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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1998

or

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
for transition period from to

Commission file number 0-7154

QUAKER CHEMICAL CORPORATION

(Exact name of Registrant as specified in its charter)

A Pennsylvania Corporation

No. 23-0993790

(State or other jurisdiction of (I.R.S. EMPLOYER IDENTIFICATION NO.)
incorporation or organization)

Elm and Lee Streets, Conshohocken, Pennsylvania 19428

(Address of principal executive offices) (Zip Code)

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

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

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

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

Indicate by check mark whether the Registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months and (2) has been subject to such filing
requirements for the past 90 days. Yes X No.
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Indicate by check mark if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K is not contained herein, and will not be contained, to the
best of Registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to this
Form 10-K. X

State the aggregate market value of the voting stock held by non-affiliates
of the Registrant. (The aggregate market value is computed by reference to the
last reported sale on the New York Stock Exchange on March 12, 1999):
\$113,433,595.

Indicate the number of shares outstanding of each of the Registrant's
classes of common stock as of the latest practicable date: 8,902,377 shares of
Common Stock, \$1.00 Par Value, as of March 12, 1999.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of the Registrant's Annual Report to Shareholders for the year

ended December 31, 1998 are incorporated into Parts I and II.

- (2) Portions of the Registrant's definitive Proxy Statement dated March 31, 1999 in connection with the Annual Meeting of Shareholders to be held on May 12, 1999 are incorporated into Part III.

The exhibit index is located on page 15.

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PART I

As used in this Report, the term "Quaker," unless the context otherwise requires, means Quaker Chemical Corporation, its subsidiaries, and associated companies.

Statements contained in this Annual Report on Form 10-K may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those projected in such statements.

Such risks and uncertainties include, but are not limited to, significant increase in raw material costs, worldwide economic and political conditions, and foreign currency fluctuations that may affect worldwide results of operations. Furthermore, the Company is subject to the same business cycles as those experienced by steel, automobile, appliance, or durable goods manufacturers.

Item 1. Business.

General Description

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Quaker develops, produces, and markets a broad range of formulated chemical specialty products for various heavy industrial and manufacturing applications and, in addition, offers and markets chemical management services, including recycling services. Quaker's principal products and services include: (i) rolling lubricants (used by manufacturers of steel in the hot and cold rolling of steel and by manufacturers of aluminum in the cold rolling of aluminum); (ii) corrosion preventives (used by steel and metalworking customers to protect metal during manufacture, storage, and shipment); (iii) metal finishing compounds (used to prepare metal surfaces for special treatments such as galvanizing and tin plating and to prepare metal for further processing); (iv) machining and grinding compounds (used by metalworking customers in cutting, shaping, and grinding metal parts which require special treatment to enable them to tolerate the manufacturing process); (v) forming compounds (used to facilitate the drawing and extrusion of metal products); (vi) paper production products (used as defoamers, release agents, softeners, debonders, and dispersants); (vii) hydraulic fluids (used by steel, metalworking, and other customers to operate hydraulically activated equipment); (viii) products for the removal of hydrogen sulfide in various industrial applications; (ix) chemical milling maskants for the aerospace industry and temporary and permanent coatings for metal products; (x) construction products such as flexible sealants and protective coatings for various applications; and (xi) programs to provide recycling and chemical management services.

A substantial portion of Quaker's sales worldwide are made directly through its own sales force with the balance being handled through distributors and agents. Quaker sales persons visit the plants of customers regularly and, through training and experience, identify production needs which can be resolved or alleviated either by adapting Quaker's existing products or by applying new

formulations developed in Quaker's laboratories. Sales personnel may call upon Quaker's regional managers, product managers, and members of its laboratory staff for assistance in obtaining and setting up product tests and evaluating the results of such tests. In 1998, certain products were also sold in Canada and Korea by exclusive licensees under long-term royalty agreements. Generally, separate manufacturing facilities of a single customer are served by different sales personnel.

In 1998, the Company acquired a 60% interest in a joint venture in Brazil with Siderquimica Ltda., the leading process chemical supplier to the Brazilian steel industry. The Company's joint venture in Venezuela, Kelco Quaker Chemical, S.A., also acquired the Siderquimica operation in that country. For additional information regarding this transaction, see Note 12 of Notes to Consolidated Financial Statements which appears on p. 30 of the Registrant's 1998 Annual Report to Shareholders, the incorporated portion of which is included as Exhibit 13 to this Report.

The business of the Company and its operating results are subject to certain risks, of which the principal ones are referred to in the following subsections.

Competition - -----

The chemical specialty industry is composed of a number of companies of similar size as well as companies larger and smaller than Quaker. Quaker cannot readily determine its precise position in every industry it serves. Based on information available to Quaker, however, it is estimated that Quaker holds a significant position (among a group in excess of 25 other suppliers) in the market for process fluids used in the production of hot and cold rolling of steel. Many competitors are in fewer and more specialized product classifications or provide different levels of technical services in terms of specific formulations for individual customers. Competition in the industry is based primarily on the ability to provide products which meet the needs of the customer and render technical services and laboratory assistance to customers and, to a lesser extent, on price.

Major Customers and Markets - -----

During 1998, Quaker's five largest customers (each composed of multiple subsidiaries or divisions with semi-autonomous purchasing authority) accounted for approximately 14.4% of its consolidated net sales with the largest of these customers accounting for approximately 4.2% of consolidated net sales. Furthermore, a significant portion of Quaker's revenues are realized from the sale of process fluids to manufacturers of steel, automobiles, appliances, and durable goods, and, therefore, Quaker is subject to the same business cycles as those experienced by these manufacturers and their customers

Raw Materials - -----

Quaker uses over 500 raw materials, including mineral oils, fats and fat derivatives, ethylene derivatives, solvents, surface active agents, chlorinated paraffinic compounds, and a wide variety of organic and inorganic compounds. In 1998, only one raw material accounted for as much as 10% of the total cost of Quaker's raw material purchases. Many of the raw materials used by Quaker are "commodity" chemicals, and, therefore, Quaker's earnings can be

affected by market changes in raw material prices. Quaker has multiple sources of supply for most materials, and management believes that the failure of any single supplier would not have a material adverse effect upon its business. Reference is made to disclosure contained in Item 7A of this Report.

Patents and Trademarks - -----

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

Research and Development--Laboratories - -----

Quaker's research and development laboratories are directed primarily toward applied research and development since the nature of Quaker's business requires continuing modification and improvement of formulations to provide chemical specialties to satisfy customer requirements. Incorporated by reference is the information contained under the caption "Research and Development Costs" appearing in Note 1 of Notes to Consolidated Financial Statements on page 23 of the Registrant's 1998 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Quaker maintains quality control laboratory facilities in each of its manufacturing locations. In addition, Quaker maintains in Conshohocken, Pennsylvania, and Uithoorn, The Netherlands, laboratory facilities which are devoted primarily to applied research and development.

Most of Quaker's subsidiaries and associated companies also have laboratory facilities. Although not as complete as the Conshohocken laboratories, these facilities are generally sufficient for the requirements of the customers being served. If problems are encountered which cannot be resolved by local

laboratories, such problems may be referred to the corporate laboratory staff, which also defines and supervises corporate research projects.

Approximately 163 persons, of whom 80 have B. S. degrees and 38 have B.S. and advanced degrees, are employed in Quaker's laboratories.

Number of Employees - -----

On December 31, 1998, Quaker's consolidated companies had 923 full-time employees of whom 395 were employed by the parent company and its U.S. subsidiaries and 528 were employed by its non-U.S. subsidiaries. Associated companies of Quaker (in which it owns 50% or less) employed 266 people on December 31, 1998.

Product Classification - -----

Incorporated by reference is the information concerning product classification by markets served appearing in Note 11 of Notes to Consolidated Financial Statements on page 29 of the Registrant's 1998 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to

this Report.

Non-U.S. Activities

Incorporated by reference is the information concerning non-U.S. activities appearing in Note 11 of Notes to Consolidated Financial Statements on page 29 of the Registrant's 1998 Annual Report to Shareholders and under the caption "General" of the Operations section of Management's Discussion and Analysis of Financial Condition and Results of Operations which appears on page 17 of the aforementioned Annual Report, the incorporated portions of which are included as Exhibit 13 to this Report. Since significant revenues and earnings are generated by its non-U.S. operations, Quaker's financial results are affected by currency fluctuations, particularly between the U.S. dollar and the Dutch guilder and the impact of those currency fluctuations on the underlying economies. Reference is made to disclosure contained in Item 7A of this Report.

Item 2. Properties.

Quaker's principal facilities in the United States are located in Conshohocken, Pennsylvania and Detroit, Michigan. Quaker's non-U.S. subsidiaries own facilities in Woodchester, England; Uithoorn, The Netherlands; Villeneuve, France; and Santa Perpetua de Mogoda, Spain and lease small sales facilities in other locations. All of these facilities are owned mortgage free. Financing for the Technical Center in Conshohocken, Pennsylvania was arranged through the use

of industrial revenue and development bonds with an outstanding balance at December 31, 1998 of \$5,000,000.

Quaker's aforementioned facilities consist of various manufacturing, administrative, warehouse, and laboratory buildings. Substantially all of the buildings are of fire-resistant construction and are equipped with sprinkler systems. All facilities are primarily of masonry and/or steel construction and are adequate and suitable for Quaker's present operations. The Company has a program to identify needed capital improvements which will be implemented as management considers necessary or desirable. Most locations have various numbers of raw material storage tanks ranging from 6 to 63 having a capacity from 500 to 80,000 gallons each and processing or manufacturing vessels ranging in capacity from 50 to 12,000 gallons each. Manufacturing and warehouse facilities located in Conshohocken, Pennsylvania, were closed in 1996.

In order to facilitate compliance with applicable federal, state, and local statutes and regulations relating to occupational health and safety and protection of the environment, the Company has an ongoing program of site assessment, for the purpose of identifying capital expenditures or other actions that may be necessary to comply with such requirements. The program includes periodic inspections of each facility by Quaker and/or independent environmental experts, as well as ongoing inspections by on-site personnel. Such inspections are addressed to operational matters, record keeping, reporting requirements, and capital improvements. In 1998, capital expenditures directed solely or primarily to regulatory compliance amounted to approximately \$1,118,000.

Quaker's executive offices are located in a four-story building containing a total of approximately 47,000 square feet. A Technical Center containing approximately 28,700 square feet houses the laboratory facility. Both of these facilities are adjacent to Quaker's closed manufacturing facility in Conshohocken.

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

Item 3. Legal Proceedings.

The Company is a party to proceedings, cases, and requests for information from, and negotiations with, various claimants and federal and state agencies relating to various matters including environmental matters, none of which is expected to result in monetary sanctions in an amount or in an award that would have a material adverse effect on the Company's results of operations or financial condition. For information concerning pending asbestos-related cases against a non-operating subsidiary and amounts accrued associated with certain environmental investigatory and noncapital remediation costs, refer to Note 13

of Notes to Consolidated Financial Statements which appears on page 30 in the Registrant's 1998 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders during the last quarter of the period covered by this Report.

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

Name	Office (since)	Age	Year First Elected as an Executive Officer
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Ronald J. Naples	Chairman of the Board (1997), Chief Executive Officer (1995)	53	1995
Joseph W. Bauer	President and Chief Operating Officer (1998)	56	1998
Michael F. Barry	Vice President and Chief Financial Officer (1998)	40	1998
Jose Luiz Bregolato	Vice President-S outh America (1993)	53	1993
Ian F. Clark	Vice President (1999)	54	1999
James A. Geier	Vice President-Human Resources (1997)	43	1997
Daniel S. Ma	Vice President-Asia/Pacific (1995)	58	1995
Marcus C. J. Meijer	Vice President-Europe (1990)	51	1990
Joseph F. Virdone	Vice President - U.S. Commercial Operations (1996)	54	1996
Quentin D. Craft	Director-Corporate Technology (1990)	52	1990

Messrs. Bregolato and Meijer have served as officers of the Registrant for more than the past five years, and Dr. Craft has served in his present capacity

for more than five years. Prior to his election as an officer of the Registrant, Mr. Ma was Managing Director, Asia/Pacific Region, to which he was appointed in 1993. Prior to his election as President and Chief Executive Officer, effective October 2, 1995, Mr. Naples served as Chairman of the Board and Chief Executive Officer of Hunt Manufacturing Company until April 6, 1995, a position held for

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over five years. Mr. Naples was elected Chairman of the Board of the Registrant in 1997. Mr. Naples has been a Director of the Registrant since 1988. Prior to his election as an officer of the Registrant, Mr. Virdone served as Industry Manager-Steel from 1994 to 1996. Prior to that time, Mr. Virdone was employed by FMC Corporation as National Sales Director-Industrial Chemicals and also served in various consulting capacities. Prior to his election as an officer of the Registrant in 1997, Mr. Geier was employed by Rhone-Poulenc Rorer Pharmaceuticals, Inc., where he held a variety of human resource positions. Prior to his election as an officer of the Registrant in 1998, Mr. Bauer was employed by M. A. Hanna since 1992 and served as President of M. A. Hanna Color Division from 1996 to 1998 and President of PMS Consolidated from 1992 to 1995. Prior to his election as an officer of Registrant, effective November 30, 1998, Mr. Barry was employed by Lyondell (formerly ARCO Chemical) where he held the position of Business Director for its Urethanes business throughout the Americas from 1997 to 1998 and where he also held a variety of finance and business positions from 1988 to 1997. Prior to his election as an officer of Registrant, Mr. Clark was employed by Ciba Specialty Chemicals Corporation where he held the position of Vice President-Sales and Marketing, U.S. Pigments Division, from 1990 to 1998 and, in addition, was General Manager for one of its global pigment segments from 1996 to 1998.

There is no family relationship between the Registrant and any of the Registrant's Executive Officers. Each officer is elected for a term of one year.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

Incorporated by reference is the information appearing under the caption "Stock Market and Related Security Holder Matters" on page 34 of the Registrant's 1998 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Item 6. Selected Financial Data.

Incorporated by reference is the information appearing under the caption "Eleven-Year Financial Information" on pages 32 and 33 of the Registrant's 1998 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

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

Incorporated by reference is the information appearing under the caption

"Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 16 through 18 of the Registrant's 1998 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

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

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

Interest Rate Risk. Quaker's exposure to market rate risk for changes in interest rates relates primarily to its short and long-term debt. All of Quaker's long-term debt has a fixed interest rate, while its short-term debt is negotiated at market rates which can be either fixed or variable. Incorporated by reference is the information in "Liquidity and Capital Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 8 of the Notes to Consolidated Financial Statements on Pages 16 and 27, respectively, of the Registrant's 1998 Annual Report to Shareholders, the incorporated portion of which is included as Exhibit 13 to this Report. Accordingly, if interest rates rise significantly the cost of short-term debt to Quaker will increase. This can have a material adverse effect on Quaker depending on the extent of Quaker's short-term borrowings. As of December 31, 1998, Quaker had \$1,078,000 in short-term borrowings.

Foreign Exchange Risk. A significant portion of Quaker's revenues and earnings are generated by its non-U.S. operations of its foreign subsidiaries. Incorporated by reference is the information concerning Quaker's non-U.S. activities appearing in Note 11 of the Notes to Consolidated Financial Statements on Page 29 of the Registrant's 1998 Annual Report to Shareholders, the incorporated portion of which is included as Exhibit 13 to this Report. All such subsidiaries use the local currency as their functional currency. Accordingly, Quaker's financial results are affected by risks typical of international business such as currency fluctuations, particularly between the U.S. dollar and the Dutch guilder (and the E.U. euro). As exchange rates vary, Quaker's results can be materially adversely affected.

In the past, Quaker has used, on a limited basis, forward exchange contracts to hedge foreign currency transactions and foreign exchange options to reduce exposure to changes in foreign exchange rates. The amount of any gain or loss on these derivative financial instruments was immaterial, and there are no

contracts or options outstanding at December 31, 1998. Incorporated by reference is the information concerning Quaker's Significant Accounting Policies appearing in Note 1 of the Notes to Consolidated Financial Statements on Page 23 of the Registrant's 1998 Annual Report to Shareholders, the incorporated portion of which is included as Exhibit 13 to this Report.

Commodity Price Risk. Many of the raw materials used by Quaker are commodity chemicals, and, therefore, Quaker earnings can be materially adversely affected by market changes in raw material prices. In certain cases, Quaker has entered into fixed-price purchase contracts having a term of up to one year. These contracts provide for protection to Quaker if the price for the contracted raw materials rises, however, in certain limited circumstances, Quaker will not realize the benefit if such prices decline. Quaker has not been, nor is it currently a party to, any derivative financial instrument relative to commodities.

Item 8. Financial Statements and Supplementary Data.

Incorporated by reference is the information appearing on pages 20 through 34 of the Registrant's 1998 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Incorporated by reference is the information beginning immediately following the caption "Election of Directors" to, but not including, the caption "Executive Compensation" contained in the Registrant's definitive Proxy Statement to be filed no later than 120 days after the close of its fiscal year ended December 31, 1998 (the "1999 Proxy Statement") and the information appearing in Item 4(a) on pages 6 and 7 of this Report.

Section 16(a) Beneficial Ownership Reporting Compliance.

Based solely on the Company's review of certain reports filed with the Securities and Exchange Commission pursuant to Section 16(a) of the Securities Exchange Act of 1934 (the "1934 Act"), as amended, and written representations of the Company's officers and directors, the Company believes that all reports required to be filed pursuant to the 1934 Act with respect to transactions in

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the Company's Common Stock through December 31, 1998 were filed on a timely basis.

Item 11. Executive Compensation.

Incorporated by reference is the information beginning immediately following the caption "Executive Compensation" to, but not including, the caption "Compensation/Management Development Committee Report on Executive Compensation" contained in the Registrant's 1999 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners
and Management.

Incorporated by reference is the information beginning immediately following the caption "Security Ownership of Certain Beneficial Owners and Management" to, but not including, the caption "Election of Directors" contained in the Registrant's 1999 Proxy Statement.

Item 13. Certain Relationships and Related Transactions.

No information is required to be provided in response to this Item 13.

PART IV

Item 14. Exhibits, Financial Statement Schedules,
and Reports on Form 8-K.

(a) Exhibits and Financial Statement Schedules

1. Financial Statements

The following is a list of the Financial Statements and related documents which have been incorporated by reference from the Registrant's Annual Report to Shareholders for the fiscal year ended December 31, 1998, as set forth in Item 8:

Consolidated Statement of Operations

Consolidated Balance Sheet

Consolidated Statement of Cash Flows

Consolidated Statement of Shareholders' Equity

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Notes to Consolidated Financial Statements

Report of Independent Accountants

2. Financial Statement Schedules

All schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

Financial statements of 50% or less owned companies have been omitted because none of the companies meets the criteria requiring inclusion of such statements.

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

3(a)-- Amended and Restated Articles of Incorporation dated July 16, 1990. Incorporated by reference to Exhibit 3(a) as filed by Registrant with Form 10-K for the year 1996.

3(b)-- By-Laws as amended through May 6, 1998.

4-- Shareholder Rights Plan dated February 7, 1990. Incorporated by reference to Form 8-K as filed by the Registrant on February 20, 1990.

10(a)--Long-Term Performance Incentive Plan as approved May 5, 1993. Incorporated by reference to Exhibit 10(a) as filed by the Registrant with Form 10-K for the year 1993.

10(h)--Documents constituting employment contract by and between Quaker Chemical Europe B.V. and M. C. J. Meijer dated January 1, 1991. Incorporated by reference to Exhibit 10(h) as filed by Registrant with Form 10-K for the year 1993.

10(i)--Employment Agreement by and between the Registrant and Ronald J. Naples dated August 14, 1995. Incorporated by reference to Exhibit 10(i) as filed by Registrant with Form 10-Q for the quarter ended September 30, 1995.

10(j)--Amendment to the Stock Option Agreement dated

October 2, 1995 by and between the Registrant and Ronald J. Naples. Incorporated by reference to Exhibit 10(j) as filed by Registrant with Form 10-Q for the quarter ended September 30, 1995.

10(k)--Employment Agreement by and between Registrant and Jose Luiz Bregolato dated June 14, 1993. Incorporated by

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reference to Exhibit 10(k) as filed by Registrant with Form 10-K for the year 1995.

10(l)--Employment Agreement by and between Registrant and Daniel S. Ma dated May 18, 1993. Incorporated by reference to Exhibit 10(l) as filed by Registrant with Form 10-K for the year 1995.

10(n)--Deferred Compensation Plan as adopted by the Registrant on July 10, 1996. Incorporated by reference to Exhibit 10(n) as filed by Registrant with Form 10-K for the year 1996.

10(o)--Amendment No. 1 to Employment Agreement dated January 1, 1997 by and between Registrant and Ronald J. Naples. Incorporated by reference to Exhibit 10(o) as filed by Registrant with Form 10-K for year 1997.

10(p)--Amendment No. 1 to 1995 Naples Restricted Stock Plan and Agreement dated January 21, 1998 by and between Registrant and Ronald J. Naples. Incorporated by reference to Exhibit 10(p) as filed by Registrant with Form 10-K for year 1997.

10(q)--Employment Agreement by and between Registrant and Joseph F. Virdone dated July 17, 1996. Incorporated by reference to Exhibit 10(q) as filed by Registrant with Form 10-K for year 1997.

10(r)--Employment Agreement by and between Registrant and James A. Geier dated November 5, 1997. Incorporated by reference to Exhibit 10(r) as filed by Registrant with Form 10-K for year 1997.

10(s)--Employment Agreement by and between Registrant and Joseph W. Bauer dated March 9, 1998. Incorporated by reference to Exhibit 10(s) as filed by Registrant with Form 10-K for year 1997.

10(t)--Employment Agreement by and between Registrant and Ronald J. Naples dated March 11, 1999.

10(u)--Employment Agreement by and between Registrant and Michael F. Barry dated November 30, 1998.

10(v)--Employment Agreement by and between Registrant and Ian F. Clark dated March 15, 1999.

10(w)--Change in Control Agreement by and between Registrant and Joseph W. Bauer dated February 1, 1999.

10(x)--Change in Control Agreement by and between Registrant and Michael F. Barry dated November 30, 1998.

10(y)--Change in Control Agreement by and between Registrant and Jose Luiz Bregolato dated January 6, 1999.

10(z)--Change in Control Agreement by and between Registrant and James A. Geier dated January 15, 1999.

10(aa)--Change in Control Agreement by and between Registrant and Daniel S. Ma dated January 15, 1999.

10(bb)--Change in Control Agreement by and between Registrant and Joseph F. Virdone dated December 21, 1998.

10(cc)--Change in Control Agreement by and between Registrant and Ian F. Clark dated March 15, 1999.

13 -- Portions of the 1998 Annual Report to Shareholders incorporated by reference.

21 -- Subsidiaries and Affiliates of the Registrant.

23 -- Consent of Independent Accountants.

27 -- Financial Data Schedule.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed by the Registrant during the last quarter of the period covered by this Report.

(c) The exhibits required by Item 601 of Regulation S-K filed as part of this Report or incorporated herein by reference are listed in subparagraph (a)(3) of this Item 14.

(d) The financial statement schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

SIGNATURES

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

QUAKER CHEMICAL CORPORATION

Registrant

Date: March 17, 1999 By: /s/ Ronald J. Naples

Ronald J. Naples

Chairman of the Board and Chief Executive Officer

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

Signatures -----	Capacity -----	Date -----
/s/ Ronald J. Naples ----- Ronald J. Naples Chairman of the Board and Chief Executive Officer	Principal Executive Officer and Director	March 17, 1999
/s/Michael F. Barry ----- Michael F. Barry Vice President and Chief Financial Officer	Principal Financial Officer	March 17, 1999
/s/ Joseph B. Anderson ----- Joseph B. Anderson, Jr.	Director	March 17, 1999
----- Patricia C. Barron	Director	March , 1999
----- William L. Batchelor	Director	March , 1999
/s/ Peter A. Benoliel ----- Peter A. Benoliel	Director	March 17, 1999
----- Lennox K. Black	Director	March , 1999
/s/ Donald R. Caldwell ----- Donald R. Caldwell	Director	March 17, 1999
----- Robert E. Chappell	Director	March , 1999
/s/ Edwin J. Delattre ----- Edwin J. Delattre	Director	March 17, 1999
/s/ Robert P. Hauptfuhrer ----- Robert P. Hauptfuhrer	Director	March 17, 1999
/s/ Robert H. Rock ----- Robert H. Rock	Director	March 17, 1999

EXHIBIT INDEX

Exhibit No.	Description
3(b)	By-Laws as amended through May 6, 1998
10(t)	Employment Agreement by and between Registrant and Ronald J. Naples dated March 11, 1999
10(u)	Employment Agreement by and between Registrant and Michael F. Barry dated November 30, 1998
10(v)	Employment Agreement by and between Registrant and Ian F. Clark dated March 15, 1999
10(w)	Change in Control Agreement by and between Registrant and Joseph

W. Bauer dated February 1, 1999

10(x)	Change in Control Agreement by and between Registrant and Michael F. Barry dated November 30, 1998
10(y)	Change in Control Agreement by and between Registrant and Jose Luiz Bregolato dated January 6, 1999
10(z)	Change in Control Agreement by and between Registrant and James A. Geier dated January 15, 1999
10(aa)	Change in Control Agreement by and between Registrant and Daniel S. Ma dated January 15, 1999
10(bb)	Change in Control Agreement by and between Registrant and Joseph F. Virdone dated December 21, 1998
10(cc)	Change in Control Agreement by and between Registrant and Ian F. Clark dated March 15, 1999
13	Portions of the 1998 Annual Report to Shareholders Incorporated by Reference
21	Subsidiaries and Affiliates of the Registrant
23	Consent of Independent Accountants
27	Financial Data Schedule

QUAKER CHEMICAL CORPORATION
(a Pennsylvania Corporation)

By-Laws
(as amended through May 6, 1998)

Section 1.1. Registered Office:

The Registered Office of the Corporation shall be at Elm and Lee Streets, Conshohocken, Pennsylvania until otherwise changed by the Board of Directors.

Section 2.1. Place of Shareholders' Meetings:

Meetings of the shareholders shall be held at the Registered Office of the Corporation or at such other place within or without Pennsylvania as the Board of Directors may fix.

Section 2.2. Annual Meeting of Shareholders:

An Annual Meeting of shareholders shall be held in every calendar year at such time as the Board of Directors may fix. At the Annual Meeting of shareholders, directors shall be elected to serve for the ensuing year or until their successors shall be duly elected and qualified, and there shall be transacted such other business as may properly be brought before the Meeting.

A financial report of the Corporation's business as of the close of the preceding fiscal year shall be presented at the Annual Meeting, and shall be sent to shareholders.

Section 2.3. Special Meetings of Shareholders:

Special Meetings of shareholders may be called at any time by the Chairman of the Board, the President or the Board of Directors, or shareholders entitled to cast not less than four-fifths of the votes which all shareholders are entitled to cast at the particular meeting. At any time, upon the written request of any person entitled to call a Special Meeting, it shall be the duty of the Secretary to fix the date of such Special Meeting to be held not less than five nor more than sixty days after the receipt of the request and to give due notice thereof. If the Secretary shall neglect or refuse to fix the date of the meeting and give notice thereof, the person or persons making the request may do so.

Exhibit 3(b) Page 1

Section 2.4. Notice of Shareholders' Meetings:

At least five days written notice shall be given of any meeting of shareholders, unless a greater period of notice is required by law. Such notice shall specify the place, day and hour of the meeting, and in the case of a Special Meeting of shareholders, the general nature of the business to be transacted.

Section 2.5. Waiver of Notice of Shareholders' Meetings:

Whenever written notice is required to be given by law, by the Articles

or these By-Laws, a written waiver thereof signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Except in the case of a Special Meeting of shareholders, neither the business to be transacted nor the purpose of the meeting need be specified in the Waiver of Notice of such Meeting.

Attendance of a person, either in person or by proxy, at any meeting shall constitute a waiver of notice of such meeting, except where a person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

Section 2.6. Quorum for Shareholders' Meetings:

The presence, in person or by proxy, of the shareholders entitled to cast a majority of the votes which all shareholders are entitled to cast on a matter to be voted upon at a meeting of shareholders shall constitute a quorum, and the acts of such quorum, at a duly organized meeting of shareholders, shall constitute the acts of all the shareholders. The shareholders present at a duly organized meeting can continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

Section 2.7. Conduct of Shareholders' Meetings:

Meetings of the shareholders shall be presided over by the Chairman of the Board, or if he is not present, by the President, or if he is not present, by a Vice President, or if none of the Chairman of the Board or the President or Vice President is present, by a Chairman to be chosen at the meeting. The Secretary of the Corporation, or in his absence, an Assistant Secretary or one temporarily designated as such, shall act as Secretary of the meeting.

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Section 2.8. Shareholder Participation by Telephone:

One or more shareholders may participate in any meeting of shareholders by means of conference telephone or similar communications equipment by means of which all persons participating in such meeting can hear each other.

Section 2.9. Voting by Shareholders:

Except as otherwise provided by law or in the Articles, every shareholder of record shall have the right at every shareholders' meeting to those votes as provided for pursuant to Article 5 of the Articles, for every share standing in his name on the books of the Corporation. Every shareholder entitled to vote at a meeting of shareholders or to express consent to corporate action in writing without a meeting may authorize another person or persons to act for him by proxy.

All voting and elections shall be taken by voice vote unless a vote by ballot shall be demanded by a shareholder or by the Chairman of the meeting before the voting or election begins, or unless otherwise required by law or by the Articles.

Section 2.10. Judges of Election:

In advance of any meeting of shareholders, the Board of Directors may appoint Judges of Election, who need not be shareholders, to act at such meeting or any adjournment thereof. If Judges of Election be not so appointed, the Chairman of the meeting may, and on the request of any shareholder or his proxy

shall, make such appointment at the meeting. The number of Judges shall be one or three, and no candidate shall act as a Judge. On request of the Chairman of the meeting or of any shareholder or his proxy, the Judges shall make a report in writing of any challenge or question or matter determined by them and execute a certificate of any fact found by them.

Section 2.11. Adjournment of Meetings:

Adjournment of any meeting may be taken, but any meetings at which Directors are to be elected shall be adjourned only from day to day, or for such longer periods not exceeding fifteen days each, as may be directed by the shareholders who are entitled to cast at least a majority of the votes which all such shareholders would be entitled to cast at an election of directors, until such directors have been elected. When a meeting is adjourned, it shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted thereat, other than by announcement of the meeting at which such adjournment is taken. In case of any meeting called for the election of Directors, those who attend the second of such adjourned meeting, although less

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than a quorum, shall nevertheless constitute a quorum for the purpose of electing Directors.

Section 3.1. Board of Directors, Number Qualifications, Elections, Term of Office, and Compensation:

The business and affairs of the Corporation shall be managed by a Board of not less than five (5) nor more than fifteen (15) Directors, as may be fixed from time to time by the vote of a majority of the whole Board. Directors shall be of full age, but need not be residents of Pennsylvania or shareholders of the Corporation.

The Board of Directors shall have authority to fix the compensation of Directors for their services and to authorize payment for expenses of attendance at meetings. A Director may also be a salaried officer or employee of the Corporation.

Section 3.2. Quorum for Directors' Meetings:

A majority of the Directors in office shall be necessary to constitute a quorum for the transaction of business, and the acts of a majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. A Director who is present at a meeting shall be counted in determining the presence of a quorum even though a contract or transaction between the Corporation and such Director or another business in which such Director has a financial interest is authorized at the meeting.

Section 3.3. Directors' Consent in Lieu of Meeting:

Any action which may be taken at a meeting of the Board of Directors or of any Committee thereof may be taken without a meeting if a consent or consents in writing, setting forth the action so taken, shall be signed by all of the Directors or the members of the Committee, as the case may be, and shall be filed with the Secretary of the Corporation. One or more Directors may participate in a meeting of the Board of Directors or a Committee thereof by means of a conference telephone or similar communications equipment by means of which all persons participating in such meeting can hear each other.

Section 3.4. Vacancies in Board of Directors:

Except as otherwise provided in the Articles, vacancies in the Board of Directors, including vacancies resulting from an increase in the number of

Directors, may be filled by a majority of the remaining members of the Board though less than a quorum, and each person so elected shall be a Director until

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his successor is elected by the shareholders, who may make such election at the next Annual Meeting of the shareholders.

Section 3.5. Place of Meeting of Board of Directors:

The meetings of the Board of Directors may be held at such place within Pennsylvania, or elsewhere, as a majority of the Directors may from time to time appoint or as may be designated in the notice calling the meeting.

Section 3.6. Organization Meeting of the Board of Directors:

After the election of Directors by the shareholders, the newly elected Board may meet for the purpose of organization or otherwise:

(a) Immediately following their election, or at such time and place as shall be fixed by vote of the shareholders at the Annual Meeting (and in either such case no notice of such meeting to the newly elected Directors shall be necessary in order legally to constitute the meeting, provided a majority of the whole Board shall be present): or

(b) At such time and place as may be fixed by consent in writing of all the Directors.

Section 3.7. Regular Meetings of the Board of Directors:

Regular Meetings of the Board of Directors shall be held at such time and place as shall be determined by a majority of the Board.

Section 3.8. Special Meeting of the Board of Directors:

Special Meetings of the Board of Directors may be called by the Chairman of the Board, President or Secretary on at least two days notice to each Director, either personally or by mail or by telegram, of the time and place of such Special Meeting. At the written request of two Directors, Special Meetings shall be called by the Chairman of the Board, President or Secretary in like manner and on like notice.

Section 3.9. Adjournments of Meetings of Board of Directors:

If a meeting of the Board of Directors is adjourned, it shall not be necessary to give any notice of the adjourned meeting, or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which such adjournment is taken.

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Section 3.10. Powers of Board of Directors:

A. Organizational Meeting: At the first meeting of the Board of Directors in each year (at which a quorum shall be present) held next after the Annual Meeting of Shareholders, it shall be the duty of the Board of Directors to elect or appoint the officers of the Corporation.

B. General Powers: The Board of Directors shall have all the power and authority granted by law to Directors except as may be specifically excepted by the Articles or by these By-Laws.

C. Committees: The Board of Directors, by Resolution adopted by a majority thereof, may designate an Executive Committee and one or more other committees, each of which shall consist of at least two Directors and such other Directors as shall be appointed by the Board of Directors to serve as alternate members of any such Committee to replace any absent or disqualified member at any Committee Meeting. In the event that any member of any such Committee shall be absent from or disqualified at such Meeting, the member or members thereof present at any such Meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another Director to act at the Meeting in the place of any such absent or disqualified member. Any such Committee shall have and exercise the authority of the Board of Directors in the management of the business and affairs of the Corporation to the extent provided in the Resolution creating such Committee.

Section 3.11. Removal of Directors by Shareholders:

The entire Board of Directors, or any individual Director may be removed from office with or without assigning any cause, only by the affirmative vote of the shareholders entitled to cast at least four-fifths of the votes entitled to be cast generally in the election of Directors. In case the Board or any one or more Directors be so removed, new Directors may be elected at the same meeting.

Section 3.12. Limitation on Personal Liability of Directors:

A Director of the Corporation shall not be personally liable for monetary damages for any action taken, or any failure to take any action, unless he or she has both (i) breached the standards set forth in Title 42, Chapter 83, Section 8363 of the Pennsylvania Consolidated Statutes relating to performance of a director's duties and (ii) such breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. This exemption from liability shall not apply to the responsibility or liability of a Director pursuant to any criminal statute or the liability of a Director for the payment of taxes pursuant to local, State or Federal law. If the Pennsylvania Consolidated

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Statutes hereafter are amended to authorize the further elimination or limitation of the liability of directors, then the liability of a Director of the Corporation, in addition to the limitation on personal liability provided herein, shall be limited to the fullest extent permitted by the amended Pennsylvania Consolidated Statutes. Any repeal or modification of this section shall be prospective only, and shall not adversely affect any limitation on the personal liability of a Director of the Corporation existing at the time of such repeal or modification.

Section 3.13. Directors Emeriti:

The Board of Directors may, from time to time, in its discretion confer upon such of its former members as it may determine the title of "Director Emeritus," and, if conferred, such title may be withdrawn by the Board of Directors at any time thereafter. Such title shall be honorary in nature to designate the conferee as a former member of the Board, and persons upon whom the title may be conferred shall not be members of the Board of Directors, shall not vote upon matters submitted to a vote of the Board of Directors, and, in the absence of a specific invitation to the contrary, shall not be entitled to attend any meetings of the Board of Directors or of committees thereof.

Section 3.14. Chairman Emeritus

The Board of Directors may, in its discretion, confer on such of its members or former members as shall have served as Chairman of the Board the title of "Chairman Emeritus." Such title shall be honorary in nature to designate the conferee as a former Chairman of the Board. If serving as a Director, the title shall not be construed to grant any rights, duties, or authority beyond that of any other Director. If not serving as a Director, the conferee shall not be construed to be a Director of the Company.

Section 4.1. Officers:

The Officers of the Corporation shall be a Chairman of the Board, a President, a Secretary, and a Treasurer, all of whom shall be elected or appointed by the Board of Directors. The Board of Directors may also elect one or more Vice Presidents, one or more Assistant Treasurers and one or more Assistant Secretaries. Any two or more offices may be held by the same person.

The Board of Directors may at any time also elect or appoint such other officers, assistant officers and agents as it shall deem necessary and as the needs of the Corporation may require. Such other officers, assistant officers

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and agents shall have such authority and shall perform such duties as from time to time may be prescribed by the Board of Directors.

The Officers shall be elected each year at the organization meeting of the Board of Directors, but if not so elected, they, and any assistant officers or agents the Board of Directors shall desire to appoint, may be elected from time to time during the year. It shall not be necessary for any officer of the Corporation to be a Director.

Section 4.2. The Chairman of the Board--Powers and Duties:

The Chairman of the Board shall be the chief executive officer of the Corporation and shall have responsibility for directing the operations of the Corporation, including strategic planning, and the ordinary duties of an executive officer. When present, he shall preside at all meetings of the Board and at all meetings of shareholders. He shall have responsibility for shareholder relations and for making recommendations to the Board of Directors as to matters of corporate governance. He shall also do and perform such other duties as from time to time may be assigned to him by the Board of Directors.

Unless otherwise ordered by the Board of Directors, the Chairman shall have full power and authority on behalf of the Corporation to attend and act and vote at any meeting of the shareholders of any corporation in which the Corporation may hold stock, and at any such meeting shall possess and may exercise any and all the rights and powers incident to the ownership of such stock which the Corporation, as the owner thereof, might have possessed and exercised if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 4.3. The President--Powers and Duties:

The President shall be the chief operating officer of the Corporation. Subject to the supervision of the Chairman of the Board, he shall have the ordinary duties of an executive officer with responsibility for general supervision and direction of the operations of the Corporation. He is authorized to execute in the name of the Corporation contracts and other documents

requiring the signature of the Corporation. He shall also do and perform such other duties as from time to time may be assigned to him by the Board of Directors.

Section 4.4. The Vice President--Powers and Duties:

A Vice President or Vice Presidents shall be elected by the Board of Directors, if the Board of Directors determines that such offices shall be

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created. The Vice President (or, if there are more than one, then each Vice President) shall have such powers and shall perform such duties as may from time to time be assigned to him or them by the Board of Directors or by the Chairman of the Board or by the President. Unless otherwise ordered by the Board of Directors, the Vice President (or Vice Presidents in order of their numbered designations) shall, in the case of the death, resignation, absence or disability of the President, perform the duties of that Officer, until the return of the President, or until the disability shall have been removed or a new President shall have been elected.

Section 4.5. Treasurer--Powers and Duties:

The Treasurer shall have the custody of all the funds and securities of the Corporation which may come into his hands. When necessary or proper (unless otherwise ordered by the Board of Directors) he shall (a) endorse for collection on behalf of the Corporation checks, notes and other obligations, (b) deposit the same to the credit of the Corporation in such banks or depositaries as the Board of Directors may designate and (c) sign all receipts and vouchers for payments made by the Corporation. He shall, at all reasonable times, exhibit his books and accounts to the Board of Directors of the Corporation upon the request of any Director, and he shall also, if so directed by the Board of Directors, annually prepare and submit to the Annual Meeting of the shareholders a full statement of the assets and liabilities of the Corporation and of its transactions during the preceding year, and he shall have such other powers and shall perform such other duties as may be assigned to him from time to time by the Board of Directors. He shall give such bond for the faithful performance of his duties as may be required by the Board of Directors.

Section 4.6. Assistant Treasurer--Powers and Duties:

Each Assistant Treasurer shall have such powers and perform such duties as may be assigned to him by the Board of Directors.

Section 4.7. Secretary--Powers and Duties:

Unless otherwise ordered by the Board of Directors, the Secretary shall keep the minutes of all meetings of the shareholders and of the Board of Directors in proper books to be kept for such purpose, and shall attend to the giving of all notices by the Corporation, including notices of meetings of shareholders and of the Board of Directors. He shall have charge of the share certificate books, transfer books, capital stock ledger and such other books and papers as the Board of Directors may direct. He shall in general perform all the duties incident to the office of Secretary and shall have such other powers and perform such other duties as may be assigned to him by the Board of Directors.

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Section 4.8. Assistant Secretary--Powers and Duties:

Each Assistant Secretary shall have such powers and perform such duties as may be assigned to him or them by the Board of Directors.

Section 4.9. Removal and Vacancies:

The Board of Directors shall have power to remove any officer from office at any time and shall also have the power to fill any vacancies in any office occurring from whatever reason. Such power shall be exercised by a majority vote of the Directors in office at the time of such removal or vacancy, although less than a quorum.

Section 5.1. Share Certificates:

Every shareholder of record shall be entitled to a share certificate representing the shares owned by him, provided that the shares represented thereby shall have been fully paid for. Such share certificate shall be signed by the Chairman of the Board, President, or a Vice President, and by the Secretary or Treasurer except where such share certificate is signed by a transfer agent or a registrar, in which case the signature of any officer of the Corporation upon such share certificate may be a facsimile, engraved or printed.

Section 5.2. Transfer of Share Certificates:

The transfer of a share certificate and the shares represented thereby shall be made on the books of the Corporation only by the registered owner thereof or by his attorney duly authorized in writing to make such transfer, and only upon surrender of such share certificate, which shall be canceled at the time of transfer.

The Corporation shall be entitled to treat the holder of record of any share certificate or certificates and the shares represented thereby as the holder in fact thereof, and accordingly shall not be bound to recognize any equitable or other claim to or interest in such share certificate or certificates and shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise expressly provided by law or by the Articles.

Section 5.3. Lost Share Certificate:

The holder of any certificate representing shares of stock of the Corporation shall immediately notify the Corporation of any mutilation, loss or destruction thereof, and the Board of Directors may, in its discretion, cause

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one or more new certificates for the same number of shares in the aggregate to be issued to such holder upon the surrender of the mutilated certificate, or in case of loss or destruction of the certificate, upon satisfactory proof of such loss or destruction and deposit of indemnity by bond or otherwise in such form and amount and with such surety or sureties as the Board of Directors may require to indemnify the Corporation against loss or liability by reason of the issuance of such new certificate, but the Board may, in its discretion, refuse to issue such new certificates save upon the order of some court having jurisdiction in such matters.

Section 6.1. Fiscal Year:

The fiscal year of the Corporation shall be established by the Board of Directors.

Section 7.1. Indemnification and Insurance:

A. Right to Indemnification: Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding (hereinafter a "proceeding"), whether civil, criminal, administrative or investigative, including, without limitation, an action or suit by or in the right of the Corporation, by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as director or officer, or in any other capacity, shall be indemnified and held harmless by the Corporation to the fullest extent and manner authorized or permitted by the laws of the Commonwealth of Pennsylvania, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, penalties, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who as ceased to be a director or officer and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in subsection D hereof, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section shall be a contract right and each person to whom this right to indemnification applies shall be a third party

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beneficiary of such right and shall be entitled to enforce against the Corporation all indemnification and other rights granted to such person by this Section. Such right shall include the right to be paid by the Corporation the expenses incurred in any such proceeding in advance of its final disposition; provided, however, that, if the laws of the Commonwealth of Pennsylvania require, the payment of such expenses incurred by a director or officer in advance of the final disposition of a proceeding shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section or otherwise. The Corporation may, by action of its Board of Directors, provide indemnification to employees, agents or fiduciaries of the Corporation or to any person who is or was serving at the request of the Corporation as an employee, agent or fiduciary of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to any employee benefit plan, with the same or lesser scope and effect as set forth herein and in the other subsections of this Section. If and to the extent that the laws of the Commonwealth of Pennsylvania require that indemnification be provided in a given instance only if the person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful, then termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal proceeding, that he or she had reasonable cause to believe that his or her conduct was unlawful. Termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of

nolo contendere or its equivalent, shall not of itself be a determination by a court that the act or failure to act giving rise to a claim for indemnification constituted willful misconduct or recklessness.

B. Denial of Right to Indemnification: Indemnification under subsection A above shall be made by the Corporation unless a determination is reasonably and promptly made that indemnification of a director or officer is not proper in the circumstances because of grounds for denying indemnification under this Section or under applicable law. Such determination may be made only (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such proceeding ("disinterested directors"), or (ii) if such quorum is not obtainable, or even if obtainable, if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the shareholders.

C. Expenses in Successful Defense: Notwithstanding any other provisions of this Section, to the extent that a director or officer of the Corporation has

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been successful on the merits or otherwise in defense of any proceeding referred to in subsection A above or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

D. Right of Claimant to Bring Suit: If a claim under subsection A of this Section is not paid in full by the Corporation within thirty (30) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the laws of the Commonwealth of Pennsylvania for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the laws of the Commonwealth of Pennsylvania, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its shareholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

E. Non-Exclusivity of Rights: The rights to indemnification and the payment of expenses incurred in a proceeding in advance of its final disposition conferred in this Section shall not be exclusive of any right which any person may have or hereafter acquire under any statute, provision of the Articles of Incorporation, By-Law, agreement, vote of shareholders or disinterested directors or otherwise.

F. Insurance: The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee, agent or fiduciary of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the laws of the Commonwealth of Pennsylvania.

G. Interpretations: For purposes of this Section:

(a) References to "the Corporation" shall upon written resolution of the Board of Directors of the Corporation include, in addition to the Corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had the power and authority to indemnify its directors or officers, so that any person who is or was a director or officer of such constituent corporation, or is or was serving at the request of such constituent corporation as a director or officer of another corporation, shall for purposes of this Section be deemed to hold the same position in the Corporation as he or she held in such constituent corporation.

(b) A person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Section.

H. Amendment or Repeal: This Section may hereafter be amended or repealed; provided, however, that no amendment or repeal shall reduce, terminate or otherwise adversely affect the right of a person who is or was a director or officer to obtain indemnification or advancement of expenses with respect to a proceeding that pertains to or arises out of actions or omissions that occur prior to the effective date of such amendment or repeal, which date cannot be retroactive.

Section 8.1. Inapplicability of Section 910 of the Pennsylvania Business Corporation Law:

Sections 2541 through 2548, Sections 2561 through 2567, and Sections 2571 through 2575 of The Pennsylvania Business Corporation Law shall not be applicable to the Corporation.

Section 8.2. Amendments to By-Laws:

The holders of all the shares outstanding and entitled to vote may, by a majority vote, make, alter, amend or repeal any provision of these By-Laws at any Annual or Special Meeting duly convened after notice to the shareholders of such purpose.

The Board of Directors, by a majority vote of the members thereof, may make, alter, amend or repeal any provisions of these By-Laws at any Regular or Special Meeting, duly convened after notice to the Directors of such purpose.

The shareholders shall have the right to change such action by a majority vote of the shareholders entitled to vote thereon at any Annual or Special Meeting duly convened after notice to the shareholders of such purpose.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is entered into March 11, 1999, effective as of January 1, 1999, ("Employment Agreement") by and between QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (the "Company"), and RONALD J. NAPLES ("Executive").

BACKGROUND:

Executive has been employed by the Company as its Chairman of the Board and Chief Executive Officer pursuant to an Employment Agreement dated August 14, 1995 ("Prior Agreement"). The term of employment under the Prior Agreement ends December 31, 1998. The Company and Executive desire to continue their employment relationship and intend, by this Employment Agreement, to establish the terms and conditions of Executive's continued employment.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained and intending to be legally bound hereby, the Company and Executive agree as follows:

1. Employment.

The Company hereby employs Executive and Executive hereby accepts employment with the Company as the Chairman of the Board and Chief Executive Officer of the Company upon the terms and conditions contained herein.

2. Duties.

(a) Executive shall perform all duties consistent with the position of Chairman of the Board and Chief Executive Officer of the Company, as well as any other duties which are assigned to him by the Board which are commensurate with his position. Executive will devote his entire time and best efforts to fulfill faithfully, responsibly and satisfactorily those duties and to further the Company's best interests.

(b) During the Term of Employment, Executive shall not engage in any commercial activities which are in any way in competition with the activities of the Company (provided, however, that this shall not restrict Executive from holding up to 1% of the outstanding capital stock or other securities of any publicly traded entity which conducts activities in competition with the activities of the Company) or which may in any way interfere with the performance of his duties or responsibilities to the Company.

(c) Subject to Paragraph 8, nothing contained in this Employment Agreement shall restrict or prohibit Executive from serving on boards of eleemosynary institutions or on the boards of up to two publicly traded entities.

3. Term.

The initial term of Executive's employment shall commence on January 1, 1999 and shall end on December 31, 2003 (the "Term of Employment"). Thereafter, the Term of Employment shall continue for successive one year periods unless either the Company or Executive shall have given the other at least ninety days' notice of a desire to terminate and intention not to renew at the expiration of the then current period.

4. Base Salary and Bonuses.

In exchange for Executive's promises contained herein, the Company shall compensate him in the following manner:

(a) Base Salary. The Company shall compensate Executive at the Base Salary of \$425,000 per annum, payable in equal installments on the same basis as other senior salaried officers of the Company. The Base Salary shall be reviewed by the Board and considered for increase as of January 1, 2000 and annually thereafter.

(b) Bonuses. Executive will continue to participate in the Quaker Incentive Compensation Plan applicable to the Company's other senior salaried officers; for the purposes of Executive's participation under the Plan as currently in effect, he will have a target award percentage of 80% of mid-point of range. Executive shall participate in such other bonus and annual incentive plans applicable to senior salaried officers of the Company as may be hereafter adopted by the Company. The Company may pay Executive such other bonus or bonuses, if any, as the Board, in its sole discretion, shall determine.

(c) The amounts set forth herein are subject to appropriate withholdings and deductions as required by law.

5. Long-Term Performance Incentive Plan.

Executive shall continue to be eligible for continued participation in the Company's Long-Term Performance Incentive Plan (the "Incentive Plan"). The Compensation Committee may award and grant Executive Performance Incentive Units and/or Stock Options under the Incentive Plan in the Compensation Committee's sole discretion. Executive shall be eligible to participate in such other long-term incentive based compensation plans as may be hereafter adopted by the Company.

6. Pension and Other Benefit Plans.

(a) Executive shall be entitled to participate in the Company's employee benefit plans as they are in existence on the date of this Employment Agreement or as they may be amended hereafter. At the present time, Executive is entitled to participate in various plans, including, without limitation, the following plans to the same extent as other senior salaried officers of the Company: Group Medical Insurance Plan, Dental Plan, Disability

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(short and long term) Plan, Group Term Life Insurance, Defined Benefit Pension Plan, and Profit Sharing and Retirement Income Plan. Notwithstanding the foregoing, Executive may elect that the Company provide him with "indemnity type" medical insurance coverage (as opposed to the type of coverage which would otherwise have been provided) and, in that event, Executive shall reimburse the Company in the amount he would have been required to pay for HMOQPOS coverage.

(b) The Quaker Chemical Corporation 1995 Naples Supplemental Retirement Income Program and Agreement (the "Naples SURP") shall continue in effect. The Naples SURP may be amended in a manner consistent with any

amendments made to the Company SURP; provided, however, no such amendment will reduce or limit any of the benefits thereunder. Executive continues to waive any rights he may have to participate in or to receive benefits under the Company SURP. Executive shall be fully vested in the benefits accrued under the Naples SURP and such benefits shall be nonforfeitable, notwithstanding the termination of his employment with the Company prior to his reaching normal retirement age. Notwithstanding anything contained in the Naples SURP and/or in the Company's employment policies to the contrary, promptly after the date of this Employment Agreement, the Naples SURP will be amended so as to provide that benefits (to the extent then earned by credited service without actuarial reduction) under the Naples SURP will commence at age 60 (rather than at age 65) unless prior to Executive's 60th birthday Executive elects a deferred benefit commencement date. The intention of the preceding sentence is that the benefit at age 60 will be the same as if Executive commenced receiving benefits at age 65 with the same length of service as exists at age 60.

7. Other Benefits.

Executive shall be provided with the following additional benefits:

(a) The Company shall reimburse Executive for the cost of his membership in one country club for his business related use thereof.

(b) The Company shall reimburse Executive, upon proper accounting, for reasonable expenses and disbursements incurred by him in the course of his performance of the duties hereunder.

(c) Executive shall be entitled to five weeks of vacation each year this Employment Agreement is in effect without reduction in salary.

(d) The Company shall reimburse Executive up to \$8,000 per calendar year for annual tax preparation and financial planning services.

(e) The Company shall make available to Executive an automobile (and appropriate insurance thereon) for business related use, said vehicle to be of his choosing up to a vehicle cost of \$45,000.

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8. Executive Covenants.

In order to induce the Company to enter into this Employment Agreement, Executive hereby agrees as follows:

(a) Except for and on behalf of the Company and except with the consent of or as directed by the Board, Executive will keep confidential and shall not divulge to any other person or entity during the Term of Employment or thereafter any of the business or trade secrets, names and purchase histories of customers, formulae and processes of manufacture, or other confidential information regarding the Company which has not otherwise become public knowledge.

(b) All papers, books and records of every kind, and description relating to the business and affairs of the Company, whether or not prepared by Executive, shall be the sole and exclusive property of the Company, and Executive shall surrender them to the Company at any time upon the request by the Board.

(c) During the Term of Employment and for a period of two

years after the termination of Executive's employment, regardless of the reason for such termination, Executive will not (i) participate, directly or indirectly, as a director, stockholder or partner, or have any direct or indirect financial interest as creditor, in any business which, directly or indirectly, competes with the Company; provided, however, that this subparagraph (c) shall not restrict Executive from holding up to 1% of the outstanding capital stock or other securities of any publicly traded entity which conducts activities in competition with the activities of the Company, or (ii) solicit any customers of the Company on behalf of himself or any other person, firm or company; or (iii) within any place in the world (the Company being global in nature and its business being international), directly or indirectly, individually or jointly, as employee or in any other capacity enter into or become engaged in the exploitation, development, manufacture or sale of any products used or capable of use in competition with the products of the Company or in any process, method, or apparatus which would facilitate the manufacture or sale of products used or capable of use in competition with the Company's products.

(d) The Company shall, in addition to other remedies provided by law, have the right and remedy to have the provisions of this Paragraph 8 specifically enforced by any court having equity jurisdiction. Executive acknowledges that any breach or threatened breach of the provisions of this Paragraph 8 will cause irreparable injury to the Company and that money damages will not provide an adequate remedy. Nothing contained herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for such breach or threatened breach, including any recovery of damages from Executive.

9. Definitions.

As used in this Employment Agreement, the following capitalized words and terms shall have the following meanings:

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"Beneficial Owner" shall have the meaning ascribed to it Rule 13(d)-3 under the Exchange Act.

"Benoliel Family" shall mean Peter A. Benoliel, his wife, his children and their respective spouses and children, and all trusts created by or for the benefit of any of them.

"Board" means the Company's Board of Directors.

"Cause" means:

(i) The willful and continued neglect (after having received notice thereof and a reasonable opportunity to cure or correct from the Board) by Executive of Executive's duties under this Employment Agreement; or

(ii) The willful engaging by Executive in a continued course of misconduct (after having received notice thereof and a reasonable opportunity to cure or correct from the Board) which is materially injurious to the Company, monetarily or otherwise;

and Executive shall have been given notice thereof from the Board and an opportunity (with counsel) to be heard by the Board and the Board shall have made a reasonable and good faith finding that Executive was guilty of the conduct set forth in subparagraph (i) or (ii) hereof.

"Code" means the Internal Revenue Code of 1986, as amended.

"Compensation Committee" means the Compensation/Management

Development Committee of the Board.

"Disability" shall have the definition contained in Paragraph 10(b).

"Effective Date" means the date on which a Significant Transaction occurs.

"Escrow Agent" means First Union National Bank or such other national banking association designated by the Company on or before the Effective Date.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Good Reason" means:

(i) The failure of Executive to be elected as a director of the Company, or the failure of Executive to be elected the Chairman of the Board of the Company, or the failure of the Company to elect Executive as, or to permit Executive to perform the duties of, the Chief Executive Officer of the

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Company, which failure is not remedied within thirty (30) days after the receipt by the Company of notice thereof from Executive; or

(ii) A breach by the Company of any material provision of this Employment Agreement, which breach is not remedied within thirty (30) days after the receipt by the Company of notice thereof from Executive; or

(iii) An amendment of the Company's By-Laws (which amendment is not approved by Executive), the effect of which is a material adverse change in the duties and responsibilities of the Company's Chief Executive Officer; or

(iv) The relocation of the principal executive offices of the Company (including the principal office of Executive) to a location outside the continental United States, which relocation is not initiated or proposed by Executive; or

(v) The Company is not or ceases to be a corporation with stock registered pursuant to Sections 12(b) or 12(g) of the Act; or

(vi) A determination to terminate employment for any reason whatsoever is made by Executive during the period beginning nine (9) and ending eighteen (18) months after the occurrence of a Significant Transaction.

"Person" shall have the meaning ascribed to it in Sections 13(d) and 14(d) of the Exchange Act.

"Severance Allowance" means:

(i) For the purposes of Paragraph 10(a)(i) (i.e., with respect to a Severance Event following a Significant Transaction), an amount equal to 300% of the sum of (x) Executive's then current annual rate of Base Salary, plus (y) the greatest of the annual amounts paid to Executive by the Company under all bonus and annual incentive plans and discretionary bonuses during any of the three (3) calendar years immediately preceding the year in which the Significant Transaction occurred, but in no event shall the amount under (y) be less than the amount of a mid-level bonus which would otherwise have been payable to Executive for the calendar year in which the Significant Transaction occurred.

(ii) For the purposes of Paragraph 11(e) (i.e., with respect to all other Severance Events), an amount equal to 250% (if the

Severance Event occurs prior to October 1, 2000) or 300% (if the Severance Event occurs on or after October 1, 2000) of the sum of (x) Executive's then current annual rate of Base Salary plus (y) the greater of the average of the amounts paid to Executive by the Company under all bonus and annual incentive plans and discretionary bonuses for the two (2) calendar years immediately preceding the year in which the Severance Event occurred or the amount of a mid-level bonus which would otherwise have been payable to Executive for the calendar year in which the Severance Event occurred.

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"Severance Event" means the termination of Executive's employment under this Employment Agreement for any reason other than Executive's death or Disability, or by the Company for Cause, or by Executive for other than Good Reason, or by reason of Executive having given the Company notice of intention not to renew pursuant to Paragraph 3. A Severance Event shall include the termination of Executive's employment by reason of the Company having given the Executive notice of intention not to renew pursuant to Paragraph 3.

"Significant Transaction" means the occurrence of any of the following:

(i) A Person (other than the Company or its wholly-owned subsidiaries; or any ESOP or other employee benefit plan of the Company and any trustee or other fiduciary in such capacity holding securities under such plan; any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of capital stock of Company; or any other Person who is as of the date of this Employment Agreement an executive officer of the Company or any group of Persons of which he or she voluntarily is a part) is or becomes the Beneficial Owner of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities or such lesser percentage of voting power, but not less than 15%, as the Board shall determine; provided, however, that a Significant Transaction shall not be deemed to have occurred by reason of the Beneficial Ownership of voting securities by members of the Benoliel Family unless the Beneficial Ownership of all members of the Benoliel Family (including any other individuals or entities who or which, together with any member or members of the Benoliel Family are deemed to constitute a Person) exceeds 50% of the combined voting power of the Company's then outstanding securities; or

(ii) During any two-year period during the Term of Employment, directors of the Company in office at the beginning of such period plus any new director (other than a director designated by a Person who has entered into an agreement with the Company to effect a transaction described in subparagraphs (i) or (iii) hereof) whose election to the Board or whose nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, shall cease for any reason to constitute at least a majority of the Board; or

(iii) The Company's shareholders shall approve (1) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which the Company's Common Stock would be converted into cash, securities or other property, other than a merger of the Company in which holders of the Company's Common Stock immediately prior to the merger have the same proportionate ownership of voting shares of the surviving corporation immediately after the merger as they had in the Common Stock immediately before, or (2) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or

substantially all the assets or earning power of the Company, or (3) the liquidation or dissolution of the Company.

10. Significant Transaction.

(a) (i) On or before the Effective Date, the Company shall deliver to Escrow Agent a sum ("Escrow Fund") equal to the applicable Severance Allowance. The Escrow Fund shall be invested by Escrow Agent in certificates of deposit with duration not more than thirty (30) days issued by any bank (including Escrow Agent) or savings institution the accounts of which are insured by the FDIC (and, unless otherwise agreed by the Company and Executive, with a maximum of \$100,000 in any single such institution). Any cash accumulation with respect to the Escrow Fund in the form of interest shall be the property of and shall be payable by Escrow Agent to the Company (or to any successor to the Company) as received by Escrow Agent and are not part of the Escrow Fund.

(ii) In the event of the occurrence of a Severance Event during the three (3) year period following a Significant Transaction, Executive shall send Escrow Agent and the Company (or its successor) a demand that the Escrow Fund be paid to him in accordance with this subparagraph (ii) (a "Demand"). If the Company (or its successor) does not send an objection to the Demand which states that a Severance Event has not occurred and sets forth specific and detailed facts for the reason for said statement (an "Objection") to Escrow Agent and Executive prior to the end of the Objection Period (hereafter defined), Escrow Agent shall pay the Escrow Fund to Executive within thirty (30) days from the date of the Demand. The Objection Period shall begin on the date of the Demand and shall end at 5:00 p.m. Philadelphia time, on the tenth calendar day following the date of the Demand, or if such day is not a day when Escrow Agent is generally open for business in Philadelphia, the Objection Period shall end at 5:00 p.m. Philadelphia time on the next day after such tenth day that Escrow Agent is generally open for business in Philadelphia. For purposes of this Paragraph 10(a), notwithstanding the provisions of Paragraph 18, a Demand and an Objection shall not be deemed received until Escrow Agent shall have actually received the Demand or Objection, as the case may be, and all time frames specified in this subparagraph (ii) shall be measured from the actual date of Escrow Agent's receipt.

(iii) If Escrow Agent receives an Objection before the end of the Objection Period, Escrow Agent shall not pay the Escrow Fund to Executive, and, except as provided herein, shall not comply with any claims, demands or instructions from Executive and/or the Company (or its successor) with respect to the Escrow Fund. Escrow Agent shall not be or become liable in any way to the Company (or its successor), Executive or any other person or entity for its failure or refusal to comply with such conflicting claims or demands. Escrow Agent shall be entitled to refuse to act until (1) such conflicting claims or demands shall have been finally determined by an award in an arbitration proceeding (pursuant to Paragraph 17), or settled by agreement between the conflicting parties as evidenced in a writing satisfactory to Escrow Agent, or (2) Escrow Agent shall have received security or indemnity satisfactory to Escrow Agent sufficient to save it harmless from and against any and all loss, liability or expense which it may incur by reason of its acting.

Escrow Agent may, in addition, elect to commence an interpleader action or seek

other judicial relief or orders as it may deem necessary. All of Escrow Agent's reasonable costs and expenses of bringing and maintaining such action, including but not limited to reasonable fees and expenses of separate counsel for Escrow Agent, shall be paid by the Company (or its successor).

(iv) If an arbitration proceeding or an interpleader action is commenced by reason of the Company having sent an Objection to a Demand and if said proceeding or action results in a finding or decision in favor of Executive (i.e., that the Objection was improper or inappropriate), then interest earned on the Escrow Fund from the date of the Objection to the date the Escrow Fund is paid to Executive shall be payable to Executive, the Company shall promptly reimburse Executive for Executive's costs and expenses (including counsel fees) in said proceeding or action and the Company shall promptly pay Executive a premium in an amount equal to 25% of the Escrow Fund.

(v) If Escrow Agent does not receive a Demand from Executive within three (3) years from the Effective Date, Escrow Agent shall pay the Escrow Fund to the Company (or its successor) at the end of such three (3) year period.

(vi) Escrow Agent's duties and responsibilities shall be limited to those expressly set forth herein. Escrow Agent shall not be subject to, nor obligated to recognize, any other agreement between or direction or instruction of any of the parties to this Employment Agreement or of any third party even though reference thereto may be made herein. If any portion of the Escrow Fund is at any time attached, garnished or levied upon, or in case the transfer or delivery of the Escrow Fund shall be stayed or enjoined, or in the case of any other legal process or judicial order affecting the Escrow Fund, then Escrow Agent is authorized to comply with any such order in any manner as it or legal counsel of its own choosing deems appropriate; and if it complies with any process, order, writ, judgment or decree, it shall not be liable to any of the parties hereto or to any other person or entity even though such order or process may be subsequently modified or vacated or otherwise determined to have been without legal force or effect.

(vii) Escrow Agent shall not be liable for any act taken or omitted under this Employment Agreement except for its gross negligence or willful misconduct. Escrow Agent shall be fully protected in relying upon any instruction, notice, demand, certificate or document which Escrow Agent in good faith believes to be genuine. Escrow Agent may consult with legal counsel at the expense of the Company (or its successor) as to the construction of any of the provisions of this Agreement, and Escrow Agent shall be fully protected in acting in good faith in accordance with any such advice.

(viii) Escrow Agent shall not be responsible in any respect for the form, execution, validity or genuineness of documents deposited under this Employment Agreement, or for any description therein, or for the

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identity, authority or rights of persons executing or delivering or purporting to execute or deliver any such document.

(ix) The Company (and its successors) shall indemnify, defend and hold Escrow Agent harmless against any loss, liability, costs, damages and expenses, including reasonable counsel fees, that are incurred by Escrow Agent and that are out of or in connection with its acceptance or administration of this Employment Agreement or being Escrow Agent under this Employment Agreement, except for those arising solely from Escrow Agent's gross negligence or willful misconduct.

(x) Escrow Agent may resign at any time by giving at least thirty (30) days written notice thereof. Within twenty (20) days after receiving the aforesaid notice, the Company (or its successor) and Executive shall jointly agree on and appoint a successor Escrow Agent at which time Escrow Agent shall distribute the Escrow Fund then held hereunder to the successor Escrow Agent.

(xi) The Company (or its successor) shall pay all usual and customary charges and fees of Escrow Agent due to the Escrow Agent for its services hereunder.

(xii) This Paragraph 10(a) may be amended or canceled by and upon written notice to Escrow Agent at any time by each of the Company (or its successor) and Executive, but the duties, responsibilities or liabilities of Escrow Agent may not be increased without its prior consent.

(b) In the event of the occurrence of a Severance Event during the three (3) year period following a Significant Transaction, Executive shall be entitled to the payments and benefits provided for in Paragraphs 11(e) (ii) through (viii).

11. Termination and Severance Benefits.

(a) Death of Executive.

In the event of the death of Executive during the Term of Employment or during the period Executive is receiving Disability payments from the Company under Paragraph 11(b) or during the period Executive is receiving payments of the Severance Allowance by reason of the occurrence of a Severance Event under Paragraph 11(e) (i), all rights, benefits and obligations of Executive under this Employment Agreement shall cease except for benefits accrued to or accelerated at the date of death, and except that the Company shall pay a death benefit to Executive's spouse or children surviving him or to such other beneficiary as Executive shall designate. The aggregate death benefit shall be an amount equal to 300% of the annual rate of Executive's Base Salary in the calendar year in which death occurred or the Disability occurred (under Paragraph 11(b)) or the Severance Event occurred (under Paragraph 11(e) (i)), as the case may be, and it shall be paid in thirty-six (36) equal consecutive monthly installments commencing thirty (30) days after the date of death, Disability or the Severance Event, as the case may be.

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(b) Disability of Executive.

In the event that during the Term of Employment or during the period Executive is receiving payments of the Severance Allowance by reason of the occurrence of a Severance Event under Paragraph 11(e) (i) a mutually acceptable physician determines that Executive, by reason of physical or mental disability, is and for a period of six (6) consecutive months has been permanently unable to perform duties substantially the same as his usual and customary duties under this Employment Agreement ("Disability"), Executive's employment under this Employment Agreement (except for Executive's obligations under Paragraph 8) shall immediately terminate (if it has not theretofore terminated by reason of the occurrence of the Severance Event) and all rights, benefits and obligations hereunder shall cease except for benefits accrued to or accelerated at the date of Disability, and except that during the five (5) year period following the date of termination of employment the Company (i) shall pay to Executive monthly an amount equal to the difference between one-twelfth (1/12) of the annual rate of Executive's Base Salary in the calendar year in which termination occurred and the gross monthly amount of disability payments by insurance or otherwise provided by Company for Executive, and (ii) shall continue in force medical insurance, dental insurance and term life insurance

then being provided Executive pursuant to this Employment Agreement.

(c) Cause.

The Company shall have the right to terminate Executive's employment under this Employment Agreement for Cause. In the event of the termination of employment for Cause, all rights, benefits and obligations of the parties under this Employment Agreement (except for Executive's obligations under Paragraph 8) shall immediately terminate except for benefits accrued to the date of termination.

(d) Good Reason.

Executive shall have the right to terminate his employment under this Employment Agreement for Good Reason.

(e) Severance Events.

Upon the occurrence of a Severance Event:

(i) The Company shall pay to Executive the applicable Severance Allowance. Except as otherwise provided in Paragraph 10(a)(ii) with respect to a Severance Event following a Significant Transaction, the Severance Allowance shall be paid in thirty (30) (if the Severance Event occurs prior to October 1, 2000) or thirty-six (36) (if the Severance Event occurs on or after October 1, 2000) equal consecutive monthly installments commencing one (1) month after the date of the Severance Event.

(ii) The Company shall pay to Executive, within ninety (90) days after the end of the calendar year in which the Severance Event occurred the pro rata portion of any and all bonuses and annual incentive awards

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for the calendar year in which the Severance Event occurred, said pro rata portion to be calculated on the fractional portion (the numerator of said fraction being the number of days between January 1 and the date of the Severance Event, and the denominator of which is 365) of the amount of the bonuses or awards which would have been payable had the employment not terminated in said calendar year.

(iii) The Company shall pay to Executive, within ninety (90) days after the end of the calendar year in which the Severance Event occurred the pro rata portion of any and all awards under the Incentive Plan or other long-term incentive based compensation plans in which Executive is then participating. The pro rata portion shall be based on the Company's actual level of performance for the period(s) commencing on the date the plan(s) began and ending on the date of the Severance Event projected at the same rate of performance for the remaining term of the plan(s). The pro rata portion shall be calculated on the fractional portion, the numerator of said fraction being the number of days between the date the plan(s) began and the date of the Severance Event and the denominator of which is the total number of days of the plan(s).

(iv) The benefits under Paragraphs 7(a), (d), (e) and the medical, dental, disability and term life insurance coverage (or coverage similar thereto) being provided Executive immediately prior to the date of termination of employment shall be continued in effect, at the Company's expense, for a period ending on the sooner of five (5) years from the date of the Severance Event or the date on which Executive obtains new employment which provides him with such coverage.

(v) The Company shall pay to Executive within ninety (90)

days after the date of the Severance Event the present value of the amount, if any, that the pension which is payable to Executive at retirement under the Company's Defined Benefit Pension Plan would have increased had Executive's employment continued for three (3) years after the Severance Event. Said payments shall not affect or diminish the amounts payable under the Naples SURP.

(vi) For the purposes of Naples SURP, Executive shall be deemed to have been employed by the Company through the end of the three (3) year period following the Severance Event.

(vii) For a period of one (1) year following the date of the Severance Event, the Company shall make or cause to be made available to Executive at its expense outplacement counseling and other placement services comparable to those made available to the Company's senior salaried officers prior to the Effective Date.

(viii) For a period equal to the shorter of (x) from the date of the Severance Event until Executive becomes Employed (hereafter defined), or (y) three (3) years from the Severance Event if on that date Executive was age 60 or less, five (5) years if Executive was between ages 60 and 65, and without limit if Executive was over age 65, the Company will provide Executive with a private office and secretarial service in the Company's

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principal offices or, in Executive's discretion, a comparable office and service elsewhere.

(f) If Executive becomes Employed during the period with respect to which payments or benefits are continuing pursuant to Paragraphs 11(e)(iv) and/or 11(e)(viii): (1) Executive shall notify the Company not later than the day such employment commences; and (2) the benefits provided for in said subparagraphs shall terminate as of the date of such employment. For the purposes of this Paragraph 11(f), Executive shall be deemed to have become "Employed" by another entity or person only if Executive becomes essentially a full-time employee of a person or an entity (not more than 30% of which is owned by Executive and/or members of his family); and Executive's "family" shall mean his parents, his siblings and their spouses, his children and their spouses, and Executive's spouse and her parents and siblings. Nothing herein shall relieve the Company of its obligations accrued up to the time of termination.

12. Certain Additional Payments by the Company.

(a) Notwithstanding anything in this Employment Agreement to the contrary, if it shall be determined that any payment or distribution by the Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Employment Agreement or otherwise, but determined without regard to any additional payments required under this Paragraph 11) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), the Company shall pay to Executive (a "Gross-Up Payment") an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes, calculated at the maximum federal and state rates for individuals in the year in which a Payment is made (and any interest and penalties imposed with respect thereto) and Excise Tax (and interest and penalties thereon) imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the amount of the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Paragraph 12 (c), all determinations required to be made under this Paragraph 12, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent certified public accountants (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and Executive within fifteen (15) business days of the receipt of notice from Executive that there has been a Payment, or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Paragraph 12, shall be paid by the Company to Executive within five (5) days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by Executive, it shall furnish Executive with a written opinion that failure to report the Excise Tax on Executive's applicable federal income tax return would not result in the

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imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Paragraph 12(c) and Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive.

(c) Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after Executive is informed in writing of such claim and the date on which such claim is requested to be paid. Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall (i) give the Company any information reasonably requested by the Company relating to such claim, (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company, (iii) cooperate with the Company in good faith in order effectively to contest such claim, and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Paragraph 12(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall

determine; provided, however, that if the Company directs Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to Executive, on an interest-free basis and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of

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taxes for the taxable year of Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder, and Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by Executive of an amount advanced by the Company pursuant to Paragraph 12 (c), Executive becomes entitled to receive any refund with respect to such claim, Executive shall (subject to the Company's complying with the requirements of Paragraph 12 (c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by Executive of an amount advanced by the Company pursuant to Paragraph 12(c), a determination is made that Executive shall not be entitled to any refund with respect to such claim and the Company does not notify Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

13. Indemnification.

The Company shall defend and hold Executive harmless to the fullest extent permitted by applicable law in connection with any claim, action, suit, investigation or proceeding arising out of or relating to performance by Executive of services for, or action of Executive as a director, officer or employee of the Company or any parent, subsidiary or affiliate of the Company, or of any other person or enterprise at the Company's request. Expenses incurred by Executive in defending a claim, action, suit or investigation or criminal proceeding shall be paid by the Company in advance of the final disposition thereof upon the receipt by the Company of an undertaking by or on behalf of Executive to repay said amount unless it shall ultimately be determined that Executive is entitled to be indemnified hereunder; provided, however, that this shall not apply to a non-derivative action commenced by the Company against Executive.

14. Insurance.

Executive consents and agrees that the Company may, at its expense, purchase key man life and/or disability insurance coverage on Executive. Executive will, if requested to do so, cooperate and assist the Company in obtaining such insurance and will execute such applications and related documents and submit to such physical examinations as shall be reasonably required.

15. Conflicting Agreements.

Each party hereto hereby represents and warrants to the other

party that the entering into this Employment Agreement, and the obligations and duties undertaken by such party hereunder, will not conflict with, constitute a

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breach of, or otherwise violate the terms of, any other employment or other agreement to which he or it is a party.

16. Successors and Assigns.

This Employment Agreement may not be assigned by Executive. This Employment Agreement shall be binding upon and inure to the benefit of the parties hereto and Executive's heirs and personal representatives and Company's successors and assigns.

17. Arbitration.

If a dispute between the parties arising out of or relating to this Employment Agreement cannot be resolved by informal meetings and discussions, the dispute shall be settled by binding arbitration, and a corresponding award and judgment may be entered in a court of competent jurisdiction. Arbitration of any dispute may be initiated by one party by sending a demand for arbitration to the other party, which demand will preclude any party hereto from initiating an action in any court. The demand must specify the matter in dispute and request the appointment of an arbitration panel. The arbitration panel will consist of one arbitrator named by the Company, one arbitrator named by Executive and a third arbitrator named by the two arbitrators so chosen. The arbitration hearing will be conducted in accordance with the procedural rules set forth in the commercial arbitration rules of the American Arbitration Association. The situs of the arbitration shall be Philadelphia, Pennsylvania.

18. Notices.

All notices, requests, demands and other communications hereunder must be in writing and shall be deemed to have been duly given if delivered by hand or mailed within the continental United States by first class certified mail, return receipt requested, postage prepaid, to the other party, addressed as follows:

If to Company: Quaker Chemical Corporation
Elm and Lee Streets
Conshohocken, PA 19428
Attn: Chairman of the Compensation/
Management Development Committee
If to Executive: Mr. Ronald J. Naples

Addresses may be changed by written notice sent to the other party at the last recorded address of that party.

19. Severability.

If any provision of this Employment Agreement shall be adjudged by any court of competent jurisdiction to be invalid or unenforceable

for any reason, such judgment shall not affect, impair or invalidate the remainder of this Agreement.

20. Legal Fees.

The Company shall reimburse Executive for reasonable legal fees incurred by him in connection with the execution of this Employment Agreement, or its interpretation, or its enforcement.

21. Prior Understandings.

This Employment Agreement supersedes the Prior Agreement and all other oral or written agreements or understandings between them regarding the subject matter hereof; provided, however, that this Employment Agreement shall not affect any options, restricted stock or Incentive Plan participation granted to Executive under the Prior Agreement. No change, alteration or modification hereof may be made except in a writing, signed by the parties hereto. The headings in this Employment Agreement are for convenience and reference only and shall not be construed as part of this Employment Agreement or to limit or otherwise affect the meaning hereof. All references to "First Event" or "Change of Control" in either of the Quaker Chemical Corporation 1995 Naples Restricted Stock Plan and Agreement and Stock Option Agreements or Exhibits A and B to the Prior Agreement shall mean the occurrence of a "Significant Transaction" as defined in this Employment Agreement.

22. Execution in Counterparts.

This Employment Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed to be original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart.

23. Choice of Laws.

Jurisdiction over disputes with regard to this Employment Agreement shall be exclusively in the courts of the Commonwealth of Pennsylvania, and this

Employment Agreement shall be construed and interpreted in accordance with and governed by the laws of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Employment Agreement as of the day and year first above written.

QUAKER CHEMICAL CORPORATION

By: /s/ Robert H. Rock

Robert H. Rock, Chairman
Compensation/Management Development Committee

/s/ Ronald J. Naples

RONALD J. NAPLES

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, made and entered into as of the 30th day of November 1998, by and between QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (hereinafter referred to as "QUAKER"), and MICHAEL F. BARRY (hereinafter referred to as "EXECUTIVE").

W I T N E S S E T H:

WHEREAS, QUAKER wishes to employ EXECUTIVE, and EXECUTIVE wishes to be employed by QUAKER.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. QUAKER agrees to employ EXECUTIVE, and EXECUTIVE agrees to serve as Vice President and Chief Financial Officer of QUAKER. He shall perform all duties consistent with such position as well as any other duties which are assigned to him from time to time by the Board of Directors or Chief Executive Officer of QUAKER. EXECUTIVE covenants and agrees that he will, during the term of this Employment Agreement or any extension or renewal thereof, devote his knowledge, skill, and working time solely and exclusively to the business and interests of QUAKER.

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2. Except as otherwise provided for in Paragraph 10, the term of EXECUTIVE's employment shall continue until December 31, 1999 and shall continue for annual calendar year terms thereafter until either party hereto shall have given the other at least ninety (90) days' prior written notice of a desire to terminate this Agreement and thereby terminate EXECUTIVE's employment with QUAKER.

3. QUAKER shall pay to EXECUTIVE and EXECUTIVE shall accept an annual rate of salary as set forth in Exhibit A attached hereto, payable semi-monthly, during the term of this Employment Agreement or any extension or renewal thereof. The rate of salary will be reviewed on an annual basis consistent with QUAKER's then current practice for reviewing officers' salaries and performance.

4. EXECUTIVE shall participate in such QUAKER Incentive Programs as described and set forth in Exhibit A. As an Officer of QUAKER, the particulars of Exhibit A may be amended by the Board of Directors at any time as to any matter set forth therein including eligibility to participate in any given QUAKER incentive plan, the level of participation in any QUAKER incentive plan, and the terms and conditions of any QUAKER incentive plan. Any changes to Exhibit A shall not affect any of the other terms and conditions hereof including, without limitation, the provisions of Paragraphs 7 through 9. For the purposes of this Agreement, the term "QUAKER Incentive Program" shall refer to each individual as well as the combined incentive programs approved by the Board of Directors. Revisions to Exhibit A shall become effective upon notification in writing by QUAKER.

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5. (a) With respect to QUAKER's Annual Bonus Plan for the 1998 year only, EXECUTIVE's annual bonus (payable in early 1999) will be \$50,000.

(b) With respect to QUAKER's Long-Term Performance Incentive Plan (the "Incentive Plan"), for 1997-2000 performance award period under the terms and conditions of the Incentive Plan. In connection therewith, EXECUTIVE will be granted:

- * Stock options - 15,000 to be issued to EXECUTIVE on the first day of employment -- 6,000 to first become exercisable on the second anniversary of the first day of employment; the next 6,000 to first become exercisable on the third anniversary of the first day of employment; and the remaining 3,000 to first become exercisable on the fourth anniversary of the first day of employment.
- * Type of stock option offered - non-qualified stock options.
- * Option price per share - closing price on first day of employment.
- * Performance incentive units - 9,000 @ \$16.9375 (equal to 100% of target value), such payment not to exceed \$150,000.

In addition, Executive shall be entitled to a signing bonus as set forth on Exhibit A to be paid in 1998.

(c) EXECUTIVE shall be entitled to four (4) weeks vacation per year, beginning the calendar year 1999, paid holidays, and such other employee benefits, including, without limitation, life insurance, medical benefits, disability, profit sharing, and retirement benefits as are made generally available to all senior QUAKER salaried officers as a group. In addition, EXECUTIVE shall be eligible to participate in Quaker's Supplemental Retirement Income Program.

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(d) QUAKER shall reimburse EXECUTIVE for all reasonable expenses incurred by EXECUTIVE on behalf of QUAKER in the course of EXECUTIVE's employment under this Employment Agreement, provided that such expenses shall have been approved by QUAKER in accordance with such expense reimbursement procedures as shall be adopted by QUAKER.

6. In the event of the death of EXECUTIVE while this Employment Agreement is in effect and as to which no notice of termination has been given by EXECUTIVE or, in the case of a Termination for Cause (as defined hereafter), by QUAKER, QUAKER shall (i) continue to pay a sum of money equal to the salary that would have been paid to him for four months following his death just as if he were living, and (ii) QUAKER shall pay a death benefit equal to his then current annual salary plus \$30,000 to be paid in three equal payments, without interest, on the 16, 28, and 40 month anniversary of the date of his death. Payments made pursuant to this Paragraph 6 shall be made to the person or persons who may be designated by EXECUTIVE in writing, and, in the event he fails to so designate to whom payments shall be made, payments shall be made to EXECUTIVE's personal representatives.

7. EXECUTIVE acknowledges that information concerning the method and conduct of QUAKER's (and any affiliates') business, including, without limitation, strategic and marketing plans, budgets, corporate practices and procedures, financial statements, customer and supplier information, formulae, formulation information, application technology, manufacturing information, and laboratory test methods and all of QUAKER's (and any affiliates') manuals,

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documents, notes, letters, records, and computer programs are QUAKER's (and/or QUAKER's affiliates', as the case may be) trade secrets ("Trade Secrets") and are the sole and exclusive property of QUAKER (and/or QUAKER's affiliates, as the case may be). EXECUTIVE agrees that at no time during or following his employment with QUAKER will he use, divulge, or pass on, directly or through any other individual or entity, any Trade Secrets. Upon termination of EXECUTIVE's employment with QUAKER, or at any other time upon QUAKER's request, EXECUTIVE agrees to forthwith surrender to QUAKER any and all materials in his possession or control which include or contain any such Trade Secrets. The words "Trade Secrets" do not include information already known to the public through no act or failure to act on the part of EXECUTIVE, required by law to be disclosed, or which can be clearly shown to have been known by EXECUTIVE prior to the commencement of his employment with QUAKER.

8. EXECUTIVE agrees that during his employment and for a period of one (1) year thereafter, regardless of the reason for the termination of EXECUTIVE'S employment hereunder, he will not:

(a) directly or indirectly, together or separately or with any third party, whether as an individual proprietor, partner, stockholder, officer, director, joint venturer, investor, or in any other capacity whatsoever actively engage in business or assist anyone or any firm in business as a manufacturer, seller, or distributor of specialty chemical products or chemical management

Exhibit 10(u) Page 5

services which are the same, like, similar to, or which compete with the products and services offered by QUAKER (or any of its affiliates);

(b) recruit or solicit any employee of QUAKER or otherwise induce such employee to leave the employ of QUAKER or to become an employee or otherwise be associated with his or any firm, corporation, business or other entity with which he is or may become associated; and

(c) solicit, directly or indirectly, for himself or as agent or employee of any person, partnership, corporation, or other entity (other than for QUAKER) any then or former customer, supplier, or client of QUAKER with the intent of actively engaging in business which would cause competitive harm to QUAKER.

EXECUTIVE acknowledges and agrees that all of the foregoing restrictions are reasonable as to the period of time and scope. However, if any paragraph, sentence, clause, or other provision is held invalid or unenforceable by a court of competent and relevant jurisdiction, such provision shall be deemed to be modified in a manner consistent with the intent of such original provision so as to make it valid and enforceable, and this Agreement and the application of such provision to persons and circumstances other than those with respect to which it would be invalid or unenforceable shall not be affected thereby. EXECUTIVE agrees and recognizes that in the event of a breach or threatened breach of the provisions of the restrictive covenants contained in Paragraph 7 or in this Paragraph 8, QUAKER may suffer irreparable harm, and monetary damages may not be an adequate remedy. Therefore, if any breach occurs or is threatened, in addition to all other remedies available to QUAKER at law

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or in equity, QUAKER shall be entitled as a matter of right to specific performance of the covenants of QUAKER contained herein by way of temporary or permanent injunctive relief. In the event of any breach of the restrictive

covenant contained in this Paragraph 8, the term of the restrictive covenant specified herein shall be extended by a period of time equal to that period beginning on the date such violation commenced and ending when the activities constituting such violation cease.

9. In the event that QUAKER in its sole discretion and at any time terminates this Agreement with EXECUTIVE (other than for Termination for Cause, death, disability, or normal retirement age), QUAKER agrees to provide EXECUTIVE with reasonable out-placement assistance and a severance payment (contingent upon EXECUTIVE executing a form of release satisfactory to QUAKER) that shall be equal to twelve (12) months' salary calculated at EXECUTIVE's then current rate.

10. Termination. This Employment Agreement also can be terminated (and thereby terminate EXECUTIVE's employment with QUAKER) at any time and without notice by "Termination for Cause." Termination for Cause means EXECUTIVE's employment with QUAKER shall have been terminated by QUAKER by reason of either:

(a) The willful and continued failure (following written notice) by EXECUTIVE to execute his duties under this Employment Agreement; or

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(b) The willful engaging by EXECUTIVE in a continued course of misconduct which is materially injurious to QUAKER, monetarily or otherwise.

11. EXECUTIVE represents and warrants to QUAKER that:

(a) there are no restrictions, agreements, or understandings whatsoever to which EXECUTIVE is a party which would prevent or make unlawful his execution of this Employment Agreement or his employment hereunder; and

(b) his execution of this Employment Agreement and his employment hereunder shall not constitute a breach of any contract agreement, or understanding, oral or written, to which he is a party or by which he is bound.

13. This Employment Agreement contains all the agreements and understandings between the parties hereto with respect to EXECUTIVE's employment by QUAKER and supersedes all prior or contemporaneous agreements with respect thereto and shall be binding upon and for the benefit of the parties hereto and their respective personal representatives, successors, and assigns. This Employment Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania without regard to any conflict of laws.

IN WITNESS WHEREOF, QUAKER has caused this Employment Agreement to be signed by its Chairman of the Board, thereunto duly authorized, and its corporate seal to be hereunto affixed and attested by its Corporate Secretary,

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and EXECUTIVE has hereunto set his hand and seal all as of the day and year first above written.

ATTEST:
(SEAL)

QUAKER CHEMICAL CORPORATION

/s/ D. Jeffry Benoliel

By: /s/ Ronald J. Naples

D. Jeffry Benoliel
Corporate Secretary

Ronald J. Naples
Chairman and Chief Executive Officer

WITNESS:

/s/ Mary E. Lalor

- - - - -

/s/ Michael F. Barry

- - - - -

Michael F. Barry

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EMPLOYMENT AGREEMENT

EXHIBIT A

Effective: November 30, 1998

Name of Employee: Michael F. Barry

Address:

Title: Vice President and Chief Financial Officer

Annual Rate of \$190,000
Salary at Starting Date: November 30, 1998
Signing Bonus: \$25,000

Participation in Quaker Incentive Programs

Annual Bonus Plan (1998)

- - - - -

Bonus will be based on achieving certain benchmarks set on annual basis, as follows:

Threshold level	--	12.5% of midpoint
Target level	--	25% of midpoint
Maximum level	--	50% of midpoint

For the 1998 year only, the Annual Bonus (payable in early 1999) will be \$50,000.

Long-Term Performance Incentive Plan 1997 -2000

- - - - -

Will be full participant in Plan, even though entering approximately two (2) years after the start, at the following level:

- * Stock options - 15,000 to be issued to EXECUTIVE on the first day of employment -- 6,000 shall first become exercisable on the second anniversary of the first day of

employment; 6,000 shall first become exercisable on the

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third anniversary of the first day of employment; and the remaining 3,000 to first become exercisable on the third anniversary of the first day of employment.

- * Type of stock option offered - non-qualified stock options.
- * Option price per share - closing price on first day of employment.
- * Performance incentive units - 9,000 @ \$16.9375 (equal to 100% of target value), such payment not to exceed \$150,000.

Long-Term Performance Incentive Plan 1999 -2002

Will be eligible to participate in the Plan at the levels commensurate with the position of Vice President-Chief Financial Officer as recommended by management. Under the terms of the Plan, however, only the Compensation Committee of Quaker's Board of Directors has the authority to grant awards under the Plan and therefore, there can be no assurance that the Compensation Committee will act on management's recommendation.

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, made and entered into as of the 15th day of March 1999, by and between QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (hereinafter referred to as "QUAKER"), and IAN CLARK (hereinafter referred to as "EXECUTIVE").

W I T N E S S E T H:

WHEREAS, QUAKER wishes to employ EXECUTIVE, and EXECUTIVE wishes to be employed by QUAKER.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. QUAKER agrees to employ EXECUTIVE, and EXECUTIVE agrees to serve as Vice President-U.S. Commercial Operations of QUAKER. He shall perform all duties consistent with such position as well as any other duties which are assigned to him from time to time by the Board of Directors or President of QUAKER. EXECUTIVE covenants and agrees that he will, during the term of this Employment Agreement or any extension or renewal thereof, devote his knowledge, skill, and working time solely and exclusively to the business and interests of QUAKER.

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2. Except as otherwise provided for in Paragraph 10, the term of EXECUTIVE's employment shall continue until December 31, 1999 and shall continue for annual calendar year terms thereafter until either party hereto shall have given the other at least ninety (90) days' prior written notice of a desire to terminate this Agreement and thereby terminate EXECUTIVE's employment with QUAKER.

3. QUAKER shall pay to EXECUTIVE and EXECUTIVE shall accept an annual rate of salary as set forth in Exhibit A attached hereto, payable semi-monthly, during the term of this Employment Agreement or any extension or renewal thereof. The rate of salary will be reviewed on an annual basis consistent with QUAKER's then current practice for reviewing officers' salaries and performance.

4. EXECUTIVE shall participate in such QUAKER Incentive Programs as described and set forth in Exhibit A. As an Officer of QUAKER, the particulars of Exhibit A may be amended by the Board of Directors at any time as to any matter set forth therein including eligibility to participate in any given QUAKER incentive plan, the level of participation in any QUAKER incentive plan, and the terms and conditions of any QUAKER incentive plan. Any changes to Exhibit A shall not affect any of the other terms and conditions hereof including, without limitation, the provisions of Paragraphs 7 through 9. For the purposes of this Agreement, the term "QUAKER Incentive Program" shall refer to each individual as well as the combined incentive programs approved by the Board of Directors. Revisions to Exhibit A shall become effective upon notification in writing by QUAKER.

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5. (a) With respect to QUAKER's Long-Term Performance Incentive Plan

(the "Incentive Plan"), for 1997-2000 performance award period under the terms and conditions of the Incentive Plan. In connection therewith, EXECUTIVE will be granted:

- * Stock options - 10,000 to be issued to EXECUTIVE on the first day of employment -- 5,000 to first become exercisable on the first anniversary of the first day of employment; 2,500 to first become exercisable on the second anniversary of the first day of employment; and the remaining 2,500 to first become exercisable on the third anniversary of the first day of employment.
- * Type of stock option offered - non-qualified stock options.
- * Option price per share - closing price on first day of employment.
- * Performance incentive units - 2,200 @ \$16.9375 (equal to 100% of target value or \$37,263), with an opportunity to increase to 200% or \$74,526.

(b) EXECUTIVE shall be entitled to four (4) weeks vacation per year, beginning the calendar year 1999, paid holidays, and such other employee benefits, including, without limitation, life insurance, medical benefits, disability, profit sharing, and retirement benefits as are made generally available to all senior QUAKER salaried officers as a group. In addition, EXECUTIVE shall be eligible to participate in Quaker's Supplemental Retirement Income Program, except that if EXECUTIVE's employment with QUAKER is terminated by EXECUTIVE or by QUAKER for Cause (as hereinafter defined) or for poor

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performance within three (3) years of the date first written above, EXECUTIVE will not be eligible to receive any benefits under this Program.

(c) QUAKER shall reimburse EXECUTIVE for all reasonable expenses incurred by EXECUTIVE on behalf of QUAKER in the course of EXECUTIVE's employment under this Employment Agreement, provided that such expenses shall have been approved by QUAKER in accordance with such expense reimbursement procedures as shall be adopted by QUAKER.

6. In the event of the death of EXECUTIVE while this Employment Agreement is in effect and as to which no notice of termination has been given by EXECUTIVE or, in the case of a Termination for Cause (as defined hereafter), by QUAKER, QUAKER shall (i) continue to pay a sum of money equal to the salary that would have been paid to him for four months following his death just as if he were living, and (ii) QUAKER shall pay a death benefit equal to his then current annual salary plus \$30,000 to be paid in three equal payments, without interest, on the 16, 28, and 40 month anniversary of the date of his death. Payments made pursuant to this Paragraph 6 shall be made to the person or persons who may be designated by EXECUTIVE in writing, and, in the event he fails to so designate to whom payments shall be made, payments shall be made to EXECUTIVE's personal representatives.

7. EXECUTIVE acknowledges that information concerning the method and conduct of QUAKER's (and any affiliates') business, including, without

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limitation, strategic and marketing plans, budgets, corporate practices and

procedures, financial statements, customer and supplier information, formulae, formulation information, application technology, manufacturing information, and laboratory test methods and all of QUAKER's (and any affiliates') manuals, documents, notes, letters, records, and computer programs are QUAKER's (and/or QUAKER's affiliates', as the case may be) trade secrets ("Trade Secrets") and are the sole and exclusive property of QUAKER (and/or QUAKER's affiliates, as the case may be). EXECUTIVE agrees that at no time during or following his employment with QUAKER will he use, divulge, or pass on, directly or through any other individual or entity, any Trade Secrets. Upon termination of EXECUTIVE's employment with QUAKER, or at any other time upon QUAKER's request, EXECUTIVE agrees to forthwith surrender to QUAKER any and all materials in his possession or control which include or contain any such Trade Secrets. The words "Trade Secrets" do not include information already known to the public through no act or failure to act on the part of EXECUTIVE, required by law to be disclosed, or which can be clearly shown to have been known by EXECUTIVE prior to the commencement of his employment with QUAKER.

8. EXECUTIVE agrees that during his employment and for a period of one (1) year thereafter, regardless of the reason for the termination of EXECUTIVE'S employment hereunder, he will not:

(a) directly or indirectly, together or separately or with any third party, whether as an individual proprietor, partner, stockholder, officer,

Exhibit 10(v) Page 5

director, joint venturer, investor, or in any other capacity whatsoever actively engage in business or assist anyone or any firm in business as a manufacturer, seller, or distributor of specialty chemical products or chemical management services which are the same, like, similar to, or which compete with the products and services offered by QUAKER (or any of its affiliates);

(b) recruit or solicit any employee of QUAKER or otherwise induce such employee to leave the employ of QUAKER or to become an employee or otherwise be associated with his or any firm, corporation, business or other entity with which he is or may become associated; and

(c) solicit, directly or indirectly, for himself or as agent or employee of any person, partnership, corporation, or other entity (other than for QUAKER) any then or former customer, supplier, or client of QUAKER with the intent of actively engaging in business which would cause competitive harm to QUAKER.

EXECUTIVE acknowledges and agrees that all of the foregoing restrictions are reasonable as to the period of time and scope. However, if any paragraph, sentence, clause, or other provision is held invalid or unenforceable by a court of competent and relevant jurisdiction, such provision shall be deemed to be modified in a manner consistent with the intent of such original provision so as to make it valid and enforceable, and this Agreement and the application of such provision to persons and circumstances other than those with respect to which it would be invalid or unenforceable shall not be affected thereby. EXECUTIVE agrees and recognizes that in the event of a breach or threatened breach of the provisions of the restrictive covenants contained in

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Paragraph 7 or in this Paragraph 8, QUAKER may suffer irreparable harm, and

monetary damages may not be an adequate remedy. Therefore, if any breach occurs or is threatened, in addition to all other remedies available to QUAKER at law or in equity, QUAKER shall be entitled as a matter of right to specific performance of the covenants of QUAKER contained herein by way of temporary or permanent injunctive relief. In the event of any breach of the restrictive covenant contained in this Paragraph 8, the term of the restrictive covenant specified herein shall be extended by a period of time equal to that period beginning on the date such violation commenced and ending when the activities constituting such violation cease.

9. In the event that QUAKER in its sole discretion and at any time terminates this Agreement with EXECUTIVE (other than for Termination for Cause, death, disability, or normal retirement age), QUAKER agrees to provide EXECUTIVE with reasonable out-placement assistance and a severance payment (contingent upon EXECUTIVE executing a form of release satisfactory to QUAKER) that shall be equal to twelve (12) months' salary calculated at EXECUTIVE's then current rate.

10. Termination. This Employment Agreement also can be terminated (and thereby terminate EXECUTIVE's employment with QUAKER) at any time and without notice by "Cause." "Cause" means EXECUTIVE's employment with QUAKER shall have been terminated by QUAKER by reason of either: (a) willful and material breach of this Agreement by EXECUTIVE, (b) dishonesty, fraud, willful malfeasance,

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gross negligence, or other gross misconduct, in each case relating to the performance of the EXECUTIVE's employment hereunder which is materially injurious to QUAKER, or (c) conviction of or plea of guilty to a felony.

11. EXECUTIVE represents and warrants to QUAKER that:

(a) there are no restrictions, agreements, or understandings whatsoever to which EXECUTIVE is a party which would prevent or make unlawful his execution of this Employment Agreement or his employment hereunder; and

(b) his execution of this Employment Agreement and his employment hereunder shall not constitute a breach of any contract agreement, or understanding, oral or written, to which he is a party or by which he is bound.

12. This Employment Agreement contains all the agreements and understandings between the parties hereto with respect to EXECUTIVE's employment by QUAKER and supersedes all prior or contemporaneous agreements with respect thereto and shall be binding upon and for the benefit of the parties hereto and their respective personal representatives, successors, and assigns. This Employment Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania without regard to any conflict of laws.

IN WITNESS WHEREOF, QUAKER has caused this Employment Agreement to be signed by its Chairman of the Board, thereunto duly authorized, and its corporate seal to be hereunto affixed and attested by its Corporate Secretary, and

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EXECUTIVE has hereunto set his hand and seal all as of the day and year first above written.

ATTEST:
(SEAL)

QUAKER CHEMICAL CORPORATION

/s/ D. Jeffry Benoliel

By: /s/ Ronald J. Naples

D. Jeffry Benoliel
Corporate Secretary

Ronald J. Naples
Chairman and Chief Executive Officer

WITNESS:

/s/ Sybilla Russo

/s/ Ian Clark

Ian Clark

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EMPLOYMENT AGREEMENT

EXHIBIT A

Effective: March 15, 1999

Name of Employee: Ian Clark

Address:

Title: Vice President-U.S. Commercial Operations

Annual Rate of \$195,000
Salary at Starting Date: March 15, 1999

Participation in Quaker Incentive Programs

Annual Bonus Plan (1999)

Bonus will be based on achieving certain benchmarks set on annual basis. Bonus will be in the range of 0-50% base salary.

Long-Term Performance Incentive Plan 1997 -2000

Will be full participant in Plan, even though entering approximately two (2) years after the start, at the following level:

- * Stock options - 10,000 to be issued to EXECUTIVE on the first day of employment -- 5,000 shall first become exercisable on the first anniversary of the first day of employment; 2,500 shall first become exercisable on the second anniversary of the first day of employment; and the remaining 2,500 to first become exercisable on the third anniversary of the first day of employment.
- * Type of stock option offered - non-qualified stock options.
- * Option price per share - closing price on first day of employment.
- * Performance incentive units - 2,200 @ \$16.9375 (equal to 100% of

target value or \$37,263), with an opportunity to increase to 200% or \$74,526.

CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT dated February 1, 1999 between QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (the "Company") and JOSEPH W. BAUER (the "Manager").

W I T N E S S E T H T H A T

WHEREAS, the Company and the Manager are party to a certain employment agreement dated March 9, 1998 (the Employment Agreement);

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders that the Company and its subsidiaries be able to attract, retain, and motivate highly qualified management personnel and, in particular, that they be assured of continuity of management in the event of any actual or threatened change in control of the Company; and

WHEREAS, the Board of Directors of the Company believes that the execution by the Company of change in control agreements with certain management personnel, including the Manager, is an important factor in achieving this desired end.

NOW, THEREFORE, IN CONSIDERATION of the mutual obligations and agreements contained herein and intending to be legally bound hereby, the Manager and the Company agree as follows:

1. Term of Agreement.

Except as otherwise provided for in the last sentence of this Section 1, this Agreement shall become effective at such time (the "Effective Date"), if any, as a Change in Control (as defined in Section 2 hereof) of the Company occurs; provided, however, that this Agreement shall terminate and be of no further force and effect if: (a) a Change in Control shall not have occurred by July 31, 2003 or such later date as shall have been approved by the Board of Directors of the Company and agreed to by the Manager or (b) prior to the Effective Date, the Manager ceases, for any reason, to be an employee of the Company, except that if the Manager's status as an employee of the Company is terminated by the Company prior to a Change in Control and it is reasonably demonstrated that such termination (i) was at the request of a person or entity who or which has taken steps reasonably calculated to effect an imminent Change in Control or (ii) otherwise arose in connection with or in anticipation of an imminent Change in Control, then this Agreement shall become effective, and the

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Effective Date shall be the date of such termination. On the Effective Date, the Employment Agreement will automatically terminate without notice or any action by either party thereto, and this Agreement will control and govern the Manager's employment relationship with the Company. Notwithstanding the foregoing, as of the date of this Agreement, Paragraph 9 of the Employment Agreement is null and void (excluding certain terms defined therein which are referenced in other paragraphs of the Employment Agreement).

2. Change in Control.

As used in this Agreement, a "Change in Control" of the Company shall be deemed to have occurred if:

(a) any person (a "Person"), as such term is used in Sections

13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (other than (1) the Company and/or its wholly owned subsidiaries; (2) any ESOP or other employee benefit plan of the Company and any trustee or other fiduciary in such capacity holding securities under such plan; (3) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock the Company; or (4) any other Person who is as of the date of this Agreement presently an executive officer of the Company or any group of Persons of which he/she voluntarily is a part) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities or such lesser percentage of voting power, but not less than 15%, as the Board of Directors of the Company shall determine; provided, however, that a Change in Control shall not be deemed to have occurred under the provisions of this subsection (a) by reason of the beneficial ownership of voting securities by members of the Benoliel family (as defined below) unless and until the beneficial ownership of all members of the Benoliel family (including any other individuals or entities who or which, together with any member or members of the Benoliel family, are deemed under Sections 13(d) or 14(d) of the Exchange Act to constitute a single Person) exceeds 50% of the combined voting power of the Company's then outstanding securities;

(b) during any two-year period beginning on the date of this Agreement, Directors of the Company in office at the beginning of such period plus any new Director (other than a Director designated by a Person who has entered into an agreement with the Company to effect a transaction within the purview of subsections (a) or (c) hereof) whose election by the Board of Directors of the Company or whose nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or

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nomination for election was previously so approved shall cease for any reason to constitute at least a majority of the Board; or

(c) the Company's shareholders or the Company's Board of Directors shall approve (i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which the Company's voting common shares (the "Common Shares") would be converted into cash, securities, and/or other property, other than a merger of the Company in which holders of Common Shares immediately prior to the merger have the same proportionate ownership of Common Shares of the surviving corporation immediately after the merger as they had in the Common Shares immediately before; (ii) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets or earning power of the Company; or (iii) the liquidation or dissolution of the Company.

As used in this Agreement, "members of the Benoliel Family" shall mean Peter A. Benoliel, his wife and children and their respective spouses and children, and all trusts created by or for the benefit of any of them.

3. Employment.

(a) From the Effective Date and until either party hereto shall have given the other at least sixty (60) days' prior written notice of a desire to terminate this Agreement (the "Employment Period") and thereby the Manager's employment hereunder, the Company hereby agrees to continue the Manager in its employ (directly and/or indirectly through a subsidiary), and the Manager hereby agrees to remain in the employ of the Company (and/or any such

subsidiary), to exercise such authority, to perform such duties, and to possess such status, offices, support staff, titles, and reporting requirements as are at least commensurate with those generally exercised, performed, and possessed by the Manager during the ninety (90) day period immediately prior to the Effective Date or such lesser period as the Manager shall have been employed by the Company or its subsidiaries (the "Base Period"). Such services shall be performed at the location where the Manager was primarily employed during the Base Period or at such other location as the Company may reasonably require, provided that the Manager shall not be required to accept a primary employment location which is more than 25 miles from the location at which he primarily was employed during the Base Period. During the Employment Period, and excluding any periods of vacation and sick leave to which the Manager is entitled, the Manager agrees to perform faithfully, diligently, and efficiently his responsibilities hereunder.

(b) The Manager acknowledges that nothing in this Agreement shall be deemed to give him continued rights to employment by the Company or its subsidiaries as a manager or any other capacity with respect to any period prior to the Effective Date, if any, of this Agreement or, subject to subsection 1(b) hereof, to entitle the Manager to compensation or benefits in the event of termination of the Manager's employment prior to the Effective Date. Manager's employment with the Company prior to the Effective Date, subject to subsection 1(b) hereof, will be controlled by the Employment Agreement.

4. Compensation, Benefits, etc.

During the Employment Period, the Manager shall be compensated as follows:

(a) The Manager shall (i) receive an annual cash base salary, payable not less frequently than semi-monthly, which is not less than the annualized cash base salary payable to Manager as of the Effective Date; (ii) be entitled to at least as favorable annual incentive award opportunity under the Company's annual incentive compensation plan as he did in the calendar year immediately prior to the year in which the Change of Control Event occurs; and (iii) be eligible to participate in all of the Company's long-term incentive compensation plans and programs on terms that are at least as favorable to the Manager as provided to the Manager in the four calendar years prior to the Effective Date.

(b) The Manager shall be entitled to receive fringe benefits, employee benefits, and perquisites (including, but not limited to, vacation, medical, disability, dental, and life insurance benefits) which are at least as favorable to those made generally available as of the Effective Date to all of the Company's salaried managers as a group. In addition, the Manager shall be eligible to participate in the Company's Supplemental Retirement Income Program ("SRIP").

(c) Notwithstanding any other provision of this Agreement (whether in this Section 4, in Section 6, or elsewhere), (i) the Board of Directors may authorize an increase in the amount, duration, and nature of and/or the acceleration of any compensation or benefits payable under this Agreement, as well as waive or reduce the requirements for entitlement thereto and (ii) the Company may deduct from amounts otherwise payable to the Manager such amounts as it reasonably believes it is required to withhold for the payment of federal, state, and local taxes.

5. Early Termination of Employment.

The Manager's Employment Period shall terminate without the Company providing sixty (60) days prior written notice as required under Section 3 hereof in the following circumstances:

(a) the Manager's death;

(b) at the option of the Company in the event of the Manager's Disability (as defined below); or

(c) at the option of the Company for Cause (as defined below).

For purposes of this Agreement, "Disability" shall mean: (1) a physical or mental disability which, at least twenty-six (26) weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Manager or the Manager's legal representative or (2) if the Company then has in effect a disability plan covering Managers generally, including the Manager, the definition of covered total and permanent "disability" set forth in such plan, and "Cause" shall mean (a) willful and material breach of this Agreement by the Manager, (b) dishonesty, fraud, willful malfeasance, gross negligence, or other gross misconduct, in each case relating to the performance of the Manager's employment hereunder which is materially injurious to the Company, or (c) conviction of or plea of guilty to a felony, such Cause to be determined, in each case, by a resolution approved by at least two-thirds of the Directors of the Company after having afforded the Manager a reasonable opportunity to appear before the Board of Directors of the Company and present his position.

6. Compensation, Benefits, etc. upon Termination.

(a) If the Manager's Employment Period is terminated by death, Disability, resignation (other than a resignation in the circumstances set forth in subsection (c) below), or for Cause, the Company shall be obligated only to provide the compensation, benefits, etc. set forth in Section 4 hereof up to the date of termination; provided, however, that the Manager shall be entitled to such additional compensation and benefits, if any, as may be provided for under the express terms of any benefit plans or programs of the Company and its subsidiaries in which he is then participating.

(b) In the event of the death of the Manager while this Agreement is in effect and as to which no notice of termination has been given by the Manager, the Company shall (i) continue to pay a sum of money equal to the salary that would have been paid to him for four months following his death just as if he were living, and (ii) the Company shall pay a death benefit equal to his then current annual salary plus \$30,000 to be paid in three equal payments, without interest, on the 16, 28, and 40 month anniversaries of the date of his death. Payments made pursuant to this subsection 6(b) shall be made to the person or persons who may be designated by the Manager in writing, and, in the event he fails to so designate to whom payments shall be made, payments shall be made to the Manager's personal representatives.

(c) If the Manager's Employment Period is terminated within three (3) years of the Effective Date ("Covered Termination") by:

(i) the Company without Cause; or

(ii) resignation of the Manager as a result of (1) a material adverse change in the nature or scope of the Manager's authorities, powers, functions, or

duties from those described in Section 3 hereof; a reduction in the Manager's total compensation, benefits, etc. from those provided for in Section 4 hereof; or a material breach by the Company of any other provision of this Agreement or (2) a reasonable determination by the Manager that, as a result of a Change in Control of the Company and a change in the Company's circumstances and/or operations thereafter significantly affecting his or her position, he is unable effectively to exercise the authorities, powers, functions, or duties contemplated by Section 3 hereof.

(d) In the event of a Covered Termination, the Company shall pay or cause to be paid to the Manager in cash a severance allowance (the "Severance Allowance") equal to 2.0 times the sum of the amounts determined in accordance with the following subsections (i) and (ii):

- (i) an amount equivalent to the highest annualized base salary which the Manager was entitled to receive from the Company and its subsidiaries at any time during his employment prior to the Effective Date; and
- (ii) an amount equal to the greatest of the annual amounts paid to the Manager under all applicable annual incentive compensation plans maintained by the Company and its subsidiaries (other than compensation relating to relocation expense; the grant, exercise, or settlement of stock options or performance incentive units or the sale or other disposition of shares received upon exercise or settlement of such options) during any of the three (3) calendar years prior to the year in which the Effective Date occurs (provided, however, that there shall be excluded from such calculation any amounts paid to the Manager under any such incentive compensation plan as a result of the acceleration of such payments under such plan due to termination of the plan, a Change in Control Event, or a similar occurrence).

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(e) The Severance Allowance shall be paid to the Manager in a lump sum within sixty (60) days after the date of any termination of the Manager covered by subsections 6(c) (i) or 6(c) (ii).

(f) Subject to subsection (h) below:

- (i) for a period of one year following a Covered Termination of the Manager, the Company shall make or cause to be made available to the Manager, at its expense, outplacement counseling and other outplacement services comparable to those available for the Company's senior managers prior to the Effective Date; and
- (ii) for a period of 24 months following a Covered Termination of the Manager, the Manager and the Manager's dependents shall be entitled to

participate in the Company's life, medical, dental and long-term disability insurance plans at the Company's expense (to the extent provided in such plans at the time of such covered Termination) as if the Manager were still employed by the Company or its subsidiaries under this Agreement; and

- (iii) for purposes of the Company's SRIP, Manager shall be deemed to have been employed by the Company for the 24 month period following a Covered Termination of the Manager.

(g) If, despite the provisions of subsection (f) above, life, medical, dental or long-term disability insurance benefits are not paid or provided under any such plan to the Manager or his dependents because the Manager is no longer an employee of the Company or its subsidiaries, the Company itself shall, to the extent necessary, pay or otherwise provide for such benefits to the Manager or his dependents.

(h) In the event the Manager becomes employed (as defined below) during the period with respect to which payments or benefits are continuing pursuant to subsections 6(f) and/or 6(g) hereof: (1) the Manager shall notify the Company not later than the day such employment commences; and (2) the benefits provided for in subsections 6(f) and 6(g) shall terminate as of the date of such employment. For the purposes of this subsection (h), the Manager shall be deemed to have become "employed" by another entity or person only if the Manager becomes essentially a full-time employee of a person or an entity (not more than 30% of which is owned by the Manager and/or members of his family); and the Manager's "family" shall mean his parents, his siblings and

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their spouses, his children and their spouses, and the Manager's spouse and her parents and siblings. Nothing herein shall relieve the Company of its obligations for compensation or benefits accrued up to the time of termination provided for herein.

(i) In the event the Manager's employment is terminated by the Company at any time (other than for Cause) after the third year anniversary of the Effective Date (i.e., not a Covered Termination), then the Company agrees to provide the Manager with out-placement assistance consistent with subsection 6(f)(i) above and a severance payment that shall be the higher of (1) the amount the Manager is entitled to under the Company's then current severance policy or (2) 12 months' base salary calculated at the Manager's then current rate.

(j) Except as expressly provided in subsections (a), (d), (e), (f), (g), and (i) above, or under the express terms of any compensation or benefits plans of the Company or its subsidiaries applicable to the Manager, upon the termination date of Manager's employment with the Company, all other compensation and benefits of the Manager shall cease to accrue; provided, however, that the Severance Allowance payable under subsection (d) and the severance amount payable under subsection (i), as the case may be, shall be in lieu of any severance payments to which the Manager might otherwise be entitled under the terms of any severance pay plan, policy, or arrangement maintained by the Company or the Employment Agreement and shall be credited against any severance payments to which the Manager may be entitled by statute. Furthermore, the Company's obligations to pay any amount (including the Severance Amount) and provide the other benefits set forth in this Section 6 are contingent upon the Manager executing a form of release reasonably satisfactory to the Company.

(k) Upon the occurrence of a Change in Control, the Company (or any successor thereto), on or before the Effective Date, shall place into

escrow an amount equal to the Severance Allowance which the Manager would be entitled to receive pursuant to subsection (d) above in the event of a Covered Termination, which escrowed funds shall be held pursuant to the terms of this subsection (k).

- (i) The Escrow Agent ("Escrow Agent") shall be First Union National Bank, as such other national banking association designated by the Company on or before the Effective Date.
- (ii) On or before the Effective Date, the Company shall deliver to Escrow Agent a sum equal to the Severance Allowance which the Manager would be

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entitled to receive in the event of a Covered Termination (the "Escrow Fund"). The Escrow Fund shall be invested by Escrow Agent in certificates of deposit with duration not more than 30 days issued by any bank (including Escrow Agent) or savings institution the accounts of which are insured by the FDIC (a maximum of \$100,000 in any single such institution). Any cash accumulation with respect to the Escrow Fund in the form of interest shall be the property of and shall be payable by Escrow Agent to the Company (or to any successor to the Company) as received by Escrow Agent and for purposes of this Agreement are not part of the Escrow Fund.

- (iii) In the event that the Manager's employment with the Company (or any successor to the Company) is terminated pursuant to a Covered Termination, the Manager shall send Escrow Agent and the Company (or its successor) a written demand substantially in the form of Exhibit A attached to this Agreement (a "Demand"). If the Company (or its successor) does not send a written objection substantially in the form of Exhibit B attached to this Agreement (an "Objection") to Escrow Agent and the Manager prior to the end of the Objection Period (hereinafter defined), Escrow Agent shall pay the Escrow Fund to the Manager within thirty (30) days from the date set out in the Demand. The Objection Period shall begin on the date set out in the Demand and shall end at 5:00 p.m. Philadelphia time, on the tenth calendar day following the date set out in the Demand, or if the tenth calendar day is not a day when Escrow Agent is generally open for business in Philadelphia, the Objection Period shall end at 5:00 p.m. Philadelphia time, on the next day after such tenth day that Escrow Agent is generally open for business in Philadelphia. For purposes of this subsection (k), notwithstanding the provisions of Section 11, a Demand and an Objection shall not be deemed received until Escrow Agent shall have actually received the Demand or Objection, as the case may be, and all time frames specified in this subsection (k) shall be measured from the actual date of Escrow Agent's receipt.

- (iv) If Escrow Agent does receive an Objection before the end of the Objection Period, Escrow Agent shall not pay the Escrow Fund to the Manager,

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and, except as provided herein, shall not comply with any claims, demands or instructions from the Manager and/or The Company (or its successor) with respect to the Escrow Fund. Escrow Agent shall not be or become liable in any way to the Company (or its successor), the Manager or any other person or entity for its failure or refusal to comply with such conflicting claims or demands. Escrow Agent shall be entitled to refuse to act until (i) such conflicting or adverse claims or demands shall have been finally determined by a court of competent jurisdiction, (ii) settled by agreement between the conflicting parties as evidenced in a writing satisfactory to Escrow Agent, or (iii) Escrow Agent shall have received security or an indemnity satisfactory to Escrow Agent sufficient to save it harmless from and against any and all loss, liability or expense which it may incur by reason of its acting. Escrow Agent may in addition elect to commence an interpleader action or seek other judicial relief or orders as it may deem necessary. All of Escrow Agent's reasonable costs and expenses of bringing and maintaining such action, including but not limited to reasonable fees and expenses of separate counsel for Escrow Agent, shall be paid by the Company (or its successor).

- (v) In the event that Escrow Agent does not receive any Demand from the Manager within three (3) years from the Effective Date, Escrow Agent shall pay the Escrow Fund to the Company (or its successor) at the end of such three (3) year period.

- (vi) Escrow Agent's duties and responsibilities shall be limited to those expressly set forth herein. Escrow Agent shall not be subject to, nor obligated to recognize, any other agreement between or direction or instruction of any of the parties to this Agreement or of any third party even though reference thereto may be made herein. If any portion of the Escrow Fund is at any time attached, garnished or levied upon, or in case the transfer or delivery of the Escrow Fund shall be stayed or enjoined, or in the case of any other legal process or judicial order affecting the Escrow Fund, then Escrow Agent is authorized to comply with any such order in any manner as it or legal counsel of its own choosing deems appropriate; and if it complies with any process,

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order, writ, judgment or decree, it shall not be liable to any of the parties hereto or to any other person or entity even though such order or process may be subsequently modified or vacated or otherwise determined to have been without legal force or effect.

- (vii) Escrow Agent shall not be liable for any act taken or omitted under this Agreement except for its gross negligence or willful misconduct. Escrow Agent shall be fully protected in relying upon any instruction, notice, demand, certificate or document which Escrow Agent in good faith believes to be genuine. Escrow Agent may consult with legal counsel at the expense of the Company (or its successor) as to the construction of any of the provisions of this Agreement, and Escrow Agent shall be fully protected in acting in good faith in accordance with any such advice.
- (viii) Except as expressly provided and agreed, Escrow Agent shall not be responsible in any respect for the form, execution, validity or genuineness of documents deposited under this Agreement, or for any description therein, or for the identity, authority or rights of persons executing or delivering or purporting to execute or deliver any such document.
- (ix) The Company (and its successors) agrees to indemnify, defend and hold Escrow Agent harmless against any loss, liability, costs, damages and expenses, including reasonable counsel fees, that are incurred by Escrow Agent and that are out of or in connection with its acceptance or administration of this Agreement or being Escrow Agent under this Agreement, except for those arising solely from Escrow Agent's gross negligence or willful misconduct.
- (x) Escrow Agent may resign at any time by giving at least 30 days written notice thereof. Within 20 days after receiving the aforesaid notice, the Company (or its successor) and the Manager shall jointly agree on and appoint a successor Escrow Agent at which time Escrow Agent shall distribute the Escrow Fund then held hereunder to the successor Escrow Agent.
- (xi) The Company (or its successor) shall pay all

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usual and customary charges and fees of Escrow Agent due to the Escrow Agent for its services hereunder.

- (xii) The escrow provisions created hereunder may be amended or canceled by and upon written notice to Escrow Agent at any time given jointly by each of the Company (or its successor) and the Manager,

but the duties, responsibilities or liabilities of Escrow Agent may not be increased without its prior written consent. This subsection (k) shall terminate upon the payment by Escrow Agent of the entire amount of the Escrow Fund, provided that all of Escrow Agent's rights shall continue beyond such termination, including, but not limited to, its rights to fees and indemnification.

7. Confidentiality and Non-Competition.

(a) The Manager acknowledges that information concerning the method and conduct of the Company's (and any affiliate's) business, including, without limitation, strategic and marketing plans, budgets, corporate practices and procedures, financial statements, customer and supplier information, formulae, formulation information, application technology, manufacturing information, and laboratory test methods and all of the Company's (and any affiliate's) manuals, documents, notes, letters, records, and computer programs are the Company's (and/or the Company's affiliate's, as the case may be) trade secrets ("Trade Secrets") and are the sole and exclusive property of the Company (and/or the Company's affiliates, as the case may be). The Manager agrees that at no time during or following his employment with the Company will he use, divulge, or pass on, directly or through any other individual or entity, any Trade Secrets. Upon termination of the Manager's employment with the Company regardless of the reason for the termination of the Manager's employment hereunder, or at any other time upon the Company's request, the Manager agrees to forthwith surrender to the Company any and all materials in his possession or control which include or contain any such Trade Secrets. The words "Trade Secrets" do not include information already known to the public through no act or failure to act on the part of the Manager, required by law to be disclosed, or which can be clearly shown by written records to have been known by the Manager prior to the commencement of his employment with the Company.

(b) The Manager agrees that during his employment and for a period of one (1) year thereafter, regardless of the reason for the termination of the Manager's employment hereunder, he will not:

- (i) directly or indirectly, together or separately or with any third party, whether as an individual

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proprietor, partner, stockholder, officer, director, joint venturer, investor, or in any other capacity whatsoever actively engage in business or assist anyone or any firm in business as a manufacturer, seller, or distributor of specialty chemical products or chemical management services which are the same, like, similar to, or which compete with the products and services offered by the Company (or any of its affiliates);

- (ii) recruit or solicit any employee of the Company (or any of its affiliates) or otherwise induce such employee to leave the employ of the Company (or any of its affiliates) or to become an employee or otherwise be associated with his or any firm, corporation, business or other entity with which he is or may become associated; and

- (iii) solicit, directly or indirectly, for himself or as agent or employee of any person, partnership, corporation, or other entity (other than for the Company) any then or former customer, supplier, or client of the Company with the intent of actively engaging in business which would cause competitive harm to the Company (or any of its affiliates).

The Manager acknowledges and agrees that all of the foregoing restrictions are reasonable as to the period of time and scope. However, if any paragraph, sentence, clause, or other provision is held invalid or unenforceable by a court of competent and relevant jurisdiction, such provision shall be deemed to be modified in a manner consistent with the intent of such original provision so as to make it valid and enforceable, and this Agreement and the application of such provision to persons and circumstances other than those with respect to which it would be invalid or unenforceable shall not be affected thereby. The Manager agrees and recognizes that in the event of a breach or threatened breach of the provisions of the restrictive covenants contained in this Section 7, the Company may suffer irreparable harm, and monetary damages may not be an adequate remedy. Therefore, if any breach occurs or is threatened, the Company shall be entitled to seek equitable remedies, including injunctive relief in any court of applicable jurisdiction notwithstanding the provisions of Section 9 hereof. In the event of any breach of the restrictive covenant contained in this Section 7, the term of the restrictive covenant specified herein shall be extended by a period of time equal to that period beginning on the date such violation commenced and ending when the activities constituting such violation cease. Furthermore, if a court or arbitration panel determines that the Manager has breached any of the provisions of this Section 7, the Company's obligations to pay amounts and continue the benefits under Section 6 to the Manager shall immediately terminate.

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8. Set-Off; Mitigation.

Subject to Section 6(h) hereof, the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right, or action which the Company may have against the Manager or others. In no event shall the Manager be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Manager under any of the provisions of this Agreement.

9. Arbitration: Costs and Expenses of Enforcement.

(a) Except as otherwise provided in Section 7(b) hereof, any controversy or claim arising out of or relating to this Agreement or the breach thereof which cannot promptly be resolved by the parties shall be promptly submitted to and settled exclusively by arbitration in the City of Philadelphia, Pennsylvania in accordance with the laws of the Commonwealth of Pennsylvania by three arbitrators, one of whom shall be appointed by the Company, one by the Manager, and the third of whom shall be appointed by the first two arbitrators. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 9. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

(b) In the event that it shall be necessary or desirable for the Manager to retain legal counsel and/or incur other costs and expenses in connection with the enforcement of any and all of his rights under this Agreement, the Company shall pay (or the Manager shall be entitled to recover

from the Company, as the case may be) his reasonable attorneys' fees and costs and expenses in connection with the enforcement of his said rights (including those incurred in or related to any arbitration proceedings provided for in subsection (a) above and the enforcement of any arbitration award in court), regardless of the final outcome, unless the arbitrators or a court shall determine that under the circumstances recovery by the Manager of all or a part of any such fees and costs and expenses would be unjust.

10. Certain Additional Payments by the Company.

(a) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Manager (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 10) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the

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Manager with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), payment (a "Gross-Up Payment") in an amount such that after payment by the Manager of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes, calculated at the maximum federal and state rates for individuals in the year in which a Payment is made (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Manager retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 10(c), all determinations required to be made under this Section 10, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent certified public accountants (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Manager within 15 business days of the receipt of notice from the Manager that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Manager shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 10, shall be paid by the Company to the Manager within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Manager, it shall furnish the Manager with a written opinion that failure to report the Excise Tax on the Manager's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Company and the Manager. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 10(c) and the Manager thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Manager.

(c) The Manager shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given

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as soon as practicable but no later than ten business days after the Manager is informed in writing of such claim and the date on which such claim is requested to be paid. The Manager shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Manager in writing prior to the expiration of such period that it desires to contest such claim, the Manager shall (i) give the Company any information reasonably requested by the Company relating to such claim, (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company, (iii) cooperate with the Company in good faith in order effectively to contest such claim, and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Manager harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 10(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Manager to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Manager agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Manager to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Manager, on an interest-free basis and shall indemnify and hold the Manager harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Manager with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Manager shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Manager of an amount advanced by the Company pursuant to Section 10(c), the Manager becomes entitled to receive any refund with respect to such claim, the Manager shall (subject to the

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Company's complying with the requirements of Section 10(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Manager of an amount advanced by the Company pursuant to Section 10(c), a determination is made that the Manager shall not be entitled to any refund with respect to such

claim and the Company does not notify the Manager in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

11. Notices.

Any notices, requests, demands, and other communications provided for by this Agreement shall be sufficient if in writing, and if hand delivered or if sent by registered or certified mail, if to the Manager, at the last address he had filed in writing with the Company or if to the Company, at its principal Manager offices. Notices, requests, etc. shall be effective when actually received by the addressee or at such address.

12. Assignment and Benefit.

(a) This Agreement is personal to the Manager and shall not be assignable by the Manager, by operation of law, or otherwise without the prior written consent of the Company otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Manager's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns, including without limitation, any subsidiary of the Company to which the Company may assign any of its rights hereunder; provided, however, that no assignment of this Agreement by the Company, by operation of law, or otherwise shall relieve it of its obligations hereunder except an assignment of this Agreement to, and its assumption by, a successor pursuant to subsection (c) below.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation operation of law, or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, but, irrespective of any such assignment or assumption, this Agreement shall inure to the benefit of and be binding upon such a successor. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid.

13. Governing Law.

The provisions of this Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without reference to principles of conflicts of laws.

14. Full Settlement.

In the event of the termination of the Manager's Employment Period under this Agreement, the payments and other benefits provided for by this Agreement (except as otherwise provided under the express terms of any compensation or benefit plans of the Company or its subsidiaries or as may otherwise be provided by applicable law) shall constitute the entire obligation of the Company and its subsidiaries to the Manager and shall also constitute full and complete settlement of any claim under law or in equity that the Manager might otherwise assert against the Company, its subsidiaries, or any of its or their respective directors, officers, or employees on account of such termination of employment.

15. Entire Agreement.

This Agreement represents the entire agreement and

understanding of the parties with respect to the subject matter hereof, and it may not be altered or amended except by an agreement in writing.

16. No Waiver.

The failure to insist upon strict compliance with any provision of this Agreement by any party shall not be deemed to be a waiver of any future noncompliance with such provision or of noncompliance with any other provision.

17. Severability.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

IN WITNESS WHEREOF, the Manager has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company has caused

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these presents to be executed in its name and on its behalf and attested by its Secretary or Assistant Secretary, all as of the day and year first above written.

MANAGER

/s/ Joseph W. Bauer

Joseph W. Bauer

QUAKER CHEMICAL CORPORATION

By: /s/ Ronald J. Naples

Title: Chairman and Chief Executive Officer

ATTEST:

/s/ D. Jeffry Benoliel

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EXHIBIT A

[DATE]

[name and address of Escrow Agent]

RE: Escrow Account # _____

Ladies/Gentlemen:

Reference is made to the Change in Control Agreement dated as of _____, 1998 by and between Quaker Chemical Corporation and the undersigned (the "Agreement").

My employment with [successor to Quaker] has been terminated for a reason which constitutes a "Covered Termination" as defined in the Agreement.

This letter shall serve as a "Demand" to be paid the Escrow Fund referred to in the Escrow Agreement within sixty (60) days from the date of this letter. Please send each installment to me at the address set forth below.

I hereby certify that I have sent a duplicate copy of this demand to [successor to Quaker] in accordance with the provisions provided for in the Agreement.

Sincerely,

Name: _____

Address: _____

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EXHIBIT B

[DATE]

[name and address of Escrow Agent]

Attention: _____

RE: Escrow Account # _____

Ladies/Gentlemen:

Reference is made to the Change in Control Agreement dated as of _____, 1998 by and between Quaker Chemical Corporation and _____] (the "Manager") (the "Agreement").

[Successor to Quaker], pursuant to subsection 6(k)(iii) of the Agreement, objects to the payment of the Escrow Fund to the Manager because [Successor to Quaker] believes in good faith that the Manager is not entitled to receive the Escrow Fund. [Successor to Quaker] hereby certifies that it has sent the Manager a copy of this Objection in accordance with the provisions provided for in the Agreement.

Sincerely,

[SUCCESSOR TO QUAKER]

By:_____

Title:_____

CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT dated November 30, 1998 between QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (the "Company") and MICHAEL F. BARRY (the "Manager").

W I T N E S S E T H T H A T

WHEREAS, the Company and the Manager are party to a certain employment agreement dated November 30, 1998 (the Employment Agreement);

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders that the Company and its subsidiaries be able to attract, retain, and motivate highly qualified management personnel and, in particular, that they be assured of continuity of management in the event of any actual or threatened change in control of the Company; and

WHEREAS, the Board of Directors of the Company believes that the execution by the Company of change in control agreements with certain management personnel, including the Manager, is an important factor in achieving this desired end.

NOW, THEREFORE, IN CONSIDERATION of the mutual obligations and agreements contained herein and intending to be legally bound hereby, the Manager and the Company agree as follows:

1. Term of Agreement.

Except as otherwise provided for in the last sentence of this Section 1, this Agreement shall become effective at such time (the "Effective Date"), if any, as a Change in Control (as defined in Section 2 hereof) of the Company occurs; provided, however, that this Agreement shall terminate and be of no further force and effect if: (a) a Change in Control shall not have occurred by November 30, 2003 or such later date as shall have been approved by the Board of Directors of the Company and agreed to by the Manager or (b) prior to the Effective Date, the Manager ceases, for any reason, to be an employee of the Company, except that if the Manager's status as an employee of the Company is terminated by the Company prior to a Change in Control and it is reasonably demonstrated that such termination (i) was at the request of a person or entity who or which has taken steps reasonably calculated to effect an imminent Change in Control or (ii) otherwise arose in connection with or in anticipation of an imminent Change in Control, then this Agreement shall become effective, and the Effective Date shall be the date of such termination. On the Effective Date, the

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Employment Agreement will automatically terminate without notice or any action by either party thereto, and this Agreement will control and govern the Manager's employment relationship with the Company.

2. Change in Control.

As used in this Agreement, a "Change in Control" of the Company shall be deemed to have occurred if:

(a) any person (a "Person"), as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (other than (1) the Company and/or its wholly owned subsidiaries; (2) any ESOP or other employee benefit plan of the Company and any

trustee or other fiduciary in such capacity holding securities under such plan; (3) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock the Company; or (4) any other Person who is as of the date of this Agreement presently an executive officer of the Company or any group of Persons of which he/she voluntarily is a part) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities or such lesser percentage of voting power, but not less than 15%, as the Board of Directors of the Company shall determine; provided, however, that a Change in Control shall not be deemed to have occurred under the provisions of this subsection (a) by reason of the beneficial ownership of voting securities by members of the Benoliel family (as defined below) unless and until the beneficial ownership of all members of the Benoliel family (including any other individuals or entities who or which, together with any member or members of the Benoliel family, are deemed under Sections 13(d) or 14(d) of the Exchange Act to constitute a single Person) exceeds 50% of the combined voting power of the Company's then outstanding securities;

(b) during any two-year period beginning on the date of this Agreement, Directors of the Company in office at the beginning of such period plus any new Director (other than a Director designated by a Person who has entered into an agreement with the Company to effect a transaction within the purview of subsections (a) or (c) hereof) whose election by the Board of Directors of the Company or whose nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was previously so approved shall cease for any reason to constitute at least a majority of the Board; or

(c) the Company's shareholders or the Company's Board of Directors shall approve (i) any consolidation or merger of the Company in which

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the Company is not the continuing or surviving corporation or pursuant to which the Company's voting common shares (the "Common Shares") would be converted into cash, securities, and/or other property, other than a merger of the Company in which holders of Common Shares immediately prior to the merger have the same proportionate ownership of Common Shares of the surviving corporation immediately after the merger as they had in the Common Shares immediately before; (ii) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets or earning power of the Company; or (iii) the liquidation or dissolution of the Company.

As used in this Agreement, "members of the Benoliel Family" shall mean Peter A. Benoliel, his wife and children and their respective spouses and children, and all trusts created by or for the benefit of any of them.

3. Employment.

(a) From the Effective Date and until either party hereto shall have given the other at least sixty (60) days' prior written notice of a desire to terminate this Agreement (the "Employment Period") and thereby the Manager's employment hereunder, the Company hereby agrees to continue the Manager in its employ (directly and/or indirectly through a subsidiary), and the Manager hereby agrees to remain in the employ of the Company (and/or any such subsidiary), to exercise such authority, to perform such duties, and to possess such status, offices, support staff, titles, and reporting requirements as are at least commensurate with those generally exercised, performed, and possessed by the Manager during the ninety (90) day period immediately prior to the

Effective Date or such lesser period as the Manager shall have been employed by the Company or its subsidiaries (the "Base Period"). Such services shall be performed at the location where the Manager was primarily employed during the Base Period or at such other location as the Company may reasonably require, provided that the Manager shall not be required to accept a primary employment location which is more than 25 miles from the location at which he primarily was employed during the Base Period. During the Employment Period, and excluding any periods of vacation and sick leave to which the Manager is entitled, the Manager agrees to perform faithfully, diligently, and efficiently his responsibilities hereunder.

(b) The Manager acknowledges that nothing in this Agreement shall be deemed to give him continued rights to employment by the Company or its subsidiaries as a manager or any other capacity with respect to any period prior to the Effective Date, if any, of this Agreement or, subject to subsection 1(b) hereof, to entitle the Manager to compensation or benefits in the event of termination of the Manager's employment prior to the Effective Date. Manager's employment with the Company prior to the Effective Date, subject to subsection 1(b) hereof, will be controlled by the Employment Agreement.

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4. Compensation, Benefits, etc.

During the Employment Period, the Manager shall be compensated as follows:

(a) The Manager shall (i) receive an annual cash base salary, payable not less frequently than semi-monthly, which is not less than the annualized cash base salary payable to Manager as of the Effective Date; (ii) be entitled to at least as favorable annual incentive award opportunity under the Company's annual incentive compensation plan as he did in the calendar year immediately prior to the year in which the Change of Control Event occurs; and (iii) be eligible to participate in all of the Company's long-term incentive compensation plans and programs on terms that are at least as favorable to the Manager as provided to the Manager in the four calendar years prior to the Effective Date.

(b) The Manager shall be entitled to receive fringe benefits, employee benefits, and perquisites (including, but not limited to, vacation, medical, disability, dental, and life insurance benefits) which are at least as favorable to those made generally available as of the Effective Date to all of the Company's salaried managers as a group. In addition, the Manager shall be eligible to participate in the Company's Supplemental Retirement Income Program ("SRIP").

(c) Notwithstanding any other provision of this Agreement (whether in this Section 4, in Section 6, or elsewhere), (i) the Board of Directors may authorize an increase in the amount, duration, and nature of and/or the acceleration of any compensation or benefits payable under this Agreement, as well as waive or reduce the requirements for entitlement thereto and (ii) the Company may deduct from amounts otherwise payable to the Manager such amounts as it reasonably believes it is required to withhold for the payment of federal, state, and local taxes.

5. Early Termination of Employment.

The Manager's Employment Period shall terminate without the Company providing sixty (60) days prior written notice as required under Section 3 hereof in the following circumstances:

(a) the Manager's death;

- (b) at the option of the Company in the event of the Manager's Disability (as defined below); or
- (c) at the option of the Company for Cause (as defined below).

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For purposes of this Agreement, "Disability" shall mean: (1) a physical or mental disability which, at least twenty-six (26) weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Manager or the Manager's legal representative or (2) if the Company then has in effect a disability plan covering Managers generally, including the Manager, the definition of covered total and permanent "disability" set forth in such plan, and "Cause" shall mean (a) willful and material breach of this Agreement by the Manager, (b) dishonesty, fraud, willful malfeasance, gross negligence, or other gross misconduct, in each case relating to the performance of the Manager's employment hereunder which is materially injurious to the Company, or (c) conviction of or plea of guilty to a felony, such Cause to be determined, in each case, by a resolution approved by at least two-thirds of the Directors of the Company after having afforded the Manager a reasonable opportunity to appear before the Board of Directors of the Company and present his position.

6. Compensation, Benefits, etc. upon Termination.

(a) If the Manager's Employment Period is terminated by death, Disability, resignation (other than a resignation in the circumstances set forth in subsection (c) below), or for Cause, the Company shall be obligated only to provide the compensation, benefits, etc. set forth in Section 4 hereof up to the date of termination; provided, however, that the Manager shall be entitled to such additional compensation and benefits, if any, as may be provided for under the express terms of any benefit plans or programs of the Company and its subsidiaries in which he is then participating.

(b) In the event of the death of the Manager while this Agreement is in effect and as to which no notice of termination has been given by the Manager, the Company shall (i) continue to pay a sum of money equal to the salary that would have been paid to him for four months following his death just as if he were living, and (ii) the Company shall pay a death benefit equal to his then current annual salary plus \$30,000 to be paid in three equal payments, without interest, on the 16, 28, and 40 month anniversaries of the date of his death. Payments made pursuant to this subsection 6(b) shall be made to the person or persons who may be designated by the Manager in writing, and, in the event he fails to so designate to whom payments shall be made, payments shall be made to the Manager's personal representatives.

(c) If the Manager's Employment Period is terminated within three (3) years of the Effective Date ("Covered Termination") by:

- (i) the Company without Cause; or

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- (ii) resignation of the Manager as a result of
(1) a material adverse change in the nature or scope of the Manager's authorities,

powers, functions, or duties from those described in Section 3 hereof; a reduction in the Manager's total compensation, benefits, etc. from those provided for in Section 4 hereof; or a material breach by the Company of any other provision of this Agreement or (2) a reasonable determination by the Manager that, as a result of a Change in Control of the Company and a change in the Company's circumstances and/or operations thereafter significantly affecting his or her position, he is unable effectively to exercise the authorities, powers, functions, or duties contemplated by Section 3 hereof.

(d) In the event of a Covered Termination, the Company shall pay or cause to be paid to the Manager in cash a severance allowance (the "Severance Allowance") equal to 1.5 times the sum of the amounts determined in accordance with the following subsections (i) and (ii):

- (i) an amount equivalent to the highest annualized base salary which the Manager was entitled to receive from the Company and its subsidiaries at any time during his employment prior to the Effective Date; and
- (ii) an amount equal to the greatest of the annual amounts paid to the Manager under all applicable annual incentive compensation plans maintained by the Company and its subsidiaries (other than compensation relating to relocation expense; the grant, exercise, or settlement of stock options or performance incentive units or the sale or other disposition of shares received upon exercise or settlement of such options) during any of the three (3) calendar years prior to the year in which the Effective Date occurs (provided, however, that there shall be excluded from such calculation any amounts paid to the Manager under any such incentive compensation plan as a result of the acceleration of such payments under such plan due to termination of the plan, a Change in Control Event, or a similar occurrence).

(e) The Severance Allowance shall be paid to the Manager in a lump sum within sixty (60) days after the date of any termination of the Manager covered by subsections 6(c) (i) or 6(c) (ii).

(f) Subject to subsection (h) below:

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- (i) for a period of one year following a Covered Termination of the Manager, the Company shall make or cause to be made available to the Manager, at its expense, outplacement counseling and other outplacement services comparable to those available for the Company's senior managers prior to the Effective Date; and

- (ii) for a period of 18 months following a Covered Termination of the Manager, the Manager and the Manager's dependents shall be entitled to participate in the Company's life, medical, dental and long-term disability insurance plans at the Company's expense (to the extent provided in such plans at the time of such covered Termination) as if the Manager were still employed by the Company or its subsidiaries under this Agreement; and
- (iii) for purposes of the Company's SRIP, Manager shall be deemed to have been employed by the Company for the 18 month period following a Covered Termination of the Manager.

(g) If, despite the provisions of subsection (f) above, life, medical, dental or long-term disability insurance benefits are not paid or provided under any such plan to the Manager or his dependents because the Manager is no longer an employee of the Company or its subsidiaries, the Company itself shall, to the extent necessary, pay or otherwise provide for such benefits to the Manager or his dependents.

(h) In the event the Manager becomes employed (as defined below) during the period with respect to which payments or benefits are continuing pursuant to subsections 6(f) and/or 6(g) hereof: (1) the Manager shall notify the Company not later than the day such employment commences; and (2) the benefits provided for in subsections 6(f) and 6(g) shall terminate as of the date of such employment. For the purposes of this subsection (h), the Manager shall be deemed to have become "employed" by another entity or person only if the Manager becomes essentially a full-time employee of a person or an entity (not more than 30% of which is owned by the Manager and/or members of his family); and the Manager's "family" shall mean his parents, his siblings and their spouses, his children and their spouses, and the Manager's spouse and her parents and siblings. Nothing herein shall relieve the Company of its obligations for compensation or benefits accrued up to the time of termination provided for herein.

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(i) In the event the Manager's employment is terminated by the Company at any time (other than for Cause) after the third year anniversary of the Effective Date (i.e., not a Covered Termination), then the Company agrees to provide the Manager with out-placement assistance consistent with subsection 6(f)(i) above and a severance payment that shall be the higher of (1) the amount the Manager is entitled to under the Company's then current severance policy or (2) 12 months' base salary calculated at the Manager's then current rate.

(j) Except as expressly provided in subsections (a), (d), (e), (f), (g), and (i) above, or under the express terms of any compensation or benefits plans of the Company or its subsidiaries applicable to the Manager, upon the termination date of Manager's employment with the Company, all other compensation and benefits of the Manager shall cease to accrue; provided, however, that the Severance Allowance payable under subsection (d) and the severance amount payable under subsection (i), as the case may be, shall be in lieu of any severance payments to which the Manager might otherwise be entitled under the terms of any severance pay plan, policy, or arrangement maintained by the Company or the Employment Agreement and shall be credited against any severance payments to which the Manager may be entitled by statute. Furthermore, the Company's obligations to pay any amount (including the Severance Amount) and provide the other benefits set forth in this Section 6 are contingent upon the

Manager executing a form of release reasonably satisfactory to the Company.

(k) Upon the occurrence of a Change in Control, the Company (or any successor thereto), on or before the Effective Date, shall place into escrow an amount equal to the Severance Allowance which the Manager would be entitled to receive pursuant to subsection (d) above in the event of a Covered Termination, which escrowed funds shall be held pursuant to the terms of this subsection (k).

- (i) The Escrow Agent ("Escrow Agent") shall be First Union National Bank, as such other national banking association designated by the Company on or before the Effective Date.
- (ii) On or before the Effective Date, the Company shall deliver to Escrow Agent a sum equal to the Severance Allowance which the Manager would be entitled to receive in the event of a Covered Termination (the "Escrow Fund"). The Escrow Fund shall be invested by Escrow Agent in certificates of deposit with duration not more than 30 days issued by any bank (including Escrow Agent) or savings institution the accounts of which are insured by the FDIC (a maximum of \$100,000

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in any single such institution). Any cash accumulation with respect to the Escrow Fund in the form of interest shall be the property of and shall be payable by Escrow Agent to the Company (or to any successor to the Company) as received by Escrow Agent and for purposes of this Agreement are not part of the Escrow Fund.

- (iii) In the event that the Manager's employment with the Company (or any successor to the Company) is terminated pursuant to a Covered Termination, the Manager shall send Escrow Agent and the Company (or its successor) a written demand substantially in the form of Exhibit A attached to this Agreement (a "Demand"). If the Company (or its successor) does not send a written objection substantially in the form of Exhibit B attached to this Agreement (an "Objection") to Escrow Agent and the Manager prior to the end of the Objection Period (hereinafter defined), Escrow Agent shall pay the Escrow Fund to the Manager within thirty (30) days from the date set out in the Demand. The Objection Period shall begin on the date set out in the Demand and shall end at 5:00 p.m. Philadelphia time, on the tenth calendar day following the date set out in the Demand, or if the tenth calendar day is not a day when Escrow Agent is generally open for business in Philadelphia, the Objection Period shall end at 5:00 p.m. Philadelphia time, on the next day after such tenth day that Escrow Agent is generally open for business in Philadelphia. For purposes of this subsection (k), notwithstanding the

provisions of Section 11, a Demand and an Objection shall not be deemed received until Escrow Agent shall have actually received the Demand or Objection, as the case may be, and all time frames specified in this subsection (k) shall be measured from the actual date of Escrow Agent's receipt.

- (iv) If Escrow Agent does receive an Objection before the end of the Objection Period, Escrow Agent shall not pay the Escrow Fund to the Manager, and, except as provided herein, shall not comply with any claims, demands or instructions from the Manager and/or The Company (or its successor) with respect to the Escrow Fund. Escrow Agent shall not be or become liable in any way to the Company (or its successor), the Manager or any other person or entity for its failure or refusal to comply with such

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conflicting claims or demands. Escrow Agent shall be entitled to refuse to act until (i) such conflicting or adverse claims or demands shall have been finally determined by a court of competent jurisdiction, (ii) settled by agreement between the conflicting parties as evidenced in a writing satisfactory to Escrow Agent, or (iii) Escrow Agent shall have received security or an indemnity satisfactory to Escrow Agent sufficient to save it harmless from and against any and all loss, liability or expense which it may incur by reason of its acting. Escrow Agent may in addition elect to commence an interpleader action or seek other judicial relief or orders as it may deem necessary. All of Escrow Agent's reasonable costs and expenses of bringing and maintaining such action, including but not limited to reasonable fees and expenses of separate counsel for Escrow Agent, shall be paid by the Company (or its successor).

- (v) In the event that Escrow Agent does not receive any Demand from the Manager within three (3) years from the Effective Date, Escrow Agent shall pay the Escrow Fund to the Company (or its successor) at the end of such three (3) year period.
- (vi) Escrow Agent's duties and responsibilities shall be limited to those expressly set forth herein. Escrow Agent shall not be subject to, nor obligated to recognize, any other agreement between or direction or instruction of any of the parties to this Agreement or of any third party even though reference thereto may be made herein. If any portion of the Escrow Fund is at any time attached, garnished or levied upon, or in case the transfer or delivery of the Escrow Fund shall be stayed or enjoined, or in the

case of any other legal process or judicial order affecting the Escrow Fund, then Escrow Agent is authorized to comply with any such order in any manner as it or legal counsel of its own choosing deems appropriate; and if it complies with any process, order, writ, judgment or decree, it shall not be liable to any of the parties hereto or to any other person or entity even though such order or process may be subsequently

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modified or vacated or otherwise determined to have been without legal force or effect.

- (vii) Escrow Agent shall not be liable for any act taken or omitted under this Agreement except for its gross negligence or willful misconduct. Escrow Agent shall be fully protected in relying upon any instruction, notice, demand, certificate or document which Escrow Agent in good faith believes to be genuine. Escrow Agent may consult with legal counsel at the expense of the Company (or its successor) as to the construction of any of the provisions of this Agreement, and Escrow Agent shall be fully protected in acting in good faith in accordance with any such advice.
- (viii) Except as expressly provided and agreed, Escrow Agent shall not be responsible in any respect for the form, execution, validity or genuineness of documents deposited under this Agreement, or for any description therein, or for the identity, authority or rights of persons executing or delivering or purporting to execute or deliver any such document.
- (ix) The Company (and its successors) agrees to indemnify, defend and hold Escrow Agent harmless against any loss, liability, costs, damages and expenses, including reasonable counsel fees, that are incurred by Escrow Agent and that are out of or in connection with its acceptance or administration of this Agreement or being Escrow Agent under this Agreement, except for those arising solely from Escrow Agent's gross negligence or willful misconduct.
- (x) Escrow Agent may resign at any time by giving at least 30 days written notice thereof. Within 20 days after receiving the aforesaid notice, the Company (or its successor) and the Manager shall jointly agree on and appoint a successor Escrow Agent at which time Escrow Agent shall distribute the Escrow Fund then held hereunder to the successor Escrow Agent.
- (xi) The Company (or its successor) shall pay all

usual and customary charges and fees of
Escrow Agent due to the Escrow Agent for its
services hereunder.

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- (xii) The escrow provisions created hereunder may be amended or canceled by and upon written notice to Escrow Agent at any time given jointly by each of the Company (or its successor) and the Manager, but the duties, responsibilities or liabilities of Escrow Agent may not be increased without its prior written consent. This subsection (k) shall terminate upon the payment by Escrow Agent of the entire amount of the Escrow Fund, provided that all of Escrow Agent's rights shall continue beyond such termination, including, but not limited to, its rights to fees and indemnification.

7. Confidentiality and Non-Competition.

(a) The Manager acknowledges that information concerning the method and conduct of the Company's (and any affiliate's) business, including, without limitation, strategic and marketing plans, budgets, corporate practices and procedures, financial statements, customer and supplier information, formulae, formulation information, application technology, manufacturing information, and laboratory test methods and all of the Company's (and any affiliate's) manuals, documents, notes, letters, records, and computer programs are the Company's (and/or the Company's affiliate's, as the case may be) trade secrets ("Trade Secrets") and are the sole and exclusive property of the Company (and/or the Company's affiliates, as the case may be). The Manager agrees that at no time during or following his employment with the Company will he use, divulge, or pass on, directly or through any other individual or entity, any Trade Secrets. Upon termination of the Manager's employment with the Company regardless of the reason for the termination of the Manager's employment hereunder, or at any other time upon the Company's request, the Manager agrees to forthwith surrender to the Company any and all materials in his possession or control which include or contain any such Trade Secrets. The words "Trade Secrets" do not include information already known to the public through no act or failure to act on the part of the Manager, required by law to be disclosed, or which can be clearly shown by written records to have been known by the Manager prior to the commencement of his employment with the Company.

(b) The Manager agrees that during his employment and for a period of one (1) year thereafter, regardless of the reason for the termination of the Manager's employment hereunder, he will not:

- (i) directly or indirectly, together or separately or with any third party, whether as an individual proprietor, partner, stockholder, officer, director, joint venturer, investor, or in any other capacity whatsoever actively engage in business or assist anyone or any firm in business as a

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manufacturer, seller, or distributor of specialty chemical products or chemical management services which are the same, like, similar to, or which compete with the products and services offered by the Company (or any of its affiliates);

- (ii) recruit or solicit any employee of the Company (or any of its affiliates) or otherwise induce such employee to leave the employ of the Company (or any of its affiliates) or to become an employee or otherwise be associated with his or any firm, corporation, business or other entity with which he is or may become associated; and
- (iii) solicit, directly or indirectly, for himself or as agent or employee of any person, partnership, corporation, or other entity (other than for the Company) any then or former customer, supplier, or client of the Company with the intent of actively engaging in business which would cause competitive harm to the Company (or any of its affiliates).

The Manager acknowledges and agrees that all of the foregoing restrictions are reasonable as to the period of time and scope. However, if any paragraph, sentence, clause, or other provision is held invalid or unenforceable by a court of competent and relevant jurisdiction, such provision shall be deemed to be modified in a manner consistent with the intent of such original provision so as to make it valid and enforceable, and this Agreement and the application of such provision to persons and circumstances other than those with respect to which it would be invalid or unenforceable shall not be affected thereby. The Manager agrees and recognizes that in the event of a breach or threatened breach of the provisions of the restrictive covenants contained in this Section 7, the Company may suffer irreparable harm, and monetary damages may not be an adequate remedy. Therefore, if any breach occurs or is threatened, the Company shall be entitled to seek equitable remedies, including injunctive relief in any court of applicable jurisdiction notwithstanding the provisions of Section 9 hereof. In the event of any breach of the restrictive covenant contained in this Section 7, the term of the restrictive covenant specified herein shall be extended by a period of time equal to that period beginning on the date such violation commenced and ending when the activities constituting such violation cease. Furthermore, if a court or arbitration panel determines that the Manager has breached any of the provisions of this Section 7, the Company's obligations to pay amounts and continue the benefits under Section 6 to the Manager shall immediately terminate.

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8. Set-Off; Mitigation.

Subject to Section 6(h) hereof, the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right, or action which the Company may have against the Manager or others. In no event shall the Manager be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Manager under any of the provisions of this Agreement.

9. Arbitration: Costs and Expenses of Enforcement.

(a) Except as otherwise provided in Section 7(b) hereof, any controversy or claim arising out of or relating to this Agreement or the breach thereof which cannot promptly be resolved by the parties shall be promptly submitted to and settled exclusively by arbitration in the City of Philadelphia, Pennsylvania in accordance with the laws of the Commonwealth of Pennsylvania by three arbitrators, one of whom shall be appointed by the Company, one by the Manager, and the third of whom shall be appointed by the first two arbitrators. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 9. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

(b) In the event that it shall be necessary or desirable for the Manager to retain legal counsel and/or incur other costs and expenses in connection with the enforcement of any and all of his rights under this Agreement, the Company shall pay (or the Manager shall be entitled to recover from the Company, as the case may be) his reasonable attorneys' fees and costs and expenses in connection with the enforcement of his said rights (including those incurred in or related to any arbitration proceedings provided for in subsection (a) above and the enforcement of any arbitration award in court), regardless of the final outcome, unless the arbitrators or a court shall determine that under the circumstances recovery by the Manager of all or a part of any such fees and costs and expenses would be unjust.

10. Certain Additional Payments by the Company.

(a) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Manager (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 10) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the

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Manager with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), payment (a "Gross-Up Payment") in an amount such that after payment by the Manager of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes, calculated at the maximum federal and state rates for individuals in the year in which a Payment is made (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Manager retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 10(c), all determinations required to be made under this Section 10, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent certified public accountants (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Manager within 15 business days of the receipt of notice from the Manager that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Manager shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred

to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 10, shall be paid by the Company to the Manager within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Manager, it shall furnish the Manager with a written opinion that failure to report the Excise Tax on the Manager's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Company and the Manager. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 10(c) and the Manager thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Manager.

(c) The Manager shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given

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as soon as practicable but no later than ten business days after the Manager is informed in writing of such claim and the date on which such claim is requested to be paid. The Manager shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Manager in writing prior to the expiration of such period that it desires to contest such claim, the Manager shall (i) give the Company any information reasonably requested by the Company relating to such claim, (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company, (iii) cooperate with the Company in good faith in order effectively to contest such claim, and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Manager harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 10(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Manager to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Manager agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Manager to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Manager, on an interest-free basis and shall indemnify and hold the Manager harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Manager with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Manager shall be entitled to settle or contest, as the case may be, any

other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Manager of an amount advanced by the Company pursuant to Section 10(c), the Manager becomes entitled to receive any refund with respect to such claim, the Manager shall (subject to the

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Company's complying with the requirements of Section 10(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Manager of an amount advanced by the Company pursuant to Section 10(c), a determination is made that the Manager shall not be entitled to any refund with respect to such claim and the Company does not notify the Manager in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

11. Notices.

Any notices, requests, demands, and other communications provided for by this Agreement shall be sufficient if in writing, and if hand delivered or if sent by registered or certified mail, if to the Manager, at the last address he had filed in writing with the Company or if to the Company, at its principal Manager offices. Notices, requests, etc. shall be effective when actually received by the addressee or at such address.

12. Assignment and Benefit.

(a) This Agreement is personal to the Manager and shall not be assignable by the Manager, by operation of law, or otherwise without the prior written consent of the Company otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Manager's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns, including without limitation, any subsidiary of the Company to which the Company may assign any of its rights hereunder; provided, however, that no assignment of this Agreement by the Company, by operation of law, or otherwise shall relieve it of its obligations hereunder except an assignment of this Agreement to, and its assumption by, a successor pursuant to subsection (c) below.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation operation of law, or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, but, irrespective of any such assignment or assumption, this Agreement shall inure to the benefit of and be binding upon such a successor. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid.

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13. Governing Law.

The provisions of this Agreement shall be construed in

accordance with the laws of the Commonwealth of Pennsylvania without reference to principles of conflicts of laws.

14. Full Settlement.

In the event of the termination of the Manager's Employment Period under this Agreement, the payments and other benefits provided for by this Agreement (except as otherwise provided under the express terms of any compensation or benefit plans of the Company or its subsidiaries or as may otherwise be provided by applicable law) shall constitute the entire obligation of the Company and its subsidiaries to the Manager and shall also constitute full and complete settlement of any claim under law or in equity that the Manager might otherwise assert against the Company, its subsidiaries, or any of its or their respective directors, officers, or employees on account of such termination of employment.

15. Entire Agreement.

This Agreement represents the entire agreement and understanding of the parties with respect to the subject matter hereof, and it may not be altered or amended except by an agreement in writing.

16. No Waiver.

The failure to insist upon strict compliance with any provision of this Agreement by any party shall not be deemed to be a waiver of any future noncompliance with such provision or of noncompliance with any other provision.

17. Severability.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

IN WITNESS WHEREOF, the Manager has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company has caused

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these presents to be executed in its name and on its behalf and attested by its Secretary or Assistant Secretary, all as of the day and year first above written.

MANAGER

/s/ Michael F. Barry

Michael F. Barry

QUAKER CHEMICAL CORPORATION

By: /s/ Ronald J. Naples

Title: Chairman and Chief Executive Officer

ATTEST:

/s/ D. Jeffry Benoliel

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EXHIBIT A

[DATE]

[name and address of Escrow Agent]

RE: Escrow Account # _____

Ladies/Gentlemen:

Reference is made to the Change in Control Agreement dated as of _____, 1998 by and between Quaker Chemical Corporation and the undersigned (the "Agreement").

My employment with [successor to Quaker] has been terminated for a reason which constitutes a "Covered Termination" as defined in the Agreement.

This letter shall serve as a "Demand" to be paid the Escrow Fund referred to in the Escrow Agreement within sixty (60) days from the date of this letter. Please send each installment to me at the address set forth below.

I hereby certify that I have sent a duplicate copy of this demand to [successor to Quaker] in accordance with the provisions provided for in the Agreement.

Sincerely,

Name: _____

Address: _____

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EXHIBIT B

[DATE]

[name and address of Escrow Agent]

Attention:_____

RE: Escrow Account #_____

Ladies/Gentlemen:

Reference is made to the Change in Control Agreement dated as of _____, 1998 by and between Quaker Chemical Corporation and _____] (the "Manager") (the "Agreement").

[Successor to Quaker], pursuant to subsection 6(k)(iii) of the Agreement, objects to the payment of the Escrow Fund to the Manager because [Successor to Quaker] believes in good faith that the Manager is not entitled to receive the Escrow Fund. [Successor to Quaker] hereby certifies that it has sent the Manager a copy of this Objection in accordance with the provisions provided for in the Agreement.

Sincerely,

[SUCCESSOR TO QUAKER]

By:_____

Title:_____

CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT dated January 6, 1999 between QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (the "Company") and JOSE LUIZ BREGOLATO (the "Manager").

W I T N E S S E T H T H A T

WHEREAS, the Company and the Manager are party to a certain employment agreement dated June 14, 1993 (the Employment Agreement);

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders that the Company and its subsidiaries be able to attract, retain, and motivate highly qualified management personnel and, in particular, that they be assured of continuity of management in the event of any actual or threatened change in control of the Company; and

WHEREAS, the Board of Directors of the Company believes that the execution by the Company of change in control agreements with certain management personnel, including the Manager, is an important factor in achieving this desired end.

NOW, THEREFORE, IN CONSIDERATION of the mutual obligations and agreements contained herein and intending to be legally bound hereby, the Manager and the Company agree as follows:

1. Term of Agreement.

Except as otherwise provided for in the last sentence of this Section 1, this Agreement shall become effective at such time (the "Effective Date"), if any, as a Change in Control (as defined in Section 2 hereof) of the Company occurs; provided, however, that this Agreement shall terminate and be of no further force and effect if: (a) a Change in Control shall not have occurred by July 31, 2003 or such later date as shall have been approved by the Board of Directors of the Company and agreed to by the Manager or (b) prior to the Effective Date, the Manager ceases, for any reason, to be an employee of the Company, except that if the Manager's status as an employee of the Company is terminated by the Company prior to a Change in Control and it is reasonably demonstrated that such termination (i) was at the request of a person or entity who or which has taken steps reasonably calculated to effect an imminent Change in Control or (ii) otherwise arose in connection with or in anticipation of an imminent Change in Control, then this Agreement shall become effective, and the Effective Date shall be the date of such termination. On the Effective Date, the

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Employment Agreement will automatically terminate without notice or any action by either party thereto, and this Agreement will control and govern the Manager's employment relationship with the Company. Notwithstanding the foregoing, as of the date of this Agreement, Paragraph 10 of the Employment Agreement is null and void.

2. Change in Control.

As used in this Agreement, a "Change in Control" of the Company shall be deemed to have occurred if:

(a) any person (a "Person"), as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the

"Exchange Act"), (other than (1) the Company and/or its wholly owned subsidiaries; (2) any ESOP or other employee benefit plan of the Company and any trustee or other fiduciary in such capacity holding securities under such plan; (3) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock the Company; or (4) any other Person who is as of the date of this Agreement presently an executive officer of the Company or any group of Persons of which he/she voluntarily is a part) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities or such lesser percentage of voting power, but not less than 15%, as the Board of Directors of the Company shall determine; provided, however, that a Change in Control shall not be deemed to have occurred under the provisions of this subsection (a) by reason of the beneficial ownership of voting securities by members of the Benoliel family (as defined below) unless and until the beneficial ownership of all members of the Benoliel family (including any other individuals or entities who or which, together with any member or members of the Benoliel family, are deemed under Sections 13(d) or 14(d) of the Exchange Act to constitute a single Person) exceeds 50% of the combined voting power of the Company's then outstanding securities;

(b) during any two-year period beginning on the date of this Agreement, Directors of the Company in office at the beginning of such period plus any new Director (other than a Director designated by a Person who has entered into an agreement with the Company to effect a transaction within the purview of subsections (a) or (c) hereof) whose election by the Board of Directors of the Company or whose nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was previously so approved shall cease for any reason to constitute at least a majority of the Board; or

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(c) the Company's shareholders or the Company's Board of Directors shall approve (i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which the Company's voting common shares (the "Common Shares") would be converted into cash, securities, and/or other property, other than a merger of the Company in which holders of Common Shares immediately prior to the merger have the same proportionate ownership of Common Shares of the surviving corporation immediately after the merger as they had in the Common Shares immediately before; (ii) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets or earning power of the Company; or (iii) the liquidation or dissolution of the Company.

As used in this Agreement, "members of the Benoliel Family" shall mean Peter A. Benoliel, his wife and children and their respective spouses and children, and all trusts created by or for the benefit of any of them.

3. Employment.

(a) From the Effective Date and until either party hereto shall have given the other at least sixty (60) days' prior written notice of a desire to terminate this Agreement (the "Employment Period") and thereby the Manager's employment hereunder, the Company hereby agrees to continue the Manager in its employ (directly and/or indirectly through a subsidiary), and the Manager hereby agrees to remain in the employ of the Company (and/or any such subsidiary), to exercise such authority, to perform such duties, and to possess such status, offices, support staff, titles, and reporting requirements as are at least commensurate with those generally exercised, performed, and possessed by the Manager during the ninety (90) day period immediately prior to the

Effective Date or such lesser period as the Manager shall have been employed by the Company or its subsidiaries (the "Base Period"). Such services shall be performed at the location where the Manager was primarily employed during the Base Period or at such other location as the Company may reasonably require, provided that the Manager shall not be required to accept a primary employment location which is more than 25 miles from the location at which he primarily was employed during the Base Period. During the Employment Period, and excluding any periods of vacation and sick leave to which the Manager is entitled, the Manager agrees to perform faithfully, diligently, and efficiently his responsibilities hereunder.

(b) The Manager acknowledges that nothing in this Agreement shall be deemed to give him continued rights to employment by the Company or its subsidiaries as a manager or any other capacity with respect to any period prior to the Effective Date, if any, of this Agreement or, subject to subsection 1(b) hereof, to entitle the Manager to compensation or benefits in the event of termination of the Manager's employment prior to the Effective Date. Manager's

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employment with the Company prior to the Effective Date, subject to subsection 1(b) hereof, will be controlled by the Employment Agreement.

4. Compensation, Benefits, etc.

During the Employment Period, the Manager shall be compensated as follows:

(a) The Manager shall (i) receive an annual cash base salary, payable not less frequently than semi-monthly, which is not less than the annualized cash base salary payable to Manager as of the Effective Date; (ii) be entitled to at least as favorable annual incentive award opportunity under the Company's annual incentive compensation plan as he did in the calendar year immediately prior to the year in which the Change of Control Event occurs; and (iii) be eligible to participate in all of the Company's long-term incentive compensation plans and programs on terms that are at least as favorable to the Manager as provided to the Manager in the four calendar years prior to the Effective Date.

(b) The Manager shall be entitled to receive fringe benefits, employee benefits, and perquisites (including, but not limited to, vacation, medical, disability, dental, and life insurance benefits) which are at least as favorable to those made generally available as of the Effective Date to all of the Company's salaried managers as a group. In addition, the Manager shall be eligible to participate in the Company's Supplemental Retirement Income Program ("SRIP").

(c) Notwithstanding any other provision of this Agreement (whether in this Section 4, in Section 6, or elsewhere), (i) the Board of Directors may authorize an increase in the amount, duration, and nature of and/or the acceleration of any compensation or benefits payable under this Agreement, as well as waive or reduce the requirements for entitlement thereto and (ii) the Company may deduct from amounts otherwise payable to the Manager such amounts as it reasonably believes it is required to withhold for the payment of federal, state, and local taxes.

5. Early Termination of Employment.

The Manager's Employment Period shall terminate without the Company providing sixty (60) days prior written notice as required under Section 3 hereof in the following circumstances:

(a) the Manager's death;

(b) at the option of the Company in the event of the Manager's Disability (as defined below); or

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(c) at the option of the Company for Cause (as defined below).

For purposes of this Agreement, "Disability" shall mean: (1) a physical or mental disability which, at least twenty-six (26) weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Manager or the Manager's legal representative or (2) if the Company then has in effect a disability plan covering Managers generally, including the Manager, the definition of covered total and permanent "disability" set forth in such plan, and "Cause" shall mean (a) willful and material breach of this Agreement by the Manager, (b) dishonesty, fraud, willful malfeasance, gross negligence, or other gross misconduct, in each case relating to the performance of the Manager's employment hereunder which is materially injurious to the Company, or (c) conviction of or plea of guilty to a felony, such Cause to be determined, in each case, by a resolution approved by at least two-thirds of the Directors of the Company after having afforded the Manager a reasonable opportunity to appear before the Board of Directors of the Company and present his position.

6. Compensation, Benefits, etc. upon Termination.

(a) If the Manager's Employment Period is terminated by death, Disability, resignation (other than a resignation in the circumstances set forth in subsection (c) below), or for Cause, the Company shall be obligated only to provide the compensation, benefits, etc. set forth in Section 4 hereof up to the date of termination; provided, however, that the Manager shall be entitled to such additional compensation and benefits, if any, as may be provided for under the express terms of any benefit plans or programs of the Company and its subsidiaries in which he is then participating.

(b) In the event of the death of the Manager while this Agreement is in effect and as to which no notice of termination has been given by the Manager, the Company shall (i) continue to pay a sum of money equal to the salary that would have been paid to him for four months following his death just as if he were living, and (ii) the Company shall pay a death benefit equal to his then current annual salary plus \$30,000 to be paid in three equal payments, without interest, on the 16, 28, and 40 month anniversaries of the date of his death. Payments made pursuant to this subsection 6(b) shall be made to the person or persons who may be designated by the Manager in writing, and, in the event he fails to so designate to whom payments shall be made, payments shall be made to the Manager's personal representatives.

(c) If the Manager's Employment Period is terminated within three (3) years of the Effective Date ("Covered Termination") by:

(i) the Company without Cause; or

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(ii) resignation of the Manager as a result of (1) a material adverse change in the nature or scope of the Manager's authorities, powers, functions, or

duties from those described in Section 3 hereof; a reduction in the Manager's total compensation, benefits, etc. from those provided for in Section 4 hereof; or a material breach by the Company of any other provision of this Agreement or (2) a reasonable determination by the Manager that, as a result of a Change in Control of the Company and a change in the Company's circumstances and/or operations thereafter significantly affecting his or her position, he is unable effectively to exercise the authorities, powers, functions, or duties contemplated by Section 3 hereof.

(d) In the event of a Covered Termination, the Company shall pay or cause to be paid to the Manager in cash a severance allowance (the "Severance Allowance") equal to 1.5 times the sum of the amounts determined in accordance with the following subsections (i) and (ii):

- (i) an amount equivalent to the highest annualized base salary which the Manager was entitled to receive from the Company and its subsidiaries at any time during his employment prior to the Effective Date; and
- (ii) an amount equal to the greatest of the annual amounts paid to the Manager under all applicable annual incentive compensation plans maintained by the Company and its subsidiaries (other than compensation relating to relocation expense; the grant, exercise, or settlement of stock options or performance incentive units or the sale or other disposition of shares received upon exercise or settlement of such options) during any of the three (3) calendar years prior to the year in which the Effective Date occurs (provided, however, that there shall be excluded from such calculation any amounts paid to the Manager under any such incentive compensation plan as a result of the acceleration of such payments under such plan due to termination of the plan, a Change in Control Event, or a similar occurrence).

(e) The Severance Allowance shall be paid to the Manager in a lump sum within sixty (60) days after the date of any termination of the Manager covered by subsections 6(c)(i) or 6(c)(ii).

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(f) Subject to subsection (h) below:

- (i) for a period of one year following a Covered Termination of the Manager, the Company shall make or cause to be made available to the Manager, at its expense, outplacement counseling and other outplacement services comparable to those available for the Company's senior managers prior to the Effective Date; and
- (ii) for a period of 18 months following a Covered Termination of the Manager, the Manager and the Manager's dependents shall be entitled to participate in the Company's life, medical,

dental and long-term disability insurance plans at the Company's expense (to the extent provided in such plans at the time of such covered Termination) as if the Manager were still employed by the Company or its subsidiaries under this Agreement; and

- (iii) for purposes of the Company's SRIP, Manager shall be deemed to have been employed by the Company for the 18 month period following a Covered Termination of the Manager.

(g) If, despite the provisions of subsection (f) above, life, medical, dental or long-term disability insurance benefits are not paid or provided under any such plan to the Manager or his dependents because the Manager is no longer an employee of the Company or its subsidiaries, the Company itself shall, to the extent necessary, pay or otherwise provide for such benefits to the Manager or his dependents.

(h) In the event the Manager becomes employed (as defined below) during the period with respect to which payments or benefits are continuing pursuant to subsections 6(f) and/or 6(g) hereof: (1) the Manager shall notify the Company not later than the day such employment commences; and (2) the benefits provided for in subsections 6(f) and 6(g) shall terminate as of the date of such employment. For the purposes of this subsection (h), the Manager shall be deemed to have become "employed" by another entity or person only if the Manager becomes essentially a full-time employee of a person or an entity (not more than 30% of which is owned by the Manager and/or members of his family); and the Manager's "family" shall mean his parents, his siblings and their spouses, his children and their spouses, and the Manager's spouse and her parents and siblings. Nothing herein shall relieve the Company of its

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obligations for compensation or benefits accrued up to the time of termination provided for herein.

(i) In the event the Manager's employment is terminated by the Company at any time (other than for Cause) after the third year anniversary of the Effective Date (i.e., not a Covered Termination), then the Company agrees to provide the Manager with out-placement assistance consistent with subsection 6(f)(i) above and a severance payment that shall be the higher of (1) the amount the Manager is entitled to under the Company's then current severance policy or (2) an amount equal to six months' compensation which shall be increased by one month for each additional year of employment up to a maximum of twelve months' compensation.

(j) Except as expressly provided in subsections (a), (d), (e), (f), (g), and (i) above, or under the express terms of any compensation or benefits plans of the Company or its subsidiaries applicable to the Manager, upon the termination date of Manager's employment with the Company, all other compensation and benefits of the Manager shall cease to accrue; provided, however, that the Severance Allowance payable under subsection (d) and the severance amount payable under subsection (i), as the case may be, shall be in lieu of any severance payments to which the Manager might otherwise be entitled under the terms of any severance pay plan, policy, or arrangement maintained by the Company or the Employment Agreement and shall be credited against any severance payments to which the Manager may be entitled by statute. Furthermore, the Company's obligations to pay any amount (including the Severance Amount) and provide the other benefits set forth in this Section 6 are contingent upon the Manager executing a form of release reasonably satisfactory to the Company.

(k) Upon the occurrence of a Change in Control, the Company (or any successor thereto), on or before the Effective Date, shall place into

escrow an amount equal to the Severance Allowance which the Manager would be entitled to receive pursuant to subsection (d) above in the event of a Covered Termination, which escrowed funds shall be held pursuant to the terms of this subsection (k).

- (i) The Escrow Agent ("Escrow Agent") shall be First Union National Bank, as such other national banking association designated by the Company on or before the Effective Date.
- (ii) On or before the Effective Date, the Company shall deliver to Escrow Agent a sum equal to the Severance Allowance which the Manager would be entitled to receive in the event of a Covered Termination (the "Escrow Fund"). The Escrow Fund

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shall be invested by Escrow Agent in certificates of deposit with duration not more than 30 days issued by any bank (including Escrow Agent) or savings institution the accounts of which are insured by the FDIC (a maximum of \$100,000 in any single such institution). Any cash accumulation with respect to the Escrow Fund in the form of interest shall be the property of and shall be payable by Escrow Agent to the Company (or to any successor to the Company) as received by Escrow Agent and for purposes of this Agreement are not part of the Escrow Fund.

- (iii) In the event that the Manager's employment with the Company (or any successor to the Company) is terminated pursuant to a Covered Termination, the Manager shall send Escrow Agent and the Company (or its successor) a written demand substantially in the form of Exhibit A attached to this Agreement (a "Demand"). If the Company (or its successor) does not send a written objection substantially in the form of Exhibit B attached to this Agreement (an "Objection") to Escrow Agent and the Manager prior to the end of the Objection Period (hereinafter defined), Escrow Agent shall pay the Escrow Fund to the Manager within thirty (30) days from the date set out in the Demand. The Objection Period shall begin on the date set out in the Demand and shall end at 5:00 p.m. Philadelphia time, on the tenth calendar day following the date set out in the Demand, or if the tenth calendar day is not a day when Escrow Agent is generally open for business in Philadelphia, the Objection Period shall end at 5:00 p.m. Philadelphia time, on the next day after such tenth day that Escrow Agent is generally open for business in Philadelphia. For purposes of this subsection (k), notwithstanding the provisions of Section 11, a Demand and an Objection shall not be deemed received until Escrow Agent shall have actually received the Demand or Objection, as the case may be, and all time frames specified in this subsection (k) shall be measured from the actual date of Escrow Agent's receipt.

- (iv) If Escrow Agent does receive an Objection before the end of the Objection Period, Escrow Agent shall not pay the Escrow Fund to the Manager, and, except as provided herein, shall not comply with any claims, demands or instructions from the Manager and/or The Company (or its successor)

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with respect to the Escrow Fund. Escrow Agent shall not be or become liable in any way to the Company (or its successor), the Manager or any other person or entity for its failure or refusal to comply with such conflicting claims or demands. Escrow Agent shall be entitled to refuse to act until (i) such conflicting or adverse claims or demands shall have been finally determined by a court of competent jurisdiction, (ii) settled by agreement between the conflicting parties as evidenced in a writing satisfactory to Escrow Agent, or (iii) Escrow Agent shall have received security or an indemnity satisfactory to Escrow Agent sufficient to save it harmless from and against any and all loss, liability or expense which it may incur by reason of its acting. Escrow Agent may in addition elect to commence an interpleader action or seek other judicial relief or orders as it may deem necessary. All of Escrow Agent's reasonable costs and expenses of bringing and maintaining such action, including but not limited to reasonable fees and expenses of separate counsel for Escrow Agent, shall be paid by the Company (or its successor).

- (v) In the event that Escrow Agent does not receive any Demand from the Manager within three (3) years from the Effective Date, Escrow Agent shall pay the Escrow Fund to the Company (or its successor) at the end of such three (3) year period.

- (vi) Escrow Agent's duties and responsibilities shall be limited to those expressly set forth herein. Escrow Agent shall not be subject to, nor obligated to recognize, any other agreement between or direction or instruction of any of the parties to this Agreement or of any third party even though reference thereto may be made herein. If any portion of the Escrow Fund is at any time attached, garnished or levied upon, or in case the transfer or delivery of the Escrow Fund shall be stayed or enjoined, or in the case of any other legal process or judicial order affecting the Escrow Fund, then Escrow Agent is authorized to comply with any such order in any manner as it or legal counsel of its own choosing deems appropriate; and if it complies with any process, order, writ, judgment or decree, it shall not be liable to any of the parties hereto or to any other person or entity even though such order or

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process may be subsequently modified or vacated or otherwise determined to have been without legal force or effect.

- (vii) Escrow Agent shall not be liable for any act taken or omitted under this Agreement except for its gross negligence or willful misconduct. Escrow Agent shall be fully protected in relying upon any instruction, notice, demand, certificate or document which Escrow Agent in good faith believes to be genuine. Escrow Agent may consult with legal counsel at the expense of the Company (or its successor) as to the construction of any of the provisions of this Agreement, and Escrow Agent shall be fully protected in acting in good faith in accordance with any such advice.
- (viii) Except as expressly provided and agreed, Escrow Agent shall not be responsible in any respect for the form, execution, validity or genuineness of documents deposited under this Agreement, or for any description therein, or for the identity, authority or rights of persons executing or delivering or purporting to execute or deliver any such document.
- (ix) The Company (and its successors) agrees to indemnify, defend and hold Escrow Agent harmless against any loss, liability, costs, damages and expenses, including reasonable counsel fees, that are incurred by Escrow Agent and that are out of or in connection with its acceptance or administration of this Agreement or being Escrow Agent under this Agreement, except for those arising solely from Escrow Agent's gross negligence or willful misconduct.
- (x) Escrow Agent may resign at any time by giving at least 30 days written notice thereof. Within 20 days after receiving the aforesaid notice, the Company (or its successor) and the Manager shall jointly agree on and appoint a successor Escrow Agent at which time Escrow Agent shall distribute the Escrow Fund then held hereunder to the successor Escrow Agent.
- (xi) The Company (or its successor) shall pay all usual and customary charges and fees of Escrow Agent due to the Escrow Agent for its services hereunder.

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- (xii) The escrow provisions created hereunder may be amended or canceled by and upon written notice to Escrow Agent at any time given jointly by each of the Company (or its successor) and the Manager, but the duties, responsibilities or liabilities of Escrow Agent may not be increased without its prior written consent. This subsection (k) shall terminate upon the payment by Escrow Agent of the

entire amount of the Escrow Fund, provided that all of Escrow Agent's rights shall continue beyond such termination, including, but not limited to, its rights to fees and indemnification.

7. Confidentiality and Non-Competition.

(a) The Manager acknowledges that information concerning the method and conduct of the Company's (and any affiliate's) business, including, without limitation, strategic and marketing plans, budgets, corporate practices and procedures, financial statements, customer and supplier information, formulae, formulation information, application technology, manufacturing information, and laboratory test methods and all of the Company's (and any affiliate's) manuals, documents, notes, letters, records, and computer programs are the Company's (and/or the Company's affiliate's, as the case may be) trade secrets ("Trade Secrets") and are the sole and exclusive property of the Company (and/or the Company's affiliates, as the case may be). The Manager agrees that at no time during or following his employment with the Company will he use, divulge, or pass on, directly or through any other individual or entity, any Trade Secrets. Upon termination of the Manager's employment with the Company regardless of the reason for the termination of the Manager's employment hereunder, or at any other time upon the Company's request, the Manager agrees to forthwith surrender to the Company any and all materials in his possession or control which include or contain any such Trade Secrets. The words "Trade Secrets" do not include information already known to the public through no act or failure to act on the part of the Manager, required by law to be disclosed, or which can be clearly shown by written records to have been known by the Manager prior to the commencement of his employment with the Company.

(b) The Manager agrees that during his employment and for a period of one (1) year thereafter, regardless of the reason for the termination of the Manager's employment hereunder, he will not:

- (i) directly or indirectly, together or separately or with any third party, whether as an individual proprietor, partner, stockholder, officer, director, joint venturer, investor, or in any other capacity whatsoever actively engage in business or assist anyone or any firm in business as a manufacturer, seller, or distributor of specialty chemical products or chemical management services which are the same, like, similar to, or which compete with the products and services offered by the Company (or any of its affiliates);
- (ii) recruit or solicit any employee of the Company (or any of its affiliates) or otherwise induce such employee to leave the employ of the Company (or any of its affiliates) or to become an employee or otherwise be associated with his or any firm, corporation, business or other entity with which he is or may become associated; and
- (iii) solicit, directly or indirectly, for himself or as agent or employee of any person, partnership, corporation, or other entity (other than for the Company) any then or former customer, supplier, or client of the Company with the intent of actively engaging in business which would cause competitive harm to the Company (or any of its affiliates).

The Manager acknowledges and agrees that all of the foregoing restrictions are reasonable as to the period of time and scope. However, if any paragraph, sentence, clause, or other provision is held invalid or unenforceable

by a court of competent and relevant jurisdiction, such provision shall be deemed to be modified in a manner consistent with the intent of such original provision so as to make it valid and enforceable, and this Agreement and the application of such provision to persons and circumstances other than those with respect to which it would be invalid or unenforceable shall not be affected thereby. The Manager agrees and recognizes that in the event of a breach or threatened breach of the provisions of the restrictive covenants contained in this Section 7, the Company may suffer irreparable harm, and monetary damages may not be an adequate remedy. Therefore, if any breach occurs or is threatened, the Company shall be entitled to seek equitable remedies, including injunctive relief in any court of applicable jurisdiction notwithstanding the provisions of Section 9 hereof. In the event of any breach of the restrictive covenant contained in this Section 7, the term of the restrictive covenant specified herein shall be extended by a period of time equal to that period beginning on the date such violation commenced and ending when the activities constituting such violation cease. Furthermore, if a court or arbitration panel determines that the Manager has breached any of the provisions of this Section 7, the Company's obligations to pay amounts and continue the benefits under Section 6 to the Manager shall immediately terminate.

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8. Set-Off; Mitigation.

Subject to Section 6(h) hereof, the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right, or action which the Company may have against the Manager or others. In no event shall the Manager be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Manager under any of the provisions of this Agreement.

9. Arbitration: Costs and Expenses of Enforcement.

(a) Except as otherwise provided in Section 7(b) hereof, any controversy or claim arising out of or relating to this Agreement or the breach thereof which cannot promptly be resolved by the parties shall be promptly submitted to and settled exclusively by arbitration in the City of Philadelphia, Pennsylvania in accordance with the laws of the Commonwealth of Pennsylvania by three arbitrators, one of whom shall be appointed by the Company, one by the Manager, and the third of whom shall be appointed by the first two arbitrators. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 9. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

(b) In the event that it shall be necessary or desirable for the Manager to retain legal counsel and/or incur other costs and expenses in connection with the enforcement of any and all of his rights under this Agreement, the Company shall pay (or the Manager shall be entitled to recover from the Company, as the case may be) his reasonable attorneys' fees and costs and expenses in connection with the enforcement of his said rights (including those incurred in or related to any arbitration proceedings provided for in subsection (a) above and the enforcement of any arbitration award in court), regardless of the final outcome, unless the arbitrators or a court shall determine that under the circumstances recovery by the Manager of all or a part of any such fees and costs and expenses would be unjust.

10. Certain Additional Payments by the Company.

(a) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Manager (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 10) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Manager with respect to such excise tax (such excise tax, together with any such

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interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), payment (a "Gross-Up Payment") in an amount such that after payment by the Manager of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes, calculated at the maximum federal and state rates for individuals in the year in which a Payment is made (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Manager retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 10(c), all determinations required to be made under this Section 10, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent certified public accountants (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Manager within 15 business days of the receipt of notice from the Manager that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Manager shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 10, shall be paid by the Company to the Manager within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Manager, it shall furnish the Manager with a written opinion that failure to report the Excise Tax on the Manager's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Company and the Manager. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 10(c) and the Manager thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Manager.

(c) The Manager shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Manager is

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informed in writing of such claim and the date on which such claim is requested

to be paid. The Manager shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Manager in writing prior to the expiration of such period that it desires to contest such claim, the Manager shall (i) give the Company any information reasonably requested by the Company relating to such claim, (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company, (iii) cooperate with the Company in good faith in order effectively to contest such claim, and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Manager harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 10(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Manager to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Manager agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Manager to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Manager, on an interest-free basis and shall indemnify and hold the Manager harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Manager with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Manager shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Manager of an amount advanced by the Company pursuant to Section 10(c), the Manager becomes entitled to receive any refund with respect to such claim, the Manager shall (subject to the Company's complying with the requirements of Section 10(c)) promptly pay to the

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Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Manager of an amount advanced by the Company pursuant to Section 10(c), a determination is made that the Manager shall not be entitled to any refund with respect to such claim and the Company does not notify the Manager in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

11. Notices.

Any notices, requests, demands, and other communications provided for by this Agreement shall be sufficient if in writing, and if hand delivered or if sent by registered or certified mail, if to the Manager, at the last address he had filed in writing with the Company or if to the Company, at

its principal Manager offices. Notices, requests, etc. shall be effective when actually received by the addressee or at such address.

12. Assignment and Benefit.

(a) This Agreement is personal to the Manager and shall not be assignable by the Manager, by operation of law, or otherwise without the prior written consent of the Company otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Manager's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns, including without limitation, any subsidiary of the Company to which the Company may assign any of its rights hereunder; provided, however, that no assignment of this Agreement by the Company, by operation of law, or otherwise shall relieve it of its obligations hereunder except an assignment of this Agreement to, and its assumption by, a successor pursuant to subsection (c) below.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation operation of law, or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, but, irrespective of any such assignment or assumption, this Agreement shall inure to the benefit of and be binding upon such a successor. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid.

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13. Governing Law.

The provisions of this Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without reference to principles of conflicts of laws.

14. Full Settlement.

In the event of the termination of the Manager's Employment Period under this Agreement, the payments and other benefits provided for by this Agreement (except as otherwise provided under the express terms of any compensation or benefit plans of the Company or its subsidiaries or as may otherwise be provided by applicable law) shall constitute the entire obligation of the Company and its subsidiaries to the Manager and shall also constitute full and complete settlement of any claim under law or in equity that the Manager might otherwise assert against the Company, its subsidiaries, or any of its or their respective directors, officers, or employees on account of such termination of employment.

15. Entire Agreement.

This Agreement represents the entire agreement and understanding of the parties with respect to the subject matter hereof, and it may not be altered or amended except by an agreement in writing.

16. No Waiver.

The failure to insist upon strict compliance with any

provision of this Agreement by any party shall not be deemed to be a waiver of any future noncompliance with such provision or of noncompliance with any other provision.

17. Severability.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

IN WITNESS WHEREOF, the Manager has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company has caused

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these presents to be executed in its name and on its behalf and attested by its Secretary or Assistant Secretary, all as of the day and year first above written.

MANAGER

/s/ Jose Luiz Bregolato

Jose Luiz Bregolato

QUAKER CHEMICAL CORPORATION

By: /s/ Ronald J. Naples

Title: Chairman and Chief Executive Officer

ATTEST:

/s/ D. Jeffry Benoliel

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EXHIBIT A

[DATE]

[name and address of Escrow Agent]

RE: Escrow Account # _____

Ladies/Gentlemen:

Reference is made to the Change in Control Agreement dated as of _____, 1998 by and between Quaker Chemical Corporation and the undersigned (the "Agreement").

My employment with [successor to Quaker] has been terminated for a reason which constitutes a "Covered Termination" as defined in the Agreement.

This letter shall serve as a "Demand" to be paid the Escrow Fund referred to in the Escrow Agreement within sixty (60) days from the date of this letter. Please send each installment to me at the address set forth below.

I hereby certify that I have sent a duplicate copy of this demand to [successor to Quaker] in accordance with the provisions provided for in the Agreement.

Sincerely,

Name: _____

Address: _____

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EXHIBIT B

[DATE]

[name and address of Escrow Agent]

Attention: _____

RE: Escrow Account # _____

Ladies/Gentlemen:

Reference is made to the Change in Control Agreement dated as of _____, 1998 by and between Quaker Chemical Corporation and _____] (the "Manager") (the "Agreement").

[Successor to Quaker], pursuant to subsection 6(k)(iii) of the Agreement, objects to the payment of the Escrow Fund to the Manager because [Successor to Quaker] believes in good faith that the Manager is not entitled to receive the Escrow Fund. [Successor to Quaker] hereby certifies that it has sent the Manager a copy of this Objection in accordance with the provisions provided for in the Agreement.

Sincerely,

[SUCCESSOR TO QUAKER]

By: _____

Title: _____

CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT dated January 15, 1999 between QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (the "Company") and JAMES A. GEIER (the "Manager").

W I T N E S S E T H T H A T

WHEREAS, the Company and the Manager are party to a certain employment agreement dated November 5, 1997 (the Employment Agreement);

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders that the Company and its subsidiaries be able to attract, retain, and motivate highly qualified management personnel and, in particular, that they be assured of continuity of management in the event of any actual or threatened change in control of the Company; and

WHEREAS, the Board of Directors of the Company believes that the execution by the Company of change in control agreements with certain management personnel, including the Manager, is an important factor in achieving this desired end.

NOW, THEREFORE, IN CONSIDERATION of the mutual obligations and agreements contained herein and intending to be legally bound hereby, the Manager and the Company agree as follows:

1. Term of Agreement.

Except as otherwise provided for in the last sentence of this Section 1, this Agreement shall become effective at such time (the "Effective Date"), if any, as a Change in Control (as defined in Section 2 hereof) of the Company occurs; provided, however, that this Agreement shall terminate and be of no further force and effect if: (a) a Change in Control shall not have occurred by July 31, 2003 or such later date as shall have been approved by the Board of Directors of the Company and agreed to by the Manager or (b) prior to the Effective Date, the Manager ceases, for any reason, to be an employee of the Company, except that if the Manager's status as an employee of the Company is terminated by the Company prior to a Change in Control and it is reasonably demonstrated that such termination (i) was at the request of a person or entity who or which has taken steps reasonably calculated to effect an imminent Change in Control or (ii) otherwise arose in connection with or in anticipation of an imminent Change in Control, then this Agreement shall become effective, and the Effective Date shall be the date of such termination. On the Effective Date, the

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Employment Agreement will automatically terminate without notice or any action by either party thereto, and this Agreement will control and govern the Manager's employment relationship with the Company. Notwithstanding the foregoing, as of the date of this Agreement, Paragraph 9 of the Employment Agreement is null and void (excluding certain terms defined therein which are referenced in other paragraphs of the Employment Agreement).

2. Change in Control.

As used in this Agreement, a "Change in Control" of the Company shall be deemed to have occurred if:

(a) any person (a "Person"), as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (other than (1) the Company and/or its wholly owned subsidiaries; (2) any ESOP or other employee benefit plan of the Company and any trustee or other fiduciary in such capacity holding securities under such plan; (3) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock the Company; or (4) any other Person who is as of the date of this Agreement presently an executive officer of the Company or any group of Persons of which he/she voluntarily is a part) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities or such lesser percentage of voting power, but not less than 15%, as the Board of Directors of the Company shall determine; provided, however, that a Change in Control shall not be deemed to have occurred under the provisions of this subsection (a) by reason of the beneficial ownership of voting securities by members of the Benoliel family (as defined below) unless and until the beneficial ownership of all members of the Benoliel family (including any other individuals or entities who or which, together with any member or members of the Benoliel family, are deemed under Sections 13(d) or 14(d) of the Exchange Act to constitute a single Person) exceeds 50% of the combined voting power of the Company's then outstanding securities;

(b) during any two-year period beginning on the date of this Agreement, Directors of the Company in office at the beginning of such period plus any new Director (other than a Director designated by a Person who has entered into an agreement with the Company to effect a transaction within the purview of subsections (a) or (c) hereof) whose election by the Board of Directors of the Company or whose nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or

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whose election or nomination for election was previously so approved shall cease for any reason to constitute at least a majority of the Board; or

(c) the Company's shareholders or the Company's Board of Directors shall approve (i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which the Company's voting common shares (the "Common Shares") would be converted into cash, securities, and/or other property, other than a merger of the Company in which holders of Common Shares immediately prior to the merger have the same proportionate ownership of Common Shares of the surviving corporation immediately after the merger as they had in the Common Shares immediately before; (ii) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets or earning power of the Company; or (iii) the liquidation or dissolution of the Company.

As used in this Agreement, "members of the Benoliel Family" shall mean Peter A. Benoliel, his wife and children and their respective spouses and children, and all trusts created by or for the benefit of any of them.

3. Employment.

(a) From the Effective Date and until either party hereto shall have given the other at least sixty (60) days' prior written notice of a desire to terminate this Agreement (the "Employment Period") and thereby the Manager's employment hereunder, the Company hereby agrees to continue the Manager in its employ (directly and/or indirectly through a subsidiary), and the Manager hereby agrees to remain in the employ of the Company (and/or any such

subsidiary), to exercise such authority, to perform such duties, and to possess such status, offices, support staff, titles, and reporting requirements as are at least commensurate with those generally exercised, performed, and possessed by the Manager during the ninety (90) day period immediately prior to the Effective Date or such lesser period as the Manager shall have been employed by the Company or its subsidiaries (the "Base Period"). Such services shall be performed at the location where the Manager was primarily employed during the Base Period or at such other location as the Company may reasonably require, provided that the Manager shall not be required to accept a primary employment location which is more than 25 miles from the location at which he primarily was employed during the Base Period. During the Employment Period, and excluding any periods of vacation and sick leave to which the Manager is entitled, the Manager agrees to perform faithfully, diligently, and efficiently his responsibilities hereunder.

(b) The Manager acknowledges that nothing in this Agreement shall be deemed to give him continued rights to employment by the Company or its subsidiaries as a manager or any other capacity with respect to any period prior to the Effective Date, if any, of this Agreement or, subject to subsection 1(b)

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hereof, to entitle the Manager to compensation or benefits in the event of termination of the Manager's employment prior to the Effective Date. Manager's employment with the Company prior to the Effective Date, subject to subsection 1(b) hereof, will be controlled by the Employment Agreement.

4. Compensation, Benefits, etc.

During the Employment Period, the Manager shall be compensated as follows:

(a) The Manager shall (i) receive an annual cash base salary, payable not less frequently than semi-monthly, which is not less than the annualized cash base salary payable to Manager as of the Effective Date; (ii) be entitled to at least as favorable annual incentive award opportunity under the Company's annual incentive compensation plan as he did in the calendar year immediately prior to the year in which the Change of Control Event occurs; and (iii) be eligible to participate in all of the Company's long-term incentive compensation plans and programs on terms that are at least as favorable to the Manager as provided to the Manager in the four calendar years prior to the Effective Date.

(b) The Manager shall be entitled to receive fringe benefits, employee benefits, and perquisites (including, but not limited to, vacation, medical, disability, dental, and life insurance benefits) which are at least as favorable to those made generally available as of the Effective Date to all of the Company's salaried managers as a group. In addition, the Manager shall be eligible to participate in the Company's Supplemental Retirement Income Program ("SRIP").

(c) Notwithstanding any other provision of this Agreement (whether in this Section 4, in Section 6, or elsewhere), (i) the Board of Directors may authorize an increase in the amount, duration, and nature of and/or the acceleration of any compensation or benefits payable under this Agreement, as well as waive or reduce the requirements for entitlement thereto and (ii) the Company may deduct from amounts otherwise payable to the Manager such amounts as it reasonably believes it is required to withhold for the payment of federal, state, and local taxes.

5. Early Termination of Employment.

The Manager's Employment Period shall terminate without the Company providing sixty (60) days prior written notice as required under Section 3 hereof in the following circumstances:

(a) the Manager's death;

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(b) at the option of the Company in the event of the Manager's Disability (as defined below); or

(c) at the option of the Company for Cause (as defined below).

For purposes of this Agreement, "Disability" shall mean: (1) a physical or mental disability which, at least twenty-six (26) weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Manager or the Manager's legal representative or (2) if the Company then has in effect a disability plan covering Managers generally, including the Manager, the definition of covered total and permanent "disability" set forth in such plan, and "Cause" shall mean (a) willful and material breach of this Agreement by the Manager, (b) dishonesty, fraud, willful malfeasance, gross negligence, or other gross misconduct, in each case relating to the performance of the Manager's employment hereunder which is materially injurious to the Company, or (c) conviction of or plea of guilty to a felony, such Cause to be determined, in each case, by a resolution approved by at least two-thirds of the Directors of the Company after having afforded the Manager a reasonable opportunity to appear before the Board of Directors of the Company and present his position.

6. Compensation, Benefits, etc. upon Termination.

(a) If the Manager's Employment Period is terminated by death, Disability, resignation (other than a resignation in the circumstances set forth in subsection (c) below), or for Cause, the Company shall be obligated only to provide the compensation, benefits, etc. set forth in Section 4 hereof up to the date of termination; provided, however, that the Manager shall be entitled to such additional compensation and benefits, if any, as may be provided for under the express terms of any benefit plans or programs of the Company and its subsidiaries in which he is then participating.

(b) In the event of the death of the Manager while this Agreement is in effect and as to which no notice of termination has been given by the Manager, the Company shall (i) continue to pay a sum of money equal to the salary that would have been paid to him for four months following his death just as if he were living, and (ii) the Company shall pay a death benefit equal to his then current annual salary plus \$30,000 to be paid in three equal payments, without interest, on the 16, 28, and 40 month anniversaries of the date of his death. Payments made pursuant to this subsection 6(b) shall be made to the person or persons who may be designated by the Manager in writing, and, in the event he fails to so designate to whom payments shall be made, payments shall be made to the Manager's personal representatives.

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(c) If the Manager's Employment Period is terminated within three (3) years of the Effective Date ("Covered Termination") by:

(i) the Company without Cause; or

- (ii) resignation of the Manager as a result of (1) a material adverse change in the nature or scope of the Manager's authorities, powers, functions, or duties from those described in Section 3 hereof; a reduction in the Manager's total compensation, benefits, etc. from those provided for in Section 4 hereof; or a material breach by the Company of any other provision of this Agreement or (2) a reasonable determination by the Manager that, as a result of a Change in Control of the Company and a change in the Company's circumstances and/or operations thereafter significantly affecting his or her position, he is unable effectively to exercise the authorities, powers, functions, or duties contemplated by Section 3 hereof.

(d) In the event of a Covered Termination, the Company shall pay or cause to be paid to the Manager in cash a severance allowance (the "Severance Allowance") equal to 1.5 times the sum of the amounts determined in accordance with the following subsections (i) and (ii):

- (i) an amount equivalent to the highest annualized base salary which the Manager was entitled to receive from the Company and its subsidiaries at any time during his employment prior to the Effective Date; and
- (ii) an amount equal to the greatest of the annual amounts paid to the Manager under all applicable annual incentive compensation plans maintained by the Company and its subsidiaries (other than compensation relating to relocation expense; the grant, exercise, or settlement of stock options or performance incentive units or the sale or other disposition of shares received upon exercise or settlement of such options) during any of the three (3) calendar years prior to the year in which the Effective Date occurs (provided, however, that there shall be excluded from such calculation any amounts paid to the Manager under any such incentive compensation plan as a result of the acceleration of such payments under such plan due to termination of the plan, a Change in Control Event, or a similar occurrence).

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(e) The Severance Allowance shall be paid to the Manager in a lump sum within sixty (60) days after the date of any termination of the Manager covered by subsections 6(c) (i) or 6(c) (ii).

(f) Subject to subsection (h) below:

- (i) for a period of one year following a Covered Termination of the Manager, the Company shall make or cause to be made available to the Manager, at its expense, outplacement counseling and other outplacement services comparable to those available for the Company's senior managers prior to the Effective Date; and

- (ii) for a period of 18 months following a Covered Termination of the Manager, the Manager and the Manager's dependents shall be entitled to participate in the Company's life, medical, dental and long-term disability insurance plans at the Company's expense (to the extent provided in such plans at the time of such covered Termination) as if the Manager were still employed by the Company or its subsidiaries under this Agreement; and
- (iii) for purposes of the Company's SRIP, Manager shall be deemed to have been employed by the Company for the 18 month period following a Covered Termination of the Manager.

(g) If, despite the provisions of subsection (f) above, life, medical, dental or long-term disability insurance benefits are not paid or provided under any such plan to the Manager or his dependents because the Manager is no longer an employee of the Company or its subsidiaries, the Company itself shall, to the extent necessary, pay or otherwise provide for such benefits to the Manager or his dependents.

(h) In the event the Manager becomes employed (as defined below) during the period with respect to which payments or benefits are continuing pursuant to subsections 6(f) and/or 6(g) hereof: (1) the Manager shall notify the Company not later than the day such employment commences; and (2) the benefits provided for in subsections 6(f) and 6(g) shall terminate as of the date of such employment. For the purposes of this subsection (h), the Manager shall be deemed to have become "employed" by another entity or person only if the Manager becomes essentially a full-time employee of a person or an

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entity (not more than 30% of which is owned by the Manager and/or members of his family); and the Manager's "family" shall mean his parents, his siblings and their spouses, his children and their spouses, and the Manager's spouse and her parents and siblings. Nothing herein shall relieve the Company of its obligations for compensation or benefits accrued up to the time of termination provided for herein.

(i) In the event the Manager's employment is terminated by the Company at any time (other than for Cause) after the third year anniversary of the Effective Date (i.e., not a Covered Termination), then the Company agrees to provide the Manager with out-placement assistance consistent with subsection 6(f)(i) above and a severance payment that shall be the higher of (1) the amount the Manager is entitled to under the Company's then current severance policy or (2) 12 months' base salary calculated at the Manager's then current rate.

(j) Except as expressly provided in subsections (a), (d), (e), (f), (g), and (i) above, or under the express terms of any compensation or benefits plans of the Company or its subsidiaries applicable to the Manager, upon the termination date of Manager's employment with the Company, all other compensation and benefits of the Manager shall cease to accrue; provided, however, that the Severance Allowance payable under subsection (d) and the severance amount payable under subsection (i), as the case may be, shall be in lieu of any severance payments to which the Manager might otherwise be entitled under the terms of any severance pay plan, policy, or arrangement maintained by the Company or the Employment Agreement and shall be credited against any severance payments to which the Manager may be entitled by statute. Furthermore, the Company's obligations to pay any amount (including the Severance Amount) and provide the other benefits set forth in this Section 6 are contingent upon the Manager executing a form of release reasonably satisfactory to the Company.

(k) Upon the occurrence of a Change in Control, the Company (or any successor thereto), on or before the Effective Date, shall place into escrow an amount equal to the Severance Allowance which the Manager would be entitled to receive pursuant to subsection (d) above in the event of a Covered Termination, which escrowed funds shall be held pursuant to the terms of this subsection (k).

- (i) The Escrow Agent ("Escrow Agent") shall be First Union National Bank, as such other national banking association designated by the Company on or before the Effective Date.
- (ii) On or before the Effective Date, the Company shall deliver to Escrow Agent a sum equal to the Severance Allowance which the Manager would be

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entitled to receive in the event of a Covered Termination (the "Escrow Fund"). The Escrow Fund shall be invested by Escrow Agent in certificates of deposit with duration not more than 30 days issued by any bank (including Escrow Agent) or savings institution the accounts of which are insured by the FDIC (a maximum of \$100,000 in any single such institution). Any cash accumulation with respect to the Escrow Fund in the form of interest shall be the property of and shall be payable by Escrow Agent to the Company (or to any successor to the Company) as received by Escrow Agent and for purposes of this Agreement are not part of the Escrow Fund.

- (iii) In the event that the Manager's employment with the Company (or any successor to the Company) is terminated pursuant to a Covered Termination, the Manager shall send Escrow Agent and the Company (or its successor) a written demand substantially in the form of Exhibit A attached to this Agreement (a "Demand"). If the Company (or its successor) does not send a written objection substantially in the form of Exhibit B attached to this Agreement (an "Objection") to Escrow Agent and the Manager prior to the end of the Objection Period (hereinafter defined), Escrow Agent shall pay the Escrow Fund to the Manager within thirty (30) days from the date set out in the Demand. The Objection Period shall begin on the date set out in the Demand and shall end at 5:00 p.m. Philadelphia time, on the tenth calendar day following the date set out in the Demand, or if the tenth calendar day is not a day when Escrow Agent is generally open for business in Philadelphia, the Objection Period shall end at 5:00 p.m. Philadelphia time, on the next day after such tenth day that Escrow Agent is generally open for business in Philadelphia. For purposes of this subsection (k), notwithstanding the provisions of Section 11, a Demand and an Objection shall not be deemed received until Escrow Agent shall have actually received the Demand or Objection, as the case may be, and all time frames specified in this subsection (k) shall be measured from the actual date of Escrow

Agent's receipt.

- (iv) If Escrow Agent does receive an Objection before the end of the Objection Period, Escrow Agent shall not pay the Escrow Fund to the Manager,

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and, except as provided herein, shall not comply with any claims, demands or instructions from the Manager and/or The Company (or its successor) with respect to the Escrow Fund. Escrow Agent shall not be or become liable in any way to the Company (or its successor), the Manager or any other person or entity for its failure or refusal to comply with such conflicting claims or demands. Escrow Agent shall be entitled to refuse to act until (i) such conflicting or adverse claims or demands shall have been finally determined by a court of competent jurisdiction, (ii) settled by agreement between the conflicting parties as evidenced in a writing satisfactory to Escrow Agent, or (iii) Escrow Agent shall have received security or an indemnity satisfactory to Escrow Agent sufficient to save it harmless from and against any and all loss, liability or expense which it may incur by reason of its acting. Escrow Agent may in addition elect to commence an interpleader action or seek other judicial relief or orders as it may deem necessary. All of Escrow Agent's reasonable costs and expenses of bringing and maintaining such action, including but not limited to reasonable fees and expenses of separate counsel for Escrow Agent, shall be paid by the Company (or its successor).

- (v) In the event that Escrow Agent does not receive any Demand from the Manager within three (3) years from the Effective Date, Escrow Agent shall pay the Escrow Fund to the Company (or its successor) at the end of such three (3) year period.
- (vi) Escrow Agent's duties and responsibilities shall be limited to those expressly set forth herein. Escrow Agent shall not be subject to, nor obligated to recognize, any other agreement between or direction or instruction of any of the parties to this Agreement or of any third party even though reference thereto may be made herein. If any portion of the Escrow Fund is at any time attached, garnished or levied upon, or in case the transfer or delivery of the Escrow Fund shall be stayed or enjoined, or in the case of any other legal process or judicial order affecting the Escrow Fund, then Escrow Agent is authorized to comply with any such order in any manner as it or legal counsel of its own choosing deems appropriate; and if it complies with any process,

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order, writ, judgment or decree, it shall not be liable to any of the parties hereto or to any other person or entity even though such order or process may be subsequently modified or vacated or otherwise determined to have been without legal force or effect.

- (vii) Escrow Agent shall not be liable for any act taken or omitted under this Agreement except for its gross negligence or willful misconduct. Escrow Agent shall be fully protected in relying upon any instruction, notice, demand, certificate or document which Escrow Agent in good faith believes to be genuine. Escrow Agent may consult with legal counsel at the expense of the Company (or its successor) as to the construction of any of the provisions of this Agreement, and Escrow Agent shall be fully protected in acting in good faith in accordance with any such advice.
- (viii) Except as expressly provided and agreed, Escrow Agent shall not be responsible in any respect for the form, execution, validity or genuineness of documents deposited under this Agreement, or for any description therein, or for the identity, authority or rights of persons executing or delivering or purporting to execute or deliver any such document.
- (ix) The Company (and its successors) agrees to indemnify, defend and hold Escrow Agent harmless against any loss, liability, costs, damages and expenses, including reasonable counsel fees, that are incurred by Escrow Agent and that are out of or in connection with its acceptance or administration of this Agreement or being Escrow Agent under this Agreement, except for those arising solely from Escrow Agent's gross negligence or willful misconduct.
- (x) Escrow Agent may resign at any time by giving at least 30 days written notice thereof. Within 20 days after receiving the aforesaid notice, the Company (or its successor) and the Manager shall jointly agree on and appoint a successor Escrow Agent at which time Escrow Agent shall distribute the Escrow Fund then held hereunder to the successor Escrow Agent.

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- (xi) The Company (or its successor) shall pay all usual and customary charges and fees of Escrow Agent due to the Escrow Agent for its services hereunder.
- (xii) The escrow provisions created hereunder may be amended or canceled by and upon written notice to Escrow Agent at any time given jointly by each of the Company (or its successor) and the Manager, but the duties, responsibilities or liabilities of Escrow Agent may not be increased without its

prior written consent. This subsection (k) shall terminate upon the payment by Escrow Agent of the entire amount of the Escrow Fund, provided that all of Escrow Agent's rights shall continue beyond such termination, including, but not limited to, its rights to fees and indemnification.

7. Confidentiality and Non-Competition.

(a) The Manager acknowledges that information concerning the method and conduct of the Company's (and any affiliate's) business, including, without limitation, strategic and marketing plans, budgets, corporate practices and procedures, financial statements, customer and supplier information, formulae, formulation information, application technology, manufacturing information, and laboratory test methods and all of the Company's (and any affiliate's) manuals, documents, notes, letters, records, and computer programs are the Company's (and/or the Company's affiliate's, as the case may be) trade secrets ("Trade Secrets") and are the sole and exclusive property of the Company (and/or the Company's affiliates, as the case may be). The Manager agrees that at no time during or following his employment with the Company will he use, divulge, or pass on, directly or through any other individual or entity, any Trade Secrets. Upon termination of the Manager's employment with the Company regardless of the reason for the termination of the Manager's employment hereunder, or at any other time upon the Company's request, the Manager agrees to forthwith surrender to the Company any and all materials in his possession or control which include or contain any such Trade Secrets. The words "Trade Secrets" do not include information already known to the public through no act or failure to act on the part of the Manager, required by law to be disclosed, or which can be clearly shown by written records to have been known by the Manager prior to the commencement of his employment with the Company.

(b) The Manager agrees that during his employment and for a period of one (1) year thereafter, regardless of the reason for the termination of the Manager's employment hereunder, he will not:

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- (i) directly or indirectly, together or separately or with any third party, whether as an individual proprietor, partner, stockholder, officer, director, joint venturer, investor, or in any other capacity whatsoever actively engage in business or assist anyone or any firm in business as a manufacturer, seller, or distributor of specialty chemical products or chemical management services which are the same, like, similar to, or which compete with the products and services offered by the Company (or any of its affiliates);
- (ii) recruit or solicit any employee of the Company (or any of its affiliates) or otherwise induce such employee to leave the employ of the Company (or any of its affiliates) or to become an employee or otherwise be associated with his or any firm, corporation, business or other entity with which he is or may become associated; and
- (iii) solicit, directly or indirectly, for himself or as agent or employee of any person, partnership, corporation, or other entity (other than for the Company) any then or former customer, supplier,

or client of the Company with the intent of actively engaging in business which would cause competitive harm to the Company (or any of its affiliates).

The Manager acknowledges and agrees that all of the foregoing restrictions are reasonable as to the period of time and scope. However, if any paragraph, sentence, clause, or other provision is held invalid or unenforceable by a court of competent and relevant jurisdiction, such provision shall be deemed to be modified in a manner consistent with the intent of such original provision so as to make it valid and enforceable, and this Agreement and the application of such provision to persons and circumstances other than those with respect to which it would be invalid or unenforceable shall not be affected thereby. The Manager agrees and recognizes that in the event of a breach or threatened breach of the provisions of the restrictive covenants contained in this Section 7, the Company may suffer irreparable harm, and monetary damages may not be an adequate remedy. Therefore, if any breach occurs or is threatened, the Company shall be entitled to seek equitable remedies, including injunctive relief in any court of applicable jurisdiction notwithstanding the provisions of Section 9 hereof. In the event of any breach of the restrictive covenant contained in this Section 7, the term of the restrictive covenant specified herein shall be extended by a period of time equal to that period beginning on the date such violation commenced and ending when the activities constituting such violation cease. Furthermore, if a court or arbitration panel determines

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that the Manager has breached any of the provisions of this Section 7, the Company's obligations to pay amounts and continue the benefits under Section 6 to the Manager shall immediately terminate.

8. Set-Off; Mitigation.

Subject to Section 6(h) hereof, the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right, or action which the Company may have against the Manager or others. In no event shall the Manager be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Manager under any of the provisions of this Agreement.

9. Arbitration: Costs and Expenses of Enforcement.

(a) Except as otherwise provided in Section 7(b) hereof, any controversy or claim arising out of or relating to this Agreement or the breach thereof which cannot promptly be resolved by the parties shall be promptly submitted to and settled exclusively by arbitration in the City of Philadelphia, Pennsylvania in accordance with the laws of the Commonwealth of Pennsylvania by three arbitrators, one of whom shall be appointed by the Company, one by the Manager, and the third of whom shall be appointed by the first two arbitrators. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 9. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

(b) In the event that it shall be necessary or desirable for the Manager to retain legal counsel and/or incur other costs and expenses in connection with the enforcement of any and all of his rights under this Agreement, the Company shall pay (or the Manager shall be entitled to recover from the Company, as the case may be) his reasonable attorneys' fees and costs and expenses in connection with the enforcement of his said rights (including

those incurred in or related to any arbitration proceedings provided for in subsection (a) above and the enforcement of any arbitration award in court), regardless of the final outcome, unless the arbitrators or a court shall determine that under the circumstances recovery by the Manager of all or a part of any such fees and costs and expenses would be unjust.

10. Certain Additional Payments by the Company.

(a) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Manager (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or

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otherwise, but determined without regard to any additional payments required under this Section 10) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Manager with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), payment (a "Gross-Up Payment") in an amount such that after payment by the Manager of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes, calculated at the maximum federal and state rates for individuals in the year in which a Payment is made (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Manager retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 10(c), all determinations required to be made under this Section 10, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent certified public accountants (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Manager within 15 business days of the receipt of notice from the Manager that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Manager shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 10, shall be paid by the Company to the Manager within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Manager, it shall furnish the Manager with a written opinion that failure to report the Excise Tax on the Manager's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Company and the Manager. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 10(c) and the Manager thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Manager.

(c) The Manager shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Manager is informed in writing of such claim and the date on which such claim is requested to be paid. The Manager shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Manager in writing prior to the expiration of such period that it desires to contest such claim, the Manager shall (i) give the Company any information reasonably requested by the Company relating to such claim, (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company, (iii) cooperate with the Company in good faith in order effectively to contest such claim, and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Manager harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 10(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Manager to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Manager agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Manager to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Manager, on an interest-free basis and shall indemnify and hold the Manager harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Manager with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Manager shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Manager of an amount advanced by the Company pursuant to Section 10(c), the Manager becomes entitled to receive any refund with respect to such claim, the Manager shall (subject to the Company's complying with the requirements of Section 10(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Manager of an amount advanced by the Company pursuant to Section 10(c), a determination is made that the Manager shall not be entitled to any refund with respect to such claim and the Company does not notify the Manager in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to

be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

11. Notices.

Any notices, requests, demands, and other communications provided for by this Agreement shall be sufficient if in writing, and if hand delivered or if sent by registered or certified mail, if to the Manager, at the last address he had filed in writing with the Company or if to the Company, at its principal Manager offices. Notices, requests, etc. shall be effective when actually received by the addressee or at such address.

12. Assignment and Benefit.

(a) This Agreement is personal to the Manager and shall not be assignable by the Manager, by operation of law, or otherwise without the prior written consent of the Company otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Manager's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns, including without limitation, any subsidiary of the Company to which the Company may assign any of its rights hereunder; provided, however, that no assignment of this Agreement by the Company, by operation of law, or otherwise shall relieve it of its obligations hereunder except an assignment of this Agreement to, and its assumption by, a successor pursuant to subsection (c) below.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation operation of law, or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession

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had taken place, but, irrespective of any such assignment or assumption, this Agreement shall inure to the benefit of and be binding upon such a successor. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid.

13. Governing Law.

The provisions of this Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without reference to principles of conflicts of laws.

14. Full Settlement.

In the event of the termination of the Manager's Employment Period under this Agreement, the payments and other benefits provided for by this Agreement (except as otherwise provided under the express terms of any compensation or benefit plans of the Company or its subsidiaries or as may otherwise be provided by applicable law) shall constitute the entire obligation of the Company and its subsidiaries to the Manager and shall also constitute full and complete settlement of any claim under law or in equity that the Manager might otherwise assert against the Company, its subsidiaries, or any of its or their respective directors, officers, or employees on account of such termination of employment.

15. Entire Agreement.

This Agreement represents the entire agreement and understanding of the parties with respect to the subject matter hereof, and it may not be altered or amended except by an agreement in writing.

16. No Waiver.

The failure to insist upon strict compliance with any provision of this Agreement by any party shall not be deemed to be a waiver of any future noncompliance with such provision or of noncompliance with any other provision.

17. Severability.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining

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provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

IN WITNESS WHEREOF, the Manager has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company has caused these

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presents to be executed in its name and on its behalf and attested by its Secretary or Assistant Secretary, all as of the day and year first above written.

MANAGER

/s/ James A. Geier

James A. Geier

QUAKER CHEMICAL CORPORATION

By: /s/ Ronald J. Naples

Title: Chairman and Chief Executive Officer

ATTEST:

/s/ D. Jeffry Benoliel

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EXHIBIT A

[DATE]

[name and address of Escrow Agent]

RE: Escrow Account # _____

Ladies/Gentlemen:

Reference is made to the Change in Control Agreement dated as of _____, 1998 by and between Quaker Chemical Corporation and the undersigned (the "Agreement").

My employment with [successor to Quaker] has been terminated for a reason which constitutes a "Covered Termination" as defined in the Agreement.

This letter shall serve as a "Demand" to be paid the Escrow Fund referred to in the Escrow Agreement within sixty (60) days from the date of this letter. Please send each installment to me at the address set forth below.

I hereby certify that I have sent a duplicate copy of this demand to [successor to Quaker] in accordance with the provisions provided for in the Agreement.

Sincerely,

Name: _____

Address: _____

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EXHIBIT B

[DATE]

[name and address of Escrow Agent]

Attention: _____

RE: Escrow Account # _____

Ladies/Gentlemen:

Reference is made to the Change in Control Agreement dated as of _____, 1998 by and between Quaker Chemical Corporation and _____] (the "Manager") (the "Agreement").

[Successor to Quaker], pursuant to subsection 6(k)(iii) of the Agreement, objects to the payment of the Escrow Fund to the Manager because [Successor to Quaker] believes in good faith that the Manager is not entitled to receive the Escrow Fund. [Successor to Quaker] hereby certifies that it has sent the Manager a copy of this Objection in accordance with the provisions provided for in the Agreement.

Sincerely,

[SUCCESSOR TO QUAKER]

By: _____

Title: _____

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CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT dated January 15, 1999 between QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (the "Company") and DANIEL S. MA (the "Manager").

W I T N E S S E T H T H A T

WHEREAS, the Company and the Manager are party to a certain employment agreement dated May 12, 1993 (the Employment Agreement);

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders that the Company and its subsidiaries be able to attract, retain, and motivate highly qualified management personnel and, in particular, that they be assured of continuity of management in the event of any actual or threatened change in control of the Company; and

WHEREAS, the Board of Directors of the Company believes that the execution by the Company of change in control agreements with certain management personnel, including the Manager, is an important factor in achieving this desired end.

NOW, THEREFORE, IN CONSIDERATION of the mutual obligations and agreements contained herein and intending to be legally bound hereby, the Manager and the Company agree as follows:

1. Term of Agreement.

Except as otherwise provided for in the last sentence of this Section 1, this Agreement shall become effective at such time (the "Effective Date"), if any, as a Change in Control (as defined in Section 2 hereof) of the Company occurs; provided, however, that this Agreement shall terminate and be of no further force and effect if: (a) a Change in Control shall not have occurred by July 31, 2003 or such later date as shall have been approved by the Board of Directors of the Company and agreed to by the Manager or (b) prior to the Effective Date, the Manager ceases, for any reason, to be an employee of the Company, except that if the Manager's status as an employee of the Company is terminated by the Company prior to a Change in Control and it is reasonably demonstrated that such termination (i) was at the request of a person or entity who or which has taken steps reasonably calculated to effect an imminent Change in Control or (ii) otherwise arose in connection with or in anticipation of an imminent Change in Control, then this Agreement shall become effective, and the Effective Date shall be the date of such termination. On the Effective Date, the

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Employment Agreement will automatically terminate without notice or any action by either party thereto, and this Agreement will control and govern the Manager's employment relationship with the Company.

2. Change in Control.

As used in this Agreement, a "Change in Control" of the Company shall be deemed to have occurred if:

(a) any person (a "Person"), as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (other than (1) the Company and/or its wholly owned subsidiaries; (2) any ESOP or other employee benefit plan of the Company and any trustee or other fiduciary in such capacity holding securities under such plan;

(3) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock the Company; or (4) any other Person who is as of the date of this Agreement presently an executive officer of the Company or any group of Persons of which he/she voluntarily is a part) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities or such lesser percentage of voting power, but not less than 15%, as the Board of Directors of the Company shall determine; provided, however, that a Change in Control shall not be deemed to have occurred under the provisions of this subsection (a) by reason of the beneficial ownership of voting securities by members of the Benoliel family (as defined below) unless and until the beneficial ownership of all members of the Benoliel family (including any other individuals or entities who or which, together with any member or members of the Benoliel family, are deemed under Sections 13(d) or 14(d) of the Exchange Act to constitute a single Person) exceeds 50% of the combined voting power of the Company's then outstanding securities;

(b) during any two-year period beginning on the date of this Agreement, Directors of the Company in office at the beginning of such period plus any new Director (other than a Director designated by a Person who has entered into an agreement with the Company to effect a transaction within the purview of subsections (a) or (c) hereof) whose election by the Board of Directors of the Company or whose nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was previously so approved shall cease for any reason to constitute at least a majority of the Board; or

(c) the Company's shareholders or the Company's Board of Directors shall approve (i) any consolidation or merger of the Company in which

Exhibit 10(aa) Page 2

the Company is not the continuing or surviving corporation or pursuant to which the Company's voting common shares (the "Common Shares") would be converted into cash, securities, and/or other property, other than a merger of the Company in which holders of Common Shares immediately prior to the merger have the same proportionate ownership of Common Shares of the surviving corporation immediately after the merger as they had in the Common Shares immediately before; (ii) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets or earning power of the Company; or (iii) the liquidation or dissolution of the Company.

As used in this Agreement, "members of the Benoliel Family" shall mean Peter A. Benoliel, his wife and children and their respective spouses and children, and all trusts created by or for the benefit of any of them.

3. Employment.

(a) From the Effective Date and until either party hereto shall have given the other at least sixty (60) days' prior written notice of a desire to terminate this Agreement (the "Employment Period") and thereby the Manager's employment hereunder, the Company hereby agrees to continue the Manager in its employ (directly and/or indirectly through a subsidiary), and the Manager hereby agrees to remain in the employ of the Company (and/or any such subsidiary), to exercise such authority, to perform such duties, and to possess such status, offices, support staff, titles, and reporting requirements as are at least commensurate with those generally exercised, performed, and possessed by the Manager during the ninety (90) day period immediately prior to the Effective Date or such lesser period as the Manager shall have been employed by

the Company or its subsidiaries (the "Base Period"). Such services shall be performed at the location where the Manager was primarily employed during the Base Period or at such other location as the Company may reasonably require, provided that the Manager shall not be required to accept a primary employment location which is more than 25 miles from the location at which he primarily was employed during the Base Period. During the Employment Period, and excluding any periods of vacation and sick leave to which the Manager is entitled, the Manager agrees to perform faithfully, diligently, and efficiently his responsibilities hereunder.

(b) The Manager acknowledges that nothing in this Agreement shall be deemed to give him continued rights to employment by the Company or its subsidiaries as a manager or any other capacity with respect to any period prior to the Effective Date, if any, of this Agreement or, subject to subsection 1(b) hereof, to entitle the Manager to compensation or benefits in the event of termination of the Manager's employment prior to the Effective Date. Manager's employment with the Company prior to the Effective Date, subject to subsection 1(b) hereof, will be controlled by the Employment Agreement.

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4. Compensation, Benefits, etc.

During the Employment Period, the Manager shall be compensated as follows:

(a) The Manager shall (i) receive an annual cash base salary, payable not less frequently than semi-monthly, which is not less than the annualized cash base salary payable to Manager as of the Effective Date; (ii) be entitled to at least as favorable annual incentive award opportunity under the Company's annual incentive compensation plan as he did in the calendar year immediately prior to the year in which the Change of Control Event occurs; and (iii) be eligible to participate in all of the Company's long-term incentive compensation plans and programs on terms that are at least as favorable to the Manager as provided to the Manager in the four calendar years prior to the Effective Date.

(b) The Manager shall be entitled to receive fringe benefits, employee benefits, and perquisites (including, but not limited to, vacation, medical, disability, dental, and life insurance benefits) which are at least as favorable to those made generally available as of the Effective Date to all of the Company's salaried managers as a group. In addition, the Manager shall be eligible to participate in the Company's Supplemental Retirement Income Program ("SRIP").

(c) Notwithstanding any other provision of this Agreement (whether in this Section 4, in Section 6, or elsewhere), (i) the Board of Directors may authorize an increase in the amount, duration, and nature of and/or the acceleration of any compensation or benefits payable under this Agreement, as well as waive or reduce the requirements for entitlement thereto and (ii) the Company may deduct from amounts otherwise payable to the Manager such amounts as it reasonably believes it is required to withhold for the payment of federal, state, and local taxes.

5. Early Termination of Employment.

The Manager's Employment Period shall terminate without the Company providing sixty (60) days prior written notice as required under Section 3 hereof in the following circumstances:

(a) the Manager's death;

(b) at the option of the Company in the event of the Manager's Disability (as defined below); or

(c) at the option of the Company for Cause (as defined below).

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For purposes of this Agreement, "Disability" shall mean: (1) a physical or mental disability which, at least twenty-six (26) weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Manager or the Manager's legal representative or (2) if the Company then has in effect a disability plan covering Managers generally, including the Manager, the definition of covered total and permanent "disability" set forth in such plan, and "Cause" shall mean (a) willful and material breach of this Agreement by the Manager, (b) dishonesty, fraud, willful malfeasance, gross negligence, or other gross misconduct, in each case relating to the performance of the Manager's employment hereunder which is materially injurious to the Company, or (c) conviction of or plea of guilty to a felony, such Cause to be determined, in each case, by a resolution approved by at least two-thirds of the Directors of the Company after having afforded the Manager a reasonable opportunity to appear before the Board of Directors of the Company and present his position.

6. Compensation, Benefits, etc. upon Termination.

(a) If the Manager's Employment Period is terminated by death, Disability, resignation (other than a resignation in the circumstances set forth in subsection (c) below), or for Cause, the Company shall be obligated only to provide the compensation, benefits, etc. set forth in Section 4 hereof up to the date of termination; provided, however, that the Manager shall be entitled to such additional compensation and benefits, if any, as may be provided for under the express terms of any benefit plans or programs of the Company and its subsidiaries in which he is then participating.

(b) In the event of the death of the Manager while this Agreement is in effect and as to which no notice of termination has been given by the Manager, the Company shall (i) continue to pay a sum of money equal to the salary that would have been paid to him for four months following his death just as if he were living, and (ii) the Company shall pay a death benefit equal to his then current annual salary plus \$30,000 to be paid in three equal payments, without interest, on the 16, 28, and 40 month anniversaries of the date of his death. Payments made pursuant to this subsection 6(b) shall be made to the person or persons who may be designated by the Manager in writing, and, in the event he fails to so designate to whom payments shall be made, payments shall be made to the Manager's personal representatives.

(c) If the Manager's Employment Period is terminated within three (3) years of the Effective Date ("Covered Termination") by:

(i) the Company without Cause; or

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(ii) resignation of the Manager as a result of
(1) a material adverse change in the nature

or scope of the Manager's authorities, powers, functions, or duties from those described in Section 3 hereof; a reduction in the Manager's total compensation, benefits, etc. from those provided for in Section 4 hereof; or a material breach by the Company of any other provision of this Agreement or (2) a reasonable determination by the Manager that, as a result of a Change in Control of the Company and a change in the Company's circumstances and/or operations thereafter significantly affecting his or her position, he is unable effectively to exercise the authorities, powers, functions, or duties contemplated by Section 3 hereof.

(d) In the event of a Covered Termination, the Company shall pay or cause to be paid to the Manager in cash a severance allowance (the "Severance Allowance") equal to 1.5 times the sum of the amounts determined in accordance with the following subsections (i) and (ii):

- (i) an amount equivalent to the highest annualized base salary which the Manager was entitled to receive from the Company and its subsidiaries at any time during his employment prior to the Effective Date; and
- (ii) an amount equal to the greatest of the annual amounts paid to the Manager under all applicable annual incentive compensation plans maintained by the Company and its subsidiaries (other than compensation relating to relocation expense; the grant, exercise, or settlement of stock options or performance incentive units or the sale or other disposition of shares received upon exercise or settlement of such options) during any of the three (3) calendar years prior to the year in which the Effective Date occurs (provided, however, that there shall be excluded from such calculation any amounts paid to the Manager under any such incentive compensation plan as a result of the acceleration of such payments under such plan due to termination of the plan, a Change in Control Event, or a similar occurrence).

(e) The Severance Allowance shall be paid to the Manager in a lump sum within sixty (60) days after the date of any termination of the Manager covered by subsections 6(c)(i) or 6(c)(ii).

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(f) Subject to subsection (h) below:

- (i) for a period of one year following a Covered Termination of the Manager, the Company shall make or cause to be made available to the Manager, at its expense, outplacement

counseling and other outplacement services comparable to those available for the Company's senior managers prior to the Effective Date; and

- (ii) for a period of 18 months following a Covered Termination of the Manager, the Manager and the Manager's dependents shall be entitled to participate in the Company's life, medical, dental and long-term disability insurance plans at the Company's expense (to the extent provided in such plans at the time of such covered Termination) as if the Manager were still employed by the Company or its subsidiaries under this Agreement; and
- (iii) for purposes of the Company's SRIP, Manager shall be deemed to have been employed by the Company for the 18 month period following a Covered Termination of the Manager.

(g) If, despite the provisions of subsection (f) above, life, medical, dental or long-term disability insurance benefits are not paid or provided under any such plan to the Manager or his dependents because the Manager is no longer an employee of the Company or its subsidiaries, the Company itself shall, to the extent necessary, pay or otherwise provide for such benefits to the Manager or his dependents.

(h) In the event the Manager becomes employed (as defined below) during the period with respect to which payments or benefits are continuing pursuant to subsections 6(f) and/or 6(g) hereof: (1) the Manager shall notify the Company not later than the day such employment commences; and (2) the benefits provided for in subsections 6(f) and 6(g) shall terminate as of the date of such employment. For the purposes of this subsection (h), the Manager shall be deemed to have become "employed" by another entity or person only if the Manager becomes essentially a full-time employee of a person or an entity (not more than 30% of which is owned by the Manager and/or members of his family); and the Manager's "family" shall mean his parents, his siblings and their spouses, his children and their spouses, and the Manager's spouse and her parents and siblings. Nothing herein shall relieve the Company of its obligations for

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compensation or benefits accrued up to the time of termination provided for herein.

(i) In the event the Manager's employment is terminated by the Company at any time (other than for Cause) after the third year anniversary of the Effective Date (i.e., not a Covered Termination), then the Company agrees to provide the Manager with out-placement assistance consistent with subsection 6(f)(i) above and a severance payment that shall be equal to the amount the Manager is entitled to under the Company's then current severance policy.

(j) Except as expressly provided in subsections (a), (d), (e), (f), (g), and (i) above, or under the express terms of any compensation or benefits plans of the Company or its subsidiaries applicable to the Manager, upon the termination date of Manager's employment with the Company, all other compensation and benefits of the Manager shall cease to accrue; provided, however, that the Severance Allowance payable under subsection (d) and the severance amount payable under subsection (i), as the case may be, shall be in lieu of any severance payments to which the Manager might otherwise be entitled

under the terms of any severance pay plan, policy, or arrangement maintained by the Company or the Employment Agreement and shall be credited against any severance payments to which the Manager may be entitled by statute. Furthermore, the Company's obligations to pay any amount (including the Severance Amount) and provide the other benefits set forth in this Section 6 are contingent upon the Manager executing a form of release reasonably satisfactory to the Company.

(k) Upon the occurrence of a Change in Control, the Company (or any successor thereto), on or before the Effective Date, shall place into escrow an amount equal to the Severance Allowance which the Manager would be entitled to receive pursuant to subsection (d) above in the event of a Covered Termination, which escrowed funds shall be held pursuant to the terms of this subsection (k).

- (i) The Escrow Agent ("Escrow Agent") shall be First Union National Bank, as such other national banking association designated by the Company on or before the Effective Date.
- (ii) On or before the Effective Date, the Company shall deliver to Escrow Agent a sum equal to the Severance Allowance which the Manager would be entitled to receive in the event of a Covered Termination (the "Escrow Fund"). The Escrow Fund shall be invested by Escrow Agent in certificates of deposit with duration not more than 30 days issued by any bank (including Escrow Agent) or savings institution the accounts of which are

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insured by the FDIC (a maximum of \$100,000 in any single such institution). Any cash accumulation with respect to the Escrow Fund in the form of interest shall be the property of and shall be payable by Escrow Agent to the Company (or to any successor to the Company) as received by Escrow Agent and for purposes of this Agreement are not part of the Escrow Fund.

- (iii) In the event that the Manager's employment with the Company (or any successor to the Company) is terminated pursuant to a Covered Termination, the Manager shall send Escrow Agent and the Company (or its successor) a written demand substantially in the form of Exhibit A attached to this Agreement (a "Demand"). If the Company (or its successor) does not send a written objection substantially in the form of Exhibit B attached to this Agreement (an "Objection") to Escrow Agent and the Manager prior to the end of the Objection Period (hereinafter defined), Escrow Agent shall pay the Escrow Fund to the Manager within thirty (30) days from the date set out in the Demand. The Objection Period shall begin on the date set out in the Demand and shall end at 5:00 p.m. Philadelphia time, on the tenth calendar day

following the date set out in the Demand, or if the tenth calendar day is not a day when Escrow Agent is generally open for business in Philadelphia, the Objection Period shall end at 5:00 p.m. Philadelphia time, on the next day after such tenth day that Escrow Agent is generally open for business in Philadelphia. For purposes of this subsection (k), notwithstanding the provisions of Section 11, a Demand and an Objection shall not be deemed received until Escrow Agent shall have actually received the Demand or Objection, as the case may be, and all time frames specified in this subsection (k) shall be measured from the actual date of Escrow Agent's receipt.

- (iv) If Escrow Agent does receive an Objection before the end of the Objection Period, Escrow Agent shall not pay the Escrow Fund to the Manager, and, except as provided herein, shall not comply with any claims, demands or instructions from the Manager and/or The Company (or its successor) with respect to the Escrow Fund. Escrow Agent shall not be or become liable in any way to the Company (or its successor), the Manager

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or any other person or entity for its failure or refusal to comply with such conflicting claims or demands. Escrow Agent shall be entitled to refuse to act until (i) such conflicting or adverse claims or demands shall have been finally determined by a court of competent jurisdiction, (ii) settled by agreement between the conflicting parties as evidenced in a writing satisfactory to Escrow Agent, or (iii) Escrow Agent shall have received security or an indemnity satisfactory to Escrow Agent sufficient to save it harmless from and against any and all loss, liability or expense which it may incur by reason of its acting. Escrow Agent may in addition elect to commence an interpleader action or seek other judicial relief or orders as it may deem necessary. All of Escrow Agent's reasonable costs and expenses of bringing and maintaining such action, including but not limited to reasonable fees and expenses of separate counsel for Escrow Agent, shall be paid by the Company (or its successor).

- (v) In the event that Escrow Agent does not receive any Demand from the Manager within three (3) years from the Effective Date, Escrow Agent shall pay the Escrow Fund to the Company (or its successor) at the end of such three (3) year period.
- (vi) Escrow Agent's duties and responsibilities

shall be limited to those expressly set forth herein. Escrow Agent shall not be subject to, nor obligated to recognize, any other agreement between or direction or instruction of any of the parties to this Agreement or of any third party even though reference thereto may be made herein. If any portion of the Escrow Fund is at any time attached, garnished or levied upon, or in case the transfer or delivery of the Escrow Fund shall be stayed or enjoined, or in the case of any other legal process or judicial order affecting the Escrow Fund, then Escrow Agent is authorized to comply with any such order in any manner as it or legal counsel of its own choosing deems appropriate; and if it complies with any process, order, writ, judgment or decree, it shall not be liable to any of the parties hereto or to any other person or entity even though such order or process may be subsequently modified or vacated or otherwise determined to have been without legal force or effect.

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- (vii) Escrow Agent shall not be liable for any act taken or omitted under this Agreement except for its gross negligence or willful misconduct. Escrow Agent shall be fully protected in relying upon any instruction, notice, demand, certificate or document which Escrow Agent in good faith believes to be genuine. Escrow Agent may consult with legal counsel at the expense of the Company (or its successor) as to the construction of any of the provisions of this Agreement, and Escrow Agent shall be fully protected in acting in good faith in accordance with any such advice.
- (viii) Except as expressly provided and agreed, Escrow Agent shall not be responsible in any respect for the form, execution, validity or genuineness of documents deposited under this Agreement, or for any description therein, or for the identity, authority or rights of persons executing or delivering or purporting to execute or deliver any such document.
- (ix) The Company (and its successors) agrees to indemnify, defend and hold Escrow Agent harmless against any loss, liability, costs, damages and expenses, including reasonable counsel fees, that are incurred by Escrow Agent and that are out of or in connection with its acceptance or administration of this Agreement or being Escrow Agent under this Agreement, except for those arising solely from Escrow Agent's gross negligence or willful misconduct.

- (x) Escrow Agent may resign at any time by giving at least 30 days written notice thereof. Within 20 days after receiving the aforesaid notice, the Company (or its successor) and the Manager shall jointly agree on and appoint a successor Escrow Agent at which time Escrow Agent shall distribute the Escrow Fund then held hereunder to the successor Escrow Agent.
- (xi) The Company (or its successor) shall pay all usual and customary charges and fees of Escrow Agent due to the Escrow Agent for its services hereunder.
- (xii) The escrow provisions created hereunder may be amended or canceled by and upon written

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notice to Escrow Agent at any time given jointly by each of the Company (or its successor) and the Manager, but the duties, responsibilities or liabilities of Escrow Agent may not be increased without its prior written consent. This subsection (k) shall terminate upon the payment by Escrow Agent of the entire amount of the Escrow Fund, provided that all of Escrow Agent's rights shall continue beyond such termination, including, but not limited to, its rights to fees and indemnification.

7. Confidentiality and Non-Competition.

(a) The Manager acknowledges that information concerning the method and conduct of the Company's (and any affiliate's) business, including, without limitation, strategic and marketing plans, budgets, corporate practices and procedures, financial statements, customer and supplier information, formulae, formulation information, application technology, manufacturing information, and laboratory test methods and all of the Company's (and any affiliate's) manuals, documents, notes, letters, records, and computer programs are the Company's (and/or the Company's affiliate's, as the case may be) trade secrets ("Trade Secrets") and are the sole and exclusive property of the Company (and/or the Company's affiliates, as the case may be). The Manager agrees that at no time during or following his employment with the Company will he use, divulge, or pass on, directly or through any other individual or entity, any Trade Secrets. Upon termination of the Manager's employment with the Company regardless of the reason for the termination of the Manager's employment hereunder, or at any other time upon the Company's request, the Manager agrees to forthwith surrender to the Company any and all materials in his possession or control which include or contain any such Trade Secrets. The words "Trade Secrets" do not include information already known to the public through no act or failure to act on the part of the Manager, required by law to be disclosed, or which can be clearly shown by written records to have been known by the Manager prior to the commencement of his employment with the Company.

(b) The Manager agrees that during his employment and for a period of one (1) year thereafter, regardless of the reason for the termination of the Manager's employment hereunder, he will not:

- (i) directly or indirectly, together or

separately or with any third party, whether as an individual proprietor, partner, stockholder, officer, director, joint venturer, investor, or in any other capacity whatsoever actively engage in business or assist anyone or any firm in business as a manufacturer, seller, or distributor of specialty chemical products or chemical management services which are the same,

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like, similar to, or which compete with the products and services offered by the Company (or any of its affiliates);

- (ii) recruit or solicit any employee of the Company (or any of its affiliates) or otherwise induce such employee to leave the employ of the Company (or any of its affiliates) or to become an employee or otherwise be associated with his or any firm, corporation, business or other entity with which he is or may become associated; and
- (iii) solicit, directly or indirectly, for himself or as agent or employee of any person, partnership, corporation, or other entity (other than for the Company) any then or former customer, supplier, or client of the Company with the intent of actively engaging in business which would cause competitive harm to the Company (or any of its affiliates).

The Manager acknowledges and agrees that all of the foregoing restrictions are reasonable as to the period of time and scope. However, if any paragraph, sentence, clause, or other provision is held invalid or unenforceable by a court of competent and relevant jurisdiction, such provision shall be deemed to be modified in a manner consistent with the intent of such original provision so as to make it valid and enforceable, and this Agreement and the application of such provision to persons and circumstances other than those with respect to which it would be invalid or unenforceable shall not be affected thereby. The Manager agrees and recognizes that in the event of a breach or threatened breach of the provisions of the restrictive covenants contained in this Section 7, the Company may suffer irreparable harm, and monetary damages may not be an adequate remedy. Therefore, if any breach occurs or is threatened, the Company shall be entitled to seek equitable remedies, including injunctive relief in any court of applicable jurisdiction notwithstanding the provisions of Section 9 hereof. In the event of any breach of the restrictive covenant contained in this Section 7, the term of the restrictive covenant specified herein shall be extended by a period of time equal to that period beginning on the date such violation commenced and ending when the activities constituting such violation cease. Furthermore, if a court or arbitration panel determines that the Manager has breached any of the provisions of this Section 7, the Company's obligations to pay amounts and continue the benefits under Section 6 to the Manager shall immediately terminate.

8. Set-Off; Mitigation.

Subject to Section 6(h) hereof, the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right, or action which the Company may have against the Manager or others. In no event shall the Manager be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Manager under any of the provisions of this Agreement.

9. Arbitration: Costs and Expenses of Enforcement.

(a) Except as otherwise provided in Section 7(b) hereof, any controversy or claim arising out of or relating to this Agreement or the breach thereof which cannot promptly be resolved by the parties shall be promptly submitted to and settled exclusively by arbitration in the City of Philadelphia, Pennsylvania in accordance with the laws of the Commonwealth of Pennsylvania by three arbitrators, one of whom shall be appointed by the Company, one by the Manager, and the third of whom shall be appointed by the first two arbitrators. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 9. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

(b) In the event that it shall be necessary or desirable for the Manager to retain legal counsel and/or incur other costs and expenses in connection with the enforcement of any and all of his rights under this Agreement, the Company shall pay (or the Manager shall be entitled to recover from the Company, as the case may be) his reasonable attorneys' fees and costs and expenses in connection with the enforcement of his said rights (including those incurred in or related to any arbitration proceedings provided for in subsection (a) above and the enforcement of any arbitration award in court), regardless of the final outcome, unless the arbitrators or a court shall determine that under the circumstances recovery by the Manager of all or a part of any such fees and costs and expenses would be unjust.

10. Certain Additional Payments by the Company.

(a) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Manager (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 10) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Manager with respect to such excise tax (such excise tax, together with any such

interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), payment (a "Gross-Up Payment") in an amount such that after payment by the Manager of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes,

calculated at the maximum federal and state rates for individuals in the year in which a Payment is made (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Manager retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 10(c), all determinations required to be made under this Section 10, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent certified public accountants (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Manager within 15 business days of the receipt of notice from the Manager that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Manager shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 10, shall be paid by the Company to the Manager within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Manager, it shall furnish the Manager with a written opinion that failure to report the Excise Tax on the Manager's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Company and the Manager. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 10(c) and the Manager thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Manager.

(c) The Manager shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Manager is

informed in writing of such claim and the date on which such claim is requested to be paid. The Manager shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Manager in writing prior to the expiration of such period that it desires to contest such claim, the Manager shall (i) give the Company any information reasonably requested by the Company relating to such claim, (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company, (iii) cooperate with the Company in good faith in order effectively to contest such claim, and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Manager harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and

penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 10(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Manager to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Manager agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Manager to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Manager, on an interest-free basis and shall indemnify and hold the Manager harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Manager with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Manager shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Manager of an amount advanced by the Company pursuant to Section 10(c), the Manager becomes entitled to receive any refund with respect to such claim, the Manager shall (subject to the Company's complying with the requirements of Section 10(c)) promptly pay to the

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Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Manager of an amount advanced by the Company pursuant to Section 10(c), a determination is made that the Manager shall not be entitled to any refund with respect to such claim and the Company does not notify the Manager in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

11. Notices.

Any notices, requests, demands, and other communications provided for by this Agreement shall be sufficient if in writing, and if hand delivered or if sent by registered or certified mail, if to the Manager, at the last address he had filed in writing with the Company or if to the Company, at its principal Manager offices. Notices, requests, etc. shall be effective when actually received by the addressee or at such address.

12. Assignment and Benefit.

(a) This Agreement is personal to the Manager and shall not be assignable by the Manager, by operation of law, or otherwise without the prior written consent of the Company otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Manager's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be

binding upon the Company and its successors and assigns, including without limitation, any subsidiary of the Company to which the Company may assign any of its rights hereunder; provided, however, that no assignment of this Agreement by the Company, by operation of law, or otherwise shall relieve it of its obligations hereunder except an assignment of this Agreement to, and its assumption by, a successor pursuant to subsection (c) below.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation operation of law, or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, but, irrespective of any such assignment or assumption, this Agreement shall inure to the benefit of and be binding upon such a successor. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid.

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13. Governing Law.

The provisions of this Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without reference to principles of conflicts of laws.

14. Full Settlement.

In the event of the termination of the Manager's Employment Period under this Agreement, the payments and other benefits provided for by this Agreement (except as otherwise provided under the express terms of any compensation or benefit plans of the Company or its subsidiaries or as may otherwise be provided by applicable law) shall constitute the entire obligation of the Company and its subsidiaries to the Manager and shall also constitute full and complete settlement of any claim under law or in equity that the Manager might otherwise assert against the Company, its subsidiaries, or any of its or their respective directors, officers, or employees on account of such termination of employment.

15. Entire Agreement.

This Agreement represents the entire agreement and understanding of the parties with respect to the subject matter hereof, and it may not be altered or amended except by an agreement in writing.

16. No Waiver.

The failure to insist upon strict compliance with any provision of this Agreement by any party shall not be deemed to be a waiver of any future noncompliance with such provision or of noncompliance with any other provision.

17. Severability.

In the event that any provision or portion of this Agreement

shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

IN WITNESS WHEREOF, the Manager has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company has caused

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these presents to be executed in its name and on its behalf and attested by its Secretary or Assistant Secretary, all as of the day and year first above written.

MANAGER

/s/ Daniel S. Ma

Daniel S. Ma

QUAKER CHEMICAL CORPORATION

By: /s/ Ronald J. Naples

Title: Chairman and Chief Executive Officer

ATTEST:

/s/ D. Jeffry Benoliel

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EXHIBIT A

[DATE]

[name and address of Escrow Agent]

RE: Escrow Account # _____

Ladies/Gentlemen:

Reference is made to the Change in Control Agreement dated as of

_____, 1998 by and between Quaker Chemical Corporation and the undersigned (the "Agreement").

My employment with [successor to Quaker] has been terminated for a reason which constitutes a "Covered Termination" as defined in the Agreement.

This letter shall serve as a "Demand" to be paid the Escrow Fund referred to in the Escrow Agreement within sixty (60) days from the date of this letter. Please send each installment to me at the address set forth below.

I hereby certify that I have sent a duplicate copy of this demand to [successor to Quaker] in accordance with the provisions provided for in the Agreement.

Sincerely,

Name: _____

Address: _____

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EXHIBIT B

[DATE]

[name and address of Escrow Agent]

Attention: _____

RE: Escrow Account # _____

Ladies/Gentlemen:

Reference is made to the Change in Control Agreement dated as of _____, 1998 by and between Quaker Chemical Corporation and _____] (the "Manager") (the "Agreement").

[Successor to Quaker], pursuant to subsection 6(k)(iii) of the Agreement, objects to the payment of the Escrow Fund to the Manager because [Successor to Quaker] believes in good faith that the Manager is not entitled to receive the Escrow Fund. [Successor to Quaker] hereby certifies that it has sent the Manager a copy of this Objection in accordance with the provisions provided for in the Agreement.

Sincerely,

[SUCCESSOR TO QUAKER]

By: _____

Title: _____

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CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT dated December 21, 1998 between QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (the "Company") and JOSEPH F. VIRDONE (the "Manager").

W I T N E S S E T H T H A T

WHEREAS, the Company and the Manager are party to a certain employment agreement dated July 17, 1996 (the Employment Agreement);

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders that the Company and its subsidiaries be able to attract, retain, and motivate highly qualified management personnel and, in particular, that they be assured of continuity of management in the event of any actual or threatened change in control of the Company; and

WHEREAS, the Board of Directors of the Company believes that the execution by the Company of change in control agreements with certain management personnel, including the Manager, is an important factor in achieving this desired end.

NOW, THEREFORE, IN CONSIDERATION of the mutual obligations and agreements contained herein and intending to be legally bound hereby, the Manager and the Company agree as follows:

1. Term of Agreement.

Except as otherwise provided for in the last sentence of this Section 1, this Agreement shall become effective at such time (the "Effective Date"), if any, as a Change in Control (as defined in Section 2 hereof) of the Company occurs; provided, however, that this Agreement shall terminate and be of no further force and effect if: (a) a Change in Control shall not have occurred by July 31, 2003 or such later date as shall have been approved by the Board of Directors of the Company and agreed to by the Manager or (b) prior to the Effective Date, the Manager ceases, for any reason, to be an employee of the Company, except that if the Manager's status as an employee of the Company is terminated by the Company prior to a Change in Control and it is reasonably demonstrated that such termination (i) was at the request of a person or entity who or which has taken steps reasonably calculated to effect an imminent Change in Control or (ii) otherwise arose in connection with or in anticipation of an imminent Change in Control, then this Agreement shall become effective, and the Effective Date shall be the date of such termination. On the Effective Date, the

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Employment Agreement will automatically terminate without notice or any action by either party thereto, and this Agreement will control and govern the Manager's employment relationship with the Company. Notwithstanding the foregoing, as of the date of this Agreement, Paragraph 9 of the Employment Agreement is null and void (excluding certain terms defined therein which are referenced in other paragraphs of the Employment Agreement).

2. Change in Control.

As used in this Agreement, a "Change in Control" of the Company shall be deemed to have occurred if:

(a) any person (a "Person"), as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (other than (1) the Company and/or its wholly owned

subsidiaries; (2) any ESOP or other employee benefit plan of the Company and any trustee or other fiduciary in such capacity holding securities under such plan; (3) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock the Company; or (4) any other Person who is as of the date of this Agreement presently an executive officer of the Company or any group of Persons of which he/she voluntarily is a part) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities or such lesser percentage of voting power, but not less than 15%, as the Board of Directors of the Company shall determine; provided, however, that a Change in Control shall not be deemed to have occurred under the provisions of this subsection (a) by reason of the beneficial ownership of voting securities by members of the Benoliel family (as defined below) unless and until the beneficial ownership of all members of the Benoliel family (including any other individuals or entities who or which, together with any member or members of the Benoliel family, are deemed under Sections 13(d) or 14(d) of the Exchange Act to constitute a single Person) exceeds 50% of the combined voting power of the Company's then outstanding securities;

(b) during any two-year period beginning on the date of this Agreement, Directors of the Company in office at the beginning of such period plus any new Director (other than a Director designated by a Person who has entered into an agreement with the Company to effect a transaction within the purview of subsections (a) or (c) hereof) whose election by the Board of Directors of the Company or whose nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was previously so approved shall cease for any reason to constitute at least a majority of the Board; or

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(c) the Company's shareholders or the Company's Board of Directors shall approve (i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which the Company's voting common shares (the "Common Shares") would be converted into cash, securities, and/or other property, other than a merger of the Company in which holders of Common Shares immediately prior to the merger have the same proportionate ownership of Common Shares of the surviving corporation immediately after the merger as they had in the Common Shares immediately before; (ii) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets or earning power of the Company; or (iii) the liquidation or dissolution of the Company.

As used in this Agreement, "members of the Benoliel Family" shall mean Peter A. Benoliel, his wife and children and their respective spouses and children, and all trusts created by or for the benefit of any of them.

3. Employment.

(a) From the Effective Date and until either party hereto shall have given the other at least sixty (60) days' prior written notice of a desire to terminate this Agreement (the "Employment Period") and thereby the Manager's employment hereunder, the Company hereby agrees to continue the Manager in its employ (directly and/or indirectly through a subsidiary), and the Manager hereby agrees to remain in the employ of the Company (and/or any such subsidiary), to exercise such authority, to perform such duties, and to possess such status, offices, support staff, titles, and reporting requirements as are at least commensurate with those generally exercised, performed, and possessed by the Manager during the ninety (90) day period immediately prior to the Effective Date or such lesser period as the Manager shall have been employed by the Company or its subsidiaries (the "Base Period"). Such services shall be

performed at the location where the Manager was primarily employed during the Base Period or at such other location as the Company may reasonably require, provided that the Manager shall not be required to accept a primary employment location which is more than 25 miles from the location at which he primarily was employed during the Base Period. During the Employment Period, and excluding any periods of vacation and sick leave to which the Manager is entitled, the Manager agrees to perform faithfully, diligently, and efficiently his responsibilities hereunder.

(b) The Manager acknowledges that nothing in this Agreement shall be deemed to give him continued rights to employment by the Company or its subsidiaries as a manager or any other capacity with respect to any period prior to the Effective Date, if any, of this Agreement or, subject to subsection 1(b) hereof, to entitle the Manager to compensation or benefits in the event of termination of the Manager's employment prior to the Effective Date. Manager's

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employment with the Company prior to the Effective Date, subject to subsection 1(b) hereof, will be controlled by the Employment Agreement.

4. Compensation, Benefits, etc.

During the Employment Period, the Manager shall be compensated as follows:

(a) The Manager shall (i) receive an annual cash base salary, payable not less frequently than semi-monthly, which is not less than the annualized cash base salary payable to Manager as of the Effective Date; (ii) be entitled to at least as favorable annual incentive award opportunity under the Company's annual incentive compensation plan as he did in the calendar year immediately prior to the year in which the Change of Control Event occurs; and (iii) be eligible to participate in all of the Company's long-term incentive compensation plans and programs on terms that are at least as favorable to the Manager as provided to the Manager in the four calendar years prior to the Effective Date.

(b) The Manager shall be entitled to receive fringe benefits, employee benefits, and perquisites (including, but not limited to, vacation, medical, disability, dental, and life insurance benefits) which are at least as favorable to those made generally available as of the Effective Date to all of the Company's salaried managers as a group. In addition, the Manager shall be eligible to participate in the Company's Supplemental Retirement Income Program ("SRIP").

(c) Notwithstanding any other provision of this Agreement (whether in this Section 4, in Section 6, or elsewhere), (i) the Board of Directors may authorize an increase in the amount, duration, and nature of and/or the acceleration of any compensation or benefits payable under this Agreement, as well as waive or reduce the requirements for entitlement thereto and (ii) the Company may deduct from amounts otherwise payable to the Manager such amounts as it reasonably believes it is required to withhold for the payment of federal, state, and local taxes.

5. Early Termination of Employment.

The Manager's Employment Period shall terminate without the Company providing sixty (60) days prior written notice as required under Section 3 hereof in the following circumstances:

(a) the Manager's death;

(b) at the option of the Company in the event of the Manager's Disability (as defined below); or

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(c) at the option of the Company for Cause (as defined below).

For purposes of this Agreement, "Disability" shall mean: (1) a physical or mental disability which, at least twenty-six (26) weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Manager or the Manager's legal representative or (2) if the Company then has in effect a disability plan covering Managers generally, including the Manager, the definition of covered total and permanent "disability" set forth in such plan, and "Cause" shall mean (a) willful and material breach of this Agreement by the Manager, (b) dishonesty, fraud, willful malfeasance, gross negligence, or other gross misconduct, in each case relating to the performance of the Manager's employment hereunder which is materially injurious to the Company, or (c) conviction of or plea of guilty to a felony, such Cause to be determined, in each case, by a resolution approved by at least two-thirds of the Directors of the Company after having afforded the Manager a reasonable opportunity to appear before the Board of Directors of the Company and present his position.

6. Compensation, Benefits, etc. upon Termination.

(a) If the Manager's Employment Period is terminated by death, Disability, resignation (other than a resignation in the circumstances set forth in subsection (c) below), or for Cause, the Company shall be obligated only to provide the compensation, benefits, etc. set forth in Section 4 hereof up to the date of termination; provided, however, that the Manager shall be entitled to such additional compensation and benefits, if any, as may be provided for under the express terms of any benefit plans or programs of the Company and its subsidiaries in which he is then participating.

(b) In the event of the death of the Manager while this Agreement is in effect and as to which no notice of termination has been given by the Manager, the Company shall (i) continue to pay a sum of money equal to the salary that would have been paid to him for four months following his death just as if he were living, and (ii) the Company shall pay a death benefit equal to his then current annual salary plus \$30,000 to be paid in three equal payments, without interest, on the 16, 28, and 40 month anniversaries of the date of his death. Payments made pursuant to this subsection 6(b) shall be made to the person or persons who may be designated by the Manager in writing, and, in the event he fails to so designate to whom payments shall be made, payments shall be made to the Manager's personal representatives.

(c) If the Manager's Employment Period is terminated within three (3) years of the Effective Date ("Covered Termination") by:

(i) the Company without Cause; or

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(ii) resignation of the Manager as a result of (1) a material adverse change in the nature or scope of the Manager's authorities, powers, functions, or duties from those described in Section 3 hereof; a reduction in the Manager's total compensation, benefits, etc. from those provided for in Section 4 hereof; or a material breach by the Company of any other provision of this

Agreement or (2) a reasonable determination by the Manager that, as a result of a Change in Control of the Company and a change in the Company's circumstances and/or operations thereafter significantly affecting his or her position, he is unable effectively to exercise the authorities, powers, functions, or duties contemplated by Section 3 hereof.

(d) In the event of a Covered Termination, the Company shall pay or cause to be paid to the Manager in cash a severance allowance (the "Severance Allowance") equal to 1.5 times the sum of the amounts determined in accordance with the following subsections (i) and (ii):

- (i) an amount equivalent to the highest annualized base salary which the Manager was entitled to receive from the Company and its subsidiaries at any time during his employment prior to the Effective Date; and
- (ii) an amount equal to the greatest of the annual amounts paid to the Manager under all applicable annual incentive compensation plans maintained by the Company and its subsidiaries (other than compensation relating to relocation expense; the grant, exercise, or settlement of stock options or performance incentive units or the sale or other disposition of shares received upon exercise or settlement of such options) during any of the three (3) calendar years prior to the year in which the Effective Date occurs (provided, however, that there shall be excluded from such calculation any amounts paid to the Manager under any such incentive compensation plan as a result of the acceleration of such payments under such plan due to termination of the plan, a Change in Control Event, or a similar occurrence).

(e) The Severance Allowance shall be paid to the Manager in a lump sum within sixty (60) days after the date of any termination of the Manager covered by subsections 6(c) (i) or 6(c) (ii).

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(f) Subject to subsection (h) below:

- (i) for a period of one year following a Covered Termination of the Manager, the Company shall make or cause to be made available to the Manager, at its expense, outplacement counseling and other outplacement services comparable to those available for the Company's senior managers prior to the Effective Date; and
- (ii) for a period of 18 months following a Covered Termination of the Manager, the Manager and the Manager's dependents shall be entitled to participate in the Company's life, medical, dental and long-term disability insurance plans at the Company's expense (to the extent provided in such plans at the time of such covered Termination) as if the Manager were still employed by the Company or its subsidiaries

under this Agreement; and

- (iii) for purposes of the Company's SRIP, Manager shall be deemed to have been employed by the Company for the 18 month period following a Covered Termination of the Manager.

(g) If, despite the provisions of subsection (f) above, life, medical, dental or long-term disability insurance benefits are not paid or provided under any such plan to the Manager or his dependents because the Manager is no longer an employee of the Company or its subsidiaries, the Company itself shall, to the extent necessary, pay or otherwise provide for such benefits to the Manager or his dependents.

(h) In the event the Manager becomes employed (as defined below) during the period with respect to which payments or benefits are continuing pursuant to subsections 6(f) and/or 6(g) hereof: (1) the Manager shall notify the Company not later than the day such employment commences; and (2) the benefits provided for in subsections 6(f) and 6(g) shall terminate as of the date of such employment. For the purposes of this subsection (h), the Manager shall be deemed to have become "employed" by another entity or person only if the Manager becomes essentially a full-time employee of a person or an entity (not more than 30% of which is owned by the Manager and/or members of his family); and the Manager's "family" shall mean his parents, his siblings and their spouses, his children and their spouses, and the Manager's spouse and her parents and siblings. Nothing herein shall relieve the Company of its

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obligations for compensation or benefits accrued up to the time of termination provided for herein.

(i) In the event the Manager's employment is terminated by the Company at any time (other than for Cause) after the third year anniversary of the Effective Date (i.e., not a Covered Termination), then the Company agrees to provide the Manager with out-placement assistance consistent with subsection 6(f)(i) above and a severance payment that shall be the higher of (1) the amount the Manager is entitled to under the Company's then current severance policy or (2) 12 months' base salary calculated at the Manager's then current rate.

(j) Except as expressly provided in subsections (a), (d), (e), (f), (g), and (i) above, or under the express terms of any compensation or benefits plans of the Company or its subsidiaries applicable to the Manager, upon the termination date of Manager's employment with the Company, all other compensation and benefits of the Manager shall cease to accrue; provided, however, that the Severance Allowance payable under subsection (d) and the severance amount payable under subsection (i), as the case may be, shall be in lieu of any severance payments to which the Manager might otherwise be entitled under the terms of any severance pay plan, policy, or arrangement maintained by the Company or the Employment Agreement and shall be credited against any severance payments to which the Manager may be entitled by statute. Furthermore, the Company's obligations to pay any amount (including the Severance Amount) and provide the other benefits set forth in this Section 6 are contingent upon the Manager executing a form of release reasonably satisfactory to the Company.

(k) Upon the occurrence of a Change in Control, the Company (or any successor thereto), on or before the Effective Date, shall place into escrow an amount equal to the Severance Allowance which the Manager would be entitled to receive pursuant to subsection (d) above in the event of a Covered Termination, which escrowed funds shall be held pursuant to the terms of this subsection (k).

- (i) The Escrow Agent ("Escrow Agent") shall be First Union National Bank, as such other national banking association designated by the Company on

or before the Effective Date.

- (ii) On or before the Effective Date, the Company shall deliver to Escrow Agent a sum equal to the Severance Allowance which the Manager would be entitled to receive in the event of a Covered Termination (the "Escrow Fund"). The Escrow Fund shall be invested by Escrow Agent in certificates of deposit with duration not more than 30 days issued by any bank (including Escrow Agent) or savings institution the

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accounts of which are insured by the FDIC (a maximum of \$100,000 in any single such institution). Any cash accumulation with respect to the Escrow Fund in the form of interest shall be the property of and shall be payable by Escrow Agent to the Company (or to any successor to the Company) as received by Escrow Agent and for purposes of this Agreement are not part of the Escrow Fund.

- (iii) In the event that the Manager's employment with the Company (or any successor to the Company) is terminated pursuant to a Covered Termination, the Manager shall send Escrow Agent and the Company (or its successor) a written demand substantially in the form of Exhibit A attached to this Agreement (a "Demand"). If the Company (or its successor) does not send a written objection substantially in the form of Exhibit B attached to this Agreement (an "Objection") to Escrow Agent and the Manager prior to the end of the Objection Period (hereinafter defined), Escrow Agent shall pay the Escrow Fund to the Manager within thirty (30) days from the date set out in the Demand. The Objection Period shall begin on the date set out in the Demand and shall end at 5:00 p.m. Philadelphia time, on the tenth calendar day following the date set out in the Demand, or if the tenth calendar day is not a day when Escrow Agent is generally open for business in Philadelphia, the Objection Period shall end at 5:00 p.m. Philadelphia time, on the next day after such tenth day that Escrow Agent is generally open for business in Philadelphia. For purposes of this subsection (k), notwithstanding the provisions of Section 11, a Demand and an Objection shall not be deemed received until Escrow Agent shall have actually received the Demand or Objection, as the case may be, and all time frames specified in this subsection (k) shall be measured from the actual date of Escrow Agent's receipt.

- (iv) If Escrow Agent does receive an Objection before the end of the Objection Period, Escrow Agent shall not pay the Escrow Fund to the Manager, and, except as provided herein, shall not comply with any claims, demands or instructions from the Manager and/or The Company (or its

successor) with respect to the Escrow Fund.
Escrow Agent shall not be or become liable in

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any way to the Company (or its successor), the Manager or any other person or entity for its failure or refusal to comply with such conflicting claims or demands. Escrow Agent shall be entitled to refuse to act until (i) such conflicting or adverse claims or demands shall have been finally determined by a court of competent jurisdiction, (ii) settled by agreement between the conflicting parties as evidenced in a writing satisfactory to Escrow Agent, or (iii) Escrow Agent shall have received security or an indemnity satisfactory to Escrow Agent sufficient to save it harmless from and against any and all loss, liability or expense which it may incur by reason of its acting. Escrow Agent may in addition elect to commence an interpleader action or seek other judicial relief or orders as it may deem necessary. All of Escrow Agent's reasonable costs and expenses of bringing and maintaining such action, including but not limited to reasonable fees and expenses of separate counsel for Escrow Agent, shall be paid by the Company (or its successor).

(v) In the event that Escrow Agent does not receive any Demand from the Manager within three (3) years from the Effective Date, Escrow Agent shall pay the Escrow Fund to the Company (or its successor) at the end of such three (3) year period.

(vi) Escrow Agent's duties and responsibilities shall be limited to those expressly set forth herein. Escrow Agent shall not be subject to, nor obligated to recognize, any other agreement between or direction or instruction of any of the parties to this Agreement or of any third party even though reference thereto may be made herein. If any portion of the Escrow Fund is at any time attached, garnished or levied upon, or in case the transfer or delivery of the Escrow Fund shall be stayed or enjoined, or in the case of any other legal process or judicial order affecting the Escrow Fund, then Escrow Agent is authorized to comply with any such order in any manner as it or legal counsel of its own choosing deems appropriate; and if it complies with any process, order, writ, judgment or decree, it shall not be liable to any of the parties hereto or to any other person or entity even though such order or process may be

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subsequently modified or vacated or otherwise determined to have been without legal force or effect.

- (vii) Escrow Agent shall not be liable for any act taken or omitted under this Agreement except for its gross negligence or willful misconduct. Escrow Agent shall be fully protected in relying upon any instruction, notice, demand, certificate or document which Escrow Agent in good faith believes to be genuine. Escrow Agent may consult with legal counsel at the expense of the Company (or its successor) as to the construction of any of the provisions of this Agreement, and Escrow Agent shall be fully protected in acting in good faith in accordance with any such advice.
- (viii) Except as expressly provided and agreed, Escrow Agent shall not be responsible in any respect for the form, execution, validity or genuineness of documents deposited under this Agreement, or for any description therein, or for the identity, authority or rights of persons executing or delivering or purporting to execute or deliver any such document.
- (ix) The Company (and its successors) agrees to indemnify, defend and hold Escrow Agent harmless against any loss, liability, costs, damages and expenses, including reasonable counsel fees, that are incurred by Escrow Agent and that are out of or in connection with its acceptance or administration of this Agreement or being Escrow Agent under this Agreement, except for those arising solely from Escrow Agent's gross negligence or willful misconduct.
- (x) Escrow Agent may resign at any time by giving at least 30 days written notice thereof. Within 20 days after receiving the aforesaid notice, the Company (or its successor) and the Manager shall jointly agree on and appoint a successor Escrow Agent at which time Escrow Agent shall distribute the Escrow Fund then held hereunder to the successor Escrow Agent.
- (xi) The Company (or its successor) shall pay all usual and customary charges and fees of Escrow Agent due to the Escrow Agent for its services hereunder.

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- (xii) The escrow provisions created hereunder may be amended or canceled by and upon written notice to Escrow Agent at any time given jointly by each of the Company (or its successor) and the Manager, but the duties, responsibilities or liabilities of Escrow Agent may not be increased without its prior written consent. This subsection (k) shall terminate upon the payment by Escrow Agent of the entire amount of the

Escrow Fund, provided that all of Escrow Agent's rights shall continue beyond such termination, including, but not limited to, its rights to fees and indemnification.

7. Confidentiality and Non-Competition.

(a) The Manager acknowledges that information concerning the method and conduct of the Company's (and any affiliate's) business, including, without limitation, strategic and marketing plans, budgets, corporate practices and procedures, financial statements, customer and supplier information, formulae, formulation information, application technology, manufacturing information, and laboratory test methods and all of the Company's (and any affiliate's) manuals, documents, notes, letters, records, and computer programs are the Company's (and/or the Company's affiliate's, as the case may be) trade secrets ("Trade Secrets") and are the sole and exclusive property of the Company (and/or the Company's affiliates, as the case may be). The Manager agrees that at no time during or following his employment with the Company will he use, divulge, or pass on, directly or through any other individual or entity, any Trade Secrets. Upon termination of the Manager's employment with the Company regardless of the reason for the termination of the Manager's employment hereunder, or at any other time upon the Company's request, the Manager agrees to forthwith surrender to the Company any and all materials in his possession or control which include or contain any such Trade Secrets. The words "Trade Secrets" do not include information already known to the public through no act or failure to act on the part of the Manager, required by law to be disclosed, or which can be clearly shown by written records to have been known by the Manager prior to the commencement of his employment with the Company.

(b) The Manager agrees that during his employment and for a period of one (1) year thereafter, regardless of the reason for the termination of the Manager's employment hereunder, he will not:

- (i) directly or indirectly, together or separately or with any third party, whether as an individual proprietor, partner, stockholder, officer, director, joint venturer, investor, or in any other capacity whatsoever actively engage in business or assist anyone or any firm in business as a manufacturer, seller, or

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distributor of specialty chemical products or chemical management services which are the same, like, similar to, or which compete with the products and services offered by the Company (or any of its affiliates);

- (ii) recruit or solicit any employee of the Company (or any of its affiliates) or otherwise induce such employee to leave the employ of the Company (or any of its affiliates) or to become an employee or otherwise be associated with his or any firm, corporation, business or other entity with which he is or may become associated; and
- (iii) solicit, directly or indirectly, for himself or as agent or employee of any person, partnership, corporation, or other entity (other than for the Company) any then or former customer, supplier, or client of the Company with the intent of

actively engaging in business which would cause competitive harm to the Company (or any of its affiliates).

The Manager acknowledges and agrees that all of the foregoing restrictions are reasonable as to the period of time and scope. However, if any paragraph, sentence, clause, or other provision is held invalid or unenforceable by a court of competent and relevant jurisdiction, such provision shall be deemed to be modified in a manner consistent with the intent of such original provision so as to make it valid and enforceable, and this Agreement and the application of such provision to persons and circumstances other than those with respect to which it would be invalid or unenforceable shall not be affected thereby. The Manager agrees and recognizes that in the event of a breach or threatened breach of the provisions of the restrictive covenants contained in this Section 7, the Company may suffer irreparable harm, and monetary damages may not be an adequate remedy. Therefore, if any breach occurs or is threatened, the Company shall be entitled to seek equitable remedies, including injunctive relief in any court of applicable jurisdiction notwithstanding the provisions of Section 9 hereof. In the event of any breach of the restrictive covenant contained in this Section 7, the term of the restrictive covenant specified herein shall be extended by a period of time equal to that period beginning on the date such violation commenced and ending when the activities constituting such violation cease. Furthermore, if a court or arbitration panel determines that the Manager has breached any of the provisions of this Section 7, the Company's obligations to pay amounts and continue the benefits under Section 6 to the Manager shall immediately terminate.

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8. Set-Off; Mitigation.

Subject to Section 6(h) hereof, the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right, or action which the Company may have against the Manager or others. In no event shall the Manager be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Manager under any of the provisions of this Agreement.

9. Arbitration: Costs and Expenses of Enforcement.

(a) Except as otherwise provided in Section 7(b) hereof, any controversy or claim arising out of or relating to this Agreement or the breach thereof which cannot promptly be resolved by the parties shall be promptly submitted to and settled exclusively by arbitration in the City of Philadelphia, Pennsylvania in accordance with the laws of the Commonwealth of Pennsylvania by three arbitrators, one of whom shall be appointed by the Company, one by the Manager, and the third of whom shall be appointed by the first two arbitrators. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 9. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

(b) In the event that it shall be necessary or desirable for the Manager to retain legal counsel and/or incur other costs and expenses in connection with the enforcement of any and all of his rights under this Agreement, the Company shall pay (or the Manager shall be entitled to recover from the Company, as the case may be) his reasonable attorneys' fees and costs and expenses in connection with the enforcement of his said rights (including those incurred in or related to any arbitration proceedings provided for in

subsection (a) above and the enforcement of any arbitration award in court), regardless of the final outcome, unless the arbitrators or a court shall determine that under the circumstances recovery by the Manager of all or a part of any such fees and costs and expenses would be unjust.

10. Certain Additional Payments by the Company.

(a) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Manager (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 10) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Manager with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), payment (a "Gross-Up Payment") in an amount such that after payment by the Manager of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes, calculated at the maximum federal and state rates for individuals in the year in which a Payment is made (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Manager retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 10(c), all determinations required to be made under this Section 10, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent certified public accountants (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Manager within 15 business days of the receipt of notice from the Manager that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Manager shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 10, shall be paid by the Company to the Manager within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Manager, it shall furnish the Manager with a written opinion that failure to report the Excise Tax on the Manager's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Company and the Manager. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 10(c) and the Manager thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Manager.

(c) The Manager shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Manager is

informed in writing of such claim and the date on which such claim is requested to be paid. The Manager shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Manager in writing prior to the expiration of such period that it desires to contest such claim, the Manager shall (i) give the Company any information reasonably requested by the Company relating to such claim, (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company, (iii) cooperate with the Company in good faith in order effectively to contest such claim, and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Manager harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 10(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Manager to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Manager agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Manager to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Manager, on an interest-free basis and shall indemnify and hold the Manager harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Manager with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Manager shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Manager of an amount advanced by the Company pursuant to Section 10(c), the Manager becomes entitled to receive any refund with respect to such claim, the Manager shall (subject to the Company's complying with the requirements of Section 10(c)) promptly pay to the

Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Manager of an amount advanced by the Company pursuant to Section 10(c), a determination is made that the Manager shall not be entitled to any refund with respect to such claim and the Company does not notify the Manager in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

11. Notices.

Any notices, requests, demands, and other communications provided for by this Agreement shall be sufficient if in writing, and if hand delivered or if sent by registered or certified mail, if to the Manager, at the last address he had filed in writing with the Company or if to the Company, at its principal Manager offices. Notices, requests, etc. shall be effective when actually received by the addressee or at such address.

12. Assignment and Benefit.

(a) This Agreement is personal to the Manager and shall not be assignable by the Manager, by operation of law, or otherwise without the prior written consent of the Company otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Manager's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns, including without limitation, any subsidiary of the Company to which the Company may assign any of its rights hereunder; provided, however, that no assignment of this Agreement by the Company, by operation of law, or otherwise shall relieve it of its obligations hereunder except an assignment of this Agreement to, and its assumption by, a successor pursuant to subsection (c) below.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation operation of law, or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, but, irrespective of any such assignment or assumption, this Agreement shall inure to the benefit of and be binding upon such a successor. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid.

13. Governing Law.

The provisions of this Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without reference to principles of conflicts of laws.

14. Full Settlement.

In the event of the termination of the Manager's Employment Period under this Agreement, the payments and other benefits provided for by this Agreement (except as otherwise provided under the express terms of any compensation or benefit plans of the Company or its subsidiaries or as may otherwise be provided by applicable law) shall constitute the entire obligation of the Company and its subsidiaries to the Manager and shall also constitute full and complete settlement of any claim under law or in equity that the Manager might otherwise assert against the Company, its subsidiaries, or any of its or their respective directors, officers, or employees on account of such termination of employment.

15. Entire Agreement.

This Agreement represents the entire agreement and understanding of the parties with respect to the subject matter hereof, and it may not be altered or amended except by an agreement in writing.

16. No Waiver.

The failure to insist upon strict compliance with any

provision of this Agreement by any party shall not be deemed to be a waiver of any future noncompliance with such provision or of noncompliance with any other provision.

17. Severability.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

IN WITNESS WHEREOF, the Manager has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company has caused

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these presents to be executed in its name and on its behalf and attested by its Secretary or Assistant Secretary, all as of the day and year first above written.

MANAGER

/s/ Joseph F. Virdone

Joseph F. Virdone

QUAKER CHEMICAL CORPORATION

By: /s/ Ronald J. Naples

Title: Chairman and Chief Executive Officer

ATTEST:

/s/ D. Jeffry Benoliel

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EXHIBIT A

[DATE]

[name and address of Escrow Agent]

RE: Escrow Account # _____

Ladies/Gentlemen:

Reference is made to the Change in Control Agreement dated as of _____, 1998 by and between Quaker Chemical Corporation and the undersigned (the "Agreement").

My employment with [successor to Quaker] has been terminated for a reason which constitutes a "Covered Termination" as defined in the Agreement.

This letter shall serve as a "Demand" to be paid the Escrow Fund referred to in the Escrow Agreement within sixty (60) days from the date of this letter. Please send each installment to me at the address set forth below.

I hereby certify that I have sent a duplicate copy of this demand to [successor to Quaker] in accordance with the provisions provided for in the Agreement.

Sincerely,

Name: _____

Address: _____

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EXHIBIT B

[DATE]

[name and address of Escrow Agent]

Attention: _____

RE: Escrow Account # _____

Ladies/Gentlemen:

Reference is made to the Change in Control Agreement dated as of _____, 1998 by and between Quaker Chemical Corporation and _____] (the "Manager") (the "Agreement").

[Successor to Quaker], pursuant to subsection 6(k)(iii) of the Agreement, objects to the payment of the Escrow Fund to the Manager because [Successor to Quaker] believes in good faith that the Manager is not entitled to receive the Escrow Fund. [Successor to Quaker] hereby certifies that it has sent the Manager a copy of this Objection in accordance with the provisions provided for in the Agreement.

Sincerely,

[SUCCESSOR TO QUAKER]

By: _____

Title: _____

CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT dated March 15, 1999 between QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (the "Company") and IAN CLARK (the "Manager").

W I T N E S S E T H T H A T

WHEREAS, the Company and the Manager are party to a certain employment agreement dated March 15, 1999 (the "Employment Agreement");

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders that the Company and its subsidiaries be able to attract, retain, and motivate highly qualified management personnel and, in particular, that they be assured of continuity of management in the event of any actual or threatened change in control of the Company; and

WHEREAS, the Board of Directors of the Company believes that the execution by the Company of change in control agreements with certain management personnel, including the Manager, is an important factor in achieving this desired end.

NOW, THEREFORE, IN CONSIDERATION of the mutual obligations and agreements contained herein and intending to be legally bound hereby, the Manager and the Company agree as follows:

1. Term of Agreement.

Except as otherwise provided for in the last sentence of this Section 1, this Agreement shall become effective at such time (the "Effective Date"), if any, as a Change in Control (as defined in Section 2 hereof) of the Company occurs; provided, however, that this Agreement shall terminate and be of no further force and effect if: (a) a Change in Control shall not have occurred by March 15, 2003 or such later date as shall have been approved by the Board of Directors of the Company and agreed to by the Manager or (b) prior to the Effective Date, the Manager ceases, for any reason, to be an employee of the Company, except that if the Manager's status as an employee of the Company is terminated by the Company prior to a Change in Control and it is reasonably demonstrated that such termination (i) was at the request of a person or entity who or which has taken steps reasonably calculated to effect an imminent Change in Control or (ii) otherwise arose in connection with or in anticipation of an imminent Change in Control, then this Agreement shall become effective, and the Effective Date shall be the date of such termination. On the Effective Date, the

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Employment Agreement will automatically terminate without notice or any action by either party thereto, and this Agreement will control and govern the Manager's employment relationship with the Company.

2. Change in Control.

As used in this Agreement, a "Change in Control" of the Company shall be deemed to have occurred if:

(a) any person (a "Person"), as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (other than (1) the Company and/or its wholly owned subsidiaries; (2) any ESOP or other employee benefit plan of the Company and any trustee or other fiduciary in such capacity holding securities under such plan; (3) any corporation owned, directly or indirectly, by the shareholders of the

Company in substantially the same proportions as their ownership of stock the Company; or (4) any other Person who is as of the date of this Agreement presently an executive officer of the Company or any group of Persons of which he/she voluntarily is a part) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities or such lesser percentage of voting power, but not less than 15%, as the Board of Directors of the Company shall determine; provided, however, that a Change in Control shall not be deemed to have occurred under the provisions of this subsection (a) by reason of the beneficial ownership of voting securities by members of the Benoliel family (as defined below) unless and until the beneficial ownership of all members of the Benoliel family (including any other individuals or entities who or which, together with any member or members of the Benoliel family, are deemed under Sections 13(d) or 14(d) of the Exchange Act to constitute a single Person) exceeds 50% of the combined voting power of the Company's then outstanding securities;

(b) during any two-year period beginning on the date of this Agreement, Directors of the Company in office at the beginning of such period plus any new Director (other than a Director designated by a Person who has entered into an agreement with the Company to effect a transaction within the purview of subsections (a) or (c) hereof) whose election by the Board of Directors of the Company or whose nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was previously so approved shall cease for any reason to constitute at least a majority of the Board; or

(c) the Company's shareholders or the Company's Board of Directors shall approve (i) any consolidation or merger of the Company in which

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the Company is not the continuing or surviving corporation or pursuant to which the Company's voting common shares (the "Common Shares") would be converted into cash, securities, and/or other property, other than a merger of the Company in which holders of Common Shares immediately prior to the merger have the same proportionate ownership of Common Shares of the surviving corporation immediately after the merger as they had in the Common Shares immediately before; (ii) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets or earning power of the Company; or (iii) the liquidation or dissolution of the Company.

As used in this Agreement, "members of the Benoliel Family" shall mean Peter A. Benoliel, his wife and children and their respective spouses and children, and all trusts created by or for the benefit of any of them.

3. Employment.

(a) From the Effective Date and until either party hereto shall have given the other at least sixty (60) days' prior written notice of a desire to terminate this Agreement (the "Employment Period") and thereby the Manager's employment hereunder, the Company hereby agrees to continue the Manager in its employ (directly and/or indirectly through a subsidiary), and the Manager hereby agrees to remain in the employ of the Company (and/or any such subsidiary), to exercise such authority, to perform such duties, and to possess such status, offices, support staff, titles, and reporting requirements as are at least commensurate with those generally exercised, performed, and possessed by the Manager during the ninety (90) day period immediately prior to the Effective Date or such lesser period as the Manager shall have been employed by the Company or its subsidiaries (the "Base Period"). Such services shall be performed at the location where the Manager was primarily employed during the

Base Period or at such other location as the Company may reasonably require, provided that the Manager shall not be required to accept a primary employment location which is more than 25 miles from the location at which he primarily was employed during the Base Period. During the Employment Period, and excluding any periods of vacation and sick leave to which the Manager is entitled, the Manager agrees to perform faithfully, diligently, and efficiently his responsibilities hereunder.

(b) The Manager acknowledges that nothing in this Agreement shall be deemed to give him continued rights to employment by the Company or its subsidiaries as a manager or any other capacity with respect to any period prior to the Effective Date, if any, of this Agreement or, subject to subsection 1(b) hereof, to entitle the Manager to compensation or benefits in the event of termination of the Manager's employment prior to the Effective Date. Manager's employment with the Company prior to the Effective Date, subject to subsection 1(b) hereof, will be controlled by the Employment Agreement.

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4. Compensation, Benefits, etc.

During the Employment Period, the Manager shall be compensated as follows:

(a) The Manager shall (i) receive an annual cash base salary, payable not less frequently than semi-monthly, which is not less than the annualized cash base salary payable to Manager as of the Effective Date; (ii) be entitled to at least as favorable annual incentive award opportunity under the Company's annual incentive compensation plan as he did in the calendar year immediately prior to the year in which the Change of Control Event occurs; and (iii) be eligible to participate in all of the Company's long-term incentive compensation plans and programs on terms that are at least as favorable to the Manager as provided to the Manager in the four calendar years prior to the Effective Date.

(b) The Manager shall be entitled to receive fringe benefits, employee benefits, and perquisites (including, but not limited to, vacation, medical, disability, dental, and life insurance benefits) which are at least as favorable to those made generally available as of the Effective Date to all of the Company's salaried managers as a group. In addition, the Manager shall be eligible to participate in the Company's Supplemental Retirement Income Program ("SRIP") except as otherwise limited by the terms of the Employment Agreement.

(c) Notwithstanding any other provision of this Agreement (whether in this Section 4, in Section 6, or elsewhere), (i) the Board of Directors may authorize an increase in the amount, duration, and nature of and/or the acceleration of any compensation or benefits payable under this Agreement, as well as waive or reduce the requirements for entitlement thereto and (ii) the Company may deduct from amounts otherwise payable to the Manager such amounts as it reasonably believes it is required to withhold for the payment of federal, state, and local taxes.

5. Early Termination of Employment.

The Manager's Employment Period shall terminate without the Company providing sixty (60) days prior written notice as required under Section 3 hereof in the following circumstances:

(a) the Manager's death;

(b) at the option of the Company in the event of the Manager's Disability (as defined below); or

(c) at the option of the Company for Cause (as defined below).

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For purposes of this Agreement, "Disability" shall mean: (1) a physical or mental disability which, at least twenty-six (26) weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Manager or the Manager's legal representative or (2) if the Company then has in effect a disability plan covering Managers generally, including the Manager, the definition of covered total and permanent "disability" set forth in such plan, and "Cause" shall mean (a) willful and material breach of this Agreement by the Manager, (b) dishonesty, fraud, willful malfeasance, gross negligence, or other gross misconduct, in each case relating to the performance of the Manager's employment hereunder which is materially injurious to the Company, or (c) conviction of or plea of guilty to a felony, such Cause to be determined, in each case, by a resolution approved by at least two-thirds of the Directors of the Company after having afforded the Manager a reasonable opportunity to appear before the Board of Directors of the Company and present his position.

6. Compensation, Benefits, etc. upon Termination.

(a) If the Manager's Employment Period is terminated by death, Disability, resignation (other than a resignation in the circumstances set forth in subsection (c) below), or for Cause, the Company shall be obligated only to provide the compensation, benefits, etc. set forth in Section 4 hereof up to the date of termination; provided, however, that the Manager shall be entitled to such additional compensation and benefits, if any, as may be provided for under the express terms of any benefit plans or programs of the Company and its subsidiaries in which he is then participating.

(b) In the event of the death of the Manager while this Agreement is in effect and as to which no notice of termination has been given by the Manager, the Company shall (i) continue to pay a sum of money equal to the salary that would have been paid to him for four months following his death just as if he were living, and (ii) the Company shall pay a death benefit equal to his then current annual salary plus \$30,000 to be paid in three equal payments, without interest, on the 16, 28, and 40 month anniversaries of the date of his death. Payments made pursuant to this subsection 6(b) shall be made to the person or persons who may be designated by the Manager in writing, and, in the event he fails to so designate to whom payments shall be made, payments shall be made to the Manager's personal representatives.

(c) If the Manager's Employment Period is terminated within three (3) years of the Effective Date ("Covered Termination") by:

(i) the Company without Cause; or

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(ii) resignation of the Manager as a result of
(1) a material adverse change in the nature or scope of the Manager's authorities, powers, functions, or duties from those described in Section 3 hereof; a reduction in the Manager's total compensation, benefits, etc. from those provided for in

Section 4 hereof; or a material breach by the Company of any other provision of this Agreement or (2) a reasonable determination by the Manager that, as a result of a Change in Control of the Company and a change in the Company's circumstances and/or operations thereafter significantly affecting his or her position, he is unable effectively to exercise the authorities, powers, functions, or duties contemplated by Section 3 hereof.

(d) In the event of a Covered Termination, the Company shall pay or cause to be paid to the Manager in cash a severance allowance (the "Severance Allowance") equal to 1.5 times the sum of the amounts determined in accordance with the following subsections (i) and (ii):

- (i) an amount equivalent to the highest annualized base salary which the Manager was entitled to receive from the Company and its subsidiaries at any time during his employment prior to the Effective Date; and
- (ii) an amount equal to the greatest of the annual amounts paid to the Manager under all applicable annual incentive compensation plans maintained by the Company and its subsidiaries (other than compensation relating to relocation expense; the grant, exercise, or settlement of stock options or performance incentive units or the sale or other disposition of shares received upon exercise or settlement of such options) during any of the three (3) calendar years prior to the year in which the Effective Date occurs (provided, however, that there shall be excluded from such calculation any amounts paid to the Manager under any such incentive compensation plan as a result of the acceleration of such payments under such plan due to termination of the plan, a Change in Control Event, or a similar occurrence).

(e) The Severance Allowance shall be paid to the Manager in a lump sum within sixty (60) days after the date of any termination of the Manager covered by subsections 6(c) (i) or 6(c) (ii).

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(f) Subject to subsection (h) below:

- (i) for a period of one year following a Covered Termination of the Manager, the Company shall make or cause to be made available to the Manager, at its expense, outplacement counseling and other outplacement services comparable to those available for the Company's senior managers prior to the Effective Date; and
- (ii) for a period of 18 months following a Covered Termination of the Manager, the

Manager and the Manager's dependents shall be entitled to participate in the Company's life, medical, dental and long-term disability insurance plans at the Company's expense (to the extent provided in such plans at the time of such covered Termination) as if the Manager were still employed by the Company or its subsidiaries under this Agreement; and

- (iii) for purposes of the Company's SRIP, Manager shall be deemed to have been employed by the Company for the 18 month period following a Covered Termination of the Manager.

(g) If, despite the provisions of subsection (f) above, life, medical, dental or long-term disability insurance benefits are not paid or provided under any such plan to the Manager or his dependents because the Manager is no longer an employee of the Company or its subsidiaries, the Company itself shall, to the extent necessary, pay or otherwise provide for such benefits to the Manager or his dependents.

(h) In the event the Manager becomes employed (as defined below) during the period with respect to which payments or benefits are continuing pursuant to subsections 6(f) and/or 6(g) hereof: (1) the Manager shall notify the Company not later than the day such employment commences; and (2) the benefits provided for in subsections 6(f) and 6(g) shall terminate as of the date of such employment. For the purposes of this subsection (h), the Manager shall be deemed to have become "employed" by another entity or person only if the Manager becomes essentially a full-time employee of a person or an entity (not more than 30% of which is owned by the Manager and/or members of his family); and the Manager's "family" shall mean his parents, his siblings and their spouses, his children and their spouses, and the Manager's spouse and her parents and siblings. Nothing herein shall relieve the Company of its obligations for compensation or benefits accrued up to the time of termination provided for herein.

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(i) In the event the Manager's employment is terminated by the Company at any time (other than for Cause) after the third year anniversary of the Effective Date (i.e., not a Covered Termination), then the Company agrees to provide the Manager with out-placement assistance consistent with subsection 6(f)(i) above and a severance payment that shall be the higher of (1) the amount the Manager is entitled to under the Company's then current severance policy or (2) 12 months' base salary calculated at the Manager's then current rate.

(j) Except as expressly provided in subsections (a), (d), (e), (f), (g), and (i) above, or under the express terms of any compensation or benefits plans of the Company or its subsidiaries applicable to the Manager, upon the termination date of Manager's employment with the Company, all other compensation and benefits of the Manager shall cease to accrue; provided, however, that the Severance Allowance payable under subsection (d) and the severance amount payable under subsection (i), as the case may be, shall be in lieu of any severance payments to which the Manager might otherwise be entitled under the terms of any severance pay plan, policy, or arrangement maintained by the Company or the Employment Agreement and shall be credited against any severance payments to which the Manager may be entitled by statute. Furthermore, the Company's obligations to pay any amount (including the Severance Amount) and provide the other benefits set forth in this Section 6 are contingent upon the Manager executing a form of release reasonably satisfactory to the Company.

(k) Upon the occurrence of a Change in Control, the Company

(or any successor thereto), on or before the Effective Date, shall place into escrow an amount equal to the Severance Allowance which the Manager would be entitled to receive pursuant to subsection (d) above in the event of a Covered Termination, which escrowed funds shall be held pursuant to the terms of this subsection (k).

- (i) The Escrow Agent ("Escrow Agent") shall be First Union National Bank, as such other national banking association designated by the Company on or before the Effective Date.
- (ii) On or before the Effective Date, the Company shall deliver to Escrow Agent a sum equal to the Severance Allowance which the Manager would be entitled to receive in the event of a Covered Termination (the "Escrow Fund"). The Escrow Fund shall be invested by Escrow Agent in certificates of deposit with duration not more than 30 days issued by any bank (including Escrow Agent) or savings institution the accounts of which are

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insured by the FDIC (a maximum of \$100,000 in any single such institution). Any cash accumulation with respect to the Escrow Fund in the form of interest shall be the property of and shall be payable by Escrow Agent to the Company (or to any successor to the Company) as received by Escrow Agent and for purposes of this Agreement are not part of the Escrow Fund.

- (iii) In the event that the Manager's employment with the Company (or any successor to the Company) is terminated pursuant to a Covered Termination, the Manager shall send Escrow Agent and the Company (or its successor) a written demand substantially in the form of Exhibit A attached to this Agreement (a "Demand"). If the Company (or its successor) does not send a written objection substantially in the form of Exhibit B attached to this Agreement (an "Objection") to Escrow Agent and the Manager prior to the end of the Objection Period (hereinafter defined), Escrow Agent shall pay the Escrow Fund to the Manager within thirty (30) days from the date set out in the Demand. The Objection Period shall begin on the date set out in the Demand and shall end at 5:00 p.m. Philadelphia time, on the tenth calendar day following the date set out in the Demand, or if the tenth calendar day is not a day when Escrow Agent is generally open for business in Philadelphia, the Objection Period shall end at 5:00 p.m. Philadelphia time, on the next day after such tenth day that Escrow Agent is generally open for business in Philadelphia. For purposes of this subsection (k), notwithstanding the provisions of Section 11, a Demand and an Objection shall not be deemed received until Escrow Agent shall have actually received

the Demand or Objection, as the case may be, and all time frames specified in this subsection (k) shall be measured from the actual date of Escrow Agent's receipt.

- (iv) If Escrow Agent does receive an Objection before the end of the Objection Period, Escrow Agent shall not pay the Escrow Fund to the Manager, and, except as provided herein, shall not comply with any claims, demands or instructions from the Manager and/or The Company (or its successor) with respect to the Escrow Fund. Escrow Agent shall not be or become liable in any way to the Company (or its successor), the Manager

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or any other person or entity for its failure or refusal to comply with such conflicting claims or demands. Escrow Agent shall be entitled to refuse to act until (i) such conflicting or adverse claims or demands shall have been finally determined by a court of competent jurisdiction, (ii) settled by agreement between the conflicting parties as evidenced in a writing satisfactory to Escrow Agent, or (iii) Escrow Agent shall have received security or an indemnity satisfactory to Escrow Agent sufficient to save it harmless from and against any and all loss, liability or expense which it may incur by reason of its acting. Escrow Agent may in addition elect to commence an interpleader action or seek other judicial relief or orders as it may deem necessary. All of Escrow Agent's reasonable costs and expenses of bringing and maintaining such action, including but not limited to reasonable fees and expenses of separate counsel for Escrow Agent, shall be paid by the Company (or its successor).

- (v) In the event that Escrow Agent does not receive any Demand from the Manager within three (3) years from the Effective Date, Escrow Agent shall pay the Escrow Fund to the Company (or its successor) at the end of such three (3) year period.
- (vi) Escrow Agent's duties and responsibilities shall be limited to those expressly set forth herein. Escrow Agent shall not be subject to, nor obligated to recognize, any other agreement between or direction or instruction of any of the parties to this Agreement or of any third party even though reference thereto may be made herein. If any portion of the Escrow Fund is at any time attached, garnished or levied upon, or in case the transfer or delivery of the Escrow Fund shall be stayed or enjoined, or in the case of any other legal process or judicial order affecting the Escrow Fund, then Escrow

Agent is authorized to comply with any such order in any manner as it or legal counsel of its own choosing deems appropriate; and if it complies with any process, order, writ, judgment or decree, it shall not be liable to any of the parties hereto or to any other person or entity even though such order or process may be subsequently

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modified or vacated or otherwise determined to have been without legal force or effect.

- (vii) Escrow Agent shall not be liable for any act taken or omitted under this Agreement except for its gross negligence or willful misconduct. Escrow Agent shall be fully protected in relying upon any instruction, notice, demand, certificate or document which Escrow Agent in good faith believes to be genuine. Escrow Agent may consult with legal counsel at the expense of the Company (or its successor) as to the construction of any of the provisions of this Agreement, and Escrow Agent shall be fully protected in acting in good faith in accordance with any such advice.
- (viii) Except as expressly provided and agreed, Escrow Agent shall not be responsible in any respect for the form, execution, validity or genuineness of documents deposited under this Agreement, or for any description therein, or for the identity, authority or rights of persons executing or delivering or purporting to execute or deliver any such document.
- (ix) The Company (and its successors) agrees to indemnify, defend and hold Escrow Agent harmless against any loss, liability, costs, damages and expenses, including reasonable counsel fees, that are incurred by Escrow Agent and that are out of or in connection with its acceptance or administration of this Agreement or being Escrow Agent under this Agreement, except for those arising solely from Escrow Agent's gross negligence or willful misconduct.
- (x) Escrow Agent may resign at any time by giving at least 30 days written notice thereof. Within 20 days after receiving the aforesaid notice, the Company (or its successor) and the Manager shall jointly agree on and appoint a successor Escrow Agent at which time Escrow Agent shall distribute the Escrow Fund then held hereunder to the successor Escrow Agent.

- (xi) The Company (or its successor) shall pay all usual and customary charges and fees of Escrow Agent due to the Escrow Agent for its services hereunder.

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- (xii) The escrow provisions created hereunder may be amended or canceled by and upon written notice to Escrow Agent at any time given jointly by each of the Company (or its successor) and the Manager, but the duties, responsibilities or liabilities of Escrow Agent may not be increased without its prior written consent. This subsection (k) shall terminate upon the payment by Escrow Agent of the entire amount of the Escrow Fund, provided that all of Escrow Agent's rights shall continue beyond such termination, including, but not limited to, its rights to fees and indemnification.

7. Confidentiality and Non-Competition.

(a) The Manager acknowledges that information concerning the method and conduct of the Company's (and any affiliate's) business, including, without limitation, strategic and marketing plans, budgets, corporate practices and procedures, financial statements, customer and supplier information, formulae, formulation information, application technology, manufacturing information, and laboratory test methods and all of the Company's (and any affiliate's) manuals, documents, notes, letters, records, and computer programs are the Company's (and/or the Company's affiliate's, as the case may be) trade secrets ("Trade Secrets") and are the sole and exclusive property of the Company (and/or the Company's affiliates, as the case may be). The Manager agrees that at no time during or following his employment with the Company will he use, divulge, or pass on, directly or through any other individual or entity, any Trade Secrets. Upon termination of the Manager's employment with the Company regardless of the reason for the termination of the Manager's employment hereunder, or at any other time upon the Company's request, the Manager agrees to forthwith surrender to the Company any and all materials in his possession or control which include or contain any such Trade Secrets. The words "Trade Secrets" do not include information already known to the public through no act or failure to act on the part of the Manager, required by law to be disclosed, or which can be clearly shown by written records to have been known by the Manager prior to the commencement of his employment with the Company.

(b) The Manager agrees that during his employment and for a period of one (1) year thereafter, regardless of the reason for the termination of the Manager's employment hereunder, he will not:

- (i) directly or indirectly, together or separately or with any third party, whether as an individual proprietor, partner, stockholder, officer, director, joint venturer, investor, or in any other capacity whatsoever actively engage in business or

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assist anyone or any firm in business as a manufacturer, seller, or distributor of

specialty chemical products or chemical management services which are the same, like, similar to, or which compete with the products and services offered by the Company (or any of its affiliates);

- (ii) recruit or solicit any employee of the Company (or any of its affiliates) or otherwise induce such employee to leave the employ of the Company (or any of its affiliates) or to become an employee or otherwise be associated with his or any firm, corporation, business or other entity with which he is or may become associated; and
- (iii) solicit, directly or indirectly, for himself or as agent or employee of any person, partnership, corporation, or other entity (other than for the Company) any then or former customer, supplier, or client of the Company with the intent of actively engaging in business which would cause competitive harm to the Company (or any of its affiliates).

The Manager acknowledges and agrees that all of the foregoing restrictions are reasonable as to the period of time and scope. However, if any paragraph, sentence, clause, or other provision is held invalid or unenforceable by a court of competent and relevant jurisdiction, such provision shall be deemed to be modified in a manner consistent with the intent of such original provision so as to make it valid and enforceable, and this Agreement and the application of such provision to persons and circumstances other than those with respect to which it would be invalid or unenforceable shall not be affected thereby. The Manager agrees and recognizes that in the event of a breach or threatened breach of the provisions of the restrictive covenants contained in this Section 7, the Company may suffer irreparable harm, and monetary damages may not be an adequate remedy. Therefore, if any breach occurs or is threatened, the Company shall be entitled to seek equitable remedies, including injunctive relief in any court of applicable jurisdiction notwithstanding the provisions of Section 9 hereof. In the event of any breach of the restrictive covenant contained in this Section 7, the term of the restrictive covenant specified herein shall be extended by a period of time equal to that period beginning on the date such violation commenced and ending when the activities constituting such violation cease. Furthermore, if a court or arbitration panel determines that the Manager has breached any of the provisions of this Section 7, the Company's obligations to pay amounts and continue the benefits under Section 6 to the Manager shall immediately terminate.

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8. Set-Off; Mitigation.

Subject to Section 6(h) hereof, the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right, or action which the Company may have against the Manager or others. In no event shall the Manager be obligated to seek other employment or take any other action by way of mitigation of the

amounts payable to the Manager under any of the provisions of this Agreement.

9. Arbitration: Costs and Expenses of Enforcement.

(a) Except as otherwise provided in Section 7(b) hereof, any controversy or claim arising out of or relating to this Agreement or the breach thereof which cannot promptly be resolved by the parties shall be promptly submitted to and settled exclusively by arbitration in the City of Philadelphia, Pennsylvania in accordance with the laws of the Commonwealth of Pennsylvania by three arbitrators, one of whom shall be appointed by the Company, one by the Manager, and the third of whom shall be appointed by the first two arbitrators. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 9. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

(b) In the event that it shall be necessary or desirable for the Manager to retain legal counsel and/or incur other costs and expenses in connection with the enforcement of any and all of his rights under this Agreement, the Company shall pay (or the Manager shall be entitled to recover from the Company, as the case may be) his reasonable attorneys' fees and costs and expenses in connection with the enforcement of his said rights (including those incurred in or related to any arbitration proceedings provided for in subsection (a) above and the enforcement of any arbitration award in court), regardless of the final outcome, unless the arbitrators or a court shall determine that under the circumstances recovery by the Manager of all or a part of any such fees and costs and expenses would be unjust.

10. Certain Additional Payments by the Company.

(a) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Manager (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 10) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the

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Manager with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), payment (a "Gross-Up Payment") in an amount such that after payment by the Manager of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes, calculated at the maximum federal and state rates for individuals in the year in which a Payment is made (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Manager retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 10(c), all determinations required to be made under this Section 10, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent certified public accountants (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Manager within 15 business days of the receipt of notice from the Manager that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Manager shall appoint another nationally recognized accounting firm to make the

determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 10, shall be paid by the Company to the Manager within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Manager, it shall furnish the Manager with a written opinion that failure to report the Excise Tax on the Manager's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Company and the Manager. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 10(c) and the Manager thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Manager.

(c) The Manager shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given

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as soon as practicable but no later than ten business days after the Manager is informed in writing of such claim and the date on which such claim is requested to be paid. The Manager shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Manager in writing prior to the expiration of such period that it desires to contest such claim, the Manager shall (i) give the Company any information reasonably requested by the Company relating to such claim, (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company, (iii) cooperate with the Company in good faith in order effectively to contest such claim, and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Manager harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 10(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Manager to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Manager agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Manager to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Manager, on an interest-free basis and shall indemnify and hold the Manager harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Manager with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to

issues with respect to which a Gross-Up Payment would be payable hereunder and the Manager shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Manager of an amount advanced by the Company pursuant to Section 10(c), the Manager becomes entitled to receive any refund with respect to such claim, the Manager shall (subject to the

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Company's complying with the requirements of Section 10(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Manager of an amount advanced by the Company pursuant to Section 10(c), a determination is made that the Manager shall not be entitled to any refund with respect to such claim and the Company does not notify the Manager in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

11. Notices.

Any notices, requests, demands, and other communications provided for by this Agreement shall be sufficient if in writing, and if hand delivered or if sent by registered or certified mail, if to the Manager, at the last address he had filed in writing with the Company or if to the Company, at its principal Manager offices. Notices, requests, etc. shall be effective when actually received by the addressee or at such address.

12. Assignment and Benefit.

(a) This Agreement is personal to the Manager and shall not be assignable by the Manager, by operation of law, or otherwise without the prior written consent of the Company otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Manager's heirs and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns, including without limitation, any subsidiary of the Company to which the Company may assign any of its rights hereunder; provided, however, that no assignment of this Agreement by the Company, by operation of law, or otherwise shall relieve it of its obligations hereunder except an assignment of this Agreement to, and its assumption by, a successor pursuant to subsection (c) below.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation operation of law, or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, but, irrespective of any such assignment or assumption, this Agreement shall inure to the benefit of and be binding upon such a successor. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid.

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13. Governing Law.

The provisions of this Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without reference to principles of conflicts of laws.

14. Full Settlement.

In the event of the termination of the Manager's Employment Period under this Agreement, the payments and other benefits provided for by this Agreement (except as otherwise provided under the express terms of any compensation or benefit plans of the Company or its subsidiaries or as may otherwise be provided by applicable law) shall constitute the entire obligation of the Company and its subsidiaries to the Manager and shall also constitute full and complete settlement of any claim under law or in equity that the Manager might otherwise assert against the Company, its subsidiaries, or any of its or their respective directors, officers, or employees on account of such termination of employment.

15. Entire Agreement.

This Agreement represents the entire agreement and understanding of the parties with respect to the subject matter hereof, and it may not be altered or amended except by an agreement in writing.

16. No Waiver.

The failure to insist upon strict compliance with any provision of this Agreement by any party shall not be deemed to be a waiver of any future noncompliance with such provision or of noncompliance with any other provision.

17. Severability.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

IN WITNESS WHEREOF, the Manager has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company has caused

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these presents to be executed in its name and on its behalf and attested by its Secretary or Assistant Secretary, all as of the day and year first above written.

MANAGER

/s/ Ian Clark

Ian Clark

QUAKER CHEMICAL CORPORATION

By: /s/ Ronald J. Naples

Ronald J. Naples

Title: Chairman and Chief Executive Officer

ATTEST:

/s/ D. Jeffry Benoliel

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EXHIBIT A

[DATE]

[name and address of Escrow Agent]

RE: Escrow Account # _____

Ladies/Gentlemen:

Reference is made to the Change in Control Agreement dated as of _____, 1999 by and between Quaker Chemical Corporation and the undersigned (the "Agreement").

My employment with [successor to Quaker] has been terminated for a reason which constitutes a "Covered Termination" as defined in the Agreement.

This letter shall serve as a "Demand" to be paid the Escrow Fund referred to in the Escrow Agreement within sixty (60) days from the date of this letter. Please send each installment to me at the address set forth below.

I hereby certify that I have sent a duplicate copy of this demand to [successor to Quaker] in accordance with the provisions provided for in the Agreement.

Sincerely,

Name: _____

Address: _____

EXHIBIT B

[DATE]

[name and address of Escrow Agent]

Attention:_____

RE: Escrow Account #_____

Ladies/Gentlemen:

Reference is made to the Change in Control Agreement dated as of _____, 1999 by and between Quaker Chemical Corporation and _____] (the "Manager") (the "Agreement").

[Successor to Quaker], pursuant to subsection 6(k)(iii) of the Agreement, objects to the payment of the Escrow Fund to the Manager because [Successor to Quaker] believes in good faith that the Manager is not entitled to receive the Escrow Fund. [Successor to Quaker] hereby certifies that it has sent the Manager a copy of this Objection in accordance with the provisions provided for in the Agreement.

Sincerely,

[SUCCESSOR TO QUAKER]

By:_____

Title:_____

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Management's Discussion and Analysis
of Financial Condition and Results of Operations

Liquidity and Capital Resources

Management continues to believe that the Company is capable of generating adequate cash to meet the needs of current operations and to fund strategic initiatives.

Net cash flow provided by operating activities amounted to \$12.6 million in 1998 compared to \$15.2 million in 1997. The decrease principally resulted from changes in working capital.

Net cash used in investing activities increased to \$16.8 million in 1998 from \$1.4 million in 1997. The increase was due mainly to an increase in expenditures for property, plant, and equipment (\$8.1 million in 1998 versus \$5.6 million in 1997) and the \$9.4 million purchase price for companies acquired in 1998 versus \$3.5 million in proceeds from the sale of the European pulp and paper business in 1997.

The majority of the expenditures for property, plant, and equipment in 1998 included upgrades of manufacturing capabilities at various locations with \$1.1 million for environmental and regulatory compliance. Capital expenditures for 1999 are expected to be in the range of \$7-9 million and include various upgrades to manufacturing capabilities in the U.S. and Europe and an estimated \$1 million for environmental and regulatory compliance. The Company believes that funds generated internally should be sufficient to finance payments for capital expenditures.

The Company has available \$10 million in a line of credit and believes that additional bank borrowings could be negotiated at competitive rates, based on its debt to equity ratio and current levels of operating performance. The Company believes that it is capable of supporting its operating requirements during 1999, payment of dividends to shareholders, possible acquisition opportunities and possible resolution of contingencies (see Note 13 to the consolidated financial statements) through internally generated funds

supplemented with debt as needed.

Operations

Comparison of 1998 with 1997

Consolidated net sales for 1998 increased \$15.6 million (6%) over 1997. The sales growth was the net result of (i) a 4% increase in volume, (ii) a 1% improvement in price/ mix, (iii) a 2% increase associated with the 1998 acquisition in Brazil, offset by a 1% negative impact from foreign currency translation (fluctuation in foreign currency exchange rates used to translate local currency statements to U.S. dollars). The volume improvement for the year was mainly attributable to metalworking process chemical sales growth in the U.S., Asia/Pacific and South America mainly due to the strong demand from the steel industry and the mid-year acquisition in Brazil, and increased coatings sales to aircraft producers. Sales in Europe decreased slightly versus the prior year due to the negative impact of changes in foreign currency exchange rates.

Operating income (excluding the 1998 repositioning and integration charge) increased to \$22.5 million from \$18.5 million (excluding the gain on the sale of the European pulp and paper business in 1997). The improvement was due in large part to the higher level of sales combined with an increased gross margin percentage. The Company's gross margin percentage improved 0.9%, when compared to 1997, mainly due to lower raw material costs, a more favorable sales mix and the continued focus on reducing costs throughout the organization. Selling, administrative, and general expenses as a percentage of sales were slightly below last year's level.

Other income decreased mainly due to the absence of favorable transactional exchange gains which occurred in 1997. The Company's issuance of \$20 million of long-term debt in the fourth quarter of 1997 resulted in higher interest expense during 1998. Equity in net income of associated companies decreased primarily as a result of lower earnings from associated companies in South America. The negative impact of currency translation on net income in 1998 was approximately \$.05 per share.

Repositioning, Integration and Asset Impairment Charges

In the fourth quarter of 1998, the Company announced and implemented a repositioning and integration plan to better align its organizational structure with market demands, improve operational performance, and reduce costs. The Company recorded a pre-tax charge of \$5.3 million (\$2.9 million after-tax and minority interest, or \$0.33 per share) in connection therewith. The repositioning and integration charge included workforce reductions (approximately 70 employees) in the Company's U.S., South American and European operations and integration costs associated with the closure of a leased facility as a result of the Company's recent acquisition in Brazil (see Note 12 to the consolidated financial statements).

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The components of the 1998 pre-tax repositioning and integration charge included severance and other benefit costs of \$4 million and early pension and postemployment benefits of \$1.3 million. During 1998, \$1 million of severance benefits was paid to affected employees. The remaining termination benefits liability at December 31, 1998 of \$3 million will be paid out during 1999. The liabilities for early pension and postemployment benefits are included in the Company's pension and postretirement benefits obligations (see Note 7 to the consolidated financial statements).

In 1996, the Company announced and implemented a series of measures designed to improve manufacturing capacity utilization, responsiveness to customers, operating efficiencies, and return on assets. In connection with

these plans, the Company recorded pre-tax charges of \$24.5 million (\$16.9 million after-tax, or \$1.96 per share) comprised of repositioning and asset impairment charges of \$19.3 million and an impairment charge of \$5.2 million (\$3.4 million after-tax) related to an equity investment.

Comparison of 1997 with 1996

Consolidated net sales for 1997 increased \$1.3 million (.5%) over 1996. The sales growth was the net result of (i) a 6% increase in volume, and (ii) a 1.5% improvement in price/mix resulting primarily from better pricing, mainly in Europe, and an overall positive shift in sales mix, offset by (iii) a 1% decrease associated with the 1997 divestiture of the European pulp and paper business, and (iv) a 6% negative impact from currency translation (fluctuations in foreign currency exchange rates used to translate local currency statements to U.S. dollars). The volume improvement for the year was attributable to sales growth in Europe, mainly attributable to the strong demand from the European steel industry, increased sales to aircraft producers, and increased demand from the South American steel and metalworking markets. Sales in the major U.S. markets were steady throughout most of the year. In Asia/Pacific, sales were hurt in the first half of 1997 due to a decrease in customer production levels in order to work down earlier buildups of inventories but increased in the second half of the year.

Operating income (excluding the gain on the sale of the European pulp and paper business in 1997) increased to \$18.5 million from \$15.2 million (excluding the repositioning charge in 1996). The improvement was due in large part to the higher level of sales combined with an increased gross margin percentage. The Company's gross margin as a percentage of sales improved 1.6%, when compared to 1996 mainly as a result of the benefits associated with the consolidation of manufacturing operations in the U.S., pricing initiatives implemented over the past year, and a more favorable sales mix. Selling, administrative, and general expenses as a percent of sales were near last year's level.

The \$2 million litigation charge related to a reserve established in the fourth quarter of 1997 for the Company's potential liability in a legal proceeding (see Note 13 to the consolidated financial statements) which was subsequently settled on May 11, 1998 for an undisclosed amount not exceeding the reserve previously taken. Net interest costs decreased as a result of the increase in the Company's net cash position. The increase in equity in net income from associated companies was due primarily to improved profitability in the Company's FRS joint venture. The negative influence of currency translation on net income in 1997 was approximately \$.21 per share compared to \$.08 per share in 1996.

General

The Company is involved in environmental clean-up activities and litigation in connection with an existing plant location and former waste disposal sites (see Note 13 to the consolidated financial statements). This involvement has not historically had, nor is it expected to have, a material effect on the Company's results of operations or financial condition.

The Company does not use financial instruments which expose it to significant risk involving foreign currency transactions; however, the size of non-U.S. activities has a significant impact on reported operating results and the attendant net assets. During the past three years, sales by non-U.S. subsidiaries accounted for approximately 54-57% of the consolidated sales. In the same period, these subsidiaries accounted for approximately 74-81% of consolidated operating profit (see Note 11 to the consolidated financial statements).

The Company is actively engaged in assessing and solving its Year 2000 problem. The Company completed a comprehensive assessment of all key systems (both IT and non-IT systems). As to systems found to be non-Year 2000 compliant, the Company initiated a program of systems replacements and updates. The Company completed the majority of this program during 1998 and expects that the remaining work will be completed in 1999. The systems work includes

the appropriate level of testing to ensure Year 2000 compliance. Expenditures (historical and future) to be incurred in addressing any Year 2000 problems in the Company's systems are not expected to be material and are currently estimated to be approximately \$750 thousand, including amounts which may be capitalized as long-term assets. In addition to this effort, the Company, with the assistance of an outside consultant, is undertaking a second complete assessment of all its IT and non-IT systems. This assessment will be completed in 1999.

The Company is also actively seeking from its third-party providers written assurances that each will be Year 2000 compliant on a timely basis. To date, the Company has received affirmative responses from a majority of its third-party providers and will continue to pursue responses from its material third-party providers who have failed to respond to the initial inquiry. In addition, the Company intends to seek assurances as to Year 2000 compliance from its key customers and plans on contacting these customers in 1999. There can be no assurance, however, that (i) the systems of the Company's material third-party providers or key customers will be Year 2000 compliant and (ii) such non-compliance will not have a material adverse effect on the Company.

The Company believes it is taking reasonable steps to prevent major interruptions in its business resulting from Year 2000 related issues. However, potential sources of risk specific to the Company are mainly external (third-party providers and customers) and include, but are not limited to, the inability of principal suppliers to be Year 2000 compliant. This could result in delays in product deliveries from such suppliers. The Company is still developing a reasonable worst case scenario as it relates to the Year 2000 problem and therefore has not developed a contingency plan to cover any unforeseen problems. The Company plans to complete the worst case analysis and its contingency plan in the first half 1999.

Euro

On January 1, 1999, 11 of the 15 member countries of the European Union established fixed conversion rates between their existing currencies ("legacy currencies") and one common currency -- the euro. The euro will trade on currency exchanges and may be used in business transactions. Beginning in January 2002, new euro-denominated bills and coins will be issued, and legacy currencies will be withdrawn from circulation. The Company's operating subsidiaries affected by the euro conversion have established plans to address the systems and business issues raised by the euro currency conversion. The Company anticipates that the euro conversion will not have a material adverse impact on its financial condition or results of operations.

Forward-Looking and Cautionary Statements

Except for historical information and discussions, statements contained in this Annual Report may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those projected in such statements.

Such risks and uncertainties include, but are not limited to, significant increase in raw material costs, worldwide economic and political conditions, and foreign currency fluctuations that may affect worldwide results of operations. Furthermore, the Company is subject to the same business cycles as those experienced by steel, automobile, appliance or durable goods manufacturers.

CONSOLIDATED STATEMENT OF OPERATIONS

Year Ended December 31,

(Dollars in thousands except per share amounts)	1998	1997	1996
Net sales.....	\$257,100	\$241,534	\$240,251
Costs and expenses:			
Cost of goods sold.....	141,459	134,943	138,199
Selling, administrative, and general expenses.....	93,110	88,064	86,853
Repositioning, integration, and asset impairment charges (Note 2)	5,261		19,230
Gain on sale of European pulp and paper business (Note 12).....		(2,621)	
	239,830	220,386	244,282
Operating income (loss).....	17,270	21,148	(4,031)
Other income, net (Note 1).....	1,116	1,805	1,508
Litigation charge (Note 13).....		(2,000)	
Interest expense.....	(2,151)	(1,547)	(1,906)
Interest income.....	562	329	432
Income (loss) before taxes.....	16,797	19,735	(3,997)
Taxes on income.....	6,719	7,893	466
	10,078	11,842	(4,463)
Equity in net income of associated companies.....	961	1,161	480
Impairment charge on equity investment (Note 2).....			(3,445)
Minority interest in net income of subsidiaries.....	(389)	(392)	(171)
Net income (loss).....	\$ 10,650	\$ 12,611	\$ (7,599)
Per share data (Note 10):			
Net income (loss)-basic.....	\$1.21	\$1.45	\$ (.88)
Net income (loss)-diluted.....	1.20	1.45	(.88)
Dividends.....	.74	.71	.69

<FN>

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

</FN>

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CONSOLIDATED BALANCE SHEET

December 31,

(Dollars in thousands except per share amounts)	1998	1997
Assets		
Current assets		
Cash and cash equivalents (Note 1).....	\$ 10,213	\$ 18,416
Accounts receivable, less allowances for doubtful accounts of \$2,004 in 1998 and \$1,085 in 1997	52,448	48,625
Inventories (Notes 1 and 4).....	24,517	21,681
Deferred income taxes (Note 6).....	4,828	3,460
Prepaid expenses and other current assets.....	4,062	3,675
Total current assets.....	96,068	95,857
Investments in associated companies (Notes 1 and 3).....	5,280	4,925
Property, plant, and equipment, net (Notes 1 and 5).....	49,622	40,654
Intangible assets (Note 1).....	21,366	14,500
Deferred income taxes (Note 6).....	10,794	11,359
Other noncurrent assets (Notes 1 and 7).....	6,773	5,168
Total assets.....	\$189,903	\$172,463
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings and current portion of long-term debt (Note 8)	\$ 1,420	\$ --
Accounts payable.....	26,135	22,871
Dividends payable.....	1,690	1,570

Accrued compensation.....	9,967	9,723
Other current liabilities (Notes 2 and 7).....	11,220	13,595
	-----	-----
Total current liabilities.....	50,432	47,759
Long-term debt (Note 8).....	25,344	25,203
Deferred income taxes (Note 6).....	3,896	3,752
Accrued postretirement benefits (Note 7).....	9,866	9,564
Other noncurrent liabilities (Notes 2 and 7).....	8,299	7,684
	-----	-----
Total liabilities.....	97,837	93,962
	-----	-----
Minority interest in equity of subsidiaries (Note 1).....	8,331	3,525
	-----	-----
Commitments and contingencies (Note 13).....		
Shareholders' equity (Note 9)		
Common stock, \$1 par value; authorized 30,000,000 shares; issued (including treasury shares) 9,664,009 shares	9,664	9,664
Capital in excess of par value.....	910	928
Retained earnings.....	84,873	80,749
Unearned compensation.....	--	(528)
Accumulated other comprehensive income (loss).....	582	(874)
	-----	-----
	96,029	89,939
Treasury stock, shares held at cost; 1998-770,059, 1997-943,552.....	12,294	14,963
	-----	-----
Total shareholders' equity.....	83,735	74,976
	-----	-----
Total liabilities and shareholders' equity.....	\$189,903	\$172,463
	=====	=====

<FN>

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

</FN>

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CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in thousands)	Year Ended December 31,		
	1998	1997	1996

Cash flows from operating activities			
Net income (loss).....	\$10,650	\$12,611	\$(7,599)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation.....	5,290	5,154	6,347
Amortization.....	1,821	2,110	2,361
Equity in net income of associated companies.....	(961)	(1,161)	(480)
Minority interest in earnings of subsidiaries.....	389	392	171
Gain on sale of European pulp and paper business.....		(2,621)	
Litigation charge.....		2,000	
Deferred income taxes.....	(145)	541	(248)
Deferred compensation and other postretirement benefits.....	1,396	1,649	952
Repositioning, integration, and asset impairment charges.....	5,261		24,455
Increase (decrease) in cash from changes in current assets and current liabilities, net of acquisitions and divestitures:			
Accounts receivable.....	(2,684)	(6,379)	305
Inventories.....	(1,149)	(1,868)	132
Prepaid expenses and other current assets.....	(1,879)	(149)	(148)
Accounts payable and accrued liabilities.....	(851)	6,248	3,148
Change in repositioning liabilities.....	(1,882)	(4,426)	(2,921)
Estimated taxes on income.....	(2,675)	1,109	1,475
	-----	-----	-----
Net cash provided by operating activities.....	12,581	15,210	27,950
	-----	-----	-----
Cash flows from investing activities			
Dividends from associated companies.....	1,096	654	1,406
Investments in property, plant, equipment, and other assets.....	(8,099)	(5,580)	(6,923)
Companies acquired.....	(9,350)		
Investments in and advances to associated companies.....	(621)	(779)	(2,039)
Proceeds from sale of European pulp and paper business.....		3,548	
Proceeds from sale of patent, production technology, and other assets	70	1,005	830
Other, net.....	63	(280)	428

Net cash used in investing activities.....	(16,841)	(1,432)	(6,298)
Cash flows from financing activities			
Net (decrease) increase in short-term borrowings.....	1,078	(13,090)	(7,438)
Long-term borrowings.....	483	20,000	
Repayment of long-term debt.....		(4,289)	(4,796)
Dividends paid.....	(6,526)	(6,179)	(5,936)
Treasury stock issued.....	1,588	937	979
Treasury stock acquired.....			(1,587)
Net cash used in financing activities.....	(3,377)	(2,621)	(18,778)
Effect of exchange rate changes on cash.....	(566)	(1,266)	(1,579)
Net increase (decrease) in cash and cash equivalents.....	(8,203)	9,891	1,295
Cash and cash equivalents at beginning of year.....	18,416	8,525	7,230
Cash and cash equivalents at end of year.....	\$10,213	\$18,416	\$ 8,525
Supplemental cash flow disclosures			
Cash paid during the year for:			
Income taxes.....	\$ 5,059	\$ 5,920	\$ 5,497
Interest.....	1,945	1,568	2,040

<FN>

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

</FN>

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CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(Dollars in thousands except per share amounts)	Common stock	Capital in excess of par value	Retained earnings	Unearned compensation	Accumulated other comprehensive income (loss)	Treasury stock	Total
Balance at December 31, 1995.....	\$9,664	\$ 780	\$87,852	\$(722)	\$11,556	\$(15,915)	\$93,215
Net loss.....			(7,599)				(7,599)
Currency translation adjustments.....					(5,858)		(5,858)
Minimum pension liability.....					89		89
Comprehensive income.....							(13,368)
Dividends (\$.69 per share).....			(5,936)				(5,936)
Shares acquired under repurchase program						(1,587)	(1,587)
Shares issued upon exercise of options		(146)				681	535
Shares issued for employee stock purchase plan						444	444
Amortization of restricted stock bonus				263			263
Balance at December 31, 1996.....	9,664	634	74,317	(459)	5,787	(16,377)	73,566
Net income.....			12,611				12,611
Currency translation adjustments.....					(6,683)		(6,683)
Minimum pension liability.....					22		22
Comprehensive income.....							5,950
Dividends (\$.71 per share).....			(6,179)				(6,179)
Shares issued upon exercise of options		35				532	567
Shares issued for employee stock purchase plan		86				392	478
Restricted stock bonus.....		173		(332)		490	331
Amortization of restricted stock bonus				263			263
Balance at December 31, 1997.....	9,664	928	80,749	(528)	(874)	(14,963)	74,976
Net income.....			10,650				10,650
Currency translation adjustments.....					1,788		1,788
Minimum pension liability.....					(332)		(332)
Comprehensive income.....							12,106
Dividends (\$.74 per share).....			(6,526)				(6,526)
Shares issued upon exercise of options		(339)				1,574	1,235
Shares issued for employee stock purchase plan		90				395	485
Restricted stock bonus.....		231		331		700	1,262
Amortization of restricted stock bonus				197			197
Balance at December 31, 1998.....	\$9,664	\$ 910	\$84,873	\$ --	\$ 582	\$(12,294)	\$83,735

<FN>
The accompanying notes are an integral part of these consolidated financial
statements.
</FN>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands except share and per share amounts)

Note 1 - Significant Accounting Policies

Principles of consolidation: All majority-owned subsidiaries are included in the Company's consolidated financial statements, with appropriate elimination of intercompany balances and transactions. Investments in associated (less than majority-owned) companies are accounted for under the equity method.

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

Derivative financial instruments: The Company's utilization of derivative financial instruments is substantially limited to the use of forward exchange contracts to hedge foreign currency transactions and foreign exchange options to reduce its exposure to changes in foreign exchange rates. The amount of any gain or loss on derivative financial instruments was immaterial in 1998, 1997, and 1996. There are no contracts or options outstanding at December 31, 1998.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement must be adopted by January 1, 2000, and will require the Company to recognize all derivative instruments as either assets or liabilities on the balance sheet and measure those instruments at fair value. Gains and losses on foreign currency transactions and forward exchange contracts, to the extent they have been effective as hedges, would continue to be recognized as they are now. Adoption of SFAS No. 133 is not expected to have a material impact on the Company's operating results or financial position.

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

Inventories: Inventories are valued at the lower of cost or market value. Cost of domestic inventories, except for those of the Coatings segment, are determined using the last-in, first-out ("LIFO") method. Cost of foreign subsidiaries and the domestic Coatings segment inventories are determined using the first-in, first-out ("FIFO") method.

Property, plant, and equipment: Property, plant, and equipment are recorded at cost. Depreciation is computed using the straight-line method on an individual asset basis over the following estimated useful lives: buildings and improvements, 10 to 45 years; and machinery and equipment, 3 to 15 years.

Expenditures for renewals and betterments which increase the estimated useful life or capacity of the assets are capitalized; expenditures for repairs and maintenance are expensed when incurred.

Intangible assets: Intangible assets consist of goodwill and other intangibles arising from acquisitions which are being amortized on a straight-line basis over periods of 5 to 40 years (5 to 20 years on acquisitions subsequent to 1991). At December 31, 1998 and 1997, accumulated amortization amounted to \$5,217 and \$4,398, respectively.

Asset impairment: The Company periodically evaluates the carrying value of its property, plant, and equipment and goodwill when events and circumstances warrant such a review. Property, plant, and equipment and goodwill is considered impaired when the anticipated undiscounted future cash flows from a logical grouping of assets is less than the carrying value. In that event, the Company recognizes a loss equal to the amount by which the carrying value exceeds the fair market value of assets (less estimated costs to dispose, for assets to be disposed of). See Note 2.

Revenue recognition: Sales are recorded primarily when products are shipped to customers. License fees and royalties offset by miscellaneous expenses are recorded when earned.

Research and development costs: Research and development costs are expensed as incurred. Company sponsored research and development expenses during 1998, 1997, and 1996 were \$9,550, \$9,508, and \$11,181, respectively.

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

The Company sells its principal products to the major steel, automotive, and related companies around the world. The Company maintains allowances for potential credit losses. Historically, the Company has experienced some losses related to bankruptcy proceedings of major steel companies in the U.S.; however, such losses have not been material.

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Environmental liabilities and expenditures: Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Accrued liabilities are exclusive of claims against third parties and are not discounted. Environmental costs and remediation costs are capitalized if the costs increase the value of the property from the date acquired or constructed and/or mitigate or prevent contamination in the future.

Comprehensive income: In 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes standards for the reporting and display of comprehensive income. The Company has presented the components of comprehensive income in its Statement of Shareholders' Equity. The adoption of SFAS No. 130 did not affect results of operations, financial position, or cash flows. The accumulated currency translation adjustments and minimum pension liability included in accumulated other comprehensive income were \$1,580 and \$(998) at December 31, 1998, respectively, and \$(208) and \$(666) at December 31, 1997, respectively.

Segment information: In 1998, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The adoption of SFAS No. 131 did not affect results of operations or financial position but did affect the disclosure of segment information (see Note 11).

Accounting estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingencies at the date of the financial

statements and the reported amounts of net sales and expenses during the reporting period.

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

Note 2 - Repositioning, Integration, and Asset Impairment Charges

In the fourth quarter of 1998, the Company announced and implemented a repositioning and integration plan to better align its organizational structure with market demands, improve operational performance and reduce costs, and recorded a pre-tax charge of \$5,261 (\$2,882 after-tax and minority interest, or \$0.33 per share in connection therewith). The repositioning and integration charge included workforce reductions (approximately 70 employees) in the Company's U.S., South American and European operations and integration costs associated with the closure of a leased facility as a result of the Company's recent acquisition in Brazil (see Note 12).

The components of the 1998 pre-tax repositioning and integration charge included severance and other benefit costs of \$3,990 and early pension and postemployment benefits of \$1,271. During 1998, \$965 of severance benefits was paid to affected employees. The remaining termination benefits liability at December 31, 1998 of \$3,025 will be paid out during 1999. The liabilities for early pension and postemployment benefits are included in the Company's pension and postretirement benefits obligations (see Note 7).

In 1996, the Company announced and implemented a series of measures designed to improve manufacturing capacity utilization, responsiveness to customers, operating efficiencies, and return on assets. In connection with these plans, the Company recorded pre-tax charges of \$24,455 (\$16,912 after-tax, or \$1.96 per share) comprised of repositioning and asset impairment charges of \$19,230 and an impairment charge of \$5,225 (\$3,445 after-tax) related to an equity investment.

Note 3 - Investments in Associated Companies

Summarized financial information of the associated companies (less than majority-owned), in the aggregate, is as follows:

	December 31,		
	1998	1997	1996
Current assets.....	\$24,220	\$21,922	\$20,848
Noncurrent assets.....	6,084	4,484	5,263
Current liabilities.....	13,772	11,994	12,647
Noncurrent liabilities...	3,761	3,395	2,763
	Year Ended December 31,		
	1998	1997	1996
Net sales.....	\$50,542	\$54,262	\$53,481
Gross margin.....	18,893	19,683	18,070
Operating income.....	5,963	6,089	3,412
Net income.....	2,367	2,662	1,252

Note 4 - Inventories

Total inventories are comprised of:

	December 31,	
	1998	1997
Raw materials and supplies.....	\$12,616	\$10,316

Work in process and finished goods.	11,901	11,365
	-----	-----
	\$24,517	\$21,681
	=====	=====

Inventories valued under the LIFO method amounted to \$6,621 and \$6,988 at December 31, 1998 and 1997, respectively. The estimated replacement costs for these inventories using the FIFO method were approximately \$6,867 and \$7,148, respectively.

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Note 5 - Property, Plant, and Equipment

Property, plant, and equipment is comprised of:

	December 31,	
	1998	1997
Land	\$ 5,858	\$ 5,751
Building and improvements.....	37,711	31,523
Machinery and equipment.....	65,818	58,532
Construction in progress	2,576	1,213
	-----	-----
	111,963	97,019
Less accumulated depreciation.....	62,341	56,365
	-----	-----
	\$ 49,622	\$40,654
	=====	=====

Note 6 - Taxes on Income

Taxes on income consist of the following:

	Year Ended December 31,		
	1998	1997	1996
Current			
Federal.....	\$ 1,294	\$ 557	\$ (3,838)
State.....	145	155	193
Foreign.....	5,425	6,640	4,359
	-----	-----	-----
	6,864	7,352	714
Deferred			
Federal.....	(1,016)	(1,294)	(488)
Foreign.....	871	1,835	240
	-----	-----	-----
Total.....	\$ 6,719	\$ 7,893	\$ 466
	=====	=====	=====

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

	1998		1997	
	-----		-----	
	Current	Non-current	Current	Non-current
Retirement benefits.....	\$ 35		\$ 251	
Allowance for doubtful accounts.....	307		369	
FRS impairment.....		\$ 2,192		\$ 2,162
Insurance and litigation reserves.....	1,372		1,175	

Postretirement benefits...		3,027		3,038
Supplemental retirement benefits.....		733		682
Performance incentives....	1,314	431	797	663
Alternative minimum tax carryforward.....		968		968
Repositioning charges....	1,800	2,873	868	3,498
Operating loss carryforward.....		3,844		3,146
Other.....		570		348
Valuation allowance.....		(3,844)		(3,146)
	-----	-----	-----	-----
Total deferred tax assets.	\$4,828	\$10,794	\$3,460	\$11,359
	=====	=====	=====	=====
Depreciation.....		\$ 2,773		\$2,732
Sale of European pulp and paper business.....		916		916
Other.....		207		104
		-----		-----
Total deferred tax liabilities.....		\$ 3,896		\$ 3,752
		=====		=====

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

	1998	1997	1996

Income tax (benefit) provision at the Federal statutory tax rate.....	\$5,833	\$6,710	\$ (1,359)
State income tax provisions, net.....	96	102	54
Non-deductible entertainment and business meal expense.....	206	214	200
Foreign taxes on earnings at rates different from the Federal statutory rate.....	197	833	1,280
Miscellaneous items, net.....	387	34	291
	-----	-----	-----
Taxes on income.....	\$6,719	\$7,893	\$ 466
	=====	=====	=====

At December 31, 1998, the Company has net operating loss carryforwards of \$11,813, of which \$946 expire between 1999 and 2003. There is no time limit for the remaining net operating loss carryforwards of \$10,867. Due to the uncertainty of the realization of these deferred tax assets, the Company has established a valuation allowance against these carryforward benefits.

U.S. income taxes have not been provided on the undistributed earnings of non-U.S. subsidiaries since it is the Company's intention to continue to reinvest these earnings in those subsidiaries for working capital and expansion needs. The amount of such undistributed earnings at December 31, 1998 was approximately \$85,000. Any income tax liability which might result from ultimate remittance of these earnings is expected to be substantially offset by foreign tax credits.

Note 7 - Pension and Other Postretirement Benefits

The Company maintains various noncontributory retirement plans, the largest of which is in the U.S., covering substantially all of its employees in the U.S. and certain other countries. The plans of the Company's subsidiaries in the Netherlands and in the United Kingdom are subject to the provision of SFAS No. 87, "Employers' Accounting for Pensions." The plans of the remaining non-U.S.

subsidiaries are, for the most part, either fully insured or integrated with the local governments' plans and are not subject to the provisions of SFAS No. 87.

Exhibit 13 Page 25

The following table shows the components of pension costs for the periods indicated:

	1998	1997	1996
-----	-----	-----	-----
Service cost.....	\$ 1,608	\$ 1,425	\$ 1,305
Interest cost.....	3,613	3,376	3,347
Expected return on plan assets.....	(4,416)	(4,124)	(3,858)
Other amortization, net....	(387)	(454)	(373)
	-----	-----	-----
Net pension cost of plans subject to SFAS No. 87...	418	223	421
Early pension benefits (Note 2).....	965		
	-----	-----	-----
Net pension cost of plans subject to SFAS No. 87	1,383	223	421
Pension costs of plans not subject to SFAS No. 87	243	179	274
	-----	-----	-----
Net pension costs.....	\$ 1,626	\$ 402	\$ 695
	=====	=====	=====

The U.S. defined benefit pension plan is the largest plan. The significant assumptions for the U.S. plan were as follows:

	1998	1997	1996
-----	-----	-----	-----
Discount rate for projected benefit obligation	6.75%	7.25%	7.375%
Assumed long-term rate of compensation increases	5.5%	5.5%	5.5%
Long-term rate of return on plan assets	9.25%	9.25%	9.25%

All other pension plans used assumptions in determining the actuarial present value of the projected benefit obligations which are consistent with (but not identical to) those of the U.S. plan.

The Company has postretirement benefit plans that provide medical and life insurance benefits for certain retired employees of the Company. Both the medical and life insurance plans are currently unfunded.

The following table shows the components of postretirement costs for the periods indicated:

	1998	1997	1996
-----	-----	-----	-----
Service cost.....	\$ 100	\$ 72	\$ 77
Interest cost.....	622	642	571
	-----	-----	-----
Net periodic postretirement benefit cost	722	714	648
Special income item.....	306		
	-----	-----	-----
Net periodic postretirement benefit cost	\$1,028	\$714	\$648
	=====	=====	=====

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

	Pension benefits		Other postretirement benefits	
	1998	1997	1998	1997

Change in benefit obligation				
Benefit obligation				
at beginning of year.....	\$50,727	\$50,196	\$ 9,114	\$ 8,974
Service cost.....	1,608	1,425	100	72
Interest cost.....	3,613	3,377	622	642
Amendments.....	3,717		306	
Translation difference.....	955	(1,764)		
Actuarial loss.....	5,709	481	158	155
Benefits paid.....	(2,811)	(3,012)	(725)	(729)
Other.....	(47)	24		
	-----	-----	-----	-----
Benefit obligation				
at end of year.....	63,471	50,727	9,575	9,114
Change in plan assets				
Fair value of plan assets				
at beginning of year.....	53,041	51,336		
Actual return on plan assets....	5,348	5,100		
Employer contribution.....	1,709	1,544	725	729
Plan participants' contributions.	58	44		
Translation difference.....	967	(1,971)		
Benefits paid.....	(2,811)	(3,012)	(725)	(729)
	-----	-----	-----	-----
Fair value of plan assets				
at end of year.....	58,312	53,041		
Funded status.....	(5,159)	2,314	(9,575)	(9,114)
Unrecognized transition asset....	(2,279)	(2,625)		
Unrecognized gain/(loss).....	1,503	(5,300)	(291)	(450)
Unrecognized prior service cost..	3,918	3,073		
	-----	-----	-----	-----
Net amount recognized.....	\$(2,017)	\$(2,538)	\$(9,866)	\$(9,564)
	-----	-----	=====	=====
Amounts recognized in the				
statement of financial				
position consist of:				
Prepaid benefit cost.....	3,400	1,823		
Accrued benefit obligation....	(6,415)	(5,027)		
Accumulated other				
comprehensive income.....	998	666		
	-----	-----		
Net amount recognized.....	\$(2,017)	\$(2,538)		
	=====	=====		

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plan with accumulated benefit obligations in excess of plan assets were \$9,589, \$8,446, and \$2,874, respectively, as of December 31, 1998 and \$4,309, \$4,183, and \$0 respectively, as of December 31, 1997.

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The discount rate used in determining the accumulated postretirement benefit obligation was 6.75% and 7.25% in 1998 and 1997, respectively.

In valuing costs and liabilities, different health care cost trend rates were used for retirees under and over age 65. The average assumed rate for medical benefits for all retirees was 7.8% in 1998, gradually decreasing to 5.5% over 9 years. A 1% increase in the health care cost trend rate would increase total service and interest cost for 1998 by \$34 and the accumulated

postretirement benefit obligation as of December 31, 1998 by \$547. A 1% decrease in the health care cost trend rate would decrease total service and interest cost for 1998 by \$30 and the accumulated postretirement benefit obligation as of December 31, 1998 by \$480.

The Company maintains a plan under which supplemental retirement benefits are provided to certain officers. Benefits payable under the plan are based on a combination of years of service and existing postretirement benefits. Included in total pension costs are charges of \$411, \$291, and \$262 in 1998, 1997, and 1996, respectively, representing the annual accrued benefits under this plan.

Profit sharing plan: The Company also maintains a qualified profit sharing plan covering substantially all domestic employees other than those who are compensated on a commission basis. Contributions were \$310, \$295, and \$405 for 1998, 1997, and 1996, respectively.

Note 8 - Long-term Debt

Long-term debt consisted of the following:

	December 31,	
	1998	1997
6.98% Senior unsecured notes due 2007.....	\$20,000	\$20,000
Industrial development authority monthly floating rate (3.5% at December 31, 1998) demand bonds maturing 2014.....	5,000	5,000
Other debt obligations.....	686	203
	-----	-----
	25,686	25,203
Less current portion.....	342	
	-----	-----
	\$25,344	\$25,203
	=====	=====

The long-term financing agreements require the maintenance of certain financial covenants with which the Company is in compliance.

During the next five years, payments on long-term debt are due as follows: \$342 in 1999, \$0 in 2000, and \$2,857 in 2001, 2002, and 2003.

At December 31, 1998, the Company had outstanding short-term borrowings with banks under lines of credit in the aggregate of \$1,078. There were no outstanding short-term borrowings at December 31, 1997.

The Company has available a \$10,000 unsecured line of credit that is renewed annually. Any borrowings under this line of credit will be at the bank's most competitive rate of interest in effect at the time. There were no outstanding borrowings under this line of credit at December 31, 1998 or 1997.

At December 31, 1998 and 1997, the values at which the financial instruments are recorded are not materially different from their fair market value.

Note 9 - Shareholders' Equity

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

Treasury stock is held for use by the various Company plans which require the issuance of the Company's common stock.

The Company is authorized to issue 10,000,000 shares of preferred stock, \$1.00 par value, subject to approval by the Board of Directors. The Board of Directors may designate one or more series of preferred stock and the number of shares, rights, preferences, and limitations of each series. No preferred stock has been issued.

Under provisions of a stock purchase plan which permits employees to purchase shares of stock at 85% of the market value, 27,538 shares, 26,490 shares, and 31,193 shares were issued from treasury in 1998, 1997, and 1996, respectively. The number of shares that may be purchased by an employee in any year is limited by factors dependent upon the market value of the stock and the employee's base salary. At December 31, 1998, 105,035 shares are available for purchase.

The Company has a long-term incentive plan for key employees which provides for the granting of options to purchase stock at prices not less than market value on the date of the grant. Most options are exercisable one year after the date of the grant for a period of time determined by the Company not to exceed ten years from the date of grant. The Company

Exhibit 13 Page 27

has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-based Compensation." Accordingly, no compensation expense has been recognized for the stock option plans. Had compensation cost been determined based on the fair value at grant date for awards in 1998, 1997, and 1996 consistent with the provisions of SFAS No. 123, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below:

	1998	1997	1996
Net income (loss)- as reported.....	\$10,650	\$12,611	\$ (7,599)
Net income (loss)- pro forma.....	10,304	12,567	(8,139)
Net income (loss) per share-			
as reported (diluted).....	\$1.20	\$1.45	\$ (.88)
Net income (loss) per share-			
pro forma (diluted).....	1.16	1.45	(.95)

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	1998	1997	1996
Dividend yield.....	3.9%	3.9%	3.9%
Expected volatility.....	22.7%	24.5%	22.5%
Risk-free interest rate....	5.09%	5.65%	6.35%
Expected life (years).....	9	8	8

The table below summarizes transactions in the plan during 1998, 1997, and 1996.

	1998		1997		1996
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares
Options outstanding at January 1,	921,999	\$17.03	1,008,129	\$16.83	894,854
Options granted	155,400	17.19	62,530	18.24	290,070

Options exercised	(97,994)	12.89	(32,768)	14.71	(48,678)
Options expired	(36,142)	21.02	(115,892)	15.82	(128,117)
	-----		-----		-----
Options outstanding at December 31,	943,263	17.34	921,999	17.03	1,008,129
	-----		-----		-----
Options exercisable at December 31,	760,352	\$17.47	712,154	\$17.30	689,934
	-----	-----	-----	-----	-----

The following table summarizes information about stock options outstanding at December 31, 1998:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/98	Weighted Average Con-tractual Life	Weighted Average Exercise Price	Number Exercisable at 12/31/98	Weighted Average Exercise Prices
\$12.10-\$14.52	137,886	7	\$13.46	123,380	\$13.46
14.53- 16.94	251,109	8	15.72	136,704	15.02
16.95- 19.36	415,045	6	18.19	361,045	18.18
19.37- 21.78	69,223	3	20.77	69,223	20.77
21.79- 24.20	70,000	6	22.36	70,000	22.36
	-----	-		-----	
	943,263	6	\$17.34	760,352	\$17.47
	=====	=	=====	=====	=====

Options were exercised for cash, resulting in the issuance of 97,994 shares in 1998 and 32,768 shares in 1997. Options to purchase 120,829 shares were available at December 31, 1998 for future grants.

The plan also provides for the issuance of performance incentive units, the value of which is determined based on operating results over a four-year period. The effect on operations of the change in the estimated value of incentive units during the year was \$870, \$1,350, and \$600 in 1998, 1997, and 1996, respectively.

Shareholders of record on February 20, 1990 received two stock purchase rights (the "Rights") for each three shares of common stock outstanding. The Rights become exercisable if a person or group acquires or announces a tender offer which would result in such person's acquisition of 20% or more of the Company's common stock. The Rights also become exercisable if the Board of Directors declares a person to be an "adverse person" and that person has obtained not less than 10% of the outstanding shares of the Company's common stock.

Each Right, when exercisable, entitles the registered holder to purchase one one-hundredth of a share of a newly authorized Series A preferred stock at an exercise price of seventy-two dollars per share subject to certain anti-dilution adjustments. In addition, if a person or group acquires 20% or more of the outstanding shares of the Company's common stock, without first obtaining Board of Directors' approval, as required by the terms of the Rights Agreement, or a person is declared an adverse person, each Right will then entitle its holder (other than such person or members of any such group) to purchase, at the Right's then current exercise price, a number of shares of the Company's common stock having a total market value of twice the Right's exercise price.

Exhibit 13 Page 28

In the event that the Company merges with or transfers 50% or more of its assets or earnings to any entity after the Rights become exercisable, holders of Rights may purchase, at the Right's then current exercise price, common stock of the acquiring entity having a value equal to twice the Right's exercise price.

In addition, at any time after a person acquires 20% of the outstanding shares of common stock and prior to the acquisition by such person of 50% or

more of the outstanding shares of common stock, the Company may exchange the Rights (other than the Rights which have become null and void), in whole or in part, at an exchange ratio of one share of common stock or equivalent share of preferred stock, per Right.

The Board of Directors can redeem the Rights for \$.01 per Right at any time prior to the acquisition by a person or group of beneficial ownership of 20% or more of the Company's common stock or a person being declared an adverse person. Until a Right is exercised, the holder thereof will have no rights as a shareholder of the Company, including without limitation, the right to vote or to receive dividends. Unless earlier redeemed or exchanged, the Rights will expire on February 20, 2000.

Restricted stock bonus: In 1995, the Company granted an initial stock bonus of 50,000 shares of the Company's common stock to its chief executive officer ("CEO") of which 5,000 shares were paid to him immediately and 15,000 shares were delivered to him on October 2, 1996, October 2, 1997, and October 2, 1998. The unearned compensation has been charged to selling, administrative, and general expenses ("SA&G") over the three-year vesting period and was \$197 in 1998 and \$263 in 1997 and 1996.

In 1997, the Company granted an additional stock bonus of 35,000 shares of the Company's common stock to its CEO. The shares were registered in his name and were delivered over a two-year period based on the attainment of certain profit-before-tax financial performance criteria. In 1998, 16,975 shares were earned, and in 1997, 17,500 shares were earned, and \$315 and \$331 was charged to SA&G in 1998 and 1997, respectively.

Additionally, the CEO earned a bonus of 50,000 shares of the Company's common stock during 1997 based on the increase in the Company's earnings per share. Approximately \$900 was charged to SA&G during 1997.

Note 10 - Earnings Per Share

The following table summarizes earnings per share (EPS) calculations for the years ended December 31, 1998, 1997, and 1996:

	December 31,		
	1998	1997	1996

Numerator for basic EPS			
and diluted EPS -			
net income (loss).....	\$10,650	\$12,611	\$ (7,599)
	=====	=====	=====
Denominator for basic EPS -			
weighted average shares.....	8,789	8,673	8,587
Effect of dilutive securities:			
Primarily employee			
stock options.....	71	34	52
	-----	-----	-----
Denominator for diluted EPS -			
weighted average shares and			
assumed conversions	8,860	8,707	8,639
	=====	=====	=====
Basic EPS.....	\$1.21	\$1.45	\$ (.88)
Diluted EPS.....	1.20	1.45	(.88)

The following number of stock options are not included in dilutive earnings per share since in each case the exercise price is greater than the market price: 190, 226, and 587, in 1998, 1997, and 1996, respectively.

Note 11 - Business Segments

The Company's reportable segments are as follows:

- (1) Metalworking process chemicals-produces products used as lubricants for various heavy industrial and manufacturing applications.
- (2) Coatings-produces temporary and permanent coatings for metal products and chemical milling maskants.
- (3) Other chemical products-primarily includes chemicals used in the manufacturing of paper as well as other various chemical products.

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

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

	Metalworking Process Chemicals	Coatings	Other Chemical Products	Total
1998				
Net sales.....	\$225,433	\$19,434	\$12,233	\$257,100
Operating income....	30,377	4,896	(843)	34,430
Depreciation.....	4,805	84	261	5,150
1997				
Net sales.....	\$211,457	\$15,662	\$14,415	\$241,534
Operating income....	27,322	3,545	528	31,395
Depreciation.....	4,630	80	316	5,026
1996				
Net sales.....	\$211,099	\$10,846	\$18,306	\$240,251
Operating income....	24,655	2,088	988	27,731
Depreciation.....	5,652	78	490	6,220

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

A reconciliation of total segment operating income to total consolidated income (loss) before taxes, for the years ended December 31, 1998, 1997, and 1996 is as follows:

	1998	1997	1996
Total operating income for reportable segments.....	\$34,430	\$31,395	\$27,731
Repositioning charges.....	(5,261)		(19,230)
Nonoperating charges.....	(9,938)	(10,630)	(6,599)
Asset impairment charges on equity investment.....			(3,445)
Depreciation and amortization.....	(1,961)	(2,238)	(2,488)
Litigation charge.....		(2,000)	
Interest expense.....	(2,151)	(1,547)	(1,906)
Interest income.....	562	329	432
Other income.....	1,116	1,805	1,508
Gain on sale of European pulp and paper business.....		2,621	
Consolidated income (loss) before taxes.....	\$16,797	\$19,735	\$ (3,997)
	=====	=====	=====

The following is sales and long-lived asset information by geographic area as of and for the years ended December 31:

	1998	1997	1996

Net sales			
United States.....	\$119,624	\$110,942	\$104,135
Europe.....	93,097	94,898	101,676
Asia/Pacific.....	25,750	22,416	24,188
South America.....	18,629	13,278	10,252
	-----	-----	-----
Consolidated.....	\$257,100	\$241,534	\$240,251
	=====	=====	=====
	1998	1997	1996

Long-lived assets			
United States.....	\$28,417	\$26,400	\$26,834
Europe.....	30,341	26,828	29,618
Asia/Pacific.....	5,606	5,225	5,810
South America.....	18,677	6,794	7,516
	-----	-----	-----
Consolidated.....	\$83,041	\$65,247	\$69,778
	=====	=====	=====

Note 12 - Business Acquisitions and Divestitures

In 1998 and 1997, the Company completed the acquisitions or divestitures set forth below. Each acquisition was accounted for as a purchase, and, accordingly, the purchase price has been allocated where appropriate between the fair value of identifiable net assets acquired and the excess of cost over net assets of acquired companies. The consolidated financial statements include the operating results of each business acquired from the date of acquisition. Pro forma results of operations have not been presented for any of the acquisitions or divestitures because the effects of these transactions, individually or in the aggregate, were not material.

On June 25, 1998, the Company completed the formation of a majority-owned joint venture in Brazil and small businesses in Italy and Venezuela for approximately \$9,350 of which goodwill comprises \$5,500 and is being amortized over 20 years. In addition to the initial contribution, certain earn out provisions may require additional investments.

On August 7, 1997, the Company entered into an agreement with Asianol Lubricants Ltd. for the creation of a joint venture in India. The Company owns 55% of the joint venture and made a cash investment of \$153 during 1997.

On July 1, 1997, the Company completed the sale of its European pulp and paper business for approximately \$3,500 in cash.

Note 13 - Commitments and Contingencies

In 1996, Petrolite Corporation ("Petrolite"), filed a demand of arbitration and a statement in support thereof with the American Arbitration Association in St. Louis, Missouri. Petrolite asserted claims for negligent misrepresentation and breach of contract arising out of a Technology Purchase Agreement (the "Agreement") between Petrolite and the Company pursuant to which the Company sold various assets, including certain patent rights, to Petrolite for a purchase price of approximately \$8,500 plus an obligation to pay royalties. During 1998, the Company paid Petrolite an undisclosed amount not exceeding the amount accrued in 1997, to resolve all disputes between them and terminate the arbitration proceedings.

A wholly owned non-operating subsidiary of the Company is a co-defendant in claims filed by multiple claimants alleging injury due to exposure to asbestos. Although there can be no assurance regarding the outcome of existing claims proceedings, the subsidiary believes that it has made adequate accruals for all potential uninsured liabilities related to claims of which it is aware. Effective October 31, 1997, the subsidiary's insurance carriers agreed to be responsible for all damages and costs (including attorneys' fees) arising out of all existing and future asbestos claims. At December 31, 1998 and 1997, the subsidiary accrued approximately \$50 to provide for anticipated damages and costs incurred prior to October 31, 1997.

The Company has accrued for certain environmental investigatory and noncapital remediation costs consistent with the policy set forth in Note 1. The Company identified certain soil and groundwater contamination at AC Products, Inc. ("ACP"), a wholly owned subsidiary. In coordination with the Santa Ana California Regional Water Quality Board, ACP is remediating the contamination. The Company believes that the potential uninsured liability associated with the completion of the remediation effort ranges from \$700 to \$2,300, for which the Company has accrued approximately \$1,400.

Additionally, although there can be no assurance regarding the outcome of other environmental matters, the Company believes that it has made adequate accruals for costs associated with other environmental problems of which it is aware. Approximately \$205 and \$475 was accrued at December 31, 1998 and 1997, respectively, to provide for such anticipated future environmental assessments and remediation costs.

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

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
of Quaker Chemical Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of cash flows and of shareholders' equity present fairly, in all material respects, the financial position of Quaker Chemical Corporation and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Thirty South Seventeenth Street
Philadelphia, Pennsylvania 19103
March 10, 1999

ELEVEN-YEAR FINANCIAL SUMMARY

(Dollars in thousands except per share data and number of employees)

	1998 (1)	1997 (2)	1996 (3)	1995	1994 (4)
Summary of Operations					
Net sales	\$ 257,100	\$ 241,534	\$ 240,251	\$ 227,038	\$ 194,676
Income (loss) before taxes and cumulative effect of change in accounting principle	17,369	20,504	(7,133)	11,575	15,318
Cumulative effect of change in accounting for postretirement benefits					
Net income (loss)	10,650	12,611	(7,599)	6,688	9,402
Per share(6)					
Income (loss) before cumulative effect of change in accounting principle	1.21	1.45	(.88)	.76	1.03
Cumulative effect of change in accounting for postretirement benefits					
Net income (loss) basic, excluding special charges	1.54	1.41	1.08	.76	.99
Net income (loss)	1.21	1.45	(.88)	.76	1.03
Dividends .....	.74	.71	.69	.68	.63 1/2
Financial Position					
Current assets	96,068	95,857	86,552	87,375	83,400
Current liabilities	50,432	47,759	64,034	60,868	42,754
Working capital	45,636	48,098	22,518	26,507	40,646
Property, plant, and equipment, net	49,622	40,654	43,960	56,309	51,694
Total assets	189,903	172,463	165,608	185,408	170,172
Long-term debt	25,344	25,203	5,182	9,300	12,207
Shareholders' equity	83,735	74,976	73,566	93,215	93,677
Other Data					
Current ratio	1.9/1	2.0/1	1.4/1	1.4/1	2.0/1
Capital expenditures	8,099	5,580	6,923	9,833	9,255
Net income (loss) as a percentage of net sales(7)	4.1%	5.2%	(3.2)%	2.9%	4.8
Return on average shareholders' equity(7)	13.4%	17.0%	(9.1)%	7.2%	10.2
Shareholders' equity per share at end of year(6)	9.41	8.60	8.53	10.76	10.62
Common stock per share price range(6):					
High	21	19 13/16	17 1/4	19	19 1/2
Low	13	15	11 3/4	11	14 3/4
Number of shares outstanding at end of year(6)	8,894	8,720	8,620	8,664	8,819
Number of employees at end of year:					
Consolidated subsidiaries	923	871	835	870	743
Associated companies	266	250	232	235	212

ELEVEN-YEAR FINANCIAL SUMMARY (Continued)

(Dollars in thousands except per share data and number of employees)

	1993 (5)	1992	1991	1990	1989	1988
Summary of Operations						
Net sales	\$ 195,004	\$ 212,491	\$ 191,051	\$ 201,474	\$ 181,660	\$ 166,662
Income (loss) before taxes and cumulative effect of change in accounting principle	(1,524)	19,045	16,888	22,580	19,647	18,939
Cumulative effect of change in accounting for postretirement benefits			(5,675)			
Net income (loss)	(1,758)	12,098	5,115	14,106	12,840	11,731
Per share(6)						
Income (loss) before cumulative effect of change in accounting principle	(.19)	1.33	1.20	1.51	1.35	1.21
Cumulative effect of change in accounting for postretirement benefits			(.63)			
Net income (loss) basic, excluding special charges	.66	1.33	.57	1.51	1.35	1.21
Net income (loss)	(.19)	1.33	.57	1.51	1.35	1.21
Dividends .....	.60 1/2	.57	.53	.47	.41	.37
Financial Position						
Current assets	84,387	85,567	82,725	84,833	75,427	69,326
Current liabilities	42,642	28,126	36,592	40,342	27,848	26,924
Working capital	41,745	57,441	46,133	44,491	47,579	42,402
Property, plant, and equipment, net	55,541	52,179	48,661	46,315	36,539	32,821
Total assets	170,985	166,613	159,121	152,408	131,430	121,125
Long-term debt	16,095	18,604	5,219	5,453	5,665	5,000
Shareholders' equity	91,383	101,642	98,898	99,113	90,440	82,884
Other Data						
Current ratio	2.0/1	3.0/1	2.3/1	2.1/1	2.7/1	2.6/1
Capital expenditures	8,960	7,226	8,420	12,663	7,553	5,295
Net income (loss) as a percentage of net sales(7)	(0.9)%	5.7%	5.6%	7.0%	7.1%	7.0%
Return on average shareholders' equity(7)	(1.8)%	12.1%	10.9%	14.9%	14.8%	14.6%
Shareholders' equity per share at end of year(6)	9.89	11.06	10.95	11.11	9.55	8.57
Common stock per share price range(6):						
High	24 5/8	26	22 1/4	19 1/4	15 5/8	16 1/8
Low	14 1/4	18 3/4	15	12	12 1/2	11 3/8
Number of shares outstanding at end of year(6)	9,242	9,188	9,028	8,921	9,473	9,669
Number of employees at end of year:						
Consolidated subsidiaries	865	842	840	819	829	832
Associated companies	141	130	187	261	154	150

<FN>

- (1) The results of operations for 1998 include net repositioning and integration charges of \$2,882, after-tax and minority interest, or \$.33 per share. Excluding these charges, net income for 1998 was \$13,532, or \$1.54 and \$1.53 per basic and diluted share, respectively.
- (2) The results of operations for 1997 include a gain on the sale of the European pulp and paper business - \$1,703 after-tax, or \$.20 per share and a litigation charge of \$2,000 - \$1,320 after-tax or \$.16 per share. Excluding these items, net income was \$12,228, or \$1.41 per share.
- (3) The results of operations for 1996 include special charges - \$16,912 after-tax, or \$1.96 per share. Excluding these charges, net income for 1996 was \$9,313, or \$1.08 per share.

(4) The results of operations for 1994 include net repositioning credits of \$347, or \$0.04 per share. Excluding these credits, net income for 1994 was \$9,055, or \$0.99 per share.
(5) The results of operations for 1993 include net repositioning charges of \$7,854, or \$0.85 per share. Excluding these charges, net income for 1993 was \$6,096, or \$0.66 per share.
(6) Restated to give retroactive effect to a three-for-two split in 1990.
(7) Calculated for 1991 using \$10,790, which is the net income before the cumulative effect of change in accounting principle
</FN>

Exhibit 13 Page 32-33

SUPPLEMENTAL FINANCIAL INFORMATION

Quarterly Results (unaudited)

(Dollars in thousands, except per share amounts)

	First	Second	Third	Fourth

1998				
Net sales.....	\$62,235	\$65,355	\$65,991	\$63,519
Operating income(1).....	4,968	5,759	5,823	720
Net income(1)	2,894	3,470	3,555	731
Net income per share (basic).....	\$.33	\$.40	\$.40	\$.08
Net income per share (diluted).....	\$.33	\$.39	\$.40	\$.08
1997				
Net sales.....	\$58,543	\$60,312	\$58,687	\$63,992
Operating income(2).....	3,872	6,799	5,065	5,412
Net income(3).....	2,567	4,657	3,319	2,068
Net income per share (basic and diluted)..<	\$.30	\$.54	\$.38	\$.23

<FN>

(1) The fourth quarter includes a \$5,261 (\$2,882 after-tax) repositioning and integration charge.

(2) The second quarter includes a gain of \$2,621 related to the sale of the European pulp and paper business.

(3) The fourth quarter includes a \$2,000 litigation charge.

</FN>

Stock Market and Related Security Holder Matters

The Company's common stock is listed on the New York Stock Exchange ("NYSE"). The following table sets forth, for the calendar quarters during the past two years, the range of high and low sales prices for the common stock as reported by the NYSE, and the quarterly dividends declared as indicated.

	Range of Quotations				Dividends Declared	
	1998		1997		1998	1997
	High	Low	High	Low		

First quarter.....	\$19 3/4	\$16 1/2	\$17 1/4	\$15	\$.18	\$.17 1/2
Second quarter....	21	17 11/16	17 3/8	15 1/2	.18	.17 1/2
Third quarter.....	19 3/4	15 7/16	18 3/4	15 3/4	.19	.18
Fourth quarter....	18 7/16	13	19 13/16	17	.19	.18

As of January 15, 1999 there were 1,018 shareholders of record of the Company's common stock, \$1.00 par value, its only outstanding class of equity securities.

Copies of the Company's Form 10-K for the year ended December 31, 1998 as filed with the Securities and Exchange Commission will be provided without

charge on request to Quaker Chemical Corporation, Attention: Irene M. Kisleiko,
Assistant Corporate Secretary, Conshohocken, PA 19428.

SUBSIDIARIES AND AFFILIATES OF THE REGISTRANT

Name -----	Jurisdiction of Incorporation -----	Percentage of voting securities owned directly or indirectly by Quaker -----
* Quaker Chemical Europe B.V.	Holland	100%
* Quaker Chemical B.V.	Holland	100%
+* Quaker Chemical Holdings UK Limited	United Kingdom	100%
* Quaker Chemical Limited	United Kingdom	100%
* Quaker Chemical S.A.	France	100%
** Quaker Chemical South Africa (Pty.) Limited	Republic of South Africa	50%
* Quaker Chemical, S.A.	Spain	100%
* Quaker Chemical S.A.	Argentina	100%
+ Quaker Chemical Participacoes, Ltda.	Brazil	100%
* Quaker Chemical Industria e Comercio S.A.	Brazil	60%
* Quaker Chemical India Limited	India	55%
** Kelko Quaker Chemical, S.A.	Venezuela	50%
* Quaker Chemical Limited	Hong Kong	100%
* Wuxi Quaker Chemical Co., Ltd.	China	60%
+* Quaker Chemical South East Asia Pte. Ltd.	Singapore	100%
** Nippon Quaker Chemical, Ltd.	Japan	50%
* Quaker Chemical (Australasia) Pty. Limited	State of New South Wales, Australia	51%
** TecniQuimica Mexicana S.A. de C.V.	Mexico	40%
+* SB Decking, Inc. (formerly Selby, Battersby & Co.)	Delaware, U.S.A.	100%
* Quaker Chemical Corporation	Delaware, U.S.A.	100%
+ Quaker Chemical Management, Inc.	Delaware, U.S.A.	100%
* AC Products, Inc.	California, U.S.A.	100%

** Fluid Recycling Services Company, LLC	Michigan, U.S.A.	50%
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- + A non-operating company.
- * Included in the consolidated financial statements.
- ** Accounted for in the consolidated financial statements under the equity method.

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 2-57924, No. 33-54158, No. 33-51655, and No. 333-26793) and on Form S-3 (No. 333-19957) of Quaker Chemical Corporation of our report dated March 10, 1999 appearing on page 31 of the 1998 Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K.

/s/PRICEWATERHOUSECOOPERS LLP

PRICEWATERHOUSECOOPERS LLP

Philadelphia, PA
March 31, 1999

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