereafter in effect, relating to his employment by EMPLOYER.

13.1 Sem limitar o âmbito de incidência da cláusula acima, o EMPREGADO afirma e garante que não fez ou fará, em qualquer tempo da vigência do contrato de trabalho com EMPREGADORA, pagamentos, doações, ofertas ou promessas de pagamento ou doação, de dinheiro ou qualquer outro bem de valor, direta ou indiretamente, para, ou em benefício de: (i) qualquer agente público, partido político ou candidatos a cargos públicos; ou (ii) qualquer outra pessoa, empresa, corporação ou outra entidade com conhecimento de que

13.1 Without limiting the generality of the foregoing, EMPLOYEE represent and warrant that he has not, and shall not at any time during his employment with EMPLOYER, pay, give, or offer or promise to pay or give, any money or any other thing of value, directly or indirectly, to, or for the benefit of: (i) any government official, political party or candidate for political office; or (ii) any other person, firm, corporation or other entity, with knowledge that some or all of that money or other thing of value will be paid, given, offered or promised to a

parte ou o todo do dinheiro ou outro bem de valor será pago, doado, oferecido ou prometido a um agente público, partido político ou candidato a cargo público, com o fim de obter ou manter um negócio, ou obter qualquer outra vantagem indevida, relacionada com o negócio da EMPREGADORA.

14. EMPREGADO expressamente reconhece que durante a sua relação de emprego com a EMPREGADORA receberá Informações Confidencias relativas aos negócios da EMPREGADORA que poderiam causar dano a EMPREGADORA se usados pelo EMPREGADO em favor de um competidor. Portanto, durante toda a relação empregatícia e por um período de 1 (um) ano imediatamente seguinte ao término de seu contrato de trabalho ("Período de não competição"), o EMPREGADO expressamente concorda em não, direta ou indiretamente trabalhar como empregador, preposto, consultor, empregado, sócio, diretor ou em qualquer outra posição, para as empresas que concorram diretamente com as atividades da EMPREGADORA no Brasil ou no exterior, assim como para suas controladoras e/ou subsidiárias.

Em caso de rescisão sem justa causa deste contrato de trabalho, o EMPREGADO e a EMPREGADORA concordam que a "Indenização" e a "Continuação do Plano de Saúde" previstas no "*Outros Itens*" do Adendo 1 funcionarão como contraprestação pelo período de não competição.

Em caso de pedido de demissão, o EMPREGADO e a EMPREGADORA irão definir conjuntamente a contraprestação justa pelo período de não competição.

Entretanto, em ambas as hipóteses, a

government official, political party or candidate for political office, for the purpose of obtaining or retaining any business, or to obtain any other unfair advantage, in connection with EMPLOYER's business.

14 EMPLOYEE expressly acknowledges that during his employment relationship with EMPLOYER, he will develop and receive extensive Confidential Information related to EMPLOYER's business that would damage the EMPLOYER if he/she were to use that information on behalf of a competitor. Therefore, EMPLOYEE expressly agrees that during the entire labor relationship with EMPLOYER and for a period of 1 year immediately following the termination ("Non compete period"), EMPLOYEE will not directly or indirectly work as employer, salesman, agent, consultant, employee, partner, director or in any other capacity for any company or division that directly competes with the business of EMPLOYER in Brazil or abroad, and to its parent company and subsidiaries.

In case of termination without cause of this employment agreement, EMPLOYER and EMPLOYEE agree that the "Severance" and the "Continuation of Health Plan" noted in the Addendum 1 under "*Other Issues*" will serve as total compensation for the non-compete restriction mentioned above.

In case of resignation, EMPLOYER and EMPLOYEE will define together a fair compensation for the non-compete period.

However, in both cases, the EMPLOYER

EMPREGADORA reserva-se o direito, a seu critério exclusivo, de reduzir ou renunciar ao período de 1 ano mencionado na Cláusula 14 acima. Caso decida renunciar ao referido prazo ou reduzi-lo, a EMPREGADORA informará ao EMPREGADO de sua decisão dentro de 30 dias após o término do emprego, por qualquer motivo. Em caso de renúncia ao período de 1 ano mencionado acima, nenhuma remuneração será devida ao empregado.

15. O EMPREGADO expressamente concorda que durante toda a relação de emprego com a EMPREGADORA e por um período de 1 ano imediatamente seguinte ao término do contrato de trabalho, direta ou indiretamente, concorda em não (i) aliciar empregados, diretores, agentes, consultores ou prestadores de serviços para deixar o seu emprego com a EMPREGADORA ou violar uma obrigacão contratual com a EMPREGADORA; (ii) promover ou aliciar para a venda de produtos quaisquer clientes, ou outros indivíduos ou entidades com influência na definição de compra de produtos da EMPREGADORA ou de seus distribuidores que o EMPREGADO tenha promovido anteriormente em benefício da EMPREGADORA e (iii) aliciar ou induzir qualquer fornecedor de produtos e/ou serviços da EMPREGADORA (ou fornecedor de produtos e/ou serviços de um cliente que está sendo aliciado pela condição do gerenciamento químico da EMPREGADORA) para rescindir ou alterar a relação contratual estabelecida com a EMPREGADORA.

O EMPREGADO e a EMPREGADORA também concordam que a "Indenização" e a "Continuação do Plano de Saúde" previstas no "*Outros Itens*" do Adendo 1 também funcionará como a

reserves the right, at its sole discretion, to reduce or waive the enforcement of the 1 year period referred to Clause 14 above. In case EMPLOYER decides to waive or reduce such provision, it will inform the EMPLOYEE of its decision within 30 days after termination of employment, for any reason whatsoever. In case of waiver of enforcement of the 1 year period referred above, no compensation is due to the employee.

15. EMPLOYEE expressly agrees that during the entire labor relationship with EMPLOYER and for a period of 1 year immediately following the termination, EMPLOYEE will not directly or indirectly (a) solicit any employee, officer, agent, consultant or services provider to leave his or her employment or to breach a contractual arrangement with EMPLOYER; (ii) market to or otherwise solicit the sale of products to any customer, company or other individual or entity having influence over the purchasing decisions of EMPLOYER's products or a EMPLOYER distributor whom EMPLOYEE previously solicited on behalf of the EMPLOYER; and (iii) solicit or induce any of EMPLOYER suppliers of products and/or service (or a supplier of products and/or services of a customer who is being provided or solicited for the provision of chemical management by EMPLOYER) to terminate or alter its contractual relationship with EMPLOYER (and/or any such customer).

EMPLOYER and EMPLOYEE also agree that the "Severance" and the "Continuation of Health Plan" as noted in the Addendum 1 under "*Other Issues*" will also serve as a compensation for the obligation provided on

contraprestação pela obrigação de não fazer prevista na Cláusula 15.

16. As partes concordam que, caso qualquer cláusula ou disposição deste Contrato seja declarada ilegal ou sem efeito, tal fato de nenhum modo afetará as demais cláusulas, as quais continuarão em pleno vigor.

17. O presente Contrato será regido pela legislação brasileira, e quaisquer litígios dele decorrentes serão dirimidos perante o foro do Rio de Janeiro, Brasil.

E, estando assim ajustadas e contratadas, as partes assinam este Contrato em duas vias.

Rio de Janeiro, 5 de January 2011.

/s/ Jose Luiz Bregolato

Jose Luiz Bregolato
Quaker Chemical Indústria e Comércio Ltda.

/s/ Carlos Claro

Carlos Claro

Clause 15.

16. The parties agree that, in the event any clause or provision of this Agreement shall be deemed illegal or ineffective, such event shall not in any way affect the remaining clauses, which shall continue in full force.

17. Brazilian laws will govern this Agreement, and any disputes arising therefrom shall be settled in the Court of Rio de Janeiro, Brazil.

And being thus agreed and contracted, the parties sign this Agreement in two counterparts.

Rio de Janeiro, 5 of January 2011.

/s/ Jose Luiz Bregolato

Jose Luiz Bregolato
Quaker Chemical Indústria e Comércio Ltda.

/s/ Carlos Claro

Carlos Claro

ADDENDUM 1

Start Date:	Your Start Date will be February 1, 2011.
Base Salary:	Your salary will be payable on a monthly basis at the gross rate of R$ 45,000 (forty five thousand reais). As stated on Clause 3.1, your compensation will be reviewed on an annual basis and any changes or adjustments to both base salary and, or incentive compensation will be subject to the approval and done at the sole discretion of the Compensation Committee of the Board of Directors of Quaker Chemical Corporation.
Incentives:	For your position, you are eligible to participate in the Global Annual Incentive Plan (GAIP). Your annual cash bonus is up to a maximum of 50% of your base salary, target is 27.5% of base salary. You are eligible for your first annual cash bonus payment March 2012, based on plan performance year 2011 results. LTIP: Pending approval of the Quaker Chemical Compensation and Management Development Committee of the Board of Directors, you will also be eligible to participate in the Long Term Incentive Plan in Level I for the 2011-2013 plan period (value for 2010-2012 period was approximately 175,000 BRL). All incentive compensation is subject to change and approval by the Compensation Committee of the Board of Directors of Quaker Chemical Corporation.
Other Items:	Quaker, in its sole discretion, may terminate your employment at any time for any reason, including for cause. If your employment agreement is terminated by action of Quaker for any reason other than Cause, death, disability or retirement, Quaker agrees that: **(i)** You will be entitled to a “Severance” equivalent to twelve times your monthly base salary, to be paid in 12 equal installments, 1 each month, starting on the first payperiod (after the termination of employment). **(ii)** Continuation of Health Plan: During the severance period (one year from the date of separation) there will be continuation of medical coverage consistent with the medical coverage currently in place at the time of severance. You fully agree that this Severance amount and the Continuation of Health Plan will be deemed as compensation for your adherence to the restrictions provided on Clauses 14 and 15 above (Non compete and Non solicitation). **(iii)** Reasonable outplacement assistance, either by providing the services in-kind, or by reimbursing reasonable expenses actually incurred by you in connection with your Separation from Service. The outplacement services must be provided during the one-year period following your termination If

	any expenses are to be reimbursed, you must request the reimbursement within eighteen months of your Separation from Service and reimbursement will be made within 30 days of your request.
Benefits:	You will be eligible for health, medical and welfare plans in accordance with the internal policies or practices of the EMPLOYER. Also in accordance with the internal policies or practices of the EMPLOYER you will be entitled to life insurance.
***Transition Allowance**:*	At the amount of R$5,000 (five thousand reais) per month for 11 (eleven) months commencing on your start date (through December 2011).

ADENDO 1

Dia de início:	Seu primeiro dia de trabalho será 1º de Fevereiro de 2011.
Base salarial:	Seu salário será pago mensalmente, no valor bruto equivalente a R$ 45.000,00 (quarenta e cinco mil reais). Como estabelecido na Cláusula 3.1, acima, toda sua remuneração será revista anualmente e qualquer modificação ou ajuste tanto do salário base quanto da remuneração de incentivo estará sujeita à aprovação que será realizada de forma discricionária pelo Comitê de Remuneração do Conselho de Administração da Quaker Chemical Corporation.
Incentivos:	De acordo com a sua posição, você tem direito de participar do “Plano de Incentivo Global Anual (GAIP)”. O valor do seu bônus anual será equivalente a até 50% da sua remuneração. A meta é 27.5% da sua remuneração. Você é elegível ao recebimento do primeiro bônus em Março de 2012, de acordo com o Plano de Performance referente ao ano de 2011. LTIP: Você terá direito a participar do “Long Term Incentive Plan” no nível I referente ao período de 2011-2013, dependendo da aprovação do “Quaker Chemical Compensation” e do “Comitê de Desenvolvimento e Gerência” dos Diretores. (o valor para o período de 2010-2012 foi de aproximadamente R$ 175.000,00). Toda remuneração de incentivo estará sujeita à modificação e aprovação pelo Comitê de Remuneração do Conselho de Administração da Quaker Chemical Corporation.
Outros itens:	A Quaker, a seu exclusivo critério, poderá rescindir seu contrato de trabalho a qualquer momento, por qualquer motivo,incluindo justa causa. Se houver a rescisão do contrato por iniciativa da Quaker, por qualquer razão que não seja justa causa, morte, invalidez ou aposentadoria, você terá direito a: **(i)** Uma “Indenização” equivalente a 12 vezes o seu salário base a ser paga em 12 (doze) parcelas, 1 (uma) por mês, com início no primeiro período de pagamento (após a rescisão do contrato). **(ii)** Continuação da cobertura médica: Pelo período de 1 (um) ano a partir do momento em que terminar a sua relação de emprego com a empresa haverá a manutenção da cobertura do plano de saúde, nos termos vigentes no momento da rescisão do seu contrato de trabalho. Você concorda plenamente que a referida “Indenização” e a “Continuação da

	cobertura médica" representam uma contraprestação pela sua adesão às restrições previstas nas Cláusulas 14 e 15 (Não competição e Não Solicitação), acima. **(iii)** Razoável assistência na recolocação profissional, quer através da prestação de serviços em espécie, ou através do reembolso de despesas razoáveis e efetivamente incorridas por você em conexão com sua separação de serviço. Os serviços de recolocação serão fornecidos durante o período de um ano após sua separação de serviço. Todas as despesas sujeitas a reembolso devem ser solicitadas no prazo de dezoito meses de sua separação de serviço e o reembolso será feito no prazo de 30 dias a contar da sua solicitação.
Benefícios:	Você terá direito a Plano de Saúde e Médico, de acordo com as Políticas internas e Práticas da EMPREGADORA. Também terá direito ao seguro de vida de acordo com as Políticas e Práticas vigentes na EMPREGADORA.
Pagamento referente ao período de transição:	R$ 5.000,00 (cinco mil reais, por mês), durante 11 meses. A data do primeiro pagamento se dará no seu primeiro dia de trabalho (até Dezembro de 2011).

EXHIBIT 21

SUBSIDIARIES AND AFFILIATES OF THE REGISTRANT

Name	Jurisdiction of Incorporation	Percentage of voting securities owned directly or indirectly by Quaker
*Quaker Chemical Corporation	Delaware, U.S.A.	100%
+*SB Decking, Inc. (formerly Selby, Battersby & Co.)	Delaware, U.S.A.	100%
*AC Products, Inc.	California, U.S.A.	100%
*Epmar Corporation	California, U.S.A.	100%
*Summit Lubricants, Inc.	New York, U.S.A.	100%
+*Quaker Chemical Europe B.V.	Holland	100%
*Quaker Chemical B.V.	Holland	100%
+*KWR Holdings B.V.	Holland	100%
*Quaker Chemical (China) Co. Ltd.	China	100%
+*Quaker China Holdings B.V.	Holland	100%
*Quaker Chemical Canada Limited	Ontario, Canada	100%
*Quaker Chemical Hungary Ltd.	Hungary	100%
*Quaker Chemical Limited	United Kingdom	100%
*Quaker Chemical S.A.	France	100%
*Quaker Chemical, S.A.	Spain	100%
+*Quaker Denmark ApS	Denmark	100%
*Quaker Chemical S.A.	Argentina	100%
+*Quaker Chemical Participacoes, Ltda.	Brazil	100%
*Quaker Chemical Limited	Hong Kong	100%
+*Quaker Chemical Holdings South Africa (Pty) Limited	Republic of South Africa	100%
*Quaker Italia, S.r.l.	Italy	100%
+*Quaker Australia Holdings Pty. Limited	Victoria, Australia	100%
*Quaker Shanghai Trading Company Limited	China	100%
*Q2 Technologies, LLC	Nevada, U.S.A.	70%
*Quaker Chemical Industria e Comercio Ltda.	Brazil	100%
*Quaker Chemical Operacoes, Ltda.	Brazil	100%
*Quaker Chemical India Limited	India	55%
*Quaker Chemical (Australasia) Pty. Limited	New South Wales, Australia	51%
*Quaker (Thailand) Ltd	Thailand	100%
*Quaker Chemical South Africa (Pty.) Ltd.	Republic of South Africa	51%
*Quaker Chemical Corporation Mexico, S.A. de C.V.	Mexico	100%
*Quaker Chemical HR Mexico, S.A. de C.V.	Mexico	100%
**Nippon Quaker Chemical, Ltd.	Japan	50%
**Kelko Quaker Chemical, S.A.	Venezuela	50%
**TecniQuimia Mexicana S.A. de C.V.	Mexico	40%
** Kelko Quaker Chemical, S.A.	Panama	50%

+ A non-operating company.
* Included in the consolidated financial statements.
** Accounted for in the consolidated financial statements under the equity method.

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Registration Nos. 333-155607 and 333-163294) and on Form S-8 (Registration Nos. 333-48130, 033-54158, 333-88229, 333-58676, 333-65400, 333-104354, 333-115713, 333-136648 and 333-159513) of Quaker Chemical Corporation of our report dated March 2, 2011 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, PA
March 2, 2011

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER OF THE COMPANY PURSUANT TO RULE 13A-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Michael F. Barry, certify that:

1. I have reviewed this annual report on Form 10-K of Quaker Chemical Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2011

/s/ MICHAEL F. BARRY

Michael F. Barry
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER OF THE COMPANY PURSUANT TO RULE 13A-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Mark A. Featherstone, certify that:

1. I have reviewed this annual report on Form 10-K of Quaker Chemical Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2011

/s/ MARK A. FEATHERSTONE

Mark A. Featherstone
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

The undersigned hereby certifies that the Form 10-K Annual Report of Quaker Chemical Corporation (the "Company") for the annual period ended December 31, 2010 filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 2, 2011

/s/ MICHAEL F. BARRY

Michael F. Barry
Chief Executive Officer of Quaker Chemical Corporation

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

The undersigned hereby certifies that the Form 10-K Annual Report of Quaker Chemical Corporation (the "Company") for the annual period ended December 31, 2010 filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 2, 2011

/s/ MARK A. FEATHERSTONE

Mark A. Featherstone
Chief Financial Officer of Quaker Chemical Corporation