QUAKER CHEMICAL CORP
Form DEF 14A
March 31, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

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

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

QUAKER CHEMICAL CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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Notice of Annual Meeting of Shareholders

TIME:	8:30 A.M., local time, on Wednesday, May 12, 2010
PLACE:	Quaker Chemical Corporation One Quaker Park 901 E. Hector Street Conshohocken, Pennsylvania 19428
ITEMS OF BUSINESS:	(1) To elect three directors. (2) To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm to examine and report on our financial statements and internal control over financial reporting for the year 2010. (3) To transact any other business properly brought before the meeting.
WHO MAY VOTE:	You can vote at the meeting and any adjournment(s) of the meeting if you were a shareholder of record at the close of business on March 5, 2010.
ANNUAL REPORT:	A copy of our Annual Report which includes our Annual Report on Form 10-K for the year ended December 31, 2009 is enclosed.

It is important that your shares be represented at the meeting. You are cordially invited to attend the meeting in person. Whether or not you expect to attend in person, you are urged to complete, sign, date and return the enclosed proxy in the envelope we have enclosed for your convenience; no postage is required if mailed in the United States.

By Order of the Board of Directors,

D. Jeffry Benoliel

Vice President Global Strategy,

General Counsel and Corporate Secretary

Conshohocken, Pennsylvania

March 31, 2010

Important Notice of Internet Availability of Proxy Materials for Quaker Chemical Corporation s 2010 Annual Meeting of Shareholders to be held on May 12, 2010.

The Notice of Meeting, Proxy Statement and 2009 Annual Report to Shareholders are available at www.quakerchem.com/proxymaterials.

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PROXY STATEMENT

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QUAKER CHEMICAL CORPORATION

One Quaker Park, 901 E. Hector Street

Conshohocken, Pennsylvania 19428

PROXY STATEMENT

This proxy statement is being furnished to our shareholders in connection with the solicitation of proxies on behalf of our Board of Directors for use at our 2010 Annual Meeting of Shareholders, and at any and all adjournments of the meeting, for the purpose of considering and acting upon the matters referred to in the accompanying Notice of Annual Meeting of Shareholders and which are discussed below. The Annual Meeting of Shareholders will be held at our headquarters located at One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania 19428, at 8:30 A.M., local time, on May 12, 2010. The terms we, our, us, and Quaker, as used in this proxy statement, refer to Quaker Chemical Corporation.

This proxy statement and the accompanying form of proxy are first being mailed to shareholders on or about April 5, 2010.

Information Concerning the Annual Meeting

What matters will be voted on at the meeting?

At the meeting, shareholders will vote on two matters:

- Election of three nominees to serve on our Board of Directors; and
- Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year 2010.

How does the Board recommend I vote on the proposals?

The Board recommends that you vote:

- FOR each of the three nominees named in this proxy statement; and
- FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year 2010.

Who is entitled to vote?

Shareholders of record as of the close of business on March 5, 2010, the record date for the meeting, are entitled to notice of and to vote at the meeting and any adjournments of the meeting.

How do I cast my vote?

You can cast your vote by:

- marking, signing and dating a proxy card or voting instruction card (if you hold shares in street name) and returning it in the postage-paid envelope provided; or
- attending the meeting and voting in person.

If you want to vote in person and you hold Quaker common stock in street name (i.e., your shares are held in the name of a brokerage firm, bank or other nominee), you must obtain a proxy card issued in your

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name from your broker and bring that proxy card to the meeting, together with a copy of a brokerage statement reflecting your stock ownership as of the record date and valid identification. Your brokerage statement should show the stock acquisition date.

If I have given a proxy, how do I revoke that proxy?

Your presence at the meeting will not revoke any proxy you may have given. If your shares are held in your name, you may revoke your proxy at any time (to the extent it has not already been voted at the meeting), but a revocation will not be effective until it is received. Your proxy will be revoked (to the extent it has not already been voted at the meeting) if you:

give written notice of the revocation to Quaker s Corporate Secretary, D. Jeffry Benoliel, One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania 19428, or give electronic notice to Mr. Benoliel at jeffry_benoliel@quakerchem.com;

submit a properly signed proxy with a later date; or

vote in person at the meeting as described above.

If your shares are held in street name through a broker, bank or other nominee for your benefit, you should contact the record holder to obtain instructions if you wish to revoke your vote before the meeting.

How will my proxy be voted?

If you are a registered holder and your proxy is properly executed, returned and received prior to the meeting and is not revoked, it will be voted in accordance with your instructions. If you return your signed proxy but do not mark the boxes to show how you wish to vote on any of the proposals, the shares for which you have given your proxy will, in the absence of your instructions to the contrary, be voted FOR each of the nominees named in the proxy, and FOR ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year 2010.

If your shares are held in street name through a broker, bank or other nominee for your benefit and your voting instruction form is properly executed, returned and received prior to the meeting and is not revoked, it will be voted in accordance with your instructions. If you have not furnished voting instructions within a specified period prior to the meeting, under current New York Stock Exchange rules, brokerage firms and nominees that are members of the New York Stock Exchange have the authority under the Exchange s rules to vote their customers unvoted shares on routine matters but not on non-routine matters. Under the rules currently in effect, routine matters include the ratification of the appointment of our independent registered public accounting firm but do not include uncontested election of directors.

The proxy card and voting instruction form also grant the proxy holders discretionary authority to vote on any other business that may properly come before the meeting as well as any procedural matters. As of the date of this proxy statement, we do not know of any other matters that will be presented at the meeting.

What does it mean if I get more than one proxy card?

If you have your shares registered in multiple accounts with one or more brokers and/or our transfer agent, you will receive more than one proxy card. Please complete and return each of the proxy cards you receive to ensure that all of your shares are voted.

How many votes are needed to elect directors?

The three nominees receiving the highest number of FOR votes will be elected as directors. This is referred to as a plurality.

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What if a nominee is unwilling or unable to serve?

We do not expect that to occur. If it does, proxies will be voted for a substitute nominee designated by our Board of Directors.

How many votes are needed to ratify the appointment of PricewaterhouseCoopers LLP to examine and report on our financial statements and internal control over financial reporting for the year 2010?

The proposal requires that the number of votes cast FOR the proposal exceed the number of votes cast AGAINST the proposal.

How will abstentions and broker non-votes affect the voting?

Abstentions and broker non-votes will have no effect on the outcome of the voting on any matter brought before the meeting because they will not represent votes cast. A broker non-vote occurs when the beneficial owner of shares held in street name fails to furnish voting instructions to the broker within the required period, and the broker is not permitted under applicable rules to vote the shares.

Are dissenters rights applicable to any of the matters to be voted on at the meeting?

No. Dissenters rights do not apply to any of the matters to be voted on at the meeting.

Who will count the vote?

The Judge of Election appointed at the meeting, together with representatives of American Stock Transfer & Trust Company, LLC, our transfer agent, will tabulate the votes cast at the meeting.

How many shares can be voted at the meeting?

As of March 5, 2010, the record date for the meeting, 11,147,327 shares of Quaker common stock were issued and outstanding. Every holder of Quaker common stock is entitled to one vote or ten votes for each share held of record on the record date, based on how long such shares have been owned by the holder.

How many votes will I be entitled to cast at the meeting?

You will be entitled to cast one vote or ten votes for each share of common stock you held on March 5, 2010, the record date for the meeting, depending upon how long you had held the shares as of the record date. As more specifically provided in Article 5 of Quaker s Articles of Incorporation, the number of votes you are entitled to cast at the meeting will be determined as follows:

Each share which, as of the record date, you had beneficially owned since March 1, 2007, will entitle you to ten votes.

Each share you acquired after March 1, 2007, will entitle you to one vote, with some exceptions. These exceptions are explained in Appendix A to this proxy statement.

We presume that shares you hold in street or nominee name, or that are held for your account by a broker, clearing agency, voting trustee, bank, trust company, or other nominee, were acquired by you after March 1, 2007 and, accordingly, entitle you to one vote for each of these shares. You may, however, rebut this one-vote presumption by completing and executing an affidavit and presenting written evidence to us in accordance with the procedures described in Appendix A.

What is the total number of votes that may be cast at the meeting?

Based on the information available to us on March 5, 2010, the holders of 1,222,953 shares of Quaker common stock will be entitled to cast ten votes for each share held and the holders of 9,924,374 shares of

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Quaker common stock will be entitled to cast one vote for each share held, for a total of 22,153,904 votes. The number of shares that we have indicated are entitled to one vote includes those shares presumed by us to be entitled to only one vote. Because the holders of these shares may rebut this presumption, the total number of votes that may be cast at the meeting may increase.

Where can I find more information on the voting procedures for the meeting?

For additional information on our voting procedures, including the procedures for determining whether a share entitles its holder to one vote or ten votes, and how to rebut the one-vote presumption, please refer to Appendix A.

What is a quorum?

The presence of shareholders entitled to cast at least a majority of the votes entitled to be cast on a particular matter will constitute a quorum for the purpose of considering that matter. For purposes of determining the presence of a quorum, the votes of a shareholder will be counted if the shareholder is present in person or by proxy. Shares which are the subject of abstentions or broker non-votes will be counted for purposes of determining a quorum.

Who can attend the Annual Meeting?

All shareholders of Quaker who owned shares of record on March 5, 2010 can attend the meeting. If you want to vote in person and you hold Quaker common stock in street name (i.e., your shares are held in the name of a brokerage firm, bank or other nominee), you must obtain a proxy card issued in your name from your broker and bring that proxy card to the meeting, together with a copy of a brokerage statement reflecting your stock ownership as of the record date and valid identification. If you hold stock in street name and want to attend the meeting but not vote in person at the meeting, you must bring a copy of a brokerage statement reflecting your stock ownership as of the record date and valid identification.

How will voting on any other business be conducted?

We do not know of any business to be considered at the meeting other than the proposals described in this proxy statement. However, if any other business is presented at the meeting, a proxy in the accompanying form will give authority to Michael F. Barry and William R. Cook to vote on such matters at their discretion and they intend to do so in accordance with their best judgment.

Who will pay the cost of this proxy solicitation and how will the solicitation be conducted?

We will pay the expenses of soliciting proxies in the form included with this proxy statement, including the cost of preparing, assembling and mailing material in connection with the solicitation. In addition to the use of the mail, our directors, executive officers and employees may, without additional compensation, solicit proxies personally or by telephone, facsimile, electronic mail and personal contact. We will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy materials and Quaker s annual report, including its Annual Report on Form 10-K, to any beneficial holder of Quaker common stock they hold of record.

Does the company utilize householding for mailing of its proxy materials?

The Securities and Exchange Commission permits companies and intermediaries (such as brokers and banks) to satisfy delivery requirements for proxy statements and annual reports with respect to two or more shareholders sharing the same address by delivery of a single proxy statement and annual report to those shareholders. This process, which is commonly referred to as householding, is intended to reduce the volume of duplicate information shareholders receive and also reduce expenses for companies.

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Quaker has instituted householding for its registered shareholders; some intermediaries may also be householding Quaker s proxy materials and annual report. Once you have received notice from the Company, the broker or another intermediary that they will be householding materials to your address, householding will continue until you are notified otherwise or until you or a shareholder who shares your address provides contrary instructions.

If at any time you no longer wish to participate in householding and would prefer to receive a separate proxy statement and annual report, you should contact Irene M. Kisleiko, Assistant Secretary, toll free at 1-800-523-7010, ext. 4119, or inform us in writing at Quaker Chemical Corporation, Shareholder Services, One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania 19428. If you hold shares through an intermediary and no longer wish to participate in householding, you should contact your bank, broker or other nominee record holder.

Shareholders who share an address and are receiving multiple copies of annual reports or proxy statements but would like to receive a single copy can contact Irene M. Kisleiko at the toll free number noted above.

We undertake to deliver promptly to any shareholder at a shared address, upon written or oral request, a copy of Quaker s proxy statement and annual report. You may so request by calling the toll free number or writing to the address noted above.

Proposal 1 Election of Directors and Nominee Biographies

What is the makeup of the Board of Directors?

The Quaker Articles of Incorporation provide that our Board of Directors is divided into three classes, each consisting, as nearly as possible, of one-third of the total number of directors. The shareholders elect the members of one of the three classes each year to serve for a term of three years. Directors elected to fill vacancies and newly created directorships serve for the balance of the term of the class to which they are elected. Presently, there are ten directors, including four Class I directors, three Class II directors and three Class III directors. At the meeting, three Class III directors are to be elected with each member to serve a three-year term expiring in 2013 or until his or her successor is duly elected and qualified.

Are there any members of the class of directors to be elected at the meeting who are not standing for reelection?

No. Each incumbent director whose term expires this year has been nominated for election to serve for an additional three-year term and has agreed to serve if elected.

Who are the Board s nominees this year?

Joseph B. Anderson, Jr., Patricia C. Barron and Edwin J. Delattre are the Board s nominees for election to the Board of Directors. Each nominee, if elected, would hold office until our 2013 annual meeting of shareholders and until his or her successor is elected and qualified.

What is the background of this year s nominees?

Below are our nominees for election to the Board as Class III members, including descriptions of their qualifications and lists of business experience and directorships over the past five years:

JOSEPH B. ANDERSON, JR. (67)

Mr. Anderson has served on Quaker s Board since 1992. He is Chief Executive Officer of a group of minority-owned companies supplying parts to the automotive industry and currently serves as a director on multiple public

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company boards in diverse industries. He has experience in accounting/finance, financial reporting, risk assessment, governance, strategic planning, corporate development and manufacturing. Mr. Anderson s specific business and board service experience are listed below:

- Chairman and Chief Executive Officer of TAG Holdings, LLC, a holding company, for more than five years.
- Chairman and Chief Executive Officer of Indiana Assemblies, LLC, a tire and wheel assembly company, since October 2008.
- Chairman and Chief Executive Officer of Gulf Shore Assemblies, LLC, a tire and wheel assembly company, since May 2007.
- Chairman and Chief Executive Officer of Great Lakes Assemblies, LLC, a tire and wheel assembly company, for more than five years.
- Chairman and Chief Executive Officer of North American Assemblies, LLC, a tire and wheel assembly company, for more than five years.
- Chairman and Chief Executive Officer of A&D Technologies, LLC, a manufacturer of temperature sensors servicing the automobile industry, for more than five years.
- Chairman and Chief Executive Officer of Vibration Control Technologies, LLC, an automotive parts supplier and manufacturer, for more than five years.
- Member of the Board of Directors:
  - ArvinMeritor, Inc.
  - NV Energy, Inc.
  - Rite Aid Corporation
  - Valassis Communications, Inc.

PATRICIA C. BARRON (67)

Ms. Barron has served on Quaker s Board since 1989 and has been our Lead Director since 2008. She was most recently a Professor at Stern School of Business at New York University. Prior to that time, Ms. Barron served in a variety of roles with Xerox Corporation, including President of their Engineering Systems Division, and has served on multiple public company boards. She has experience in accounting/finance, financial reporting, risk assessment, industrial marketing and services, organizational development, global organizations, governance, strategic planning and corporate development. Ms. Barron s specific business and board service experience are listed below:

- Clinical Associate Professor and Senior Fellow at the Stern School of Business, New York University, from 1999 until August 2003.
- Member of the Board of Directors:
  - ARAMARK Corporation
  - Teleflex Incorporated
  - Ultralife Corporation
  - United Services Automobile Association

EDWIN J. DELATTRE (68)

Dr. Delattre has served on Quaker s Board since 1984. He retired in 2006, but provides consulting services to law enforcement agencies around the globe with a focus on ethical behavior and continues to hold Emeritus positions at Boston University and St. John s College. Prior to his retirement, he held a number of positions at Boston University, including Dean, School of Education and Professor of Philosophy, College of Arts and Sciences. He has governance expertise. Dr. Delattre s specific experience is listed below:

Professor of Philosophy Emeritus, College of Arts and Sciences, Boston University, since September 2006.
Dean Emeritus, School of Education, Boston University, since December 2002.

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Resident Scholar, Center for School Improvement, School of Education, Boston University, from July 2001 to August 2005.
President Emeritus, St. John s College, Annapolis, Maryland and Santa Fe, New Mexico, since January 1987.

The Board of Directors recommends that you vote FOR the election to our Board of Joseph B. Anderson, Jr., Patricia C. Barron and Edwin J. Delattre, the nominees listed above.

Biographies of Directors Not Standing for Election This Year

Below are our incumbent directors who were elected as Class I members of the Board in 2008 and whose terms expire in 2011, including descriptions of their qualifications and lists of business experience and directorships over the past five years:

MICHAEL F. BARRY (51)

Mr. Barry has served on Quaker s Board since 2008. He is Quaker s Chairman, Chief Executive Officer and President. Mr. Barry has held a number of positions with Quaker since 1998, including Chief Financial Officer, Vice President and Global Industry Leader Industrial Metalworking and Coatings, and Senior Vice President and Managing Director North America. By serving in a variety of leadership and executive positions with Quaker, Mr. Barry has gained experience in accounting/finance, financial reporting, risk assessment, industrial marketing and services, organizational development, global organizations, governance, strategic planning, corporate development, research and development and manufacturing. Mr. Barry s specific business experience is listed below:

Quaker s Chairman of the Board since May 13, 2009 and Chief Executive Officer and President since October 2008; Senior Vice President and Managing Director North America from January 2006 to October 2008; Senior Vice President and Global Industry Leader Metalworking and Coatings from July 2005 through December 2005; Vice President and Global Industry Leader Industrial Metalworking and Coatings from January 2004 through June 2005 and Vice President and Chief Financial Officer from 1998 to August 2004.

ROBERT E. CHAPPELL (65)

Mr. Chappell has served on Quaker s Board since 1997 and is the Chairman of the Governance Committee. He is the Chairman and Chief Executive Officer of The Penn Mutual Life Insurance Company, a position he has held for over 10 years. He has experience in accounting/finance, financial reporting, risk assessment, organizational development, global organizations, governance, strategic planning and corporate development. Mr. Chappell s specific business and board service experience are listed below:

Chairman and Chief Executive Officer of The Penn Mutual Life Insurance Company, a mutual life insurance company providing life insurance and annuity products, for more than five years; President since January 2008.
Member of the Board of Directors:

Penn Series Funds, Inc. (Chairman)

RONALD J. NAPLES (64)

Mr. Naples has served on Quaker s Board since 1988. He retired as Quaker s Chairman on May 13, 2009 and its Chief Executive Officer in October 2008, and has served as the Chief Accountability Officer for the Commonwealth of Pennsylvania and Chairman of the Pennsylvania Stimulus Oversight Commission since 2009. Prior to joining Quaker in 1995, he was Chairman of the Board and Chief Executive Officer of Hunt Corporation,

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a producer and distributor of office and graphic display products. He has experience in accounting/finance, financial reporting, risk assessment, industrial marketing and services, organizational development, global organizations, governance, strategic planning, corporate development and manufacturing. Mr. Naples specific business and board service experience are listed below:

Chief Accountability Officer for the Commonwealth of Pennsylvania and Chairman, Pennsylvania Stimulus Oversight Commission, since April 2009.

Quaker s Chairman and Chief Executive Officer, having served as Chairman from 1997 to May 13, 2009 and as Chief Executive Officer from 1995 to 2008.

Member of the Board of Directors:

- P. H. Glatfelter Company
- Glenmede Trust Company
- NCO Group, Inc.

ROBERT H. ROCK (59)

Mr. Rock has served on Quaker s Board since 1996 and is the Chairman of the Compensation/Management Development Committee. He is President of MLR Holdings, LLC, an investment company operating in the publishing industry. Prior to involvement in the publishing industry, he was Chairman of The Hay Group, a management consulting firm. He has experience in organizational development, global organizations, governance, strategic planning and corporate development. Mr. Rock s specific business and board service experience are listed below:

President of MLR Holdings, LLC, an investment company with holdings in the publishing and information business, for more than five years.

Member of the Board of Directors:

- Advanta Corporation
- Alberto-Culver Company
- The Penn Mutual Life Insurance Company

Below are our incumbent directors who were elected as Class II members of the Board in 2009 and whose terms expire in 2012, including descriptions of their qualifications and lists of business experience and directorships over the past five years:

DONALD R. CALDWELL (63)

Mr. Caldwell has served on Quaker s Board since 1997 and is the Chairman of the Executive Committee. He is Chairman and Chief Executive Officer of Cross Atlantic Capital Partners, Inc., a venture capital fund. Previously, he was the President and Chief Operating Officer of Safeguard Scientifics, Inc., a holding company with investments in the growth-stage technology and life sciences businesses. He currently serves on multiple public company boards. He has experience in accounting/finance, financial reporting, risk assessment, strategic planning and corporate development. Mr. Caldwell s specific business and board service experience are listed below:

Chairman and Chief Executive Officer of Cross Atlantic Capital Partners, Inc., a venture capital fund with offices in the United States, Ireland and the United Kingdom, for more than five years.

Member of the Board of Directors:

Diamond Management & Technology Consultants, Inc.
Health Benefits Direct Corporation
Kanby International, Inc.
Lightning Gaming, Inc.
Rubicon Technology, Inc.
Voxware, Inc.

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WILLIAM R. COOK (66)

Mr. Cook has served on Quaker s Board since 2000 and is the Chairman of the Audit Committee. He retired in 2002 but previously served in a variety of positions in the chemical industry, including Chairman, President and Chief Executive Officer of Betz Dearborn, Inc., and Vice Chairman and Co-Chief Executive Officer of Hercules, Inc. Most recently, Mr. Cook served as President and Chief Executive Officer of Severn Trent Services, Inc. He has experience in accounting/finance, financial reporting, industrial marketing, governance, strategic planning and corporate development. Mr. Cook s specific business and board service experience are listed below:

- President and Chief Executive Officer of Severn Trent Services, Inc., a water purification products and laboratory and operating services company, from 1999 until June 2002.
- Member of the Board of Directors:
  - Teleflex Incorporated
  - The Penn Mutual Life Insurance Company

JEFFRY D. FRISBY (54)

Mr. Frisby has served on Quaker s Board since 2006. He is President and Chief Operating Officer of Triumph Group, Inc., which serves the aerospace industry. He has held a variety of positions within the Triumph Group and a predecessor group company, Frisby Aerospace, Inc. He has experience in accounting/finance, financial reporting, industrial marketing, organizational development, global organizations, strategic planning and corporate development. Mr. Frisby s specific business experience is listed below:

- President and Chief Operating Officer of Triumph Group, Inc. which, through its subsidiaries, engages in the design, engineering, manufacture, repair, overhaul and distribution of aircraft components in the United States and internationally, since July 2009.
- Group President of Triumph Aerospace Systems Group, a group of companies that design, engineer and build aerostructures, as well as complete mechanical, electromechanical and hydraulic systems for the aerospace industry, from April 2003 to July 2009.

Corporate Governance

Leadership Structure

Quaker s business is conducted by its officers, managers and associates under the direction of the Chief Executive Officer and with oversight by the Board of Directors. The Company s Chairman of the Board is also its Chief Executive Officer. The Board has long held that, given Quaker s size and management structure, it is best to combine the roles of Chairman of the Board and Chief Executive Officer. Mr. Michael F. Barry currently serves in both roles. Even in the current environment, the Board believes having one leader serving as both Chairman and Chief Executive Officer provides decisive and effective leadership.

The Board of Directors has also appointed an independent Lead Director. The Lead Director rotates on a bi-annual basis unless the Board determines that the reappointment of the Lead Director at the end of a two-year term is in the best interests of the Company. The Lead Director serves as the liaison between the Chairman of the Board, the CEO, and the Board of Directors. The Lead Director also ensures that the responsibilities of the Directors and the Chairman are understood; collaborates with the Chairman and CEO to ensure the appropriate flow of information to the Board; works with the Chairman to develop the agendas for Board meetings; coordinates and develops the agenda for and presides over sessions of both the Board s non-management Directors and independent Directors; ensures appropriate minutes are kept of such meetings and, as appropriate, communicates to the Chairman and CEO the substance of such discussions. Ms. Patricia C. Barron is currently the Lead Director, having been appointed to the position in May 2008.

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Director Independence

In accordance with New York Stock Exchange rules, the Board affirmatively determines the independence of each director and nominee for election as a director in accordance with guidelines it has adopted which include all elements of independence set forth in the New York Stock Exchange listing standards. The Company s director independence standards are defined in Paragraph 4 of the Company s Corporate Governance Guidelines.

On an annual basis, each director and executive officer is obligated to complete a directors and officers questionnaire which requires disclosure, among other things, of any transactions with the Company in which the director (or any organization of which the director is a partner, shareholder or officer) or executive officer, or any member of his or her immediate family, have a direct or indirect material interest. Based on the Company s adopted independence standards and the information provided in the annual questionnaires, the Board determined at its meeting held on March 3, 2010, that each of the following non-employee directors is independent within our guidelines and has no material relationship with the Company as defined by our guidelines:

(1) Joseph B. Anderson, Jr.	(5) William R. Cook
(2) Patricia C. Barron	(6) Edwin J. Delattre
(3) Donald R. Caldwell	(7) Jeffry D. Frisby
(4) Robert E. Chappell	(8) Robert H. Rock

Based on the Company s independence standards, the Board has affirmatively determined that Ronald J. Naples, who retired as Chief Executive Officer of the Company on October 3, 2008, is not independent because he was an executive officer of the Company within the three preceding years of the determination date, and Michael F. Barry is not independent because he currently serves as an executive officer of the Company. There are no family relationships between any of the Quaker directors, executive officers or nominees for election as directors.

Governance Committee Procedures for Selecting Director Nominees

The Governance Committee s goal is to assemble a Board that brings to Quaker a variety of perspectives and skills derived from high-quality business and professional experience. The current composition of the Board includes directors (including those nominated for reelection this year) with complementary skills, expertise and experience such that the Board, on the whole, has competence and experience in a wide range of areas. Quaker s Board includes eight directors who are or have served as chief executive officers or in other executive management roles, seven directors with specialized accounting and finance knowledge, three directors with experience in the chemical industry or other technology or science areas, seven directors who have served on the boards of other public companies, six directors with international business experience and five directors with experience in industries served by Quaker. The Governance Committee will continue to evaluate the needs of Quaker and its shareholders to ensure that the competency of the Board, as a whole, is relevant and robust.

In evaluating director nominees, the Governance Committee considers the appropriate size of Quaker s Board of Directors and the needs of Quaker and its shareholders with respect to the particular talents, experience and capacities of its directors including: experience in industries similar to Quaker s, managerial and other leadership experience; business acumen or particular expertise; business development experience; strategic capability; independence of judgment; familiarity with corporate governance and the responsibilities of directors, and the ability to fulfill those responsibilities; standing and reputation as a person of integrity; the potential contribution of each individual to the diversity of backgrounds, experience and competencies which the Governance Committee desires to have represented; and ability to work constructively with the CEO and the Board. In considering nominees for the Board of Directors, the Governance Committee considers the entirety of each candidate s credentials and the anticipated contributions an individual can contribute as a member of the Board. Although we do not have a formal policy regarding diversity and do not have constituent or representative

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directors, diversity is one important factor, among many factors, in our nomination process. The Governance Committee considers a variety of factors, including age, gender, race, executive and professional experience and perspectives of the candidate and how the candidate s qualifications will enhance the composition of the Board of Directors as a whole.

Directors who also serve as CEOs or in equivalent positions should not serve on more than three boards of public companies in addition to the Quaker Board and other directors should not serve on more than four other boards of public companies in addition to the Quaker Board. The Governance Committee has decided to waive the limitations in these guidelines on the number of boards a director may serve in the cases of Messrs. Anderson and Caldwell due to their respective circumstances, valued contributions to the Board and the Committees on which they serve, a record of consistent attendance at Board and Committee meetings, and availability to advise and assist management in support of Quaker s business.

When identifying and evaluating nominees for director, the Governance Committee first examines whether current members of the Board are willing to continue their service. Current members of the Board with skills and experience that are relevant and who are willing to continue to serve are considered for renomination, balancing the value of continuity of service with that of obtaining a new perspective. If a current member does not choose to stand for reelection, the Governance Committee will not recommend that director for reelection. If the Governance Committee recommends an increase in the membership of the Board, it will identify the experience and personal capacities desired and will seek suggestions as to nominees from the current Board membership. In addition, and as has been done in the past, the Governance Committee may engage third parties to assist in the identification or evaluation of potential director nominees.

The Governance Committee will consider candidates recommended by the Company s shareholders and applies the same criteria in evaluating candidates nominated by shareholders as it does in evaluating candidates identified by Company sources. Any shareholder who wishes to recommend to the Governance Committee a prospective nominee for election to the Board may write to D. Jeffry Benoliel, Vice President Global Strategy, General Counsel and Corporate Secretary, Quaker Chemical Corporation, One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania 19428. Any request for consideration at next year s annual meeting must be submitted no later than December 6, 2010, and contain a statement of the proposed candidate s business experience, business affiliations and a confirmation of his or her willingness to be a nominee. No shareholder or group of shareholders beneficially owning 5% or more of Quaker s common stock recommended a director nominee for election at Quaker s 2010 annual meeting of shareholders.

Board Oversight of Risk

While the Board has the ultimate oversight responsibility for risk management, consistent with Quaker s By-Laws, the Board has delegated much of the responsibility for risk management to the standing Committees of the Board. The Audit Committee has oversight over financial risks, such as financial reporting and internal controls; compliance risks including oversight of the compliance program and disposition of certain complaints and/or violations of the Code of Conduct and Financial Code of Ethics; and operational risk such as loss of property, business interruption, and other exposures traditionally mitigated through insurance products. In addition, the Compensation/Management Development Committee is responsible for developing a balanced compensation system for all employees, including appropriate long-term and short-term incentive compensation targets that encourage a level of risk-taking behavior consistent with the overall financial/strategic goals of the Company, as well as oversight of the management development and succession processes. Finally, from time to time, Quaker has faced risks material to its business and, in those circumstances, the Board (or at times, the Executive Committee) is regularly informed and provides input and advice on actions being considered to mitigate exposures associated with those risks. As appropriate, the Board considers specific risk topics, including risks associated with our strategic plan, our capital structure, and our development activities. Further, the Board is routinely informed of developments at and affecting the Company that could affect our risk profile or other aspects of our business, through reports from our business units and otherwise. This oversight by the Board is designed to maintain an appropriate level of risk and to address new risks as they arise.

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Corporate Governance Guidelines

The Company has adopted Corporate Governance Guidelines which are available at *http://www.quakerchem.com* by accessing the Investors/Corporate Governance section of our Web site. The references to our Web site contained in this proxy statement are for informational purposes, and the content of the Web site is not incorporated by such references into this proxy statement. Our Corporate Governance Guidelines are also available in print to any shareholder who requests them. These guidelines were adopted by the Board to assist the Board in carrying out its fiduciary duties and maintaining its independence from management.

Communications with the Board of Directors

Shareholders or other interested parties may communicate with any of our directors, including non-management directors, by writing to them c/o D. Jeffry Benoliel, Vice President Global Strategy, General Counsel and Corporate Secretary, at the address set forth above. All communications received will be forwarded to the Governance Committee and the addressee. The Board believes it is management s role to speak for Quaker and, accordingly, any such communication received will be shared with the Chief Executive Officer and other executive officers, as appropriate. Our Code of Conduct, Financial Code of Ethics, Corporate Governance Guidelines and Audit, Compensation/Management Development and Governance Committee Charters have been posted on and are available free of charge by accessing the Investors/Corporate Governance section of our Web site at *http://www.quakerchem.com* or by written request addressed to Quaker Chemical Corporation, One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania 19428, Attention: Irene M. Kisleiko, Assistant Secretary.

Code of Conduct

The Company has a compliance program, the governing documents of which include a Code of Conduct (which is applicable to all of the Company s directors, executive officers and employees) and a Financial Code of Ethics for Senior Financial Officers (which is applicable to the Chief Executive Officer, Chief Financial Officer, Global Controller, Controllers of each of the Company s majority-owned affiliates, Assistant Global Controller and other individuals performing similar functions designated by the Company s Board of Directors). The Company s compliance program embodies the Company s global principles and practices relating to the ethical conduct of the Company s business and its longstanding commitment to fairness, honesty, integrity, and full company compliance with all laws affecting the Company s business. The Code of Conduct and Financial Code of Ethics for Senior Financial Officers are available at *http://www.quakerchem.com* by accessing the Investors/Corporate Governance section of our Web site. Both are available in print to any shareholder who makes a written request for them to the address set forth in the preceding paragraph.

The Company s compliance program includes a means for employees, customers, suppliers, shareholders and other interested parties to submit confidential and anonymous reports of suspected or actual violations of the Company s Code of Conduct or the Financial Code of Ethics for Senior Financial Officers relating, among other things, to:

- accounting practices, internal accounting controls, or auditing matters and procedures;
- theft or fraud of any amount;
- insider trading;
- performance and execution of contracts;
- conflicts of interest;

- violations of securities and antitrust laws; and
- violations of the Foreign Corrupt Practices Act.

Any employee, shareholder or other interested party can call the Quaker Hotline at 1-800-869-9414 or from outside the United States, 1-678-999-4552. The Quaker Hotline is a toll-free telephone line dedicated solely to receiving questions and concerns and directing them to the appropriate authority for action. All calls are answered by an independent third-party service which is available 24 hours a day, seven days a week.

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The Audit Committee oversees the administration of the Company s compliance program and is directly responsible for the disposition of all reported violations of the Financial Code of Ethics for Senior Financial Officers and complaints received regarding accounting, internal accounting controls, or audit matters. In addition, the Audit Committee is responsible for the disposition of all violations of (and approves any waivers to) the Code of Conduct for directors and executive officers and for the disposition of other serious violations of the Code of Conduct. No such waivers were made in 2009. Our Code of Conduct, Financial Code of Ethics for Senior Financial Officers, Corporate Governance Guidelines and Audit, Compensation/Management Development and Governance Committee Charters have been posted on and are available free of charge by accessing the Investors/Corporate Governance section of our Web site at *http://www.quakerchem.com* or by written request addressed to Quaker Chemical Corporation, One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania 19428, Attention: Irene M. Kisleiko, Assistant Secretary.

Meetings and Committees of the Board

Our Board of Directors has four standing committees, the Audit, Compensation/Management Development, Executive and Governance Committees. Each member of the Audit, Compensation/Management Development and Governance Committee is independent as independence is defined for members of the respective committee in the listing standards of the NYSE and Quaker s Corporate Governance Guidelines. The Board has affirmatively determined that each member of the Audit Committee meets the criteria for an audit committee financial expert as defined by the Securities and Exchange Commission. The Board of Directors has adopted a charter for each of these committees other than the Executive Committee. Each committee reports its actions to the full Board at the Board s next regular meeting. A description of the duties of each committee follows the table below.

Committee Membership and Meetings Held in 2009

Name	Audit	Compensation/ Management Development	Executive	Governance
Joseph B. Anderson, Jr.	X			X
Patricia C. Barron		X		X
Michael F. Barry			X(1)	
Donald R. Caldwell	X	X	CHAIR	
Robert E. Chappell			X	CHAIR
William R. Cook	CHAIR			
Edwin J. Delattre		X		X
Jeffry D. Frisby	X			
Ronald J. Naples			X	
Robert H. Rock		CHAIR	X	
Number of Meetings in 2009(2)	6	5	2	2

X Member. Each of the individuals listed in the table above held the committee memberships indicated throughout 2009.

(1) Committee member since March 5, 2009.

(2) The Board of Directors held six regular meetings in 2009. Each director attended, in person or by teleconference, at least 75% of the aggregate of all the meetings of the Board and the committee(s) on which he or she served during 2009.

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Time is regularly scheduled for the non-management and independent directors to meet as a separate group. The lead director acts as chairperson during these sessions.

Quaker does not have a formal policy regarding attendance by members of the Board at its annual meeting of shareholders, but all directors are encouraged to attend. In 2009, all directors, with the exception of Mr. Anderson, attended the annual meeting of shareholders.

Audit Committee:

- Engages the independent registered public accounting firm and approves all audit and non-audit fees.
- Reviews and discusses with management and the independent registered public accounting firm the annual and quarterly financial statements, including disclosures under Management s Discussion and Analysis of Financial Condition and Results of Operations.
- Discusses with management and the independent registered public accounting firm any audit problems or difficulties and management s response.
- Reviews the internal audit plan and discusses with the internal auditor and the independent registered public accounting firm their assessment of the effectiveness of Quaker s internal controls.
- Oversees the handling of matters relating to compliance with law and ethics, including adherence to the standards of business conduct and ethics required by Quaker s policies.
- Provides oversight to the Chief Financial Officer and Risk Manager on matters relating to risk management generally.

Compensation/Management Development Committee:

- Reviews management s compensation philosophies and policies.
- Approves annual performance objectives for the CEO, evaluates the CEO s performance against objectives and makes a recommendation to the Board regarding the CEO s base salary.
- Reviews performance evaluations and approves annual salaries for all executive officers, other than the CEO.
- Approves annual incentive and long-term incentive award opportunities for all executive officers, including the CEO.
- Administers Quaker s Global Annual Incentive Plan and Long-Term Performance Incentive Plan.
- Reviews and evaluates management development and succession planning and oversees these processes.
- Reviews and discusses with management disclosures under the Compensation Discussion and Analysis section of this proxy statement and makes recommendations to the Board for inclusion of the Compensation Discussion and Analysis section in this proxy statement and the Company s Annual Report on Form 10-K.

Executive Committee:

- Acts for the Board in situations requiring prompt action when a meeting of the full Board is not feasible.
- Makes recommendations to the Board about external corporate development programs.
- Establishes guidelines regarding our capital structure and deployment of our capital resources.

Governance Committee:

Evaluates the size and composition of the Board and recommends changes.
Reviews and recommends nominees for election as directors.
Reviews and makes recommendations to the Board with respect to the compensation of the Company s directors.
Develops and reviews annually Quaker s Corporate Governance Guidelines.

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Conducts annual performance evaluation of the Board and ensures each Board committee conducts its own annual self-evaluation.
Reviews and approves related party transactions and similar transactions and establishes policies and procedures for such transactions.

The Audit Committee, Compensation/Management Development Committee and Governance Committee each operates under a charter. These charters, together with Quaker s Corporate Governance Guidelines, are available on the Company s Web site by accessing the Investors/Corporate Governance section at *http://www.quakerchem.com*.

Compensation Committee Interlocks and Insider Participation

The individuals who served as members of the Compensation/Management Development Committee during the year ended December 31, 2009 are Robert H. Rock, Chairman, Patricia C. Barron, Donald R. Caldwell and Edwin J. Delattre, each of whom is an independent director. No member of the Compensation/Management Development Committee is or was during 2009 an employee, or is or ever has been an officer, of Quaker. During 2009, no executive officer of Quaker served as a director or a member of the compensation committee of another company, one of whose executive officers serves as a member of Quaker s Board of Directors or Compensation/Management Development Committee.

Executive Compensation

Compensation Discussion and Analysis

General Philosophy

Quaker, like many companies of similar size, relies on a small group of managers who have the requisite skills and knowledge to enable us to achieve our business strategies, operate as a globally integrated whole, and deliver value to our shareholders. To attract and retain talented senior level managers, we have adopted a compensation strategy that:

- provides opportunities for highly competitive levels of total compensation when merited by performance;
- creates incentives to perform over a multiple-year period; and
- aligns interests of the management team with those of our shareholders.

Quaker compensates its executive officers, who include for 2009 our Chairman, CEO and President, and our vice presidents, through a total compensation package. This package consists of a mix of base salary, an annual cash incentive bonus, long-term incentives comprising both equity awards and cash payments, and a competitive benefits package comprising medical, life, disability, and retirement using both qualified and non-qualified programs, where appropriate. In this Compensation Discussion and Analysis, when we use the term executive officers, we are including the Named Executive Officers identified in the Summary Compensation Table on page 26 of this proxy statement.

Administrative Practices

Quaker s Compensation/Management Development Committee (the Committee) is responsible for overseeing and developing the compensation and management development programs for the Company. Consistent with its charter, the Committee is composed solely of members of our Board of Directors who meet the objective requirements for independence under our Corporate Governance Guidelines and the listing standards of the New York Stock Exchange. Four members of our Board, Patricia C. Barron, Donald R. Caldwell, Edwin J. Delattre and Robert H. Rock, Chairman, currently sit on the Committee. The Committee s responsibilities include the evaluation of, and approval of, or recommendation to Quaker s Board of Directors with respect to, the plans, policies, and programs relating to the compensation of the Company s executive officers. The Committee works very closely with members of management in fulfilling its duties. Management provides the necessary information and coordinates with the Committee s outside consultants, when appropriate, to ensure the Committee is sufficiently informed when taking action, or recommending action on compensation matters. As discussed below, benchmarking data is used prior to making any such decisions. The Committee s charter describes in full the Committee s authority, responsibilities, and specific powers and can be accessed from the Company s Web site at *http://www.quakerchem.com.*

To the extent possible, the Committee strives to structure the compensation of our executives to ensure that the compensation paid to executive officers is deductible for Federal income tax purposes. The Committee may choose to provide compensation that is not deductible in order to retain or to secure the services of key executives when it determines that it is in Quaker s best interest to do so. Section 162(m) of the Internal Revenue Code, as amended (the Code), imposes a $1,000,000 limit on the amount of compensation deductible by Quaker in regard to compensation paid to certain of our executive officers. Although the reported total compensation of Mr. Barry for 2009 in the Summary Compensation Table below was in excess of $1,000,000, the $1,000,000 threshold for Section 162(m) was not exceeded. This is due to the fact that performance-based compensation and the increase in Mr. Barry s pension value are not included in determining whether the 162(m) threshold is exceeded for 2009.

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Benchmarking Data

To assist Quaker in establishing a total direct compensation package comprising base salary, an annual cash incentive bonus and long-term incentives, the Committee engages Towers Watson (formerly Towers Perrin), a nationally recognized human resources consulting firm. Towers Watson conducts executive compensation studies and analyses and provides the Committee with benchmarking data and counsel on compensation trends and issues. Towers Watson provides no other services to the Company other than advising the Committee on executive compensation matters.

Due to our size and diverse businesses, we have not identified a specific peer group that is appropriate to use in defining market total direct compensation for our executive officers. Therefore, our primary benchmarks for 2009 total direct compensation for our executive officers were derived from compensation information provided by Towers Watson from its database of 820 companies. For the line positions (Chief Executive Officer and Regional Managing Directors), Towers Watson used three screens of its database to develop relevant market survey data: an industry screen (chemicals, industrial manufacturing, and metals); financial screen (companies with less than $3 billion in revenues); and global operations screen (companies having at least 20% non-US revenues). For the staff positions, a similar methodology was used, except there was no industry screen and there was a lower threshold for the financial screen (companies with less than $1 billion in revenues). In addition, the Committee also looked at compensation data from companies that make up the S&P 600 Specialty Chemicals Index, also provided by Towers Watson. Though the Committee closely analyzes the data provided by Towers Watson, it exercised its discretion in the weight it assigns to this data.

Generally, we aim to set total direct compensation assuming target level performance for incentives at the 50^{th} percentile against the comparables and at maximum level at the 75^{th} percentile of the comparative group. This is the starting point of the analysis as other factors taken into consideration include experience, breadth of responsibilities, tenure in the position, whether the position held is for succession planning purposes, overall individual performance, and internal equity. We do not assign a particular weight to any of these factors but exercise discretion in this regard.

Based on the Committee s assessment of their relative experience and performance, Messrs. Bregolato s, and Platzer s targeted total direct compensation for 2009 was at or near the 75^{th} percentile of the comparative data as provided by Towers Watson in mid 2008. Messrs. Barry s, Featherstone s and Benoliel s compensation was between the 25^{th} and 50^{th} percentiles of benchmark levels.

Allocating Between Current and Long-Term Compensation

The Committee, in seeking to ensure the appropriate focus on performance and risk, developed guidelines in consultation with Towers Watson for executive officers for allocating the desired total direct compensation package among base salary, an annual cash incentive bonus, and long-term incentives. As a general philosophy, these guidelines provide that the higher the position within management the more total compensation is incentive-pay dependent and the more the incentive pay is long-term oriented. This is done to better align senior level compensation with the long-term success of the Company. These guidelines are reviewed regularly to ensure their marketplace competitiveness.

In the case of Mr. Barry, the guidelines range for base salary from 27% to 41% of total compensation, for annual cash incentive bonus from 20% to 22% of total compensation, and for long-term incentives from 39% to 51% of total compensation. The applicable guidelines for our other executive officers range for base salary from 50% to 68% of total compensation, for annual cash incentive bonus from 15% to 21% of total compensation, and for long-term compensation from 14% to 30% of total compensation.

Base Salary

Each year, the Committee reviews and discusses base salaries of our executive officers. The Committee s final determination of salary increases depends on a number of factors, including market data reported by Towers Watson, specific position responsibilities and scope, experience and tenure, current job performance, and

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Quaker s overall financial results. In the case of some of our foreign-based executive officers, salary increases may be a result of legal mandates of a particular country or region which influence the final determinations of the Committee even when similar increases were not granted to officers of comparable positions residing in the United States.

In 2009, none of our Named Executive Officers received an increase in base salary as part of Quaker s efforts to control costs.

Annual Cash Incentive Bonus

The second component of the total direct compensation package is the annual cash incentive bonus, which is determined under the Global Annual Incentive Plan (GAIP). The GAIP is intended to provide associates of Quaker or a subsidiary of Quaker with an opportunity to receive incentive bonuses based on the achievement of budgeted financial performance criteria and regional/personal objectives. Awards under the GAIP may be made in cash or in Quaker common stock, although we generally make the awards in cash absent unusual circumstances.

GAIP bonuses at target (which is defined as 55% of the maximum opportunity) are based 75% on corporate financial results and 25% on regional performance or personal objectives, depending on position. For all participants, the corporate component of the bonus may vary up to maximum or down to zero based on corporate net income. For regional associates (Messrs. Bregolato and Platzer), the regional portion of the bonus is set at 25% of target bonus and may vary up to 182% of the targeted regional opportunity or down to zero depending on regional performance. Nevertheless, the total GAIP bonus cannot exceed a participant s maximum opportunity. For non-regional associates (Messrs. Barry, Featherstone and Benoliel), the personal objectives portion of the bonus may only vary up to 100% of the targeted personal objectives opportunity of target bonus. When the corporate component is at maximum, the regional performance/personal objective opportunity can be no greater than 13.75% of the total GAIP bonus opportunity which is defined for all participants as a percentage of base salary. In 2009, Mr. Barry s maximum annual incentive award opportunity per his 2008 employment agreement was 118% of his base salary. The applicable maximum annual award percentage for our other executive officers is 50% of base salary per their employment agreements.

The corporate financial targets for 2009 GAIP bonuses were based on consolidated net income and were set at $11.6 million ($1.05 per share) of net income at threshold (the level at which the bonus pool began to accumulate), $13.8 million ($1.25 per share) of net income at target, and $16.4 million ($1.49 per share) of net income at maximum all excluding budgeted CEO transition costs and the restructuring costs associated with a program implemented in the first quarter of 2009. The Committee selected these net income levels, which were approved by the Board, because of their correlation to the 2009 budgeted adjusted net income of $13.8 million (adjusted to exclude CEO transition costs and 1st Quarter 2009 restructuring charges), the level of improvement over the 2008 reported net income of $11.1 million, and most importantly, the challenge of achieving these targets in a very uncertain business environment. In addition, the Committee chose a threshold target closer to budget as compared to prior years to ensure earnings necessary to maintain compliance with debt covenants. If the final net income level had fallen between the amounts shown above, interpolation would have been used to calculate the bonus payout.

At the time the Committee set the 2009 GAIP targets, it also approved a list of significant non-budgeted business circumstances for which adjustment may be made at the Committee s sole and absolute discretion, to the reported net income for purposes of calculating the award. They included site consolidation expenditures for consolidating U.S. manufacturing locations, significant customer bankruptcies or plant shutdown; change in accounting principles, unusual factors driving an increased tax rate; non-recurring adjustments to income such as asset write-downs or write-offs, restructuring and related charges and first-year acquisition costs/losses; adverse legal judgments, settlements, litigation expenses, and legal and environmental reserves; expenditures for discretionary Board approved corporate purposes or major initiatives, including individual personnel actions; and changes in exchange rates.

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In 2009, reported net income was $16.2 million ($1.47 per share) and with CEO transition costs and restructuring charges added back, net income was $20.9 million ($1.75 per share), exceeding the GAIP maximum goal of $16.4 million ($1.49 per share). Accordingly, all participants earned the maximum corporate component of the GAIP bonus.

In 2009, Mr. Barry s individual goals included, among others things, achieving the 2009 financial plan, ensuring strong liquidity and credit position, retaining key associates, returning margins to acceptable (budgeted) levels, significantly reducing the Company s cost structure without damaging existing business, strategically positioning Quaker well for the future and assuring manufacturing consolidation plans are advanced as planned. Mr. Barry earned 100% of his target individual component. The individual goals of the other executive officers were a mix of quantitative performance objectives and managerial goals, such as achieving regional sales budgets, improving profitability of certain regional business segments, realizing on certain business development opportunities, lowering working capital to historical levels, advancing the Company s investor relations program, improving our strategy development process, advancing the plan for growth in certain identified markets, and SOX compliance. The other Named Executive Officers achieved 100% of the target opportunity on their individual components of the annual bonus.

Long-Term Incentives

Under the Company s Long-Term Performance Incentive Plan (LTIP), stock options, restricted stock, long-term cash payments and other types of awards can be made to participants. This plan is intended to assist us in attracting, retaining, and motivating employees, non-employee directors and consultants through the use of compensation that rewards long-term performance. The use of stock-based compensation in our long-term incentive plan balances the cash-based annual incentive bonus and cash portion of our long-term performance plan. The Committee believes that stock ownership by management and equity-based performance compensation arrangements are useful tools to align the interests of management with those of Quaker s shareholders. Under the LTIP, a three-year performance period is used. Generally, employees selected as award recipients hold key positions impacting the long-term success of Quaker and its subsidiaries. These awards are based on overlapping three-year performance periods, so a new program starts each year and a payment is made each year, if earned.

Under the Company s LTIP, Mr. Barry and the other Named Executive Officers were awarded options, time-based restricted stock, and a target cash award for the 2007-2009 performance period. Payment of the cash award was dependent upon achieving certain targeted performance over the three-year period on relative total shareholder return (TSR) as compared to the S&P SmallCap 600 (Materials Group). The threshold for the TSR target was relative performance at the 30th percentile of the comparison group, target was at the 50th percentile, and maximum was at the 85th percentile. For this period, Quaker s TSR equated to a ranking in the 78th percentile of the comparison group warranting a payout of 91.25% of maximum.

Each year, the Committee reviews with Towers Watson current trends in long-term compensation practices. The most recent review confirmed that Quaker s practices were generally consistent with those of other public companies, and are as follows:

- Provide for three types of awards (cash, restricted stock, and options) to senior executives, including each of the Named Executive Officers, but limit awards for lower level executives to cash and restricted stock.
- The cash portion of the Company s LTIP will be performance-based. The performance criteria for the cash payment is a single metric, relative total shareholder return over the applicable period as compared to the S&P SmallCap 600 (Materials Group). By tying the cash award to shareholder value, it allows a market metric to be used as a performance measure without accounting complications.
- Restricted stock will be time-based and would vest at the end of three years assuming continued employment of the grantee. These restricted shares would be eligible for dividends payable at the time dividends are paid generally.

Options will vest in three equal installments over a three-year performance period commencing with the anniversary of the date of grant.

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The relative value of each of the aforementioned awards is roughly equal at the time of grant assuming target performance of the cash portion.

In the first quarter of 2009, the Committee selected participants for the 2009-2011 performance period, including all of the Named Executive Officers. As discussed above, for all executive officers, including the CEO, target awards were determined as a percentage of base salary. The specific amount of each award was determined based on market data provided by Towers Watson, as well as the relative position of each executive officer within the Quaker organizational structure, influence on long-term results, past practice, performance factors independent of the terms and amounts of awards previously granted, and policy targets for the mix of compensation between base salary, annual and long-term incentives. The target award for Mr. Barry was 115% of base salary while for the other Named Executive Officers the range was 30% to 55% of base salary.

For the 2009-2011 performance period, Mr. Barry received a long-term incentive grant of a target cash award opportunity of $172,500, 22,316 restricted stock and 75,658 options. The other Named Executive Officers received target cash award opportunities ranging from $32,612 to $45,577, restricted stock ranging from 4,219 to 5,896 and options ranging from 14,304 to 19,990.

The exercise price of options awarded under the LTIP is not less than 100% of the fair market value of a share of Quaker common stock on the date the option was granted defined as the last sale price for a share of common stock as quoted on the New York Stock Exchange for that date or, if not reported on the New York Stock Exchange for that date, as quoted on the principal exchange on which the common stock is listed or traded, and if no such sales are made on that date, then on the next preceding date on which there are such sales.

Stock Ownership Policy

To align the interests of executive officers with the interests of our shareholders, each of the Named Executive Officers must maintain a minimum ownership in Quaker stock. In 2009, the Committee modified the policy raising the minimum levels of Quaker stock ownership to be held by executive officers. For the CEO, the minimum is five times his base salary and for our other Named Executive Officers the minimum is one and one-half times the executive s base salary. The ownership levels must be attained by the end of five years after the later of the appointment of the person as an executive officer (including the Named Executive Officers) or the date the policy was modified. The CEO and all but one of the Named Executive Officers were in compliance with the new ownership policy when last tested in June 2009 and all were in compliance with the old ownership guidelines.

Retirement Benefits

U.S. Qualified Defined Benefit Plan

Before 2006, nearly all of Quaker s U.S. employees were covered by a non-contributory qualified defined benefit retirement plan. The plan when originally adopted had a traditional final pay formula for calculating a participant s benefit which has been modified over the years. In 2001, a new formula was adopted. It is an accrual-based formula providing for annual credits of 3% to 7% of an employee s salary depending on age and service, with interest on the balance accruing based on the average rate of interest on 30-year treasury bonds (or 3.79%, if more). Participants who have reached the age of 60 and have at least 10 years of service are eligible for early retirement. The pension benefit is now calculated based on the benefit accrued under the old formula as of December 31, 2000, and then under the new formula commencing January 1, 2001. Effective December 31, 2005, the pension plan benefits were frozen for all non-union participants, including all U.S. based executive officers, resulting in no further increase in pension benefits for compensation or service after such date.

Foreign Plans

Mr. Platzer s retirement benefits are provided under a defined benefit pension plan maintained by the Company s Netherlands operating subsidiary. Since 2004, the Netherlands plan has used a career average pay formula that provides for a target retirement benefit of 80% career average salary assuming employment of 40

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years. In 2004, the formula was modified freezing salary levels at then current levels for pension purposes with annual increases at an assumed rate of 3%. To the extent inflation increases over 3%, half of the excess will be added to the assumed rate of annual increases. Prior to 2004, the plan was a final salary plan and provided 70% of final salary assuming employment of 40 years. For pension purposes, pensionable salary is defined as 14.02 times a participant s monthly salary. Pension liabilities under this plan are funded through an insurance policy. Mr. Bregolato s retirement benefit is provided under a defined contribution plan maintained by Quaker s Brazilian operating subsidiary. The plan is entirely paid by the Company and the current contribution rate is 12.187% of salary. Contributions are annually readjusted to reflect salary increases. Quaker Brazil will have no additional liability with regard to the retirement plan beyond paying the annual contributions.

Nonqualified Supplemental Retirement Income Program

We also provide supplemental retirement income to certain of our U.S. based executive officers. Executive officers are designated by the Committee to participate in the Supplemental Retirement Income Program (SRIP).

At this time, Messrs. Barry and Benoliel are the only active executive officers participating in the SRIP. It provides an annual benefit of 50% of the participant s pre-tax average annual compensation, reduced by three offsets and further reduced if the participant completes fewer than 30 years of service. This benefit is generally payable over the participant s lifetime, starting within seven months after the participant s retirement (on account of disability or after attaining age 62), or starting after the participant s 65th birthday (if the participant s employment terminates after five years of participation but before retirement). Other benefit forms are 36 monthly installments (if payments start after the participant attains age 65) or monthly payments over the lifetime of the participant with a lump sum payable to his or her surviving beneficiary. However, benefits are payable in a lump sum if the present value of the participant s benefit does not exceed a Code limit ($16,500 for distributions in 2010) or if the participant dies or a change in control occurs.

Average annual compensation is defined for this program as the average of the participant s annual base compensation and annual bonuses paid in the three calendar years (of the last ten) in which such amounts were the highest. The offsets are the participant s annual Social Security benefit (based on certain assumptions), the annual benefit payable to the participant over his or her lifetime under the qualified defined benefit retirement plan discussed above, and the aggregate amount of the qualified non-elective contributions made on the participant s behalf under the Quaker Chemical Corporation Retirement Savings Plan (plus assumed earnings) expressed as an annual benefit payable over the participant s lifetime. The service reduction is equal to 3.333% for each year (or partial year) of service fewer than 30 completed by the participant.

For the two original (and currently the only) active participants in SRIP, their accrued benefit is the greatest of:

1. if employed by the Company at age 55, the benefit payable under the formula set forth in the SRIP as in effect prior to January 1, 2005, based on the original participant s salary plus bonus and years of employment when he attains age 55; or

2. the sum of the benefit the original participant would have accrued as of December 31, 2006, under the formula set forth in the SRIP as in effect prior to January 1, 2005, based on the original participant s salary plus bonus and years of employment at December 31, 2006, plus the benefit the original participant accrues under the new formula, described above, but disregarding service completed before 2007; or

3. the amount determined under the new formula described above.

The year-over-year increases in the present value of the retirement benefits realized in 2009, as reflected in the Summary Compensation Table on page 26 of this proxy statement, for Messrs. Barry and Benoliel, were primarily due to the changes in the discount rate applied in calculating the present value benefit and an increase in SRIP compensation.

Severance and Change in Control Benefits

The Committee believes that appropriate severance and change in control benefits are an important part of the total compensation benefits package because they enhance our ability to compete for talent and foster stability in our management. Quaker has entered into employment agreements with each of our Named Executive Officers, pursuant to which severance benefits are payable, and has entered into change in control agreements with each of our executive officers, including each of the Named Executive Officers, pursuant to which the executive officers will receive certain benefits if they are terminated within a specified period following a change in control of Quaker. In determining amounts payable, the Committee seeks to provide severance benefits sufficient to allow our executives time to find a comparable position elsewhere and change in control benefits sufficient to induce our executives to support a change in control transaction fully and remain with us despite any risk of termination after the transaction.

Mr. Barry s Employment Agreement

Mr. Barry is employed pursuant to an employment agreement which automatically renews for one-year terms unless either Quaker or Mr. Barry gives 90 days prior notice of non-renewal. In accordance with the terms of the employment agreement, our Board s Compensation/Management Development Committee reviews and adjusts Mr. Barry s annual base salary each year. His base salary for 2009 was $450,000. Mr. Barry is eligible to participate in our GAIP and LTIP.

Mr. Barry s employment agreement provides that upon the termination of his employment for any reason, except for death or disability, or by us for cause, or a covered termination, as this latter term is defined in his Change in Control Agreement, Quaker will pay him 18 monthly severance payments that, in the aggregate, are equal to 150% of his base salary at the time of termination plus bonus equal to the average annual bonus earned under Quaker s annual incentive compensation in the applicable three-year period. In general, this three-year period is the year of termination and the two preceding years (if Mr. Barry received a bonus in the year of his termination), or otherwise, the three calendar years prior to his termination.

In addition to the payments described above, Mr. Barry is entitled to 18 months of medical and dental coverage at a level equal to the coverage provided before his date of termination of employment and the severance allowance will be taken into account in determining his retirement benefit under the SRIP. In addition, an additional 18 months of service and age will be credited in determining this retirement benefit. See the discussion under the caption Potential Payments Upon Termination or Change in Control on page 33 of this proxy statement.

Cause is defined under Mr. Barry s employment agreement as either willful and material breach of the terms of his employment agreement (after having received notice thereof and a reasonable opportunity to cure or correct) or dishonesty, fraud, willful malfeasance, gross negligence, or other gross misconduct, in each case relating to the performance of Mr. Barry s duties to Quaker which is materially injurious to the Company or a conviction of or guilty plea to a felony. A covered termination is termination of Mr. Barry s employment within two years following a change in control by the Company without cause or by Mr. Barry for good reason.

In the case of termination of employment because of disability, Mr. Barry will be entitled to 50% of base salary during the period that benefits are payable under our long-term disability plan. In the case of termination of employment because of death, Mr. Barry s beneficiary would receive in a lump sum the higher of two times his annual base salary for the year in which his death occurred or the death benefit (as a multiple of base salary) to which any other executive officer would be entitled. The Company currently has a program in which all Named Executive Officers participate entitling each to a death benefit equal to 100% of base salary in the year of death and 50% of base salary in each of the four years thereafter. Mr. Barry would be entitled to the death benefit as it provides a greater benefit than that provided under his employment agreement. See the discussion under the caption Potential Payments Upon Termination or Change in Control on page 33 of this proxy statement.

In the case of a termination (other than for death, disability, by us for cause, or by Mr. Barry other than for good reason) within two years following a change in control, Mr. Barry would be entitled to payment equal to two times the sum of his highest annualized base salary during his employment plus an amount equal to the greater of (i) the average of the annual amounts paid to him under all bonus and annual incentive plans during the applicable three calendar year period described in Mr. Barry s change in control agreement, or (ii) the target bonus which would have otherwise been payable to Mr. Barry for the calendar year in which the change in control transaction occurred. In general, this three-year period is the year of termination and the prior two years (if Mr. Barry received a bonus in the year of his termination) or, otherwise, the three calendar years prior to his termination. In addition, Mr. Barry would be entitled to receive (i) his earned but unpaid base salary through the date of termination at the current rate, or if higher, at the rate in effect at any time during the 90-day period preceding the change in control; (ii) any unpaid bonus or annual incentive payable to him in respect of the calendar year ending prior to termination; (iii) the pro rata portion of any and all unpaid bonuses and annual incentive awards for the calendar year in which the termination occurs which would have been payable had the target level of performance been achieved for the calendar year; and (iv) the pro rata portion of any and all awards under the LTIP for the performance period(s) in which the termination occurs, which would have been payable had the target level of performance been achieved for the performance period. In addition to the amounts described above, Mr. Barry is also entitled to one-year outplacement services and participation in our medical, dental, and life insurance programs as if still employed for a period of two years. See the discussion under the caption Potential Payments Upon Termination or Change in Control on page 33 of this proxy statement.

Other Named Executive Officers

Our other Named Executive Officers are each entitled to severance under their respective employment agreements if the Company terminates their employment (other than in the case of termination for cause, disability, death or retirement) equal to 12 months base salary at their then current rate of salary or, if greater, as in the case of Mr. Platzer, severance prescribed by law in foreign jurisdictions. Cause is defined in Messrs. Bregolato s and Platzer s employment agreements as: (i) willful and continued failure (following written notice) of the executive to perform his duties under the employment agreement; or (ii) the willful engaging by the executive in a continued course of misconduct which is materially injurious to Quaker, monetarily or otherwise. In the case of Messrs. Featherstone and Benoliel, cause is defined as: (i) willful and material breach of the memorandum of employment; (ii) dishonesty, fraud, willful malfeasance, gross negligence, or other gross misconduct, in each case relating to the performance of duties which is materially injurious to Quaker; or (iii) conviction of or plea of guilty to a felony. Our other Named Executive Officers are also entitled to reasonable outplacement assistance under their respective employment agreements. Messrs. Featherstone s, Benoliel s and Platzer s severance payments are contingent upon signing a form of release satisfactory to Quaker.

Quaker has entered into change in control agreements with each of its Named Executive Officers. Under these agreements (Mr. Barry s is described above), the officers other than Mr. Barry are entitled, if terminated (other than for disability, death, by us for cause, or by the executive officer other than for good reason) within two years following a change in control, to severance in an amount equal to 1.5 times the sum of highest annualized base salary plus an amount equal to the average of the total annual amounts paid to the executive under all applicable annual incentive compensation plans during the applicable three calendar year period described in the change in control agreements. In addition, these executive officers are entitled to receive (i) earned but unpaid base salary through the termination at the rate in effect on the date of termination or, if higher, at the rate in effect at any time during the 90-day period preceding the change in control; (ii) any unpaid bonus or annual incentive payable to the executive in respect of the calendar year ending prior to the termination; (iii) the pro rata portion of any and all unpaid bonuses and annual incentive awards for the calendar year in which the termination occurs based on actual performance for Mr. Bregolato, or target performance for Messrs. Featherstone, Benoliel and Platzer; and (iv) the pro rata portion of any and all awards under the Company s LTIP for the performance period(s) in which the termination occurs, which would have been payable had the target level performance been achieved for the performance period. In general, this three-year period is the year of termination and the prior two years (for Mr. Featherstone and Mr. Benoliel, if the executive received a bonus in the year of the executive s termination) or, otherwise, the three calendar years prior to his termination. See the discussion under the caption Potential Payments Upon Termination or Change in Control on page 33 of this proxy statement.

In addition to the amounts described above, our other Named Executive Officers are also entitled to one-year outplacement services and participation in our medical, dental, and life insurance programs as if still employed for a period of 18 months. Mr. Platzer is also entitled to receive additional payments as prescribed by the law in the foreign jurisdiction in which he is located. These benefits will be paid or provided only if the executive officer signs a general release of claims. In addition, the benefits and payments will be discontinued if the executive officer violates the confidentiality provisions of his respective change in control agreement (at any time) or the noncompete provisions of the change in control agreement (during employment or the one-year period thereafter).

In the change in control agreements cause is defined as: (i) the willful and material breach of the employment agreement between the executive and Quaker (after having received notice and the reasonable opportunity to correct); (ii) dishonesty, fraud, willful malfeasance, gross negligence or other gross misconduct, in each case relating to the performance of the executive s employment with Quaker which is materially injurious to Quaker; or (iii) conviction of or plea of guilty to a felony. Good reason includes, other than by reason of executive s death or disability: (i) any reduction in the executive s base salary from that provided immediately before the covered termination or, if higher, immediately before a change in control; (ii) any reduction in the executive s bonus opportunity (including cash or noncash incentives) or increase in the goals or standards required to accrue that opportunity, as compared to the opportunity and goals or standards in effect immediately before the change in control; (iii) a material adverse change in the nature or scope of the executive s authorities, powers, functions or duties from those in effect immediately before the change in control; (iv) a reduction in the executive s benefits from those provided immediately before the change in control, disregarding any reduction under a plan or program covering employees generally that applies to all employees covered by the plan or program; or (v) the executive being required to accept a primary employment location which is more than 25 miles from the location at which he was primarily employed during the 90-day period prior to a change in control.

Other Benefits on Termination

In addition to the payments and benefits discussed above, the executive officers are entitled to the payments and benefits that are available to all employees on termination of employment, including vested benefits under the Company s qualified defined benefit retirement plan and 401(k) plan, short-term and long-term disability benefits (in the event of disability), and life insurance benefits (in the case of death).

Perquisites and Other Benefits

As a general matter, the Company does not provide perquisites to its executive officers. In South America and Europe, consistent with regional compensation practices, cars are provided to mid and upper level managers, including Messrs. Bregolato and Platzer.

Compensation Committee Report

The Compensation/Management Development Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and in Quaker s Annual Report on Form 10-K for the fiscal year ended December 31, 2009 for filing with the SEC.

Compensation/Management Development Committee

Robert H. Rock, Chairman

Patricia C. Barron

Donald R. Caldwell

Edwin J. Delattre

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Summary Compensation Table

The table below summarizes the total compensation awarded to, paid to, or earned by each of our executive officers who are named in the table. In this proxy statement, we sometimes refer to this group of individuals as our Named Executive Officers.

(a)	(b)	(c)	(d)	(e)