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, 2001

or

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 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 incorporation or organization)	(I.R.S. Employer Identification No.)

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
Stock Purchase Rights	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 [_]

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. [_]

State 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 8, 2002): $206,450,054.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock as of the latest practicable date: 9,164,385 shares of Common Stock, $1.00 Par Value, as of March 8, 2002.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement dated March 28, 2002 in connection with the Annual Meeting of Shareholders to be held on May 8, 2002 are incorporated into Part III.

PART I

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

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, further downturns in our customers' businesses, significant increases in raw material costs, worldwide economic and political conditions, foreign currency fluctuations, and future terrorist attacks such as those that occurred on September 11, 2001. Furthermore, the Company is subject to the same business cycles as those experienced by steel, automobile, aircraft, appliance, and durable goods manufacturers.

Item 1. Business.

General Description

Quaker develops, produces, and markets a broad range of formulated chemical specialty products for various heavy industrial and manufacturing applications and, in addition, offers and markets chemical management services. 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) hydraulic fluids (used by steel, metalworking, and other customers to operate hydraulically activated equipment); (vii) technology for the removal of hydrogen sulfide in various industrial applications; (viii) chemical milling maskants for the aerospace industry and temporary and permanent coatings for metal products; (ix) construction products such as flexible sealants and protective coatings for various applications; and (x) programs to provide 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. Generally, separate manufacturing facilities of a single customer are served by different sales personnel. Sales are recorded when products are shipped to customers and services earned. As part of the Company's chemical management services, certain third party products are transferred to customers at no gross profit and accordingly, these transactions have no effect on net sales. Third party products transferred under these arrangements totaled $20.7 million, $19.7 million, and $16.3 million for 2001, 2000, and 1999, respectively. License fees and royalties are recorded when earned and are included in other income.

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 that meet the needs of the customer and render technical services and laboratory assistance to customers and, to a lesser extent, on price.

Major Customers and Markets

During 2001, Quaker's five largest customers (each composed of multiple subsidiaries or divisions with semi-autonomous purchasing authority) accounted for approximately 15% of its consolidated net sales with the largest of these customers accounting for approximately 5% of consolidated net sales. 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. Furthermore, steel customers typically have limited manufacturing locations as compared to metalworking customers and generally use higher volumes of products at a single location. Accordingly, the loss or closure of a steel mill of a significant customer can have a material adverse effect on Quaker's business.

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 2001, only one raw material (mineral oil) 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 that 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. Research and development costs are expensed as incurred. Research and development expenses during 2001, 2000, and 1999 were $8.9 million, $8.5 million, and $8.5 million, respectively.

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 that 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 or Uithoorn laboratories, these facilities are generally sufficient for the

requirements of the customers being served. If problems are encountered which cannot be resolved by local laboratories, such problems may be referred to the laboratory staff in Conshohocken or Uithoorn.

Regulatory Matters

In order to facilitate compliance with applicable Federal, state, and local statutes and regulations relating to occupational health and safety and protection of the environment, the Company has an ongoing program of site assessment for the purpose of identifying capital expenditures or other actions that may be necessary to comply with such requirements. The program includes periodic inspections of each facility by Quaker and/or independent 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 2001, capital expenditures directed solely or primarily to regulatory compliance amounted to approximately $1.3 million compared to $2.8 million and $1.7 million in 2000 and 1999, respectively. In 2002, the Company expects to incur approximately $1.0 million for capital expenditures directed primarily to regulatory compliance.

Number of Employees

On December 31, 2001, Quaker's consolidated companies had 955 full-time employees of whom 376 were employed by the parent company and its U.S. subsidiaries and 579 were employed by its non-U.S. subsidiaries. Associated companies of Quaker (in which it owns 50% or less) employed 156 people on December 31, 2001.

Product Classification

The Company's reportable segments are as follows:

(1) Metalworking process chemicals--products used as lubricants for various heavy industrial and manufacturing applications.

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

(3) Other chemical products--primarily chemicals used in the manufacturing of paper in 2000 and 1999 as well as other various chemical products.

Non-U.S. Activities

Since significant revenues and earnings are generated by non-U.S. operations, Quaker's financial results are affected by currency fluctuations, particularly between the U.S. dollar, the E.U. euro, the Brazilian real, and other foreign currencies, and the impact of those currency fluctuations on the underlying economies. Reference is made to disclosure contained in Item 7A of this Report. Reference is made to disclosure contained in Note 11 of Notes to Consolidated Financial Statements included in Item 8 of this Report.

Item 2. Properties.

Quaker's corporate headquarters and a laboratory facility are located in Conshohocken, Pennsylvania. Quaker's other principal facilities are located in Detroit, Michigan; Uithoorn, The Netherlands; Santa Perpetua de Mogoda, Spain; Rio de Janeiro, Brazil; and Wuxi, China. With the exception of the Conshohocken site, which is owned by a real estate joint venture of which Quaker is a 50% partner (the "Venture"), all of these principal facilities are owned by Quaker and as of December 31, 2001 were mortgage free. Quaker also leases small sales, laboratory, and warehouse facilities in other locations.

In January 2001, the Company contributed its Conshohocken, Pennsylvania property and buildings (the "Site") to the Venture in exchange for a 50% ownership in the Venture. The Venture did not assume any debt or other obligations of the Company. The Venture is renovating certain of the existing buildings at the Site, as well

as building new office space (the "Project"). In December 2000, the Company entered into an agreement with the Venture to lease approximately 40% of the Site's available office space for a 15-year period commencing February 2002, with multiple renewal options. The Company believes the terms of this lease are no worse than the terms it would have obtained from an unaffiliated third party. As of February 28, 2002, approximately half of the Site's remaining office space was under lease to unaffiliated third parties.

The Venture is funding the Project with a $21.0 million construction loan from The Bank of New York, of which approximately $11.8 million was outstanding as of December 31, 2001. The loan is secured in part by a mortgage on the Site and guarantees of completion and payment of interest and operating expenses executed by certain Venture partners other than the Company.

Quaker's Woodchester, England and Villeneuve, France sites are currently for sale. As of December 31, 2001, Quaker closed its Woodchester, England facility and transferred production to its facilities in Uithoorn, The Netherlands and Santa Perpetua de Mogoda, Spain. The administrative, warehousing, and laboratory activities previously conducted at the Woodchester site were transferred to a sales distribution office located in Stonehouse, England. In addition, Quaker is ceasing manufacturing operations at its facility in Villeneuve, France, effective March 31, 2002. Production will be consolidated into its facilities in Uithoorn, The Netherlands and Santa Perpetua de Mogoda, Spain. Sales, warehousing, and laboratory activities will continue pending the sale of the Villeneuve site.

Quaker's aforementioned principal facilities (excluding Conshohocken) 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 is implemented as management considers necessary or desirable. Most locations have various numbers of raw material storage tanks ranging from 7 to 66 each with a capacity ranging from 1,000 to 82,000 gallons and processing or manufacturing vessels ranging in capacity from 15 to 16,000 gallons.

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

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. Incorporated herein by this reference is the information concerning pending asbestos-related cases against a non-consolidated, non-operating subsidiary and amounts accrued associated with certain environmental investigatory and noncapital remediation costs in Note 13 of Notes to Consolidated Financial Statements which appears in Item 8 of 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.

Set forth below are the executive officers of the Company. Each of the executive officers, other than Mark Featherstone, was elected to a one year term. Mr. Featherstone assumed his officer position when he joined the Company.

Name, Age, and Present Position with the Company	Business Experience During Past Five Years and Period Served as an Officer
Ronald J. Naples, 56..... Chairman of the Board and Chief Executive Officer, and Director	Mr. Naples was elected Chairman of the Board in May 1997 and Chief Executive Officer in October 1995. He also served as President of the Company from October 1995 until March 1998. Mr. Naples has been a Director of the Company since 1988.
Joseph W. Bauer, 59..... President and Chief Operating Officer	Mr. Bauer was elected President and Chief Operating Officer of the Company in March 1998. Previously, Mr. Bauer was employed by M. A. Hanna and was President of M. A. Hanna Color Division from 1996 to 1998.
Michael F. Barry, 43..... Vice President, Chief Financial Officer and Treasurer	Mr. Barry was elected Vice President, Chief Financial Officer and Treasurer of the Company in November 1998. Previously, 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 financial and business positions from 1988 to 1997.
D. Jeffry Benoliel, 43..... Vice President, Secretary and General Counsel	Mr. Benoliel was elected Vice President and General Counsel in January 2001. He was elected an officer of the Company in May 1998, at which time he assumed the office of Corporate Secretary in addition to being Director, Corporate Legal Affairs, a position he held since May 1996. Mr. Benoliel is the son of Peter A. Benoliel, a Director of the Company.
Jose Luiz Bregolato, 56..... Vice President and Managing Director--South America	Mr. Bregolato was elected to his current position in 1993.
Ian F. Clark, 57..... Vice President and Global Industry Leader--Metalworking/ Chemical Management Services	Mr. Clark was elected an officer of the Company in March 1999. He assumed his current position in January 2001. Previously, he was Vice President and Global Industry Leader--Steel/Fluid Power from March 1999 to December 2000. Prior to joining the Company, he was employed by Ciba Specialty Chemicals Corporation where he was 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.
James A. Geier, 46..... Vice President--Human Resources	Mr. Geier was elected to his current position in November 1997. Previously, Mr. Geier held a variety of human resources positions at Rhone-Poulenc Rorer Pharmaceuticals, Inc. for a period of more than five years.
Mark Harris, 47..... Vice President and Global Industry Leader--Steel/Fluid Power	Mr. Harris was elected to his current position in January 2001. From 1996 until he assumed his current position, Mr. Harris was Regional Industry Manager for the Company's Steel/Fluid Power business in Europe, the Middle East, and Africa.
Daniel S. Ma, 61..... Vice President and Managing Director--Asia/Pacific	Mr. Ma was elected to his current position in 1993.

Name, Age, and Present Position With the Company	Business Experience During Past Five Years and Period Served as an Officer
Wilbert Platzer, 40..... Vice President--Worldwide Operations	Mr. Platzer was elected to his current position in January 2001. From March 1996 to June 1999, he was Managing Director of Quaker Chemical B.V., the Company's Dutch affiliate, and, from July 1999 until he assumed his current position, he was Director of Operations--Europe.
Irving H. Tyler, 43..... Vice President--Information Services and Chief Information Officer	Mr. Tyler was elected Vice President--Information Services and Chief Information Officer of the Company in January 2001. Previously, he was the Company's Director of Information Services and Chief Information Officer from July 1999 to January 2001; European Controller from August 1997 to July 1999; Director of Operations and Information Services from January 1997 to August 1997; Director of Finance, North American Operations from January 1995 to January 1997.
Mark A. Featherstone, 40..... Global Controller	Mr. Featherstone joined the Company in May 2001 as Global Controller. Previously, he was Senior Vice President-Finance and Controller at Internet Partnership Group from April 2000 to March 2001, and Director of Financial Policies and Projects at Coty Inc. from May 1996 to March 2000.

PART II

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

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

	Range of Quotations				Dividends Declared	
	2001		2000			
	High	Low	High	Low	2001	2000
First quarter	$19.00	$16.12	$17.00	$13.38	$.205	$.195
Second quarter	20.99	17.17	17.44	15.06	.205	.195
Third quarter	21.75	16.96	17.38	15.81	.205	.205
Fourth quarter	22.30	18.00	19.25	15.88	.205	.205

As of January 18, 2002 there were 810 shareholders of record of the Company's common stock, its only outstanding class of equity securities.

Item 6. Selected Financial Data.

The following table sets forth selected financial information for the Company:

	2001/(1)/	2000/(2)/	1999/(3)/	1998/(4)/	1997/(5)/
	(Dollars in thousands except per share amounts)				
Summary of Operations:					
Net sales	$251,074	$267,570	$265,671	$264,453	$248,220
Income before taxes	14,430	26,486	27,151	16,797	19,735
Net income	7,665	17,163	15,651	10,650	12,611
Per share:					
Net income basic	$.85	$1.94	$1.76	$1.21	$1.45
Net income diluted	.84	1.93	1.74	1.20	1.45
Dividends	.82	.80	.77	.74	.71
Financial Position:					
Working capital	$ 47,424	$ 52,981	$ 51,584	$ 45,636	$ 48,098
Total assets	178,823	188,239	182,213	191,403	172,463
Long-term debt	19,380	22,295	25,122	25,344	25,203
Shareholders' equity	80,899	84,907	81,199	83,735	74,976

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(1) The results of operations for 2001 include restructuring charges of $4,039 after-tax; an additional provision for doubtful accounts related to the poor financial condition of certain customers of $1,380 after-tax; an environmental charge of $345 after-tax; and nonrecurring organizational structure charges of $184 after-tax. Excluding these items, net income for 2001 was $13,613.

(2) The results of operations for 2000 include an additional provision for doubtful accounts related to the poor financial condition of certain customers of $1,154 after-tax; a net gain on exit of businesses of $1,016 after-tax; and an environmental charge of $1,035 after-tax. Excluding these items, net income for 2000 was $18,336.

(3) The results of operations for 1999 include a net restructuring credit of $188 after-tax. Excluding this credit, net income for 1999 was $15,462.

(4) The results of operations for 1998 include net restructuring and integration charges of $2,882 after-tax and minority interest. Excluding these charges, net income for 1998 was $13,532.

(5) The results of operations for 1997 include a gain on the sale of the European pulp and paper business, $1,703 after-tax and a litigation charge of $2,000, $1,320 after-tax. Excluding these items, net income was $12,228.

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

Critical Accounting Policies and Estimates

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

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

1. Accounts receivable and inventory reserves and exposures--Quaker establishes allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of Quaker's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Downturns in the overall economic climate may also tend to exacerbate specific customer financial issues. A significant portion of Quaker's revenues is derived from sales to customers in the U.S. steel industry, where a number of bankruptcies occurred during recent years. In 2000 and 2001, Quaker recorded additional provisions for doubtful accounts primarily related to bankruptcies in the U.S. steel industry, including the December 2001 decision by LTV Corporation, a major customer, to cease operations. When a bankruptcy occurs, Quaker must judge the amount of proceeds, if any, that may ultimately be received through the bankruptcy or liquidation process. As part of its terms of trade, Quaker may custom manufacture products for certain large customers and/or may ship product on a consignment basis. These practices may increase the Company's exposure should a bankruptcy occur, and may require writedown or disposal of certain inventory due to its estimated obsolescence or limited marketability. Customer returns of products or disputes may also result in similar issues related to the realizability of recorded accounts receivable or returned inventory.

2. Environmental and litigation reserves--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 extend the life, increase the capacity or improve the safety or efficiency of the property from the date acquired or constructed, and/or mitigate or prevent contamination in the future. Estimates for accruals for environmental matters are based on a variety of potential technical solutions, governmental regulations and other factors, and are subject to a large range of potential costs for remediation and other actions. A considerable amount of judgment is required in determining the most likely estimate within the range, and the factors determining this judgment may vary over time. Similarly, reserves for litigation and similar matters are based on a range of potential outcomes and require considerable judgment in determining the most probable outcome. If no amount within the range is considered more probable than any other amount, the Company accrues the lowest amount in the range in accordance with generally accepted accounting principles.

3. Realizability of equity investments--Quaker holds equity investments in various domestic and foreign companies, whereby it has the ability to influence, but not control, the operations of the entity and its future results. Quaker records an investment impairment charge when it believes an investment has

experienced a decline in value that is other than temporary. Future adverse changes in market conditions, poor operating results of underlying investments, or devaluation of foreign currencies could result in losses or an inability to recover the carrying value of the investments that may not be reflected in an investment's current carrying value. These factors may result in an impairment charge in the future.

4. Tax exposures and valuation allowances--Quaker records expenses and liabilities for taxes based on estimates of amounts that will be ultimately determined to be deductible in tax returns filed in various jurisdictions. The filed tax returns are subject to audit, often several years subsequent to the date of the financial statements. Disputes or disagreements may arise during audits over the timing or validity of certain items or deductions, which may not be resolved for extended periods of time. Quaker establishes reserves for potential tax audit and other exposures as transactions occur and reviews these reserves on a regular basis; however, actual exposures and audit adjustments may vary from these estimates. Quaker also records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. While Quaker has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event Quaker were to determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, should Quaker determine that it would not be able to realize all or part of its net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

5. Restructuring reserves--Restructuring charges may consist of charges for employee severance, rationalization of manufacturing facilities and other items. Quaker records restructuring and other exit costs, including involuntary termination of certain employees, in accordance with the Financial Accounting Standards Board's ("FASB") Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Certain of these items, particularly those involving impairment charges for assets to be sold or closed, require significant estimates and assumptions in terms of estimated sale proceeds, date of sale, transaction costs and other matters, and these estimates can change based on market conditions and other factors.

6. Goodwill and other intangible assets--Intangible assets consist of goodwill and other intangible assets arising from acquisitions which are being amortized on a straight-line basis. The realizability and period of benefit of goodwill is evaluated periodically to assess recoverability and, if necessary, impairment or adjustment of the period benefited would be recognized. Quaker is required to adopt Statement of Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets, effective January 1, 2002. Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed at least annually for impairment.

Recently Issued Accounting Standards

In June 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. In addition, companies are required to review goodwill and intangible assets reported in connection with prior acquisitions, possibly disaggregate and report separately previously identified intangible assets, and possibly reclassify certain intangible assets into goodwill. SFAS No. 142 establishes new guidelines for accounting for goodwill and other intangible assets. Goodwill associated with acquisitions consummated after June 30, 2001 is not amortized. The Company recognized no such goodwill. Additionally, upon adoption, existing goodwill is no longer amortized, but instead will be assessed for impairment on at least an annual basis. The Company implemented the remaining provisions of SFAS No. 142 on January 1, 2002. The Company does not expect to recognize an impairment charge in 2002 in accordance with SFAS No. 142. The non-amortization provisions of SFAS No. 142 for goodwill and intangibles is currently expected to result in an increase in operating income ranging from approximately $0.5 million to $1.0 million in 2002.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated retirement costs. This statement is effective for fiscal years beginning after June 15, 2002. The Company is currently assessing the impact of this new standard.

In July 2001, the FASB issued SFAS No. 144, "Impairment or Disposal of Long-Lived Assets." The provisions of this statement provide a single accounting model for impairment of long-lived assets. This statement is effective for fiscal years beginning after December 15, 2001. The Company adopted this standard on January 1, 2002. Management has assessed the impact of the new standard and determined there to be no material impact to the financial statements.

Liquidity and Capital Resources

Quaker's cash and cash equivalents increased to $20.5 million at December 31, 2001 from $16.6 million at December 31, 2000. The increase resulted primarily from $22.6 million provided by operating activities, offset by $8.0 million and $9.6 million used in investing and financing activities, respectively.

Net cash flow provided by operating activities amounted to $22.6 million in 2001 compared to $21.4 million in 2000. The increase primarily resulted from an increase in the change in working capital accounts including accounts receivable, inventory, and accounts payable and accrued liabilities in 2001 versus 2000, offset by a decrease in operating income, excluding special items, as well as restructuring benefit payments of $1.1 million made in 2001. See "Operations--Comparison of 2001 with 2000" for discussion of operations and special items.

Net cash used in investing activities increased to $8.0 million in 2001 from $2.8 million in 2000. The increase is primarily related to the year 2000, which includes $5.2 million of proceeds received from the sale of the U.S. pulp and paper business, in addition to $1.0 million of proceeds related to the disposition of assets, partially offset by a $3.5 million contingent purchase payment related to the 1998 Brazilian acquisition. In addition, 2001 included $1.4 million related to the Company's acquisition from its Canadian licensee, H.L. Blachford, Ltd., of rights to market to, sell to, and service all Canadian integrated steel makers and certain accounts in the Canadian metalworking market. Cash used for capital expenditures was $1.9 million higher in 2001 compared to 2000.

Expenditures for property, plant, and equipment were $8.0 million in 2001 compared to $6.1 million in 2000. Capital expenditures included upgrades of manufacturing capabilities at various locations, with $1.3 million for environmental and regulatory compliance in 2001 versus $2.8 million in 2000, in addition to $3.6 million in 2001 for a global transaction system. Capital expenditures for 2002 are expected to be approximately $17.0 million and include various upgrades to manufacturing capabilities in the U.S. and Europe, and an estimated $1.0 million for environmental and regulatory compliance. Approximately $10.0 million of the 2002 capital expenditures are related to the global transaction system implementation and leasehold improvements in the Company's new office space (see below). The Company believes that available cash, internally generated cash, and financing arrangements should be sufficient to fund future capital expenditures.

In January 2001, the Company contributed its Conshohocken, Pennsylvania property and buildings (the "Site"), to a real estate joint venture (the "Venture") in exchange for a 50% ownership in the Venture. The Venture did not assume any debt or other obligations of the Company. The Venture credited the Company's capital account with the estimated fair value of the Site, which amount was in excess of the book value of the contribution. The Company recorded its investment in the Venture at book value, which totaled $4.7 million.

The Venture is renovating certain of the existing buildings at the Site, as well as building new office space (the "Project"). In December 2000, the Company entered into an agreement with the Venture to lease approximately 40% of the Site's available office space for a 15-year period commencing February 2002 with multiple renewal options. The Company believes the terms of this lease are no worse than the terms it would

have obtained from an unaffiliated third party. As of February 28, 2002, approximately half of the Site's remaining office space was under lease to unaffiliated third parties.

The Venture is funding the Project with a $21.0 million construction loan from The Bank of New York (the "Venture Loan"), of which approximately $11.8 million was outstanding as of December 31, 2001. The Venture Loan is secured in part by a mortgage on the Site and guarantees of completion and payment of interest and operating expenses executed by certain Venture partners other than the Company.

The Company has not guaranteed, nor is it obligated to pay any principal, interest or penalties on the Venture Loan, even in the event of default by the Venture. At December 31, 2001, the Venture had property with a book value of $19.0 million, total assets of $19.8 million, and total liabilities of $14.5 million. The Venture expects to complete the Project in mid-2002, and expects to refinance the Venture Loan, which matures in July 2002 subject to extension under certain conditions, on acceptable terms. The Company can offer no assurances that the refinancing will be successful. If cash flows permit, the Company will be eligible to receive priority distributions from the Venture.

Net cash flows used in financing activities were $9.6 million in 2001 compared with $10.0 million in 2000. The net change was primarily due to approximately $2.0 million paid to purchase shares of stock under the Company's stock repurchase program during 2000, partially offset by increased dividends in 2001. In addition, 2001 includes repayments of long-term debt of $2.9 million which was offset by $2.9 million of proceeds primarily related to shares issued upon exercise of stock options.

As of December 31, 2001, the Company had available an $18.0 million unsecured demand line of credit. The Company 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 is in compliance with all covenants or other requirements set forth in its credit agreements. The Company believes that, in 2002, it is capable of supporting its operating requirements, payment of dividends to shareholders, possible acquisition opportunities, and possible resolution of contingencies (see Note 13 of Notes to Consolidated Financial Statements) through internally generated funds supplemented with debt as needed.

The following table summarizes the Company's contractual obligations at December 31, 2001, and the effect such obligations are expected to have on its liquidity and cash flow in future periods:

	Payments due by period (Dollars in thousands)						
Contractual Obligations	Total	2002	2003	2004	2005	2006	2007 and beyond
Long-term debt.....	$22,238	$2,858	$2,857	$2,857	$2,857	$2,857	$ 7,952
Capital lease obligations.....	--	--	--	--	--	--	--
Non-cancelable operating leases...	25,512	3,851	3,233	2,326	1,637	1,562	12,903
Unconditional purchase obligations	--	--	--	--	--	--	--
Other long-term obligations.....	--	--	--	--	--	--	--
Total contractual cash obligations	$47,750	$6,709	$6,090	$5,183	$4,494	$4,419	$20,855

Operations

Comparison of 2001 with 2000

Consolidated net sales decreased from $267.6 million in 2000 to $251.1 million in 2001. The 6% decline was the net result of a 4% decrease in volume and a 3% improvement in price/mix, offset by a 4% negative impact from foreign currency translation. Also, the sale of the U.S. pulp and paper business in May 2000 unfavorably impacted the sales comparison by 1%. The shortfall for the year was mainly attributable to

metalworking process chemicals sales declines in the U.S., Europe, and Asia/Pacific regions, primarily due to weak demand from the steel industry, as indicated by bankruptcy filings of two of the Company's major U.S. customers. Brazil sales increased in this segment on a local currency basis, but declined as well due to the weakening of the Brazilian real against the U.S. dollar. These declines were partially offset by higher coatings segment revenues despite weakening aircraft production in the fourth quarter of 2001. Sales from the Company's new joint venture ("Q2 Technologies") also helped offset the sales decline with its strong performance in sales of its sulfur removal technology to industrial customers.

Operating income as reported was $14.2 million in 2001 compared to $25.1 million reported in 2000. Excluding special items, operating income decreased to $22.8 million in 2001 from $26.8 million in 2000. The decline was primarily due to a lower gross profit margin related to the overall sales decline in 2001. Gross profit as a percentage of sales also declined (40.2% for 2001 compared to 41.9% for 2000) primarily as a result of lower sales volumes and higher raw material costs in addition to product mix changes. Excluding special items, operating income as a percentage of sales was 9.1% in 2001 compared to 10.0% in the prior year.

Overall selling, general, and administrative costs as reported for 2001 were $80.5 million compared to $86.9 million in 2000. Both 2001 and 2000 include costs related to special items. Special items include an additional reserve for doubtful accounts primarily related to U.S. steel customers that filed for bankruptcy protection under Chapter 11 and totaled $2.0 million and $1.7 million in 2001 and 2000, respectively, and $0.3 million related to organizational structure costs in 2001. The restructuring and environmental charges discussed below (see "Restructuring and Related Activities" and "Environmental Clean-up Activities") are also considered special items. Excluding special items and adjusting for the U.S. pulp and paper sale in 2000, overall SG&A costs declined 6% compared to 2000. The decline in SG&A is primarily due to continued cost containment efforts as well as foreign exchange impacts.

Other income variance primarily reflects lower license fee revenue in 2001 in addition to gains on fixed asset disposals in 2000 versus losses in 2001. Net interest expense was lower in 2001 reflecting increased interest income and lower overall short-term borrowings in addition to lower interest rates in 2001. Equity income was lower in 2001 compared to 2000, reflecting lower income from the Company's joint ventures in Mexico, Japan, and Venezuela, as well as losses incurred by the Venture. Minority interest was higher in 2001, primarily due to higher net income from joint ventures in Brazil and Q2 Technologies.

The Company's effective tax rate was 31% in both 2001 and 2000. The Company has been assessed approximately $2.0 million of additional taxes based on an audit of certain subsidiaries for prior years. The Company has initiated an appeal process related to this assessment and currently believes its reserves are adequate. The Company is currently reviewing the effective rate for 2002, which is dependent on many internal and external factors, including but not limited to the profitability of the Company's foreign operations and favorable determination relative to the above-referenced audits, but expects the effective tax rate to be 32%.

Comparison of 2000 with 1999

Consolidated net sales for 2000 increased $1.9 million over 1999. The sales growth was the net result of a 5% increase in volume and a 3% improvement in price/mix, offset by a 5% negative impact from foreign currency translation. Also, the sale of the U.S. pulp and paper business in May 2000 unfavorably impacted the sales comparison by 2%. The improvement for the year was mainly attributable to metalworking process chemicals sales growth in Brazil and the Asia/Pacific region, primarily due to strong demand from the steel industry, offset by reductions in the European region due to foreign currency translation and lower coatings segment revenues. Coatings segment revenues declined as a result of lower aircraft production.

Operating income as reported was $25.1 million in 2000 compared to $27.3 million reported in 1999. Operating income decreased to $25.1 million in 2000 from $27.0 million (excluding the impacts of the restructuring and integration credit adjustments) in 1999. The decline was primarily due to a lower gross profit

margin as a percentage of sales (41.9% for 2000 compared to 43.5% for 1999). This decrease is mainly a result of higher raw material costs.

Selling, general, and administrative costs in 2000 decreased approximately $1.8 million or 2% from 1999, reflecting the Company's continued cost containment programs and a positive foreign exchange impact. This decrease was offset by a $1.7 million additional reserve for doubtful accounts related to two U.S. steel customers that filed for bankruptcy protection under Chapter 11.

Minority interest was significantly higher in 2000, primarily due to higher net income from joint ventures in Brazil and China. Net interest expense was lower in 2000 reflecting increased interest income and lower overall short-term borrowings. Other income variance reflects lower license revenue and gains on fixed asset disposals.

The Company's effective tax rate in 2000 was 31% compared with 40% in 1999. The decrease in effective tax rate is primarily due to the implementation of several global tax planning initiatives, the most significant of which is related to the Company's net operating loss carryforward position in Brazil. The impact of the tax planning initiatives in Brazil is being magnified as these operations become more profitable.

During 2000, the Company performed a comprehensive review of the strategic position of certain individual business units and related assets and decided to exit certain businesses. Accordingly, the Company recorded valuation reserves for certain assets of $0.9 million and a pre-tax gain on the sale of its U.S. pulp and paper business of $2.4 million.

Restructuring and Related Activities

In the third and fourth quarters of 2001, Quaker's management approved restructuring plans to realign its organization and reduce operating costs. Quaker's restructuring plans include the closure and sale of its manufacturing facilities in the U.K. and France. In addition, Quaker consolidated certain functions within its global business units and reduced administrative functions, as well as expensed costs related to abandoned acquisitions. Included in the third and fourth quarter restructuring charges are provisions for severance for 16 and 37 employees, respectively.

Restructuring and related charges of $2.958 million and $2.896 million were expensed during the third and fourth quarters of 2001, respectively. The third quarter charge comprised $0.520 million related to employee separations, $2.038 million related to facility rationalization charges, and $0.400 million related to abandoned acquisitions. The fourth quarter charge comprised $2.124 million related to employee separations, $0.575 million related to facility rationalization charges, and $0.197 million related to abandoned acquisitions. Employee separation benefits under each plan varied depending on local regulations within certain foreign countries and included severance and other benefits. As of December 31, 2001, Quaker had completed 25 of the planned 53 employee separations under the 2001 plans. Quaker expects to substantially complete the initiatives contemplated under the restructuring plans by September 30, 2002. Upon conclusion of its restructuring and other cost savings initiatives, Quaker expects to achieve annualized savings of approximately $4.0 million in cost of sales and operating expenses. These estimated cost savings were calculated based upon expected cost reductions primarily related to employee separations as well as lower operating and depreciation expense resulting from factory rationalizations. However, Quaker cannot give any assurance whether the entire estimated cost savings will be realized.

Components of accrued restructuring costs and amounts charged against the 2001 plans as of December 31, 2001 were as follows:

2001
(Dollars in thousands)

	Restructuring Charges	Asset Impairment	Payments	Currency Translation and Other	December 31, 2001 Ending Balance
Employee Separations	$2,644	$ --	$(111)	$ 1	$2,534
Facility Rationalization	2,613	(1,015)	(171)	12	1,439
Abandoned Acquisitions	597	--	(597)	--	--
Total	$5,854	$(1,015)	$(879)	$13	$3,973

In the fourth quarter of 1998, the Company announced and implemented a restructuring and integration plan to better align its organizational structure with market demands, improve operational performance, and reduce costs. The components of the 1998 pre-tax restructuring and integration charge included severance and other benefit costs of $4.0 million and early pension and postemployment benefits of $1.3 million. At the end of 1999, the Company had substantially implemented these initiatives and reversed approximately $314,000 of the original charge. The remaining restructuring and integration liability at December 31, 2000 of $244,000 was paid in January 2001 (see Note 2 of Notes to Consolidated Financial Statements). The liabilities for early pension and postemployment benefits are included in the Company's pension and postretirement benefits obligations (see Note 7 of Notes to Consolidated Financial Statements).

Environmental Clean-up Activities

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 of Notes to Consolidated Financial Statements). During the second quarter of 2000, it was discovered during an internal environmental audit that AC Products, Inc. (ACP), a wholly owned subsidiary, had failed to properly report its air emissions. In response, an internal investigation of all environmental, health, and safety matters at ACP was conducted. ACP voluntarily disclosed these matters to regulators and took steps to correct all environmental, health, and safety issues discovered. In addition, ACP is involved in certain soil and groundwater remediation activities identified in prior years. In connection with these activities, the Company recorded pre-tax charges totaling $0.5 million and $1.5 million in 2001 and 2000, respectively. The Company believes that the potential-known liabilities associated with these matters range from approximately $1.4 million to $2.3 million, for which the Company has sufficient reserves. Notwithstanding the foregoing, the Company cannot be certain that liabilities in the form of remediation expenses, fines, penalties, and damages will not be incurred in excess of the amount reserved.

General

The Company does not currently use financial instruments that expose it to significant risk involving foreign currency transactions; however, the size of non-U.S. activities has a significant impact on reported operating results and the attendant net assets. During the past three years, sales by non-U.S. subsidiaries accounted for approximately 54% to 56% of the consolidated net annual sales (see Note 11 of Notes to Consolidated Financial Statements).

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 trades on currency exchanges and is used in business transactions. Beginning in January 2002, new euro-denominated bills and coins were issued, and legacy currencies were 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 euro conversion did not have a material adverse impact on the Company's 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 increases 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, aircraft, appliance, or durable goods manufacturers.

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

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

Interest Rate Risk. Quaker's exposure to market rate risk for changes in interest rates relates primarily to its short and long-term debt. Most of Quaker's 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. 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, 2001, Quaker had $1,000 in short-term borrowings.

Foreign Exchange Risk. A significant portion of Quaker's revenues and earnings is generated by its foreign operations. All such operations 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, the Brazilian real 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, 2001.

Commodity Price Risk. Many of the raw materials used by Quaker are commodity chemicals, and, therefore, Quaker's 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.

Credit Risk. Quaker establishes allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of Quaker's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Downturns in the overall economic climate may also tend to exacerbate specific customer financial issues. A significant portion of Quaker's revenues is derived from sales to customers in the U.S. steel industry, where a number of bankruptcies occurred during recent years. In 2000 and 2001, Quaker recorded additional provisions

for doubtful accounts primarily related to bankruptcies in the U.S. steel industry. When a bankruptcy occurs, Quaker must judge the amount of proceeds, if any, that may ultimately be received through the bankruptcy or liquidation process. As part of its terms of trade, Quaker may custom manufacture products for certain large customers and/or may ship product on a consignment basis. These practices may increase the Company's exposure should a bankruptcy occur, and may require writedown or disposal of certain inventory due to its estimated obsolescence or limited marketability. Customer returns of products or disputes may also result in similar issues related to the realizability of recorded accounts receivable or returned inventory.

Item 8. Financial Statements and Supplementary Data.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
of Quaker Chemical Corporation

In our opinion, the consolidated financial statements listed in the index appearing under Item 8 on page 16 and listed in the index appearing under Item 14(a)(1) on page 39, present fairly, in all material respects, the financial position of Quaker Chemical Corporation and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(2) on page 39 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, 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 our opinion.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 13, 2002

QUAKER CHEMICAL CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

	Year Ended December 31,		
	2001	2000	1999
	(Dollars in thousands except per share amounts)		
Net sales	$251,074	$267,570	$265,671
Costs and expenses:			
Cost of goods sold	150,045	155,530	150,028
Selling, general, and administrative expenses	80,484	86,865	88,676
Net gain on exit of businesses	--	(1,473)	--
Environmental charge	500	1,500	--
Restructuring charges (credit)	5,854	--	(314)
	236,883	242,422	238,390
Operating income	14,191	25,148	27,281
Other income, net	1,089	2,434	1,862
Interest expense	(1,880)	(2,030)	(2,486)
Interest income	1,030	934	494
Income before taxes	14,430	26,486	27,151
Taxes on income	4,473	8,211	10,860
	9,957	18,275	16,291
Equity in net income of associated companies	613	1,424	957
Minority interest in net income of subsidiaries	(2,905)	(2,536)	(1,597)
Net income	$ 7,665	$ 17,163	$ 15,651
Per share data:			
Net income--basic	$ .85	$ 1.94	$ 1.76
Net income--diluted	$ .84	$ 1.93	$ 1.74
Dividends	$ .82	$ .80	$ .77
Weighted average shares outstanding:			
Basic	9,054	8,831	8,914
Diluted	9,114	8,896	8,975

See notes to consolidated financial statements.

QUAKER CHEMICAL CORPORATION

CONSOLIDATED BALANCE SHEET

	December 31, 2001	December 31, 2000
	(Dollars in thousands except per share amounts)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 20,549	$ 16,552
Accounts receivable, net	44,787	54,401
Inventories, net	18,785	22,716
Deferred income taxes	4,031	4,977
Prepaid expenses and other current assets	3,935	4,535
Total current assets	92,087	103,181
Property, plant, and equipment, net	38,244	42,459
Goodwill and other intangible assets, net	16,402	18,014
Investments in associated companies	9,839	5,925
Deferred income taxes	9,085	9,992
Other assets	13,166	8,668
Total assets	$ 178,823	$ 188,239
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings and current portion of long-term debt	$ 2,858	$ 2,914
Accounts payable	18,323	21,762
Dividends payable	1,873	1,811
Accrued compensation	8,109	11,854
Other current liabilities	13,500	11,859
Total current liabilities	44,663	50,200
Long-term debt	19,380	22,295
Deferred income taxes	1,233	3,711
Accrued postretirement benefits	9,837	9,823
Other liabilities	14,375	8,926
Total liabilities	89,488	94,955
Minority interest in equity of subsidiaries	8,436	8,377
Commitments and contingencies	--	--
Shareholders' equity		
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	357	746
Retained earnings	103,953	103,760
Unearned compensation	(1,597)	--
Accumulated other comprehensive loss	(24,075)	(16,714)
	88,302	97,456
Treasury stock, shares held at cost; 2001-526,865, 2000-812,646	(7,403)	(12,549)
Total shareholders' equity	80,899	84,907
Total liabilities and shareholders' equity	$ 178,823	$ 188,239

See notes to consolidated financial statements.

QUAKER CHEMICAL CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2001	2000	1999
	(Dollars in thousands)		
Cash flows from operating activities			
Net income	$ 7,665	$17,163	$15,651
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	4,913	5,404	5,682
Amortization	1,467	1,408	1,274
Equity in net income of associated companies	(613)	(1,424)	(957)
Minority interest in earnings of subsidiaries	2,905	2,536	1,597
Deferred income taxes	(627)	(1,821)	1,031
Deferred compensation and other postretirement benefits	201	1,218	326
Net gain on exit of businesses	--	(1,473)	--
Environmental charge	500	1,500	--
Restructuring charges (credit)	5,854	--	(314)
Other, net	(695)	596	926
Increase (decrease) in cash from changes in current assets and current liabilities, net of acquisitions and divestitures:			
Accounts receivable, net	7,573	(2,187)	(6,132)
Inventories	2,762	(650)	(644)
Prepaid expenses and other current assets	39	(1,596)	(400)
Accounts payable and accrued liabilities	(6,603)	(1,805)	(1,313)
Change in restructuring liabilities	(1,123)	(328)	(2,139)
Estimated taxes on income	(1,614)	2,852	(361)
Net cash provided by operating activities	22,604	21,393	14,227
Cash flows from investing activities			
Capital expenditures	(8,036)	(6,126)	(5,726)
Dividends from associated companies	1,208	625	615
Investments in and advances to associated companies	95	--	(28)
Payments related to acquisitions	(1,718)	(3,500)	--
Proceeds from sale of business	--	5,200	--
Proceeds from disposition of assets	259	1,006	88
Other, net	165	(11)	(1,160)
Net cash used in investing activities	(8,027)	(2,806)	(6,211)
Cash flows from financing activities			
Dividends paid	(7,410)	(6,989)	(6,817)
Net (decrease) in short-term borrowings and current portion of long-term debt	(56)	(290)	(689)
Repayment of long-term debt	(2,891)	(28)	(409)
Treasury stock issued	2,902	810	557
Treasury stock repurchased	--	(1,961)	--
Distributions to minority shareholders	(2,335)	(1,533)	(142)
Other, net	234	--	--
Net cash used in financing activities	(9,556)	(9,991)	(7,500)
Effect of exchange rate changes on cash	(1,024)	(721)	(2,052)
Net increase (decrease) in cash and cash equivalents	3,997	7,875	(1,536)
Cash and cash equivalents at beginning of year	16,552	8,677	10,213
Cash and cash equivalents at end of year	$20,549	$16,552	$ 8,677
Supplemental cash flow disclosures			
Cash paid during the year for:			
Income taxes	$ 7,550	$ 6,935	$10,310
Interest	1,876	2,020	2,494
Noncash investing activities:			
Contribution of property, plant, and equipment to real estate joint venture	$ 4,358	--	--

See notes to consolidated financial statements.

QUAKER CHEMICAL CORPORATION

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Common stock	Capital in excess of par value	Retained earnings	Unearned compensation	Accumulated other comprehensive income (loss)	Treasury stock	Total
	(Dollars in thousands except per share amounts)						
Balance at December 31, 1998	$9,664	$ 910	$ 84,873	$ --	$ 582	$(12,294)	$ 83,735
Net income	--	--	15,651	--	--	--	15,651
Currency translation adjustments	--	--	--	--	(11,997)	--	(11,997)
Minimum pension liability	--	--	--	--	37	--	37
Comprehensive income	--	--	--	--	--	--	3,691
Dividends ($.77 per share)	--	--	(6,869)	--	--	--	(6,869)
Shares issued upon exercise of options	--	(3)	--	--	--	167	164
Shares issued for employee stock purchase plan	--	(75)	--	--	--	553	478
Balance at December 31, 1999	9,664	832	93,655	--	(11,378)	(11,574)	81,199
Net income	--	--	17,163	--	--	--	17,163
Currency translation adjustments	--	--	--	--	(5,546)	--	(5,546)
Minimum pension liability	--	--	--	--	210	--	210
Comprehensive income	--	--	--	--	--	--	11,827
Dividends ($.80 per share)	--	--	(7,058)	--	--	--	(7,058)
Shares acquired under repurchase program	--	--	--	--	--	(1,961)	(1,961)
Shares issued upon exercise of options	--	(54)	--	--	--	613	559
Shares issued for employee stock purchase plan	--	(32)	--	--	--	373	341
Balance at December 31, 2000	9,664	746	103,760	--	(16,714)	(12,549)	84,907
Net income	--	--	7,665	--	--	--	7,665
Currency translation adjustments	--	--	--	--	(5,566)	--	(5,566)
Minimum pension liability	--	--	--	--	(1,524)	--	(1,524)
Unrealized (loss) on available-for-sale securities	--	--	--	--	(271)	--	(271)
Comprehensive income	--	--	--	--	--	--	304
Dividends ($.82 per share)	--	--	(7,472)	--	--	--	(7,472)
Shares issued upon exercise of options	--	(375)	--	--	--	3,106	2,731
Shares issued for employee stock purchase plan	--	8	--	--	--	244	252
Restricted stock	--	(22)	--	(1,597)	--	1,796	177
Balance at December 31, 2001	$9,664	$ 357	$103,953	$(1,597)	$(24,075)	$ (7,403)	$ 80,899

See notes to consolidated financial statements.

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.

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 non-U.S. subsidiaries and the domestic coatings segment inventories are determined using the first-in, first-out ("FIFO") method.

Long-lived assets: Property, plant, and equipment are stated at cost. Depreciation is computed using the straight-line method on an individual asset basis over the following estimated useful lives: buildings and improvements, 10 to 45 years; and machinery and equipment, 3 to 15 years. The carrying value of long-lived assets is evaluated whenever changes in circumstances indicate the carrying amount of such assets may not be recoverable. If necessary, the Company recognizes an impairment loss for the difference between the carrying amount of the assets and their estimated fair value. Fair value is based on current and anticipated future undiscounted cash flows. 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 various periods not exceeding 40 years. The realizability and period of benefit of goodwill is evaluated periodically to assess recoverability and, if warranted, impairment or adjustment of the period benefited would be recognized. At December 31, 2001 and 2000, accumulated amortization amounted to $9,195 and $8,016, respectively.

Revenue recognition: Sales are recorded when products are shipped to customers and services earned. As part of the Company's chemical management services, certain third party products are transferred to customers at no gross profit and, accordingly, these transactions have no effect on net sales. Third party products transferred under these arrangements totaled $20,654, $19,733, and $16,289 for 2001, 2000, and 1999, respectively. License fees and royalties are recorded when earned and are included in other income.

Research and development costs: Research and development costs are expensed as incurred. Research and development expenses during 2001, 2000, and 1999 were $8,851, $8,496 and $8,524, 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 major steel, automotive, and related companies around the world. The Company maintains allowances for potential credit losses. As of December 31, 2001 and 2000, the allowance for doubtful accounts was $5,155 and $2,960, respectively. Historically, the Company has experienced some losses related to poor financial condition of certain customers. Prior to 2000, such losses were not material. In 2001 and 2000, the Company recorded allowances of $2,000 and $1,672, respectively, primarily related to U.S. steel customers that filed for bankruptcy under Chapter 11.

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

Comprehensive income (loss): The Company presents comprehensive income (loss) in its Statement of Shareholders' Equity. The components of accumulated other comprehensive loss for 2001 include: accumulated foreign currency translation adjustments of $21,529, minimum pension liability of $2,275, and unrealized holding losses on available-for-sale securities of $271. The components of accumulated other comprehensive loss for 2000 include: accumulated foreign currency translation adjustments of $15,963 and minimum pension liability of $751.

Recently issued accounting standards: In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. In addition, companies are required to review goodwill and intangible assets reported in connection with prior acquisitions, possibly disaggregate and report separately previously identified intangible assets, and possibly reclassify certain intangible assets into goodwill. SFAS No. 142 establishes new guidelines for accounting for goodwill and other intangible assets. Goodwill associated with acquisitions consummated after June 30, 2001 is not amortized. The Company has not recognized such goodwill. Additionally, upon adoption, existing goodwill is no longer amortized, but instead will be assessed for impairment on at least an annual basis. The Company implemented the remaining provisions of SFAS No. 142 on January 1, 2002. The Company does not expect to recognize an impairment charge in 2002 in accordance with SFAS No. 142. The non-amortization provisions of SFAS No. 142 for goodwill and intangibles is expected to result in an increase in operating income ranging from approximately $500 to $1,000 in 2002.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated retirement costs. This statement is effective for fiscal years beginning after June 15, 2002. The Company is currently assessing the impact of this new standard.

In July 2001, the FASB issued SFAS No. 144, "Impairment or Disposal of Long-Lived Assets." The provisions of this statement provide a single accounting model for impairment of long-lived assets. The statement is effective for fiscal years beginning after December 15, 2001. The Company adopted this standard on

January 1, 2002. Management has assessed the impact of the new standard and determined there to be no material impact to the financial statements.

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

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

Note 2--Restructuring and Related Activities

In the third and fourth quarters of 2001, the Company's management approved restructuring plans to realign its organization and reduce operating costs. The Company's restructuring plans include the closure and sale of its manufacturing facilities in the U.K. and France. In addition, the Company consolidated certain functions within its global business units and reduced administrative functions, as well as expensed costs related to abandoned acquisitions. Included in the third and fourth quarter restructuring charges are provisions for the severance of 16 and 37 employees, respectively.

Restructuring and related charges of $2,958 and $2,896 were expensed during the third and fourth quarters of 2001, respectively. The third quarter charge comprised $520 related to employee separations, $2,038 related to facility rationalization charges, and $400 related to abandoned acquisitions. The fourth quarter charge comprised $2,124 related to employee separations, $575 related to facility rationalization charges, and $197 related to abandoned acquisitions. Employee separation benefits under each plan varied depending on local regulations within certain foreign countries and included severance and other benefits. As of December 31, 2001, the Company completed 25 of the planned 53 employee separations under the 2001 plans. The Company expects to substantially complete the initiatives contemplated under the restructuring plans by September 30, 2002. Upon conclusion of its restructuring and other cost savings initiatives, the Company expects to achieve annualized savings of approximately $4,000 in cost of sales and operating expenses. These estimated cost savings were calculated based upon expected cost reductions primarily related to employee separations as well as lower operating and depreciation expense resulting from factory rationalizations. However, the Company cannot give any assurance whether the entire estimated cost savings will be realized.

Components of accrued restructuring costs and amounts charged against the 2001 plans as of December 31, 2001 were as follows:

2001
(Dollars in thousands)

	Restructuring Charges	Asset Impairment	Payments	Currency Translation and Other	December 31, 2001 Ending Balance
Employee Separations....	$2,644	$ --	$(111)	$ 1	$2,534
Facility Rationalization	2,613	(1,015)	(171)	12	1,439
Abandoned Acquisitions..	597	--	(597)	--	--
Total.....	$5,854	$(1,015)	$(879)	$13	$3,973

(Dollars in thousands except per share amounts)

In the fourth quarter of 1998, the Company announced and implemented a restructuring and integration plan to better align its organizational structure with market demands, improve operational performance, and reduce costs. The components of the 1998 pre-tax restructuring and integration charge included severance and other benefit costs of $4,000 and early pension and postemployment benefits of $1,300. At the end of 1999, the Company had substantially implemented these initiatives and reversed approximately $314 of the original charge. The remaining restructuring and integration liability at December 31, 2000 of $244 was paid in January 2001.

The liabilities for early pension and postemployment benefits are included in the Company's pension and postretirement benefits obligations (see Note 7 of Notes to Consolidated Financial Statements).

Note 3--Investments in Associated Companies

Investments in associated (less than majority-owned) companies are accounted for under the equity method. See Exhibit 21 in Part IV of this Form 10-K for a listing of the associated companies and their relative ownership percentages.

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

	December 31,	
	2001	2000
Current assets	$19,350	$26,999
Noncurrent assets	24,416	5,391
Current liabilities	11,863	13,763
Noncurrent liabilities	12,570	4,776

	Year Ended December 31,		
	2001	2000	1999
Net sales	$43,138	$57,460	$54,224
Gross margin	19,093	21,227	20,377
Operating income	4,263	5,226	5,821
Net income	1,527	2,004	2,196

In January 2001, the Company contributed its Conshohocken, Pennsylvania property and buildings (the "Site") to a real estate joint venture (the "Venture") in exchange for a 50% ownership in the Venture. The Venture did not assume any debt or other obligations of the Company. The Venture credited the Company's capital account with the estimated fair value of the Site, which amount was in excess of the book value of the contribution. The Company recorded its investment in the Venture at book value, which totaled $4,736.

The Venture is renovating certain of the existing buildings at the Site, as well as building new office space (the "Project"). In December 2000, the Company entered into an agreement with the Venture to lease approximately 40% of the Site's available office space for a 15-year period commencing February 2002, with multiple renewal options. The Company believes the terms of this lease are no worse than the terms it would have obtained from an unaffiliated third party. As of February 28, 2002, approximately half of the Site's remaining office space was under lease to unaffiliated third parties.

The Venture is funding the Project with a $21,000 construction loan from The Bank of New York (the "Venture Loan"), of which approximately $11,766 was outstanding as of December 31, 2001. The Venture Loan

(Dollars in thousands except per share amounts)

is secured in part by a mortgage on the Site and guarantees of completion and payment of interest and operating expenses executed by certain Venture partners other than the Company.

The Company has not guaranteed, nor is it obligated to pay any principal, interest or penalties on the Venture Loan, even in the event of default by the Venture. At December 31, 2001, the Venture had property with a book value of $19,003, total assets of $19,816 and total liabilities of $14,547. The Venture expects to complete the Project in mid-2002, and expects to refinance the Venture Loan, which matures in July 2002 subject to extension under certain conditions, on acceptable terms. The Company can offer no assurances that the refinancing will be successful. If cash flows permit, the Company will be eligible to receive priority distributions from the Venture.

Note 4--Inventories

Total inventories comprise:

	December 31,	
	2001	2000
Raw materials and supplies	$ 9,673	$11,872
Work in process and finished goods	9,112	10,844
	$18,785	$22,716

Inventories valued under the LIFO method amounted to $5,636 and $6,497 at December 31, 2001 and 2000, respectively. The estimated replacement costs for these inventories using the FIFO method were approximately $5,196 and $6,287, respectively.

Note 5--Property, Plant, and Equipment

Property, plant, and equipment comprise:

	December 31,	
	2001	2000
Land	$ 4,328	$ 5,670
Building and improvements	25,132	33,881
Machinery and equipment	61,881	65,844
Construction in progress	6,026	2,639
	97,367	108,034
Less accumulated depreciation	59,123	65,575
	$38,244	$ 42,459

(Dollars in thousands except per share amounts)

Note 6--Taxes on Income

Taxes on income consist of the following:

	Year Ended December 31,		
	2001	2000	1999
Current:...			
Federal.	$(1,066)	$ 2,411	$ 3,528
State...	5	145	85
Foreign.	6,161	7,476	6,216
	5,100	10,032	9,829
Deferred:..			
Federal.	226	(1,337)	522
Foreign.	(853)	(484)	509
Total.....	$ 4,473	$ 8,211	$10,860

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

	2001		2000	
	Current	Non-current	Current	Non-current
Retirement benefits.....	$ 179	$ --	$ 13	$ --
Allowance for doubtful accounts.....	706	--	560	--
FRS impairment.....	--	1,836	--	1,836
Insurance and litigation reserves....	666	--	670	--
Postretirement benefits.....	--	3,111	--	3,102
Supplemental retirement benefits.....	--	900	--	802
Performance incentives.....	306	2,256	2,637	722
Alternative minimum tax carryforward.	--	--	--	396
Restructuring charges.....	2,174	--	1,097	2,873
Vacation pay.....	--	261	--	261
Goodwill.....	--	564	--	--
Operating loss carryforward.....	--	903	--	1,222
Other.....	--	157	--	--
	4,031	9,988	4,977	11,214
Valuation allowance.....	--	(903)	--	(1,222)
Total deferred income tax assets--net	$4,031	$9,085	$4,977	$ 9,992
Depreciation.....		$1,161		$ 3,467
Other.....		72		244
Total deferred income tax liabilities		$1,233		$ 3,711

(Dollars in thousands except per share amounts)

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

	2001	2000	1999
Income tax provision at the Federal statutory tax rate	$4,906	$ 9,005	$ 9,231
State income tax provisions, net	3	96	56
Non-deductible entertainment and business meal expense	159	173	195
Foreign taxes on earnings at rates different from the Federal statutory rate	(321)	(1,239)	1,321
Miscellaneous items, net	(274)	176	57
Taxes on income	$4,473	$ 8,211	$10,860

At December 31, 2001, the Company has foreign net operating loss carryforwards of $2,670, of which $477 expire between 2002 and 2006. There is no time limit for the remaining net operating loss carryforwards of $2,193. 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, 2001 was approximately $109,000. 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.

The following table shows the components of pension costs for the periods indicated:

	2001	2000	1999
Service cost	$ 2,172	$ 2,442	$ 2,136
Interest cost	4,359	4,169	3,962
Expected return on plan assets	(4,569)	(4,583)	(4,614)
Other amortization, net	284	97	(46)
Pension curtailment (Note 2)	42	--	--
Net pension cost of plans subject to SFAS No. 87.	2,288	2,125	1,438
Pension costs of plans not subject to SFAS No. 87	46	69	67
Net pension costs	$ 2,334	$ 2,194	$ 1,505

(Dollars in thousands except per share amounts)

The U.S. defined benefit pension plan is the largest plan. The significant assumptions for the U.S. plan were as follows:

	2001	2000	1999
Discount rate for projected benefit obligation	7.25%	7.5%	7.5%
Assumed long-term rate of compensation increases	4.75%	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 of its retired employees. Both the medical and life insurance plans are currently unfunded.

The following table shows the components of postretirement costs for the periods indicated:

	2001	2000	1999
Service cost	$ 95	$105	$114
Interest cost	696	714	669
Net periodic postretirement benefit cost	$791	$819	$783

(Dollars in thousands except per share amounts)

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

	Pension benefits		Other postretirement benefits	
	2001	2000	2001	2000
Change in benefit obligation				
Benefit obligation at beginning of year	$ 65,824	$64,712	$ 9,841	$ 9,607
Service cost	2,113	2,382	95	105
Interest cost	4,359	4,169	696	714
Amendments	--	253	--	--
Translation difference	(940)	(1,365)	--	--
Actuarial (gain) loss	2,491	(337)	(41)	209
Benefits paid	(3,971)	(4,031)	(776)	(794)
Other	39	41	--	--
Benefit obligation at end of year	$ 69,915	$65,824	$ 9,815	$ 9,841
Change in plan assets				
Fair value of plan assets at beginning of year	$ 58,006	$58,233	$ --	$ --
Actual return on plan assets	(2,108)	3,032	--	--
Employer contribution	2,301	1,571	777	794
Plan participants' contributions	59	61	--	--
Translation difference	(877)	(1,114)	--	--
Benefits paid	(3,828)	(3,777)	(777)	(794)
Fair value of plan assets at end of year	53,553	58,006	--	--
Funded status	(16,362)	(7,818)	(9,815)	(9,841)
Unrecognized transition asset	(848)	(1,103)	--	--
Unrecognized gain (loss)	10,930	2,882	(22)	18
Unrecognized prior service cost	3,946	3,660	--	--
Net amount recognized	$ (2,334)	$(2,379)	$(9,837)	$(9,823)
Amounts recognized in the balance sheet consist of:				
Prepaid benefit cost	$ 3,737	$ 3,105		
Accrued benefit obligation	(12,088)	(6,311)		
Intangible asset	3,742	76		
Accumulated other comprehensive income	2,275	751		
Net amount recognized	$ (2,334)	$(2,379)		

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $55,284, $50,601, and $38,602, respectively, as of December 31, 2001 and $7,075, $6,222, and $0, respectively, as of December 31, 2000.

The discount rate used in determining the accumulated postretirement benefit obligation was 7.25% in 2001 and 7.5% in 2000.

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 8% in 2001, gradually decreasing to

(Dollars in thousands except per share amounts)

5% over nine years. A 1% increase in the health care cost trend rate would increase total service and interest cost for 2001 by $37 and the accumulated postretirement benefit obligation as of December 31, 2001 by $544.

A 1% decrease in the health care cost trend rate would decrease total service and interest cost for 2001 by $33 and the accumulated postretirement benefit obligation as of December 31, 2001 by $488.

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 $681, $575, and $511 in 2001, 2000, and 1999, respectively, representing the annual accrued benefits under this plan.

Profit sharing plan: The Company had maintained a qualified profit sharing plan covering substantially all domestic employees other than those who are compensated on a commission basis. Contributions were $617 and $1,251 for 2000 and 1999 respectively. In January 2001, this plan was replaced by an enhanced employer match on the Company's 401(k) plan. The Company's 401(k) matching contributions for 2001 were $530.

Note 8--Debt

Debt consisted of the following:

	December 31,	
	2001	2000
6.98% Senior unsecured notes due 2007	$17,143	$20,000
Industrial development authority monthly floating rate (1.8% at December 31, 2001) demand bonds maturing 2014	5,000	5,000
Other debt obligations	95	209
	22,238	25,209
Less current portion	2,858	2,914
	$19,380	$22,295

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: $2,857 in 2002, 2003, 2004, 2005 and 2006.

At December 31, 2001 and 2000, the Company had outstanding short-term borrowings with banks under lines of credit in the aggregate of $1 and $27, respectively.

As of December 31, 2001, the Company has available a $18,000 unsecured line of credit. 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, 2001 or 2000.

As of December 31, 2001, the Company maintained a $5,135 stand-by letter of credit guarantying payment of the industrial development authority bonds. This letter of credit is renewed annually.

(Dollars in thousands except per share amounts)

At December 31, 2001 and 2000, 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, 13,463 shares, 20,857 shares, and 30,962 shares were issued from treasury in 2001, 2000, and 1999, 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, 2001, 486,537 shares are available for purchase.

The Company has a long-term incentive program 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 between one and three years after the date of the grant for a period of time determined by the Company not to exceed seven years from the date of grant for options issued in 1999 or later and ten years for options issued in prior years. The Company 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 2001, 2000, and 1999 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:

	2001	2000	1999
Net income--as reported..	$7,665	$17,163	$15,651
Net income--pro forma....	7,236	16,894	15,307
Net income per share-- as reported (basic).....	$ .85	$ 1.94	$ 1.76
Net income per share-- as reported (diluted)..	$ .84	$ 1.93	$ 1.74
Net income per share-- pro forma (basic).....	$ .80	$ 1.91	$ 1.72
Net income per share-- pro forma (diluted)....	$ .79	$ 1.90	$ 1.71

(Dollars in thousands except per share amounts)

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:

	2001	2000	1999
Dividend yield.....	3.9%	3.9%	3.9%
Expected volatility....	21.9%	20.4%	24.2%
Risk-free interest rate	3.38%	5.12%	6.45%
Expected life (years)..	7	7	8

The table below summarizes transactions in the plan during 2001, 2000, and 1999:

	2001		2000		1999	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Options outstanding at January 1,..	1,140,447	$16.60	1,082,947	$16.93	943,263	$17.34
Options granted.....	214,700	17.83	140,700	14.69	157,600	14.37
Options exercised.....	(166,215)	15.73	(25,350)	16.27	(2,516)	14.17
Options expired.....	(134,948)	18.18	(57,850)	18.19	(15,400)	16.33
Options outstanding at December 31,	1,053,984	16.80	1,140,447	16.60	1,082,947	16.93
Options exercisable at December 31,	748,208	16.76	906,306	17.01	826,347	17.35

The following table summarizes information about stock options outstanding at December 31, 2001:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/01	Weighted Average Contractual Life	Weighted Average Exercise Price	Number Exercisable at 12/31/01	Weighted Average Exercise Price
$12.10--$14.52	232,150	5	$13.96	196,049	$13.90
14.53--16.94	262,150	5	15.37	210,175	15.52
16.95--19.36	479,747	5	18.06	263,047	18.26
19.37--21.78	9,937	2	20.88	8,937	21.00
21.79--24.20	70,000	3	22.36	70,000	22.36
	1,053,984	5	16.80	748,208	16.76

Options were exercised for cash, resulting in the issuance of 166,215 shares in 2001 and 25,350 shares in 2000. Options to purchase 999,000 shares were available at December 31, 2001 for future grants.

The program also provides for cash awards and commencing in 1999, common stock awards, the value of which is determined based on operating results over a three-year period for awards issued in 1999, and over a four-year period in prior years. The effect on operations of the change in the estimated value of incentive units during the year was $25, $921, and $2,246 in 2001, 2000, and 1999, respectively.

Shareholders of record on February 20, 1990 received two stock purchase rights for each three shares of common stock outstanding. These rights expired on February 20, 2000. On March 6, 2000, the Board of Directors approved a new Rights Plan and declared a dividend of one new right (the "Rights") for each outstanding share of common stock to shareholders of record on March 20, 2000.

(Dollars in thousands except per share amounts)

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.

Each Right, when exercisable, entitles the registered holder to purchase one one-hundredth of a share of a newly authorized Series B preferred stock at an exercise price of sixty-five 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, 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 one one-hundredth shares of Series B preferred stock having a total market value of 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. 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 March 20, 2010.

Restricted stock bonus: As part of the Company's 2001 Global Annual Incentive Plan ("Annual Plan"), approved by shareholders on May 9, 2001, a restricted stock bonus of 100,000 shares of the Company's stock was granted to an executive of the Company. The shares were issued in April 2001, in accordance with the terms of the Annual Plan, and registered in the executive's name. The shares are subject to forfeiture if the Company fails to achieve a target level of earnings per share for the year 2001 and will vest over a four-year period, subject to the executive's continued employment by the Company. In 2001, 10,000 shares were earned and $177 was charged to selling, general, and administrative expenses ("SG&A"). The remaining shares have been recorded as unearned compensation and will be charged to SG&A when earned.

Note 10--Earnings Per Share

The following table summarizes earnings per share ("EPS") calculations for the years ended December 31, 2001, 2000, and 1999:

	December 31,		
	2001	2000	1999
Numerator for basic EPS and diluted EPS--net income	$7,665	$17,163	$15,651
Denominator for basic EPS--weighted average shares	9,054	8,831	8,914
Effect of dilutive securities, primarily employee stock options	60	65	61
Denominator for diluted EPS--weighted average shares and assumed conversions	9,114	8,896	8,975
Basic EPS	$ .85	$ 1.94	$ 1.76
Diluted EPS	$ .84	$ 1.93	$ 1.74

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: 79, 190, and 192, in 2001, 2000, and 1999, respectively.

(Dollars in thousands except per share amounts)

Note 11--Business Segments

The Company's reportable segments are as follows:

(1) Metalworking process chemicals--products used as lubricants for various heavy industrial and manufacturing applications.

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

(3) Other chemical products--primarily chemicals used in the manufacturing of paper in 2000 and 1999, 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. Inter-segment transactions are immaterial.

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

	Metalworking Process Chemicals	Coatings	Other Chemical Products	Total
2001				
Net sales	$228,527	$18,464	$ 4,083	$251,074
Operating income	47,580	5,161	1,211	53,952
Depreciation	4,580	155	82	4,817
2000				
Net sales	$245,279	$17,560	$ 4,731	$267,570
Operating income (loss)	55,743	4,216	(580)	59,379
Depreciation	5,122	122	125	5,369
1999				
Net sales	$237,283	$18,094	$10,294	$265,671
Operating income	55,008	5,591	919	61,518
Depreciation	5,090	116	281	5,487

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 before taxes for the years ended December 31, 2001, 2000, and 1999 is as follows:

	2001	2000	1999
Total operating income for reportable segments	$ 53,952	$ 59,379	$ 61,518
Restructuring (charges) credit	(5,854)	--	314
Nonoperating charges	(31,844)	(32,761)	(33,082)
Depreciation and amortization	(1,563)	(1,443)	(1,469)
Net gain on exit of businesses	--	1,473	--
Environmental charge	(500)	(1,500)	--
Interest expense	(1,880)	(2,030)	(2,486)
Interest income	1,030	934	494
Other income, net	1,089	2,434	1,862
Consolidated income before taxes	$ 14,430	$ 26,486	$ 27,151

(Dollars in thousands except per share amounts)

The following sales and long-lived asset information is by geographic area as of and for the years ended December 31:

	2001	2000	1999
Net sales			
United States	$109,969	$117,106	$121,188
Europe	88,370	92,151	92,687
Asia/Pacific	26,994	28,621	27,125
South America	25,741	29,692	24,671
Consolidated	$251,074	$267,570	$265,671

	2001	2000	1999
Long-lived assets			
United States	$37,558	$32,467	$31,692
Europe	23,340	23,011	26,235
Asia/Pacific	5,222	5,420	6,211
South America	11,531	14,168	12,146
Consolidated	$77,651	$75,066	$76,284

Note 12--Business Acquisitions and Divestitures

On March 30, 2001, the Company acquired from its Canadian licensee, H. L. Blachford, Ltd., rights to market to, sell to, and service all Canadian integrated steel makers and certain accounts in the Canadian metalworking market. The purchase price totaling approximately $1,450, together with a five-year earn-out provision of five percent on net sales to certain accounts purchased, resulted in intangible assets of $1,364.

On May 31, 2000, the Company completed the sale of its U.S. pulp and paper business for $5,200. The Company recorded a pre-tax gain on the sale of $2,370. Pro-forma results of operations have not been presented because the effects were not material.

On June 25, 1998, the Company completed formation of a majority-owned joint venture in Brazil and small businesses in Italy and Venezuela for approximately $9,350, of which goodwill comprised $5,500. The agreement provided for an earn-out provision if certain performance targets were met. Those targets were met and $3,500 was paid in 2000, resulting in additional goodwill.

Note 13--Commitments and Contingencies

The Company is involved in environmental clean-up activities and litigation in connection with an existing plant location and former waste disposal sites. 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. During the second quarter of 2000, it was discovered during an internal environmental audit that ACP had failed to properly report its air emissions. In response, an internal investigation of all environmental, health, and safety matters at ACP was conducted. ACP has voluntarily disclosed these matters to regulators and has taken steps to correct all environmental, health, and safety issues discovered. In connection with these activities the Company recorded pre-tax charges totaling $500 and $1,500 in 2001 and 2000, respectively. The Company believes that the potential-known liabilities associated with these matters ranges from approximately $1,400 to $2,300, for which the Company has sufficient reserves. Notwithstanding the foregoing, the Company cannot be certain that

(Dollars in thousands except per share amounts)

liabilities in the form of remediation expenses, fines, penalties, and damages will not be incurred in excess of the amount reserved.

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 $260 was accrued at December 31, 2001 and 2000, respectively, to provide for such anticipated future environmental assessments and remediation costs.

A non-consolidated, 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 potential liabilities associated with the existing claims proceedings, the subsidiary believes that it has adequate insurance coverage and has made adequate accruals for all potential 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 up to applicable policy limits. At December 31, 2001, the subsidiary had accrued approximately $50 to provide for anticipated damages and costs incurred prior to October 31, 1997.

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

The Company leases certain manufacturing and office facilities and equipment under non-cancelable operating leases with various terms from one to 25 years expiring in 2020. Rent expense for 2001, 2000, and 1999 was $3,359, $2,299, and $2,159, respectively. The Company's minimum rental commitments under non-cancelable operating leases at December 31, 2001, were approximately $3,851 in 2002, $3,233 in 2003, $2,326 in 2004, $1,637 in 2005, $1,562 in 2006, and $12,903 thereafter.

Note 14--Quarterly Results (unaudited)

	First	Second	Third	Fourth
2001				
Net sales	$64,215	$65,073	$63,514	$58,272
Gross profit	25,822	27,085	25,143	22,979
Operating income (loss)	6,099	6,959	2,853	(1,720)
Net income (loss)	4,013	4,114	1,116	(1,578)
Net income (loss) per share--basic and diluted	$ .45	$ .45	$ .12	$ (.17)
2000				
Net sales	$66,994	$69,355	$68,478	$62,743
Gross profit	27,888	29,228	28,129	26,795
Operating income	6,252	6,993	6,398	5,505
Net income	4,371	4,671	4,683	3,438
Net income per share--basic and diluted	$ .49	$ .53	$ .53	$ .39

Note 15--Subsequent Event (unaudited)

On March 1, 2002, the Company acquired certain assets and liabilities of United Lubricants Corporation ("ULC") for approximately $14,000, subject to post-closing adjustments. The Company is currently assessing the allocation of the purchase price. Pro-forma results of operations have not been presented because the effects were not material.

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 "Item 1--Election of Directors and Nominee Biographies" 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, 2001 (the "2002 Proxy Statement") to, but not including, the caption "Compensation of Directors," the information in the 2002 Proxy Statement beginning immediately following the caption "Board Committee and Meeting Attendance" to, but not including, the caption "Item 2--Ratification of Selection of Independent Accountants" and the information appearing in Item 4(a) on pages 5 and 6 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, with one exception, all reports required to be filed pursuant to Section 16(a) of the 1934 Act with respect to transactions in the Company's Common Stock through December 31, 2001 were filed on a timely basis. Mark A. Featherstone filed his initial statement on Form 3 (which disclosed one grant of stock options) after the required filing date.

Item 11. Executive Compensation.

Incorporated by reference is the information beginning immediately following the caption "Compensation of Directors" to, but not including, the caption "Board Committee and Meeting Attendance" in the 2002 Proxy Statement and the information beginning immediately following the caption "Executive Compensation" to, but not including, the caption "Report of the Compensation/Management Development Committee on Executive Compensation" contained in the 2002 Proxy Statement.

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

Incorporated by reference is the information beginning immediately following the caption "Stock Ownership of Certain Beneficial Owners and Management" to, but not including, the subcaption "Section 16(a) Beneficial Ownership Reporting Compliance" contained in the 2002 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 and Supplementary Data.

2. Financial Statement Schedules

All other 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. Incorporated by reference to Exhibit 3(b) as filed by Registrant with Form 10-K for the year 1998.

4 -- Shareholder Rights Plan dated March 6, 2000. Incorporated by reference to Form 8-K as filed by the Registrant on March 7, 2000.

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(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 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(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 the 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 the 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 the 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 the year 1997.*

10(t) -- Employment Agreement by and between Registrant and Ronald J. Naples dated March 11, 1999. Incorporated by reference to Exhibit 10(t) as filed by Registrant with Form 10-K for the year 1998.*

10(u) -- Employment Agreement by and between Registrant and Michael F. Barry dated November 30, 1998. Incorporated by reference to Exhibit 10(u) as filed by Registrant with Form 10-K for the year 1998.*

10(v) -- Employment Agreement by and between Registrant and Ian F. Clark dated March 15, 1999. Incorporated by reference to Exhibit 10(v) as filed by Registrant with Form 10-K for the year 1998.*

10(w) -- Change in Control Agreement by and between Registrant and Joseph W. Bauer dated February 1, 1999. Incorporated by reference to Exhibit 10(w) as filed by Registrant with Form 10-K for the year 1998.*

10(x) -- Change in Control Agreement by and between Registrant and Michael F. Barry dated November 30, 1998. Incorporated by reference to Exhibit 10(x) as filed by Registrant with Form 10-K for the year 1998.*

10(y) -- Change in Control Agreement by and between Registrant and Jose Luiz Bregolato dated January 6, 1999. Incorporated by reference to Exhibit 10(y) as filed by Registrant with Form 10-K for the year 1998.*

10(z) -- Change in Control Agreement by and between Registrant and James A. Geier dated January 15, 1999. Incorporated by reference to Exhibit 10(z) as filed by Registrant with Form 10-K for the year 1998.*

10(aa) -- Change in Control Agreement by and between Registrant and Daniel S. Ma dated January 15, 1999. Incorporated by reference to Exhibit 10(aa) as filed by Registrant with Form 10-K for the year 1998.*

10(dd) -- 1999 Long-Term Performance Incentive Plan as approved May 12, 1999, effective January 1, 1999. Incorporated by reference to Exhibit 10(dd) as filed by Registrant with Form 10-K for the year 1999.*

10(ff) -- Deferred Compensation Plan as adopted by the Registrant dated December 17, 1999, effective July 1, 1997. Incorporated by reference to Exhibit 10(ff) as filed by Registrant with Form 10-K for the year 1999.*

10(gg) -- Supplemental Retirement Income Program adopted by the Registrant on November 6, 1984, as amended November 8, 1989. Incorporated by reference to Exhibit 10(gg) as filed by Registrant with Form 10-K for the year 1999.*

10(hh) -- 2001 Global Annual Incentive Plan as approved May 9, 2001, effective January 1, 2001.*

10(ii) -- 2001 Long-Term Performance Incentive Plan as approved May 9, 2001, effective January 1, 2001.*

10(jj) -- Agreement of Lease between Quaker Park Associates, L.P. and Quaker Chemical Corporation dated December 19, 2000.

10(kk) -- Asset Purchase Agreement between United Lubricants Corporation and ULC Acquisition Corp. dated January 23, 2002 as amended by Amendment to Purchase Asset Agreement dated February 28, 2002.

21 -- Subsidiaries and Affiliates of the Registrant

23 -- Consent of Independent Accountants

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

(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)(2) of this Item 14.

SIGNATURES

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

QUAKER CHEMICAL CORPORATION
Registrant

By: /S/ RONALD J. NAPLES

Ronald J. Naples
Chairman of the Board and Chief Executive Officer

Date: March 13, 2002

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 13, 2002
/S/ MICHAEL F. BARRY Michael F. Barry Vice President, Chief Financial Officer and Treasurer	Principal Financial Officer	March 13, 2002
/S/ MARK A. FEATHERSTONE Mark A. Featherstone Global Controller	Principal Accounting Officer	March 13, 2002
/S/ JOSEPH B. ANDERSON, JR. Joseph B. Anderson, Jr.	Director	March 13, 2002
Patricia C. Barron	Director	March , 2002
/S/ PETER A. BENOLIEL Peter A. Benoliel	Director	March 13, 2002
/S/ DONALD R. CALDWELL Donald R. Caldwell	Director	March 13, 2002
Robert E. Chappell	Director	March , 2002
/S/ WILLIAM R. COOK William R. Cook	Director	March 13, 2002
/S/ EDWIN J. DELATTRE Edwin J. Delattre	Director	March 13, 2002
/S/ ROBERT P. HAUPTFUHRER Robert P. Hauptfuhrer	Director	March 13, 2002
/S/ ROBERT H. ROCK Robert H. Rock	Director	March 13, 2002

QUAKER CHEMICAL CORPORATION

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Period	Charged to Costs and Expenses	Write-Offs Charged to Allowance	Effect of Exchange Rate Changes	Balance at End of Period
	(Dollars in thousands)				
ALLOWANCE FOR DOUBTFUL ACCOUNTS					
Year ended December 31, 2001...	$2,960	$2,472	$ (218)	$ (59)	$5,155
Year ended December 31, 2000...	$1,133	$1,971	$ (106)	$ (38)	$2,960
Year ended December 31, 1999...	$2,004	$ 681	$(1,339)	$(213)	$1,133

EXHIBIT INDEX

Exhibit No.	Description
10(hh)	2001 Global Annual Incentive Plan as approved May 9, 2001, effective January 1, 2001.
10(ii)	2001 Long-Term Performance Incentive Plan as approved May 9, 2001, effective January 1, 2001.
10(jj)	Agreement of Lease between Quaker Park Associates, L.P. and Quaker Chemical Corporation dated December 19, 2000.
10(kk)	Asset Purchase Agreement between United Lubricants Corporation and ULC Acquisition Corp. dated January 23, 2002 as amended by Amendment to Purchase Asset Agreement dated February 28, 2002.
21	Subsidiaries and Affiliates of the Registrant
23	Consent of Independent Accountants

EXHIBIT 10(hh)

QUAKER CHEMICAL CORPORATION
2001 GLOBAL ANNUAL INCENTIVE PLAN

(Effective January 1, 2001)

PURPOSE

The Quaker Chemical Corporation 2001 Annual Incentive Plan (the "Plan") is designed to reward those employees of Quaker Chemical Corporation (the "Company") and majority-owned subsidiaries who are eligible to participate in the Plan for achieving performance objectives that are important to the Company and its shareholders. The Plan is intended to provide an incentive for superior work and to motivate participating employees toward even higher achievement and business results, to increase shareholder value, to tie their goals and interests to those of the Company and its shareholders, and to enable the Company to attract and retain highly qualified executive officers. The Plan is also intended to secure the full deductibility under the provisions of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") of the bonus compensation paid under the Plan to those participating employees of the Company who are "Covered Employees" (as hereinafter defined).

ARTICLE I--DEFINITIONS

1.1 "Annual Base Salary" shall mean the salary of a Participant determined on an annualized basis by reference to the base rate of pay in effect for such Participant as of September 30th of the current Plan Year.

1.2 "Board" shall mean the Board of Directors of the Company.

1.3 "Code" shall mean the Internal Revenue Code of 1986, as amended (the "Code").

1.4 "Committee" shall mean the Compensation/Management Development Committee of the Board and such other committee or committees as may be designated to act as the administrative committee under the Plan by the Board, at its discretion, from time to time. Where more than one committee has been designated for these purposes, each such committee shall act as the Committee under the Plan with respect to different Participants or groups of Participants (which may be designated individually or by classification) as established at the time any such committee is established.

1.5 "Common Stock" shall refer to shares of the Company's common stock, $1.00 par value.

1.6 "Company" shall mean Quaker Chemical Corporation, a Pennsylvania corporation, and, as appropriate, with respect to eligibility to participate in the Plan, the majority-owned subsidiaries of Quaker Chemical Corporation.

1.7 "Covered Employee" shall mean the chief executive officer (or the individual acting in such a capacity) of the Company and any other officer of the Company whose total compensation is required to be reported to shareholders under the Securities Exchange Act of 1934, as amended, by reason of their being among the four highest compensated officers for a taxable year.

1.8 "Participant" shall mean, with respect to each Performance Period, each employee who has been designated by the Committee as a Participant in the Plan for such Performance Period.

1.9 "Performance Goal" shall mean, with respect to a Performance Period, an objective Performance Goal or goals that have been established by the Committee, consistent with the express terms of the Plan, which must be met in order for any bonus payments to be payable to any Participant in the Plan with respect to such Performance Period. The Committee may establish one or more Performance Goals with respect to a Performance Period, which Performance Goals may be applicable with respect to the bonus or bonuses of groups of Participants or to one or more Participants on an individualized basis.

1.10 "Performance Period" shall mean the Plan Year or such other period or periods as may be established as a Performance Period by the Committee from time to time. Nothing herein shall prohibit the creation of multiple Performance Periods which may overlap with other Performance Periods established under the Plan.

1.11 "Plan" shall mean the Quaker Chemical Corporation 2001 Global Annual Incentive Plan, as set forth herein and as may be amended from time to time.

1.12 "Plan Year" shall mean the calendar year.

1.13 "Rule 16b-3" shall mean Rule 16b-3 as promulgated by the Securities and Exchange Commission pursuant to Section 16 of the Securities Exchange Act of 1934, as amended.

ARTICLE II--ELIGIBILITY AND PARTICIPATION

2.1 Those employees of the Company who are designated as Participants in the Plan from time to time by the Committee shall be eligible to participate in the Plan. Prior to or at the time Performance Goals are established for a specified Performance Period, the Committee shall identify the employees of the Company who are to be Participants in the Plan with respect to such Performance Period.

2.2 If no specific designation with respect to participation in the Plan is made by the Committee at the time Performance Goals are established for a specified Performance Period, those employees of the Company who participated in the Plan with respect to the Performance Period which most recently ended prior to the commencement of such Performance Period shall continue to be Participants in such Performance Period.

2.3 In making its determination as to eligibility for participation in the Plan, the Committee shall take into account an employee's position in the Company and the extent to which the employee's position affords him or her the opportunity to have a significant impact on the attainment of the Company's objectives.

ARTICLE III--PERFORMANCE GOALS

3.1 Prior to or within the first ninety (90) days of a Performance Period, the Committee shall establish in writing with respect to such Performance Period, one or more specific Performance Goals and an objective formula or formulas or such other appropriate method for computing the amount of bonus compensation which may be payable to each Participant if the specified Performance Goals are attained.

(a) Notwithstanding the foregoing sentence, the Performance Goals for any Performance Period may not be established after 25% of the period of service represented by the Performance Period has elapsed.

(b) Subject to the specific limitations set forth in the Plan, nothing herein shall limit the authority of the Committee to establish more than one Performance Goal and more than one formula with respect to bonus compensation of a Participant, nor limit a Participant's ability to receive more than one bonus payment with respect to a single Performance Period.

(c) In establishing the formula or formulas whereby a Participant or classification of Participants have their potential bonus or bonuses determined under the Plan, the Committee may, but is not required to, establish a potential cash bonus as a percentage of Annual Base Salary and/or a bonus to be paid by means of a transfer of shares of Common Stock up to a specified number of shares, and may establish in such formula a "threshold" performance level (below which no bonus is payable), a "mid-level" performance level, at which a particular portion of the bonus becomes payable to the affected Participant, and a "maximum" performance level, at which the full bonus becomes payable. The Committee may, at its discretion, provide for bonus payments to be pro-rated where the attainment of levels of performance falls in between any specified levels otherwise set out as part of the Performance Goals and the formula for determining bonus payments. Any other objective method or methods for establishing the extent to which a Participant's potential bonus becomes payable upon attainment of one or more Performance Goals may be established by the Committee for these purposes, at its sole discretion.

3.2 Performance Goals shall be based upon one or more of the following business criteria (which may be determined for these purposes by reference to (a) the Company as a whole, (b) any of the Company's subsidiaries, operating divisions or other operating units, or (c) any combination thereof): profit before taxes, stock price, market share, gross revenue, net revenue, pretax income, operating income, cash flow, earnings per share, return on equity, return on invested capital or assets, cost reductions and savings, return on revenues or productivity, or any variations of the preceding business criteria, which may be modified at the discretion of the Committee, to take into account extraordinary items or which may be adjusted to reflect such costs or expense as the Committee deems appropriate.

(a) All determinations concerning the attainment of any such Performance Goals shall, to the extent applicable, be determined by or at the direction of the committee using generally accepted accounting principles, except where the Committee has specified otherwise. The Committee may provide for appropriate adjustments to any business criteria used in connection with measuring attainment of Performance Goals to take into account fluctuations in exchange rates, where relevant.

(b) To the extent consistent with the goal of providing for deductibility under Section 162(m) of the Code, Performance Goals may also be based upon a Participant's attainment of personal objectives with respect to any of the foregoing Performance Goals or implementing policies and plans, negotiating transactions and sales, developing long-term business goals or exercising managerial responsibility.

(c) Measurements of the Company's or a Participant's performance against the Performance Goals established by the Committee shall be objectively determinable and shall be determined according to generally accepted accounting principles as in existence on the date on which the Performance Goals are established and without regard to any changes in such principles after such date.

3.3 The Committee may, but is not required to, establish special rules for any employee who first becomes a Participant during a Performance Period, whose level of participation the Committee determines should be changed during a Performance Period, or who retires from employment with the Company during a Performance Period, but only to the extent that such special rules do not cause any Covered Employee's bonus award to cease to qualify as "performance-based compensation" as that term is used for purposes of Code Section 162(m) and Treasury Regulations promulgated thereunder. Such special rules may take into account the following guidelines based on a Performance Period equal to the Plan Year:

(a) If a Participant's date of hire is before April 1, Participant participates for the full Plan Year.

(b) If a Participant's date of hire is between April 1 and October 1, Participant participation in the Plan Year is prorated by the number of whole months worked in the Plan Year divided by twelve.

(c) If a Participant's date of hire is after October 1, Participant does not participate until the subsequent Plan Year.

(d) If a Participant retires or has been approved for short and/or long-term disability after June 30, payment under the Plan would be prorated by the number of completed months in the Plan Year.

(e) If a Participant's level of participation changes due to a change in job position or job reevaluation before October 1, bonus payable under the Plan is calculated with the bonus formulation applicable following such change as though such bonus formulation had been in effect for the entire Plan Year.

ARTICLE IV--DETERMINATION OF BONUS AWARDS AND LIMITATIONS

4.1 As soon as practicable following the end of a Performance Period, the Committee shall determine whether and to what extent the Company and/or the Participants have achieved the Performance Goal or Performance Goals established for such Performance Period, including the specific target objective or objectives and the satisfaction of any other material terms of the bonus award, and shall certify such determination in writing, which certification may take the form of minutes of the Committee documenting such determination.

(a) The Committee shall then calculate the amount of each Participant's bonus or bonuses for such Performance Period based upon the levels of achievement of the relevant Performance Goals and the objective formula or formulae established for such purposes with respect to such Performance Period.

(b) The Committee shall have no discretion to increase the amount of any Participant's bonus payable under the Plan, but may, notwithstanding anything contained herein to the contrary, reduce the amount of or totally eliminate such bonus, if it determines, in its absolute and sole discretion, that such a reduction or elimination is appropriate in order to reflect the Participant's individual performance or to take into account any other factors the Committee deems appropriate.

4.2 No Participant shall be entitled to receive a bonus or bonuses in excess of the following limitations:

(a) For bonuses paid in cash, the maximum bonus payable during any one Plan Year shall not exceed three hundred percent (300%) of such Participant's Annual Base Salary in effect as of September 30th during such Plan Year.

(b) For bonuses payable in the form of a transfer of shares of Common Stock, the maximum bonus payable during any one Plan Year shall not exceed one hundred thousand (100,000) shares.

(c) Special rules for application of the limitations on bonus payments:

(i) A Participant's Annual Base Salary shall be deemed for these purposes to be the lesser of his or her actual Annual Base Salary or $1,000,000.

(ii) The limitation on cash bonuses and on bonuses in the form of transfers of Common Stock shall be applied separately to the cash and stock components of any bonus or bonuses paid to a Participant.

4.3 Shares of Common Stock transferable under the Plan shall be shares of authorized, but not issued Common Stock or Common Stock held in treasury. The maximum number of shares of Common Stock which may be issued under the Plan shall not exceed five hundred thousand (500,000) shares.

4.4 Bonuses payable in the form of a transfer of shares may be evidenced by written grant documents in such form as the Committee shall from time to time approve, and shall set forth such terms and conditions as the Committee shall, from time to time, at its discretion, impose on such transferred shares; provided, however, that any such terms and conditions may not be inconsistent with any specific terms of the Plan.

4.5 Adjustments to Numbers of Shares of Common Stock Upon Changes in Capitalization: In the event of changes to the outstanding shares of Common Stock of the Company through reorganization, merger, consolidation, recapitalization, reclassification, stock splits, stock dividend, stock consolidation or otherwise, or in the event of a sale of all or substantially all of the assets of the Company, an appropriate and proportionate adjustment shall be made in the number and kind of shares available for use under the Plan and in the annual limitations on awards of Company stock. Adjustments or changes under this Section shall be made by the Committee, whose determination as to what adjustments or changes shall be made, and the extent thereof, shall be final, binding, and conclusive.

ARTICLE V--PAYMENT OF AWARDS

5.1 Approved bonus awards shall be payable by the Company in cash or as a transfer of Common Stock, or a combination of cash and Common Stock, to each Participant, or to his or her estate in the event of death, as soon as practicable after the end of each Performance Period and after the Committee has certified in writing that the relevant Performance Goals were achieved, or at such other time or times as the Committee may establish with respect to payment of bonuses with respect to any Performance Period.

With respect to any bonuses payable under the Plan for a Performance Period that is the Plan Year, payment of such bonuses is generally anticipated to be made during the month of March following the close of the Plan Year; subject, however, to the requirement that the attainment of the Performance Goals is certified by the Committee; and subject further to any other specific provisions for timing of payments as may be determined for the Performance Period at the Committee's sole discretion.

5.2 No bonus award shall be payable under the Plan to any Participant who is not employed by the Company (or an affiliate of the Company) as of the time such bonus award would otherwise be payable unless:

(a) The Participant's employment terminated prior to such date but after June 30th during such Plan Year on account of his or her death, disability or retirement from the Company on or after attainment of his or her "normal retirement age" or at a time such Participant is eligible for an "early retirement" as provided for in any pension benefit plan of the Company in which such Participant participates; or

(b) The Committee specifically provided for a payment of all or a portion of such Participant's bonus award following the Participant's termination of employment.

5.3 If a Participant's employment terminates by reason of his or her death, disability or retirement in accordance with the Company's retirement policies, or by reason of a resignation pursuant to mutual written agreement of the Participant and the Company, any bonus award payable will be prorated based on active service during the Performance Period.

5.4 If a Participant is on a leave of absence during a Performance Period, the Participant's bonus award shall be prorated based on active service during the Performance Period.

5.5 If a Participant's employment terminates prior to the date a bonus award is payable under any circumstances other that those described above, no bonus award is payable to such Participant.

ARTICLE VI--OTHER TERMS AND CONDITIONS

6.1 No bonus awards shall be paid under the Plan unless and until the material terms (within the meaning of Section 162(m)(4)(C) of the Code) of the Plan, including the business criteria described in Section 3.2 of the Plan, are disclosed to and approved by the Company's shareholders by a majority of votes cast in a separate vote, either in person or by proxy, including abstentions to the extent abstentions are counted as voting under applicable state law.

6.2 No person shall have any legal claim to be granted an award under the Plan and the Committee shall have no obligation to treat Participants uniformly. Except as may be otherwise required by law, bonus awards under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary. Bonuses awarded under the Plan shall be payable from the general assets of the Company and no Participant shall have any claim with respect to any specific assets of the Company.

6.3 Neither the Plan nor any action taken under the Plan shall be construed as giving any employee the right to be retained in the employ of the Company or any subsidiary or to maintain any Participant's compensation at any level.

6.4 The Company or any of its subsidiaries may deduct from any award any applicable withholding taxes or any amounts owed by the employee to the Company or any of its subsidiaries, or take any other actions it deems necessary or appropriate in connection with any applicable withholding requirements.

6.5 No Common Stock will be delivered under the Plan except in compliance with all applicable Federal and state laws and regulations including, without limitation, compliance with all Federal and state securities laws and with the rules of the New York Stock Exchange and of all domestic stock exchanges on which the Common Stock may be listed. Any certificate issued to evidence shares of Common Stock awarded pursuant to the Plan may bear legends and statements the Committee shall deem advisable to assure compliance with Federal and state laws and regulations. No shares of Common Stock will be delivered under the Plan, until the Company has obtained consent or approval from regulatory bodies, Federal or state, having jurisdiction over such matters as the Committee may deem advisable. In the case of a person or estate acquiring the right to an award of Common Stock made pursuant to the Plan as a result of the death of the Participant, the Committee may require reasonable evidence as to the ownership of the Common Stock and may require consents and releases of taxing authorities that it may deem advisable.

ARTICLE VII--ADMINISTRATION

7.1 Until changed by the Board, the Compensation/Management Development Committee of the Board shall constitute the Committee hereunder. All actions taken under the terms of the Plan with respect to any employee who is a Covered Employee or who is subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended, shall be taken by a Committee consisting solely of two or more members of the Board who qualify both as "outside directors" (as that term is used for purposes of Section 162(m) of the Code), and as "non-employee directors" (as that term is used for purposes of Rule 16b-3).

7.2 The Committee shall have full power and authority to administer and interpret the provisions of the Plan and to adopt such rules, regulations, agreements, guidelines, and instruments for the administration of the Plan and for the conduct of its business as the Committee deems necessary or advisable.

7.3 Except with respect to matters which under Section 162(m)(4)(C) of the Code are required to be determined in the sole and absolute discretion of the Committee, the Committee shall have full power to delegate to any officer or employee of the Company the authority to administer and interpret the procedural aspects of the Plan, subject to the Plan's terms, including adopting and enforcing rules to decide procedural and administrative issues.

7.4 The Committee may rely on opinions, reports or statements of officers or employees of the Company or any subsidiary thereof and of Company counsel (inside or retained counsel), public accountants, and other professional or expert persons.

7.5 No member of the Committee shall be liable for any action taken or omitted to be taken or for any determination made by him or her in good faith with respect to the Plan, and the Company shall indemnify and hold harmless each member of the Committee against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim with the approval of the Committee) arising out of any act or omission in connection with the administration or interpretation of the Plan, unless arising out of such person's own fraud or bad faith.

7.6 The place of administration of the Plan shall be in the Commonwealth of Pennsylvania, and the validity, construction, interpretation, administration, and effect of the Plan and of its rules and regulations, and rights relating to the Plan, shall be determined solely in accordance with the laws of the Commonwealth of Pennsylvania.

ARTICLE VIII--TERM OF PLAN, AMENDMENT AND TERMINATION

8.1 The Plan shall terminate as of the date of the first meeting of the shareholders of the Company that occurs in 2006, unless the material terms of the Plan, including a new term, are disclosed to and approved by shareholders on or before the date of such shareholders meeting.

8.2 The Plan may be suspended, terminated, or reinstated, in whole or in part, at any time by the Board. The Board may from time to time make such amendments to the Plan as it may deem advisable, including, any amendments deemed necessary or desirable to comply with the provisions or Code Section 162(m) relating to "performance-based compensation." Notwithstanding the foregoing, no amendment to the Plan shall be made without the approval of the Company's shareholders, which:

(a) Increases the maximum cash or stock award permitted under the Plan or which increases the number of shares of Common Stock available for awards under the Plan;

(b) Extends the term of the Plan;

(c) Materially modifies the requirements as to eligibility for participation in the Plan;

(d) Changes the business criteria which may be used in establishing Performance Goals;

(e) Otherwise modifies the Plan in a manner that would cause the Plan to fail to meet the requirements under Code Section 162(m) applicable to payments of "performance-based compensation"; or

(f) Causes any stock awards to fail to be exempt under the requirements of Rule 16b-3.

8.3 Termination or amendment of the Plan shall not, without the consent of the Participant, diminish a Participant's rights with respect to any bonus program in effect with respect to the Performance Period in which such amendment or termination occurs except to the extent that such amendment or termination is determined by the Committee to be necessary or appropriate in connection with maintaining the qualification of bonuses under the Plan as "performance-based compensation" for purposes of Code Section 162(m).

QUAKER CHEMICAL CORPORATION
2001 LONG-TERM PERFORMANCE INCENTIVE PLAN

(Effective January 1, 2001)

1. PURPOSE OF THE PLAN

This 2001 Long-Term Performance Incentive Plan (the "Plan") is being established to provide incentives and awards to those employees largely responsible for the long-term success of Quaker Chemical Corporation (the "Company") and its 50% or more owned subsidiaries.

The adoption of the Plan is subject to the approval of the Plan by the Company's shareholders and shall not become effective until so approved. The Plan is intended to meet certain requirements of the Code relating to the payment of compensation that qualifies as "performance-based compensation" which is exempt from certain limitations on deduction imposed under Code Section 162(m). The Plan is intended to replace the Company's 1999 Long-Term Performance Incentive Plan (the "1999 Plan"). If the Plan is approved by the Company's shareholders, no further grants of Stock Options, and no Awards of restricted stock or grants of Performance Incentive Units (as those terms are defined under the 1999 Plan) shall be made under the 1999 Plan. If the Plan is not so approved by the Company's shareholders, the Plan shall be null and void, and the 1999 Plan shall continue in effect without change.

In addition, the Plan is intended to enable the Company to attract and retain executives in the future and to encourage key employees to acquire a proprietary interest in the performance of the Company by purchasing and owning shares of the Company's Common Stock.

2. GENERAL PROVISIONS

2.1 Definitions.

As used in the Plan:

(a) "Award" means a restricted stock award granted pursuant to Section 5 of the Plan.

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

(c) "Board of Directors" means the Board of Directors of the Company.

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

(e) "Committee" means the Compensation/Management Development Committee of the Board of Directors or such other committee of the Board of Directors that consists solely of two (2) or more members of the Board of Directors, each of whom qualifies both as an "outside director" (as that term is used for purposes of Code Section 162(m)) and as a "non-employee director" (as that term is used for purposes of Rule 16b-3) with respect to the Plan.

(f) "Common Stock" means the Common Stock, par value $1.00 per share, of the Company.

(g) "Covered Employee" means each person who is either the chief executive officer of the Company or whose total compensation is required to be reported to shareholders of the Company under the Act by reason of being among the four highest compensated officers of the Company. The intent of this definition is to identify those persons who are "covered employees" for purposes of the applicable provisions of Code Section 162(m) and Treasury Regulations promulgated thereunder and is to be interpreted consistent with this intent.

(h) "Fair Market Value" means, with respect to the date a given Stock Option or Stock Appreciation Right is granted or exercised, the average of the lowest and highest sales price for a share of Common Stock as quoted on the New York Stock Exchange for that date or, if not reported on the New York Stock Exchange for that date, as quoted on the principal exchange on which the Common Stock is listed; provided, however, if no such sales are made on such date, then on the next proceeding date on which there are such sales. If for any day the Fair Market Value of a share of Common Stock is not determinable by any of the foregoing means, then the Fair Market Value for such day shall be determined in good faith by the Committee on the basis of such quotations and other considerations as the Committee deems appropriate.

(i) "Incentive Stock Option" means an option granted under the Plan, which is intended to qualify as an incentive stock option under Section 422 of the Code.

(j) "Non-Qualified Stock Option" means an option granted under the Plan which is not an Incentive Stock Option.

(k) "Option Event" means the date on which:

(i) any person (a "Person"), as such term is used in Sections 13(d) and 14(d) of the Act, (other than (A) the Company and/or its wholly owned subsidiaries; (B) any "employee stock ownership plan" (as that term is defined in Code Section 4975(e)(7)) or other employee benefit plan of the Company and any trustee or other fiduciary in such capacity holding securities under such plan; (C) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company; or (D) 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 voluntarily is a part) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the 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 an Option Event shall not be deemed to have occurred under the provisions of this subsection (i) 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 Act to constitute a single Person) exceeds 50% of the combined voting power of the Company's then outstanding securities;

(ii) during any two-year period beginning on the effective date of this Plan, 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 (i) or (iii) hereof) whose election by the Board of Directors 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 of Directors; or

(iii) the Company's shareholders or the Company's Board of Directors shall approve (A) 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, and/or other property, other than a merger of the Company in which holders of Common Stock immediately prior to the merger have the same proportionate ownership of Common Stock of the surviving corporation immediately after the merger as they had in the Common Stock immediately before; (B) 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 (C) the liquidation or dissolution of the Company.

As used in this Agreement, 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.

(l) "Participant" means an employee of the Company or one or more of its Subsidiaries to whom a Stock Option, a Stock Appreciation Right, an Award and/or a Performance Incentive Unit has been granted under the Plan.

(m) "Performance Award Period" means a period of three (3) consecutive calendar years, the first of which shall commence on January 1, 2001, and the balance of which shall commence on January 1 of every calendar year thereafter through 2006.

(n) "Performance Incentive Unit" means a unit granted in accordance with the provisions of Section 4.1 of the Plan.

(o) "Performance Program Target" means the performance program targets fixed by the Committee for a particular Performance Award Period.

(p) "Rule 16b-3" means Rule 16b-3 promulgated under the Act or any successor Rule.

(q) "Stock Appreciation Right" means a right granted, pursuant to Section 3.7 of the Plan, to a holder of a Stock Option.

(r) "Stock Option" means an Incentive Stock Option or Non-Qualified Stock Option granted under the Plan.

(s) "Subsidiary" means any corporation or other entity, the equity of which is 50% or more owned, directly or indirectly, by the Company.

(t) "Total Disability" shall mean (i) 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 Committee and reasonably acceptable to the Participant or the Participant's legal representative or (ii) if the Company then has in effect a disability plan covering employees generally, including the Participant, the definition of covered total and permanent "disability" set forth in such plan.

2.2 Administration of the Plan.

(a) The Plan shall be administered by the Committee, which shall have the full power, subject to and within the limits of the Plan, to: (i) interpret and administer the Plan and Stock Options, Awards, Performance Incentive Units, and Stock Appreciation Rights granted under it and (ii) make and interpret rules and regulations for the administration of the Plan and to make changes in and revoke such rules and regulations. The Committee, in the exercise of these powers, shall (i) generally determine all questions of policy and expediency that may arise and may correct any defect, omission, or inconsistency in the Plan or any agreement evidencing the grant of any Stock Option, Award, Performance Incentive Unit, or Stock Appreciation Right in a manner and to the extent it shall deem necessary to make the Plan fully effective; (ii) determine those Eligible Employees to whom Stock Options, Awards, Stock Appreciation Rights, and/or Performance Incentive Units shall be granted and the number of any thereof to be granted to any eligible employee, consistent with the provisions of the Plan; (iii) determine the terms of Stock Options, Awards, Stock Appreciation Rights, and Performance Incentive Units granted consistent with the provisions of the Plan; and (iv) generally, exercise such powers and perform such acts in connection with the Plan as are deemed necessary or expedient to promote the best interests of the Company.

(b) The Board may, at its discretion, select one or more of its members who is eligible to be a member of the Committee as alternate members of the Committee who may take the place of any absent member or members of the Committee at any meeting of the Committee. The Committee may

act only by a majority vote of its members then in office; the Committee may authorize any one or more of its members or any officer of the Company to execute and deliver documents on behalf of the Committee.

2.3 Effective Date.

The Plan shall be effective as of January 1, 2001, provided that the Plan is approved and ratified by the Company's shareholders at the Company's 2001 Annual Meeting of Shareholders. If the Plan is not so approved by the Company's shareholders, the Plan and all awards previously granted thereunder become null and void.

2.4 Duration.

If approved by the shareholders of the Company, as provided in Section 2.3, unless sooner terminated by the Board of Directors, the Plan shall remain in effect until December 31, 2010.

2.5 Shares Subject to the Plan.

The maximum number of shares of Common Stock which may be subject to Stock Options and Awards granted under the Plan shall be 1,000,000, subject to adjustment in accordance with Section 6.1, which shares may be either authorized and unissued shares of Common Stock or authorized and issued shares of Common Stock purchased or acquired by the Company for any purpose. Except as provided in Section 3.7(b), if a Stock Option or portion thereof shall expire or be terminated, canceled, or surrendered for any reason without being exercised in full, the unpurchased shares of Common Stock which were subject to such Stock Option or portion thereof shall be available for future grants of Stock Options or Awards under the Plan. In the event any Award lapses prior to the realization thereof, any shares of Common Stock allocable to such Award shall again be available for future grants of Stock Options or Awards.

2.6 Amendments.

The Plan may be suspended, terminated, or reinstated, in whole or in part, at any time by the Board of Directors. The Board of Directors may from time to time make such amendments to the Plan as it may deem advisable, including, with respect to Incentive Stock Options, amendments deemed necessary or desirable to comply with Section 422 of the Code and any regulations issued thereunder; provided, however, that, without the approval of the Company's shareholders, no amendment shall be made which:

(a) Increases the maximum number of shares of Common Stock which may be subject to Stock Options or Awards granted under the Plan (other than as provided in Section 6.1); or

(b) Extends the term of the Plan; or

(c) Increases the period during which a Stock Option may be exercised beyond ten (10) years from the date of grant; or

(d) Otherwise materially increases the benefits accruing to Participants under the Plan; or

(e) Materially modifies the requirements as to eligibility for participation in the Plan; or

(f) Will cause Stock Options, Awards, Stock Appreciation Rights, or Performance Incentive Units issued or granted under the Plan to fail to be exempt under the requirements of Rule 16b-3; or

(g) Changes the business criteria which may be used in establishing Performance Program Targets pursuant to the provisions of Section 4 of the Plan; or

(h) Otherwise modifies the Plan in a manner that would cause any grants or awards made under Section 4 of the Plan to fail to meet the requirements to be treated under Code Section 162(m) as "performance-based compensation."

Termination or amendment of the Plan shall not, without the consent of the Participant, affect such Participant's rights under any Stock Option, Award, Stock Appreciation Right or Performance Incentive Unit previously granted to such Participant.

2.7 Participants and Grants.

The Committee may grant Stock Options, Awards, Stock Appreciation Rights, and Performance Incentive Units to those full-time salaried employees of the Company and its Subsidiaries who the Committee determines hold positions which enable them to have an impact on the long-term success of the Company or its Subsidiaries ("Eligible Employees"). The Committee may grant to Eligible Employees Incentive Stock Options, Non-Qualified Stock Options, and Awards with respect to such number of shares of Common Stock (subject to the limitations of Section 2.5) and Stock Appreciation Rights and/or such number of Performance Incentive Units as the Committee may, in its sole discretion, determine. In determining the number of shares of Common Stock subject to a Stock Option or an Award and the number of Performance Incentive Units to be granted to an eligible employee, the Committee shall consider the employee's base salary, his or her expected contribution to the long-term performance of the Company, and such other relevant facts as the Committee shall deem appropriate. In granting Stock Options, Awards, Stock Appreciation Rights, and Performance Incentive Units under the Plan, the Committee may vary the number of Incentive Stock Options, Non-Qualified Options, Awards, Stock Appreciation Rights, and/or Performance Incentive Units to an Eligible Employee in such amounts as the Committee may determine in its discretion.

3. STOCK OPTIONS

3.1 General.

All Stock Options granted under the Plan shall be granted by the Committee solely at the discretion of the Committee, and shall be evidenced by written agreements executed by the Company and the employee to whom granted which agreement shall state the number of shares of Common Stock which may be purchased upon the exercise thereof and shall contain such investment representations and other terms and conditions as the Committee may from time to time determine, or, in the case of Incentive Stock Options, as may be required by Section 422 of the Code, or any other applicable law. Notwithstanding anything herein to the contrary, no employee shall be granted during any one calendar year Stock Options entitling such employee to purchase more than five hundred thousand (500,000) shares of Common Stock, as such number may be adjusted pursuant to Section 6.1.

3.2 Price.

Subject to the provisions of Sections 3.6(d) and 6.1, the purchase price per share of Common Stock subject to a Stock Option shall, in no case, be less than 100 percent (100%) of the Fair Market Value of a share of Common Stock on the date the Stock Option is granted.

3.3 Period.

The duration or term of each Stock Option granted under the Plan shall be for such period as the Committee shall determine but in no event more than ten (10) years from the date of grant thereof.

3.4 Exercise.

Subject to Sections 3.10 and 6.1, no Stock Option shall be exercisable prior to the expiration of one (1) year from the date it is granted. Once exercisable, a Stock Option shall be exercisable, in whole or in part, by delivery of a written notice of exercise to the Secretary of the Company at the principal

office of the Company specifying the number of shares of Common Stock as to which the Stock Option is then being exercised together with payment of the full purchase price for the shares being purchased upon such exercise. Until the shares of Common Stock as to which a Stock Option is exercised are paid for in full and issued, the Participant shall have none of the rights of a shareholder of the Company with respect to such Common Stock.

3.5 Payment.

The purchase price for shares of Common Stock as to which a Stock Option has been exercised may be paid:

(a) In United States dollars in cash, or by check, bank draft, or money order payable in United States dollars to the order of the Company; or

(b) In the discretion of the Committee by note; or

(c) If not prohibited by the Committee, at its discretion, by the delivery by the Participant to the Company of whole shares of Common Stock having an aggregate Fair Market Value on the date of payment equal to the aggregate of the purchase price of Common Stock as to which the Stock Option is then being exercised or by the withholding of whole shares of Common Stock having such Fair Market Value upon the exercise of such Stock Option; or

(d) If not prohibited by the Committee, at its discretion, in United States dollars in cash, or by check, bank draft, or money order payable in United States dollars to the order of the Company delivered to the Company by a broker in exchange for its receipt of stock certificates from the Company in accordance with instructions of the Participant to the broker pursuant to which the broker is required to deliver to the Company the amount of sale or loan proceeds required to pay the purchase price; or

(e) In the discretion of the Committee, by a combination of any number of the foregoing.

The Committee may, in its discretion, impose limitations, conditions, and prohibitions on the use by a Participant of shares of Common Stock to pay the purchase price payable by such Participant upon the exercise of a Stock Option.

3.6 Special Rules for Incentive Stock Options.

Notwithstanding any other provision of the Plan, the following provisions shall apply to Incentive Stock Options granted under the Plan:

(a) Incentive Stock Options shall only be granted to Participants who are employees of the Company or its Subsidiaries.

(b) To the extent that the aggregate Fair Market Value of stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year under this Plan and under any other plan of the Company or a Subsidiary under which "incentive stock options" (as that term is defined in Code Section 422) are granted exceeds $100,000, such Stock Options shall be treated as Non-Qualified Stock Options.

(c) Any Participant who disposes of shares of Common Stock acquired upon the exercise of an Incentive Stock Option by sale or exchange either within two (2) years after the date of the grant of the Incentive Stock Option under which the shares were acquired or within one (1) year of the acquisition of such shares, shall promptly notify the Secretary of the Company at the principal office of the Company of such disposition, the amount realized, the purchase price per share paid upon exercise, and the date of disposition.

(d) No Incentive Stock Option shall be granted to a Participant who, at the time of the grant, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock either of the Company or any parent or Subsidiary of the Company, unless the purchase price

of the shares of Common Stock purchasable upon exercise of such Incentive Stock Option is at least one hundred ten percent (110%) of the Fair Market Value (at the time the Incentive Stock Option is granted) of the Common Stock and the Incentive Stock Option is not exercisable more than five (5) years from the date it is granted.

3.7 Stock Appreciation Rights.

(a) Grant.

Stock Appreciation Rights may be granted under the Plan by the Committee, but only in connection with all or any part of a Stock Option granted under the Plan. Stock Appreciation Rights may be granted either concurrently with the grant of a Stock Option or at any time thereafter during the term of the Stock Option. A Stock Appreciation Right shall be exercisable only upon surrender of the related Stock Option or portion thereof and shall entitle the Participant to receive the excess of the Fair Market Value of the shares of Common Stock for which the Stock Appreciation Right is exercised on the date of such exercise over the purchase price per share of Common Stock under the related Stock Option. Such excess is hereafter called the "Spread."

(b) Exercise of Stock Appreciation Right.

Stock Appreciation Rights shall be exercisable at such time as and to the extent, but only to the extent, that the Stock Option to which they relate shall be exercisable and shall be subject to any other terms and conditions, not inconsistent with the Plan, as may be fixed by the Committee at the time the Stock Appreciation Right is granted. No Stock Appreciation Right shall be exercisable prior to the later of: (i) six (6) months and one (1) day following the date on which such Stock Appreciation Right was granted or (ii) the date on which the related Stock Option or any portion thereof first becomes exercisable. Shares of Common Stock subject to a Stock Option surrendered by a Participant in connection with an exercise of Stock Appreciation Rights may not again be subjected to Stock Options under the Plan. Upon the exercise of Stock Appreciation Rights, the Participant shall be entitled to receive from the Company in exchange for the surrendered Stock Option or portion thereof, an amount equal to the Spread either in cash or in shares of Common Stock having a Fair Market Value equal to the Spread, or both, as the Committee may determine; provided, however, that the number of shares of Common Stock which a Participant may receive upon the exercise of Stock Appreciation Rights may not exceed the number of shares of Common Stock subject to the Stock Option or portion thereof surrendered upon exercise of such Stock Appreciation Rights. The shares of Common Stock issuable upon exercise of Stock Appreciation Rights may consist either in whole or in part of authorized and unissued shares of Common Stock or authorized and issued shares of Common Stock purchased or acquired by the Company for any purpose. If shares of Common Stock are to be issued to a Participant upon exercise by the Participant of Stock Appreciation Rights, then with respect to such Common Stock, such Participant shall have none of the rights of a shareholder of the Company until the shares of such Common Stock are issued.

3.8 Termination of Employment.

(a) In the event a Participant's employment by the Company or its Subsidiaries shall be terminated for cause, as determined by the Committee, while the Participant holds Stock Options granted under the Plan, all Stock Options held by the Participant shall expire immediately.

(b) If a Participant, while holding Stock Options, (i) retires upon reaching his normal retirement date or having elected early retirement under a formal plan or policy of the Company or (ii) dies, then each Stock Option held by the Participant shall be exercisable by the Participant (or, in the case of death, by the executor or administrator of the Participant's estate or by the person or persons to whom the deceased Participant's rights thereunder shall have passed by will or by the laws of descent or distribution) until the earlier of (A) its stated expiration date or (B) the date occurring three (3) years after the date of such retirement or death, as the case may be. If a Participant's

employment by the Company or its Subsidiaries shall terminate as a result of the Participant's Total Disability, while such Participant is holding Stock Options, then each Stock Option held by the Participant shall be exercisable by the Participant until its stated expiration date.

(c) If a Participant's employment by the Company or its Subsidiaries shall terminate for any reason not specified in Sections 3.8(a) or (b), the Participant shall, to the extent otherwise exercisable, have the right to exercise the Stock Options held by him or her at the date of termination for a period of three (3) months or, in the case of Stock Options which are not intended to be Incentive Stock Options, such extended period as the Committee may, in its sole discretion determine at or after the date of grant; provided, however, that in no event shall such Stock Options be exercisable after their stated expiration date.

(d) Stock Options held by a Participant at the time of the termination of his or her employment by the Company or its Subsidiaries which, by their terms are not then exercisable, shall, subject to, and except as otherwise provided by, the provisions of (i) this Section 3.8 regarding expiration or lapse and (ii) Section 3.10 regarding acceleration and redemption become exercisable (if at all) at the times, and otherwise in the manner, set forth in connection with their original grant or on such accelerated basis as the Committee may, in its sole discretion, determine at or after grant.

3.9 Effect of Leaves of Absence.

It shall not be considered a termination of employment when a Participant is on military or sick leave or such other type of leave of absence which is considered as continuing intact the employment relationship of the Participant with the Company or its Subsidiaries. In case of such leave of absence, the employment relationship shall be continued until the later of the date when such leave equals ninety (90) days or the date when the Participant's right to reemployment shall no longer be guaranteed either by statute or contract.

3.10 Acceleration and Redemption.

Upon the occurrence of an Option Event, all Stock Options granted and outstanding under the Plan shall become immediately exercisable in full regardless of any terms of said Stock Option to the contrary.

4. PERFORMANCE INCENTIVE UNITS

4.1 Grants.

(a) From time to time during each Performance Award Period, the Committee may grant Performance Incentive Units to Eligible Employees in conjunction with or separately from a grant of Stock Options; provided, however, that Performance Incentive Units shall not be granted to any one eligible employee more often than once with respect to a Performance Award Period.

(b) In addition, the Committee may grant a separate Award of Common Stock pursuant to Section 5 of the Plan to a Participant with respect to a Performance Award Period; provided, however, that the transfer or the vesting of such shares of Common Stock shall be subject to satisfaction of the same performance criteria applicable to such Participant's Performance Incentive Unit for such Performance Award Period.

4.2 Establishment of Stated Value and Performance Program Targets.

(a) Initial Performance Program Targets. At the beginning of each

Performance Award Period, the Committee shall establish the Performance Program Targets applicable to that Performance Award Period (which may be expressed as increases in the Company's earnings per share, return or average return on assets, or in terms of any financial or other standard, or

combinations thereof, as the Committee may determine in its discretion), the value (which shall be expressed in dollars) of Performance Incentive Units (the "Stated Value") to be granted with respect to such Performance Award Period, and shall fix the percentage, if any, of the Stated Value to be earned upon the achievement of the Performance Program Targets established for the relevant Performance Award Period; provided, however, that the percentage of Stated Value to be earned upon achievement of the maximum Performance Program Target established with respect to a Performance Award Period shall in no event exceed 200% of Stated Value fixed for that Performance Award Period.

(b) Change in Performance Targets. If the Committee determines that an unforeseen change during a Performance Award Period in the Company's business operations, corporate structure, capital structure, or manner in which it conducts business is extraordinary and material and that the Performance Program Targets established for the Performance Award Period are no longer suitable, the Committee may, but only with the concurrence of the Board of Directors, modify the Performance Program Targets as it deems appropriate and equitable; provided, however, that no such modification shall increase the Performance Program Targets in effect for any Performance Award Period (i.e., establish a target that is more difficult to achieve than the original Performance Program Target); and provided, further, that no such modification shall be made that would cause the benefits payable with respect to such Performance Program Target to fail to qualify as "performance-based compensation" for purposes of Code Section 162(m).

(c) Other Rules for Performance Incentive Units. Notwithstanding anything to the contrary contained herein, the following provisions shall apply to Performance Incentive Units and to Awards of Common Stock granted under this Section 4, and are intended to ensure that payments or Awards of Common Stock made to any Participant who is a Covered Employee with respect to a Performance Incentive Unit shall qualify as "performance-based compensation" for purposes of Code Section 162(m):

(i) All discretionary actions taken under the Plan with respect to grants of Performance Incentive Units for a Covered Employee (or any other Participant who the Committee determines may be a Covered Employee at the time any payment with respect to a Performance Incentive Unit is made) shall be exercised exclusively by the Committee;

(ii) No Participant shall receive, under the terms of the Plan, compensation payable in cash attributable to his or her Performance Incentive Units during any one calendar year an amount in excess of the lesser of five (5) times the Participant's base salary, or five million dollars ($5,000,000);

(iii) No Participant shall receive, under the terms of the Plan, compensation in the form of an Award of Common Stock as described in Section 4.1(b) above, during any one calendar year in excess of five hundred thousand (500,000) shares;

(iv) In all cases, the Performance Program Targets established with respect to any Performance Award Period and applicable to a Covered Employee (or any other Participant who the Committee determines may be a Covered Employee at the time any payment with respect to a Performance Incentive Unit is made) shall be established within the first ninety (90) days of the Performance Award Period or, if shorter, within the first 25% of such Performance Award Period;

(v) The Performance Program Targets applicable to any Covered Employee (or any other Participant who the Committee determines may be a Covered Employee at the time any payment with respect to a Performance Incentive Unit is made) shall in all events provide an objective method for determining whether the Performance Program Targets have been achieved, and an objective method for computing the amount that may be paid to the Covered Employee based on the attainment of one or more goals included in the Performance Program Targets;

(vi) No Covered Employee (or any other Participant who the Committee determines may be a Covered Employee at the time any payment with respect to a Performance Incentive Unit is made) may receive any payment with respect to a Performance Incentive Unit or vest in (or receive) Common Stock granted pursuant to an Award made under this Section 4 in conjunction with the grant of Performance Incentive Units unless and until (A) the Plan is approved by the Company's

shareholders, and (B) the Committee responsible for the administration of the Plan with respect to such Covered Employee has certified in writing that the Performance Program Target or Targets for a Performance Award Period have been achieved; and

(vii) In establishing any Performance Program Target under the Plan, the Committee shall establish an objective business target based upon one or more of the following business criteria (which may be determined for these purposes by reference to (a) the Company as a whole, (b) any of the Company's subsidiaries, operating divisions or other operating units, or (c) any combination thereof): profit before taxes, stock price, market share, gross revenue, net revenue, pretax income, operating income, cash flow, earnings per share, return on equity, return on invested capital or assets, cost reductions and savings, return on revenues or productivity, or any variations of the preceding business criteria, which may be modified at the discretion of the Committee, to take into account extraordinary items or which may be adjusted to reflect such costs or expense as the Committee deems appropriate.

4.3 Payment.

As promptly as practicable after the end of each Performance Award Period, the Committee shall, pursuant to Section 4.2 of the Plan, determine the earned percentage of Stated Value of the Performance Incentive Units granted with respect to such completed Performance Award Period. The Company shall, as soon as practicable after such determination has been made, pay to each Participant holding Performance Incentive Units granted with respect to such completed Performance Award Period, for each such Performance Incentive Unit held by him or her an amount equal to the product obtained by multiplying Stated Value by the earned percentage of Stated Value; provided, however, that no amounts shall be due or payable with respect to any Performance Incentive Units unless the Participant to whom such Performance Incentive Units have been granted is employed by the Company on the date of payment.

4.4 Termination of Employment.

If a Participant's employment by the Company and its Subsidiaries terminates for any reason, the Performance Incentive Units held by the Participant with respect to any Performance Award Period which has not ended at the date of such termination shall become null and void; provided, however, that the Committee, in its sole discretion, shall have the right to authorize proportionate payment in cases of death or retirement at the normal retirement date or under a formal early retirement plan or policy of the Company if the Committee in its discretion determines a payment to be appropriate and equitable.

5. RESTRICTED STOCK

5.1 Grant.

Common Stock may be granted from time to time under the Plan by the Committee to Eligible Employees in the form of an Award of Common Stock transferred to a Participant without other payment therefor. Any such Award may, but need not, be subject to the recipient's completion of a restriction period established with respect to such Award ("Restriction Period") and may, but need not, be subject to the satisfaction of any performance criteria established with respect to such Award. The determination of whether an Award is to be subject to a Restriction Period and/or any performance criteria shall be made at the discretion of the Committee. The Common Stock associated with any Award may be transferred to the Eligible Employee at the discretion of the Committee either at the time the Award is granted, following the lapse of the Restriction Period and/or satisfaction of any applicable performance criteria or at any other time as the Committee at its discretion shall designate. Awards of Common Stock may, but need not, be made in conjunction with

the grant of Performance Incentive Units to a Participant under Section 4 of the Plan. If granted in conjunction with the grant of a Performance Incentive Unit, such Award shall be subject to the requirements of Section 4 of the Plan, as applicable, as well as the provisions of this Section 5.

5.2 Restrictions.

Except as otherwise provided in this Section 5, no Award or shares of Common Stock relating to any Award may be sold, exchanged, transferred, pledged, hypothecated, or otherwise disposed of during the Restriction Period; provided, however, the Restriction Period for any Participant shall be deemed to end and all restrictions on shares of the Common Stock subject to the Award shall lapse upon the Participant's death, Total Disability, the Participant's retirement after attaining his or her retirement date under a formal plan or policy of the Company, upon an event that would constitute an Option Event, or upon any other date or event as may be determined by the Committee in its sole discretion at or after grant of the Award.

5.3 Lapse.

If a Participant terminates employment with the Company for any reason other than as set forth in Section 5.2 before the expiration of the Restriction Period, the Award shall lapse and all shares of Common Stock still subject to restriction shall be forfeited and shall be reacquired by the Company without further consideration.

5.4 Custody of Shares.

The Committee may require under such terms and conditions as it deems appropriate or desirable that the certificates for Common Stock subject to an Award be held in custody by a bank or other institution or that the Company may itself hold such certificates in custody until the Restriction Period expires or until restrictions thereon otherwise lapse and may require as a condition of any Award that the Participant shall have delivered to the Company a stock power endorsed in blank relating to the shares of Common Stock subject to the Award. The shares of Common Stock subject to an Award shall be issued promptly after the conclusion of the Restriction Period and the satisfaction of any applicable performance criteria.

5.5 Shareholder Rights.

Each Participant who receives Common Stock in connection with an Award shall have all of the rights of a shareholder with respect to such shares of Common Stock attributable thereto, including the right to vote the shares and receive dividends and other distributions.

5.6 Agreement.

Each Award granted under the Plan shall be evidenced by a written agreement between the Company and the Participant which shall set forth the number of shares of Common Stock subject to the Award, the length of the Restriction Period, and such performance criteria relating to the vesting of the shares of Common Stock to which the Award is subject as the Committee may, in its sole discretion, determine.

6. MISCELLANEOUS PROVISIONS

6.1 Adjustments Upon Changes in Capitalization.

In the event of changes to the outstanding shares of Common Stock of the Company through reorganization, merger, consolidation, recapitalization, reclassification, stock splits, stock dividend, stock consolidation or otherwise, or in the event of a sale of all or substantially all of the assets of the

Company, an appropriate and proportionate adjustment shall be made in the number and kind of shares as to which Stock Options or Awards may be granted. A corresponding adjustment changing the number or kind of shares and/or the purchase price per share of unexercised Stock Options or Awards or portions thereof which shall have been granted prior to any such change shall likewise be made. Notwithstanding the foregoing, in the case of a reorganization, merger or consolidation, or sale of all or substantially all of the assets of the Company, in lieu of adjustments as aforesaid, the Committee may in its discretion accelerate the date after which a Stock Option may or may not be exercised or the stated expiration date thereof and may accelerate the termination date of any Award or Performance Award Period then in effect. Adjustments or changes under this Section shall be made by the Committee, whose determination as to what adjustments or changes shall be made, and the extent thereof, shall be final, binding, and conclusive.

6.2 Non-Transferability.

No Stock Option, Stock Appreciation Right, Award, or Performance Incentive Unit granted under the Plan shall be transferable by the Participant except by will or the laws of descent and distribution and no Stock Option granted under the Plan shall be exercisable during the Participant's lifetime by any person other than the Participant or his guardian or legal representative.

6.3 Withholding.

The Company's obligations in connection with this Plan shall be subject to applicable Federal, state, and local tax withholding requirements. Federal, state, and local withholding tax due at the time of a grant or upon the exercise of any Stock Option or upon the lapse of restrictions on any shares of Common Stock subject to an Award may, in the discretion of the Committee, be paid in shares of Common Stock already owned by the Participant or through the withholding of shares otherwise issuable to such Participant upon such terms and conditions as the Committee shall determine. If the Participant shall either fail to pay, or make arrangements satisfactory to the Committee for the payment, to the Company of all such Federal, state, and local taxes required to be withheld by the Company, then the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to such Participant an amount equal to any Federal, state, or local taxes of any kind required to be withheld by the Company.

6.4 Compliance with Law and Approval of Regulatory Bodies.

No Stock Option, Stock Appreciation Right, or Performance Incentive Unit shall be exercisable and no shares will be delivered under the Plan except in compliance with all applicable Federal and state laws and regulations including, without limitation, compliance with all Federal and state securities laws and withholding tax requirements and with the rules of the New York Stock Exchange and of all domestic stock exchanges on which the Common Stock may be listed. Any share certificate issued to evidence shares for which a Stock Option is exercised or for which an Award has been granted may bear legends and statements the Committee shall deem advisable to assure compliance with Federal and state laws and regulations. No Stock Option, Stock Appreciation Right, or Performance Incentive Unit shall be exercisable and no shares will be delivered under the Plan, until the Company has obtained consent or approval from regulatory bodies, Federal or state, having jurisdiction over such matters as the Committee may deem advisable. In the case of an Award or the exercise of a Stock Option or Stock Appreciation Right by a person or estate acquiring the right to the Award or the exercise of a Stock Option or Stock Appreciation Right as a result of the death of the Participant, the Committee may require reasonable evidence as to the ownership of the Stock Option, Award, or Stock Appreciation Right and may require consents and releases of taxing authorities that it may deem advisable.

6.5 No Right to Employment.

Neither the adoption of the Plan nor its operation, nor any document describing or referring to the Plan, or any part thereof, nor the granting of any Stock Options, Stock Appreciation Rights, Awards, or Performance Incentive Units hereunder, shall confer upon any Participant under the Plan any right to continue in the employ of the Company or any Subsidiary, or shall in any way affect the right and power of the Company or any Subsidiary to terminate the employment of any Participant at any time with or without assigning a reason therefor, to the same extent as might have been done if the Plan had not been adopted.

6.6 Exclusion from Pension Computations.

By acceptance of a grant of a Stock Option, Stock Appreciation Right, Award, or Performance Incentive Unit under the Plan, the recipient shall be deemed to agree that any income realized upon the receipt, exercise, or vesting thereof or upon the disposition of the shares received upon exercise will not be taken into account as "base remuneration," "wages," "salary," or "compensation" in determining the amount of any contribution to or payment or any other benefit under any pension, retirement, incentive, profit-sharing, or deferred compensation plan of the Company or any Subsidiary.

6.7 Separability.

If any of the terms or provisions of the Plan conflict with the requirements of Rule 16b-3, then such terms or provisions shall be deemed inoperative to the extent they so conflict with the requirements of Rule 16b-3.

6.8 Interpretation of the Plan.

Headings are given to the Sections of the Plan solely as a convenience to facilitate reference, such headings, numbering, and paragraphing shall not in any case be deemed in any way material or relevant to the construction of the Plan or any provision hereof. The use of the masculine gender shall also include within its meaning the feminine. The use of the singular shall also include within its meaning the plural and vice versa.

6.9 Use of Proceeds.

Funds received by the Company upon the exercise of Stock Options granted under the Plan shall be used for the general corporate purposes of the Company.

6.10 Construction of Plan.

The place of administration of the Plan shall be in the Commonwealth of Pennsylvania, and the validity, construction, interpretation, administration, and effect of the Plan and of its rules and regulations, and rights relating to the Plan, shall be determined solely in accordance with the laws of the Commonwealth of Pennsylvania.

AGREEMENT OF LEASE

BETWEEN

QUAKER PARK ASSOCIATES, L.P.

AS LANDLORD

AND

QUAKER CHEMICAL CORPORATION

AS TENANT

LEASE

LEASE made this 19th day of December, 2000 by and between QUAKER PARK ASSOCIATES, L.P., a Pennsylvania limited partnership (hereinafter called "Landlord"), and QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (hereinafter called "Tenant").

FUNDAMENTAL LEASE PROVISIONS

1. "Term": Fifteen (15) years commencing on the Commencement Date and ending on the date (the "Expiration Date") which is (i) the day immediately preceding the fifteenth (15th) anniversary of the Commencement Date, if the Commencement Date is the first day of a calendar month, or (ii) the last day of the calendar month in which the fifteenth (15th) anniversary of the Commencement Date occurs, if the Commencement Date is any day other than the first day of a calendar month. Tenant shall have the right to renew this Lease for three (3) additional terms of five (5) years, five (5) years and four (4) years, respectively, on the terms and conditions set forth in Section 38 of the Lease. In the event that Tenant exercises its renewal option(s) in accordance with Section 38 of the Lease, then the Expiration Date shall mean the last day of the applicable Renewal Term (as hereinafter defined).

2. "Demised Premises": approximately 76,672 rentable square feet ("Tenant's RSF") in the buildings (the "Buildings") known or to be known as "Quaker Park", located at Elm and Lee Streets, Conshohocken, Pennsylvania and identified on the Site Plan attached hereto as Exhibit "A". The Demised Premises are shown as the cross-hatched area identified on Exhibit "B" attached hereto and made a part hereof. The Buildings and the land on which the Buildings are located are hereinafter referred to as the "Complex". The square footage of the Demised Premises shall, for all purposes under this Lease, be deemed to be the square footage set forth above. Within thirty (30) days after completion of the Office Space Improvements, Landlord shall cause Landlord's architect to measure the rentable square footage of the Demised Premises in accordance with the BOMA Measurement Standard (which shall take into account the Building loss factor) and to certify the same to Landlord and Tenant. In the event that the rentable square footage of the Demised Premises as certified by Landlord's architect differs from the square footage set forth above, then Tenant's RSF shall be deemed to be the rentable square footage certified by Landlord's architect, and Tenant's Fraction, the Annual Base Rent and all other terms of the Lease affected by changes in Tenant's RSF shall be adjusted accordingly. Notwithstanding the foregoing, Tenant shall have the option, exercisable by written notice to Landlord within forty-five (45) days after completion of the Office Space Improvements, to verify the rentable floor area of the Demised Premises by having the Demised Premises remeasured by Tenant's architect in accordance with the BOMA Measurement Standard (the "Tenant's Remeasurement"). If the rentable area of the Demised Premises resulting from the Tenant's Remeasurement is within three percent (3%) of the area of the Demised Premises as stated above, or as certified by Landlord's architect, as applicable (the "Stated Area"), the rentable floor area of the Demised Premises shall be equal to the Stated Area. If the Tenant's Remeasurement is not within three percent (3%) of the Stated Area, Landlord and Tenant shall negotiate in good faith for ten (10) days to attempt to reach agreement as to the rentable floor area of the Demised Premises. If within such ten (10) day period the parties have not mutually agreed on the rentable floor area of the Demised Premises, then within five (5) days following such 10-day period Landlord's architect and Tenant's architect shall jointly appoint a third architect. The third architect shall independently make his determination of the rentable floor area of the Demised Premises within ten (10) days after his appointment. The highest and the lowest measurements among the three (3) architects shall be disregarded and the remaining determination shall be deemed to be the rentable floor area of the Demised Premises.

Each party shall pay for the cost of its architect and one-half of the cost of the third (3rd) architect. In the event that Landlord's architect and Tenant's architect do not agree on a third architect within such 10-day period, the dispute shall be resolved by arbitration in accordance with the then prevailing Commercial Rules of the American Arbitration Association.

3. "Landlord's RSF": the rentable square footage of the Buildings, which is currently estimated to be approximately 200,000 rentable square feet. The rentable square footage of the Buildings will be revised to reflect the final rentable square footage of the Buildings as certified by Landlord's architect within thirty days after completion of the Office Space Improvements

4. "Tenant's Fraction": 38.33%, which is Tenant's RSF divided by Landlord's RSF, as the same may be adjusted from time to time.

5. "Base Year": Calendar year 2001

6. "Commencement Date": the earlier of (i) the date Tenant commences occupancy of all or any portion of the Demised Premises, and (ii) the Delivery Date. "Delivery Date" shall mean the date on which the Office Space Improvements are "Substantially Completed" or would have been Substantially Completed had a "Tenant Delay" not occurred as determined in accordance with the terms of Section 3 below. Upon the request of either party, following the determination of the Commencement Date, Landlord and Tenant shall enter into a mutually acceptable Commencement Date Agreement confirming the Commencement Date.

7. "Estimated Commencement Date:" September 1, 2000

8. "Notice Addresses":

Landlord: c/o Preferred Real Estate Investments, Inc.
1200 River Road, Suite 1303
Conshohocken, PA 19428

Tenant: Prior to the Commencement Date:
Quaker Chemical Corp.
Lee and Elm Streets
Conshohocken, PA 19428

After the Commencement Date:

At the Demised Premises

9. "Permitted Use": General office use, labs and other lawful uses ancillary or related thereto.

10. "Annual Base Rent":

Lease Year	Annual rent	Monthly Installment	Rent/Sq. Ft.
Years 1 through 5	$1,193,783.04	$99,481.92	$15.57
Years 6 through 10	$1,270,455.04	$105,871.25	$16.57
Years 11 through 15	$1,347,127.04	$112,260.59	$17.57

11. "Security Deposit": N/A

12. "Property Manager" / Rent Payment Address:
Equivest Management Company
PO Box 13700
Philadelphia, PA 19191-1062

13. Brokers:

"Landlord's Broker" - Preferred Real Estate Advisors, Inc.
"Tenant's Broker" - None.

List of Exhibits

Exhibit "A"	-	Site Plan
Exhibit "B"	-	Demised Premises
Exhibit "B-1"	-	Office Space
Exhibit "B-2"	-	Lab Space
Exhibit "B-3"	-	Base Building Work
Exhibit "C"	-	Janitorial Specifications
Exhibit "D"	-	Rules and Regulations
Exhibit "E"	-	Form of SNDA

WITNESSETH, THAT:

1. DEMISED PREMISES / USE. Landlord, for the Term and subject to the provisions and conditions hereof, leases to Tenant and Tenant accepts from Landlord, the Demised Premises. The Demised Premises are comprised of an office portion containing approximately 51,672 rentable square feet as shown on Exhibit "B-1" attached hereto (the "Office Space") and a laboratory portion containing approximately 25,000 rentable square feet as shown on Exhibit "B-2" (the "Lab Space"). Tenant shall not use or occupy, or permit or suffer to be used or occupied, the Office Space or any part thereof, other than for general office use and other lawful uses ancillary or related thereto. Tenant shall not use or occupy, or permit or suffer to be used or occupied, the Lab Space or any part thereof, other than for laboratory use, ancillary office use and other lawful uses ancillary or related thereto.

2. TERM / LEASE YEAR. The Term of this Lease shall commence on the Commencement Date and shall expire on the Expiration Date, unless sooner terminated as expressly set forth herein. The first lease year of the Term shall commence on the Commencement Date and shall end on (i) the day immediately preceding the first anniversary of the Commencement Date, if the Commencement Date is the first day of the month, or (ii) the last day of the month in which the first anniversary of the Commencement Date occurs, if the Commencement Date is any day other than the first day of a calendar month. Each lease year after the first lease year shall be a consecutive twelve (12) month period commencing on the first day of the calendar month immediately following the preceding lease year.

3. BASE BUILDING WORK / TENANT IMPROVEMENTS.

(a) Base Building Work. Landlord shall cause to be constructed, in a good and workmanlike manner and in conformity with all applicable laws, certain base building work as described on Exhibit "B-3" attached hereto ("Base Building Work"). The Base Building Work shall be performed at Landlord's sole cost and expense. Any work not expressly included in the Base Building Work shall constitute Office Space Improvements or Lab Space Improvements (each as hereinafter defined), as the case may be. Tenant specifically acknowledges that the Base Building Work shall apply only with respect to Office Space (as hereinafter defined), and Landlord shall not have any obligation to perform any base building work or other improvements to the Lab Space (as hereinafter defined) to prepare the same for Tenant's occupancy.

(b) Office Space.

(i) On or before January 15, 2001, Tenant shall submit to Landlord, for Landlord's prior approval, proposed plans and specifications, including complete construction drawings (i.e., with mechanical, electrical and fire protection drawings) (the "Proposed Office Plans") for Tenant's proposed improvements to the Office Space, which plans shall be prepared by a registered architect licensed to do business in Pennsylvania. The Proposed Office Plans shall include all information and specifications necessary for Landlord to complete the work described therein and shall conform to all applicable laws and requirements of public authorities and insurance underwriters' requirements. If Landlord disapproves the Proposed Office Plans, Landlord shall state specifically the reasons for such disapproval, and Tenant shall cause its architects to promptly make any changes in the Proposed Office Plans reasonably required by Landlord. Landlord and Tenant acknowledge that

the Estimated Commencement Date is conditioned upon Landlord approving the Proposed Office Plans on or before January 31, 2000 (the "Target Approval Date"). The Proposed Office Plans, as finally approved by Landlord are referred to hereinafter as the "Office Plans." The work described in the Office Plans is hereinafter referred to as the "Office Space Improvements."

(ii) Landlord shall construct, at Tenant's sole cost and expense (subject to the Office Space Improvement Allowance), the Office Space Improvements in accordance with the Office Plans, reserving the right to: (a) make substitutions of material of equivalent grade and quality when and if any specified material shall not be readily and reasonably available; and (b) make changes necessitated by conditions met during the course of construction, provided that Tenant's approval of any change pursuant to clause (a) or (b) (and any increase or reduction of cost incident thereto) shall first be obtained, which approval shall not be unreasonably withheld. All work shall be furnished, installed and performed by Landlord, utilizing a general contractor selected by Landlord (which may be an affiliate of a general partner of Landlord), for "Landlord's Cost." "Landlord's Cost" shall mean all costs and expenses incurred by Landlord in connection with the completion of the Office Space Improvements, including, without limitation: (i) Landlord's out-of-pocket contract or purchase price(s) for materials, components, labor and services plus (ii) Landlord's architects' and engineers' fees and costs, plus (iii) fees for all required permits and approvals. All subsequent changes in the Office Plans requested by Tenant shall be subject to the approval of Landlord. If Landlord approves any change in the Office Plans, Landlord shall construct the Office Space Improvements in accordance with such change, and Tenant shall pay any increase in the cost of constructing the Office Space Improvements resulting from such change.

(iii) Landlord shall provide Tenant with a construction allowance of (i) Twenty Dollars ($20.00) per rentable square foot of the Office Space, plus (ii) Seven Hundred Fifty Thousand Dollars ($750,000) (such sums being collectively referred to as the "Office Space Improvement Allowance"), which Office Space Improvement Allowance shall be applied solely against Landlord's Cost for the Office Space Improvements. In the event that Landlord's Cost exceeds the amount of the Office Space Improvement Allowance, Tenant shall reimburse Landlord for such excess from time to time during the progress of the work within ten (10) days after receipt of Landlord's invoice(s) therefor; provided, however, that Landlord may require that, before Landlord commences any work, Tenant shall pay to Landlord fifty percent (50%) of the amount estimated by Landlord to become due to Landlord therefor, which fifty percent (50%) shall be applied against the last of the Tenant Improvements to be paid for by Tenant to Landlord. To the extent that Landlord's Costs are less than the Office Space Improvement Allowance, Tenant may, at Tenant's option, apply such difference against the cost of the Lab Space Improvements or, in the alternative, receive a refund or credit against the rent payable hereunder, but in no event shall such refund or credit exceed Five Dollars ($5.00) per rentable square foot of the Office Space. Upon written request by Tenant from time to time during the course of construction, the total amount of Landlord's Cost shall be subject to examination by Tenant, and Tenant shall have reasonable access to Landlord's cost records relative thereto.

(iv) Following Landlord's receipt of bids and/or estimates for the Office Space Improvements, Landlord agrees to provide Tenant with a pricing schedule setting forth the estimated Landlord's Cost (the "Pricing Schedule"). In the event that the estimated Landlord's Cost as set forth in the Pricing Schedule exceeds the Office Space Improvement Allowance, then, within five (5) days after Tenant's receipt of the Pricing Schedule, Tenant shall have the right to make modifications to the Tenant's Plans to reduce the estimated Landlord's Cost; provided, however, to the extent that any delays in completion of the Office Space Improvements are caused by Tenant's modifications, the same shall constitute a "Tenant Delay" hereunder. Failure by Tenant

to object to the Pricing Schedule within said 5-day period shall be deemed an approval by Tenant of the Pricing Schedule.

(v) Upon completion of the Office Space Improvements, except for items described in subparagraph (vi) below, Landlord shall notify Tenant, and Tenant shall inspect the Office Space with Landlord within three (3) business days after Tenant's receipt of Landlord's notice. Upon completion of the inspection, it shall be presumed that all work theretofore performed by or on behalf of Landlord was satisfactorily performed in accordance with, and meeting the requirements of this Lease. The foregoing presumption shall not apply, however: (A) to required work not actually completed by Landlord, which Landlord agrees it shall complete with reasonable speed and diligence and which is identified at the time of the inspection on a list prepared by the construction representatives of Landlord and Tenant, or (B) to latent defects in such work which were not discovered at the time of the inspection; provided Tenant notifies Landlord of such defects within one (1) year from the date of the inspection. Landlord will correct any defects or deficiencies of which it is notified within the required period with reasonable speed and diligence.

(vi) The Office Space shall be deemed to be "Substantially Completed" when: (A) the work shown on the Office Plans has been completed except for (1) any improvements or work to be performed by Tenant; and (2) minor or insubstantial details of construction, mechanical adjustments, or finishing touches, which items shall not adversely affect Tenant's conduct of its ordinary business activities in the Office Space; and (B) if required under the applicable code or ordinance of Whitemarsh Township, the Township has issued a Certificate of Occupancy for the Office Space. Notwithstanding the foregoing, in the event that Tenant shall cause a delay in the Substantial Completion of the Office Space Improvements for any reason, including, without limitation, the reasons set forth in subparagraphs (a) through (d) below (a "Tenant Delay"), then Tenant's obligation to pay rent hereunder shall not be affected or deferred on account of such delay and, for purposes of establishing the Commencement Date hereunder, the "Delivery Date" shall be deemed to be the date that Substantial Completion would have occurred but for such Tenant Delay:

(a) failure by Tenant to submit the Proposed Office Plans to Landlord by the Plans Submission Date, or the failure by Tenant to obtain Landlord's approval of the Proposed Office Plans by the Target Approval Date or to otherwise promptly make changes in the Proposed Office Plans reasonably required by Landlord in connection with the approval thereof; or

(b) changes in the Office Plans requested by Tenant; or

(c) delays, not caused by Landlord, in furnishing special items which are not readily available ("Long Lead Items") or procuring specialized labor required for installation of Long Lead Items, provided that Tenant shall be notified of Landlord's good faith estimate of the anticipated delay promptly after discovery thereof by Landlord, and shall be given an opportunity to specify alternative materials or requirements which are readily available; or

(d) the performance of any work or activity in the Demised Premises by Tenant or any of its employees, agents or contractors.

(vii) The date determined in accordance with subparagraph (vi) above is herein called the date of "Substantial Completion". In the event of any Tenant Delay, Tenant acknowledges that the Commencement Date and Tenant's obligations to pay rent hereunder may begin before the Office Space Improvements have been completed.

(b) Lab Space.

(i) Tenant has inspected the Lab Space, is familiar with the condition thereof, and accepts the Lab Space in it "AS IS" condition, without any representation or warranty by Landlord, express or implied. Tenant acknowledges that Landlord shall have no obligation to perform any improvements to the Lab Space to prepare the Lab Space for Tenant's use and occupancy.

(ii) Tenant shall perform, at its sole cost and expense, all work which Tenant deems necessary or desirable to prepare the Lab Space for Tenant's initial occupancy (collectively, the "Lab Space Improvements"), which Lab Space Improvements shall be subject to the prior written approval of Landlord. All work shall be performed in a good and workmanlike manner and in accordance with all applicable laws. Prior to the commencement of any work within the Lab Space, Tenant shall submit to Landlord, for Landlord's prior approval (which approval shall not be unreasonably withheld, conditioned or delayed), proposed plans and specifications (the "Proposed Lab Plans") for Tenant's proposed improvements to the Lab Space, which plans shall be prepared by a registered architect licensed to do business in Pennsylvania. The Proposed Lab Plans shall include all information and specifications necessary for Landlord to fully review the work described therein and shall conform to all applicable laws and requirements of public authorities and insurance underwriters' requirements. If Landlord disapproves the Proposed Lab Plans, Landlord shall state specifically the reasons for such disapproval, and Tenant shall cause its architects to promptly make any changes in the Proposed Lab Plans reasonably required by Landlord. All contractors utilized by Tenant for the performance of the Lab Space Improvements shall be subject to the prior written approval of Landlord.

(iii) Landlord shall provide Tenant with a construction allowance (the "Lab Space Improvement Allowance") of Twenty Dollars ($20.00) per rentable square foot of the Lab Space, which shall be applied solely against Tenant's Costs for the Lab Space Improvements and for no other purpose. The Lab Space Improvement Allowance shall be payable from time to time during the course of Tenant's construction of the Lab Space within thirty (30) days after receipt of invoices evidencing Tenant's Costs therefor. All payments made by Landlord on account of the Lab Space Improvement Allowance shall be subject to retainage of ten percent (10%) until completion of the Lab Space Improvements. "Tenant's Costs" shall mean Tenant's out-of-pocket contract or purchase price(s) for materials, components, labor and services for the Lab Space Improvements, including, without limitation, Tenant's costs for space planning, design, architectural and engineering services, wiring and cabling. Tenant's Costs shall be subject to examination by Landlord, and Tenant shall provide Landlord with copies of all invoices and other backup documentation reasonably requested by Landlord relative thereto. To the extent that Tenant's Costs are less than the Lab Space Improvement Allowance, Tenant may, at Tenant's option, apply such difference against the cost of the Office Space Improvements or, in the alternative, receive a refund or credit against the rent payable hereunder, but in no event shall such refund or credit exceed Five Dollars ($5.00) per rentable square foot of the Lab Space. In the event that Tenant's

Costs exceed the amount of the Lab Space Improvement Allowance, Tenant shall be solely responsible for such excess costs.

4. DELAY IN POSSESSION. Landlord currently anticipates that the Commencement Date hereunder will occur on or about the Estimated Commencement Date. If the Commencement Date has not occurred by the Estimated Commencement Date because of the holding over or retention of possession of any tenant or occupant, or if any repairs, improvements or decoration of the Demised Premises are not completed, or for any other reason, Landlord shall not be subject to any liability to Tenant. Under such circumstances, the rent reserved and covenanted to be paid herein shall not commence until the Commencement Date, and no such failure to deliver possession shall in any other respect affect the validity of this Lease. Notwithstanding the foregoing, in the event that the Commencement Date has not occurred by the date which is thirty (30) days after the Estimated Commencement Date (other than on account of a delay caused in whole or in part by Tenant), then Tenant shall be entitled to a rent credit of Five Hundred Dollars ($500.00) per day for each day that the Commencement Date is delayed beyond such thirtieth (30th) day, which rent credit shall constitute liquidated damages and not a penalty.

5. RENT.

(a) During the Term of this Lease, Tenant shall pay to Landlord the Annual Base Rent in the amount set forth in Section 10 of the Fundamental Lease Provisions. Such Base Rent shall be payable in equal monthly installments in advance on the first day of each calendar month.

(b) The term "rent" as used in this Lease shall mean the Annual Base Rent, Operating Expenses (including, without limitation, Taxes) and all other additional rent or other sums payable by Tenant to Landlord under this Lease, all of which shall be deemed "rent" for purposes of Landlord's rights and remedies with respect thereto.

(c) The first installment of rent shall be payable on the Commencement Date. If the Term begins on a day other than the first day of a month, rent from such day until the first day of the following month shall be prorated on a per diem basis for each day of such partial month, and the installment of rent paid at execution hereof shall be applied to the rent due for the first full calendar month of the term hereof.

(d) All rent and other sums due to Landlord hereunder shall be payable to Landlord c/o Landlord's Property Manager at the Rent Payment Address specified in Section 12 of the Fundamental Lease Provisions, or to such other party or at such other address as Landlord may designate, from time to time, by written notice to Tenant, without demand and without deduction, set-off or counterclaim (except as otherwise expressly provided for herein).

(e) If Landlord, at any time or times, shall accept said rent or any other sum due to it hereunder after the same shall become due and payable, such acceptance shall not excuse delay upon subsequent occasions, or constitute or be construed as, a waiver of any of Landlord's rights hereunder.

6. SECURITY DEPOSIT. Intentionally Omitted.

7. PAYMENT OF OPERATING EXPENSES.

(a) As used herein, the following terms shall be defined as hereinafter set forth:

(i) "Taxes" shall mean all real estate taxes and assessments, general and special, ordinary or extraordinary, foreseen or unforeseen, imposed upon the Complex or with respect to the ownership thereof. If, due to a future change in the method of taxation, any franchise, income, profit or other tax, however designated, shall be levied or imposed in substitution in whole or in part for (or in lieu of) any tax which would otherwise be included within the term "Taxes" as defined herein, then the same shall be included in the term "Taxes."

(ii) "Operating Expenses" shall mean, except as hereinafter limited, Landlord's actual out-of-pocket expenses in respect of the operation, maintenance and management of the Complex and shall include, without limitation: (1) wages and salaries (and taxes imposed upon employers) with respect to those employed by Landlord for rendering service in the normal operation, cleaning, maintenance and repair of the Complex (provided, however, that to the extent that such individuals render services to other buildings owned or operated by Landlord or an affiliate of Landlord, the wages and salaries of such individuals shall be equitably allocated among the Complex and such other buildings); (2) costs for the operation, maintenance, repair and replacement of the Complex, including payments to contractors; (3) the cost of steam, electricity, water and sewer and other utilities (except for electricity which is separately charged by Landlord as herein provided) chargeable to the operation and maintenance of the Complex; (4) cost of insurance for the Complex including fire and extended coverage, elevator, boiler, sprinkler leakage, water damage, public liability and property damage, environmental liability, plate glass, and rent protection, but excluding any charge for increased premiums due to acts or omissions of other occupants of the Buildings or because of extra risk which are reimbursed to Landlord by such other occupants; (5) supplies; (6) legal and accounting expenses; (7) Taxes; (8) management expense; and (9) all other costs and expenses incurred by or on behalf of Landlord in connection with the repair, replacement, operation, maintenance, securing, insuring and policing of the Complex. The term "Operating Expenses" shall not include: (1) the cost of any repair or replacement item which, by standard accounting practice, should be capitalized; (2) any charge for depreciation, interest on encumbrances or ground rents paid or incurred by Landlord; (3) any charge for Landlord's income tax, excess profit taxes, franchise taxes or similar taxes on Landlord's business; (4) commissions; (5) costs actually reimbursed by insurance proceeds; (6) the costs of any service provided to other tenant(s) of the Complex to the extent Landlord is entitled to be reimbursed directly (i.e., not as on Operating Expense pass-through) therefor, and the cost of any service provided to other tenant(s) of the Complex but not to Tenant; (7) legal fees, accountants' fees and other expenses incurred in connection with disputes with tenants or other occupants of the Complex or associated with the enforcement of any leases or defense of Landlord's title to or interest in the Building or any part thereof; (8) salaries and employees of Landlord above the level of manager of the Complex; and (9) penalties and/or interest imposed by reason of the late payment by Landlord of Taxes or any other charges to be paid by Landlord.

(b) In determining Operating Expenses for any year (including the Base Year), if less than one hundred percent (100%) of the rentable area of the Buildings shall have been occupied by tenants at any time during such year, Operating Expenses shall be deemed for such year to be an amount equal to the like expenses which Landlord reasonably determines would normally be incurred had such occupancy been one hundred percent (100%) throughout such year.

(c) For and with respect to each calendar year of the Term (including any renewals or extensions thereof) after the Base Year, there shall accrue, as additional rent, a sum ("Tenant's Share") equal to Tenant's Fraction of the amount by which Operating Expenses for

such calendar year exceed the Operating Expenses for the Base Year (appropriately prorated for any partial calendar year included within the beginning and end of the Term).

(d) Landlord shall furnish to Tenant as soon as reasonably possible after the beginning of each calendar year of the Term:

(i) A statement (the "Expense Statement") setting forth (1) Operating Expenses for the previous calendar year, and (2) Tenant's Share of Operating Expenses for the previous calendar year; and

(ii) A statement of Landlord's good faith estimate of Operating Expenses, and the amount of Tenant's Share thereof (the "Estimated Share"), for the current calendar year.

(e) Within fifteen (15) days after Tenant receives the Expense Statement, Tenant shall pay to Landlord the difference, if positive, between the Tenant's Share of Operating Expenses for such previous year and the actual payments made by Tenant during such calendar year, or if the actual payments exceed Tenant's Share of Operating Expenses for such previous year, Tenant shall receive a credit against the next payment(s) of Operating Expenses falling due or, if the Lease shall have expired, a refund of such overpayment.

(f) Unless Tenant, within sixty (60) days after any Expense Statement is furnished, shall give notice to Landlord that Tenant disputes said statement, specifying in detail the basis for such dispute, each Expense Statement furnished to Tenant by Landlord under this Section shall be conclusively binding upon Tenant as to the Operating Expenses due from Tenant for the period represented thereby. Pending resolution of any dispute, Tenant shall pay the additional rent in accordance with the Expense Statement furnished by Landlord.

(g) Beginning with the next installment of Base Rent due after delivery of the statement of Tenant's Estimated Share, Tenant shall pay to Landlord, on account of its share of Operating Expenses, one-twelfth (1/12) of the Estimated Share multiplied by the number of full or partial calendar months elapsed during the current calendar year up to and including the month payment is made (less any amounts previously paid by Tenant on account of Operating Expenses for such period).

(h) On the first day of each succeeding month up to the time Tenant shall receive a new statement of Tenant's Estimated Share, Tenant shall pay to Landlord, on account of its share of Operating Expenses, one-twelfth of the then current Estimated Share. Any payment due from Tenant to Landlord on account of Operating Expenses not yet determined as of the expiration of the Term shall be made within twenty (20) days after submission to Tenant of the next Expense Statement and any payments due from Landlord to Tenant for any overpayment of Operating Expenses shall be paid at the time Landlord delivers its next Expense Statement, which obligations shall survive the expiration or earlier termination of this Lease.

8. UTILITIES SEPARATELY CHARGED TO DEMISED PREMISES. Tenant shall be responsible for all utilities (including gas and electric) which are consumed within the Demised Premises. Landlord shall, at Landlord's sole cost and expense, have submeters installed to measure the consumption by Tenant of electricity within the Demised Premises. Tenant shall pay for the consumption of electricity and any utilities which are separately metered based on its metered usage. With respect to any other utilities which are not separately metered, Tenant shall pay a pro-rata share of any utility charges covering the Demised Premises and other areas of the Complex serviced by such utility, which pro-rata share shall be based on the percentage which the

Tenant's RSF bears to the square footage of the areas of the Complex serviced by such utility. Tenant shall pay all utility bills within ten (10) days after receipt by Tenant. Landlord shall have the right, to be exercised by written notice to Tenant, to direct Tenant to contract directly with the utility provider supplying electricity to the Buildings, in which event Tenant shall pay all charges therefor directly to the utility provider. Landlord shall at all times have the exclusive right to select the provider or providers of utility service to the Demised Premises and the Complex. Landlord shall maintain all utility facilities (including submeters) located in the Demised Premises, the cost of which shall be included as an Operating Expense hereunder. Landlord shall have the right of access to the Demised Premises from time to time to install or remove utility facilities provide that Landlord does not materially interfere with Tenant's use of the Demised Premises.

9. SERVICES. Landlord agrees that it shall:

(a) Provide water for drinking, lavatory and toilet purposes drawn through fixtures installed by Landlord;

(b) Furnish heat, ventilation and air-conditioning to the Demised Premises;

(c) Furnish electricity and natural gas to the Demised Premises; and

(d) Provide janitorial services in accordance with Landlord's building standard janitorial specifications which are attached hereto as Exhibit "C". Any and all additional or specialized janitorial service desired by Tenant shall be contracted for by Tenant directly and the cost and payment thereof shall be the sole responsibility of Tenant.

The cost of the foregoing services shall be included in Operating Expenses except for those utilities which are separately metered, as provided in Section 8 above. It is understood that Landlord does not warrant that any of the services referred to in this Section will be free from interruption from causes beyond the reasonable control of Landlord. No interruption of service shall ever be deemed an eviction or disturbance of Tenant's use and possession of the Demised Premises or any part thereof or render Landlord liable to Tenant for damages, permit Tenant to abate rent or otherwise relieve Tenant from performance of Tenant's obligations under this Lease. Notwithstanding the foregoing, if any interruption of services caused by the negligence or willful misconduct of Landlord renders the Demised Premises untenantable for a period of five (5) or more consecutive business days and Tenant ceases to use the Demised Premises (or the affected portion thereof) on account of such interruption, then, in such event, Tenant shall be entitled to a proportionate abatement of rent (based on the extent to which the Demised Premises is rendered untenantable and Tenant ceases to use the same) until such time as the Demised Premises (or the affected portion thereof) are restored to a tenantable condition.

10. CARE OF DEMISED PREMISES. Tenant agrees, on behalf of itself, its employees and agents that it shall:

(a) Comply at all times with any and all federal, state and local statutes, regulations, ordinances, and other requirements of any of the constituted public authorities relating to its specific use and occupancy of the Demised Premises (as opposed to any federal, state, and local statutes, regulations, ordinances and other requirements of any of the constituted public authorities which relate to office buildings in general, compliance with which shall be the sole responsibility of Landlord).

(b) Give Landlord access to the Demised Premises at all reasonable times and upon not less than twenty-four hours' notice (except in the event of emergency), without charge or diminution of rent, to enable Landlord (i) to examine the same and to make such repairs, additions and alterations as Landlord may be permitted to make hereunder or as Landlord may deem advisable for the preservation of the integrity, safety and good order of the Buildings or any part thereof; and (ii) to show the Demised Premises to prospective mortgagees and purchasers and, during the six (6) months prior to expiration of the Term, to prospective tenants;

(c) Maintain, repair and replace the interior, non-structural portions of the Demised Premises in good order and repair as and when needed, and replace all glass broken by Tenant, its agents, employees or invitees with glass of the same quality as that broken, except for glass broken by fire and extended coverage-type risks, and commit no waste in the Demised Premises;

(d) Upon the expiration or earlier termination of this Lease, remove Tenant's goods and effects and those of any other person claiming under Tenant, and quit and deliver up the Demised Premises to Landlord peaceably and quietly in as good order and condition as existed at the inception of the Term, wear and tear, damage from fire and casualty excepted. Goods and effects not removed by Tenant at the termination of this Lease, however terminated, shall be considered abandoned and Landlord may dispose of and/or store the same as it deems expedient, the cost thereof to be charged to Tenant; provided, however, that in no event shall Tenant be required to remove any fixtures, improvements or alterations installed by Tenant or Landlord, including, without limitation, the Office Space Improvements or the Lab Space Improvements;

(e) Not overload, damage or deface the Demised Premises or do any act which might make void or voidable any insurance on the Demised Premises or the Buildings or which may render an increased or extra premium payable for insurance (and without prejudice to any right or remedy of Landlord regarding this subparagraph, Landlord shall have the right to collect from Tenant, upon demand, any such increase or extra premium). Tenant shall maintain at its own sole cost adequate insurance coverage for the full replacement value of all of its equipment, furniture, supplies and fixtures and provide Landlord with certificates evidencing such coverage;

(f) Not make any alteration of or addition to the Demised Premises without the prior written approval of Landlord, except for interior, nonstructural alterations, which may be made without Landlord's prior approval;

(g) Not install any equipment of any kind whatsoever which might necessitate any changes, replacements or additions to any of the heating, ventilating, air-conditioning, electric, sanitary, elevator or other systems serving the Demised Premises or any other portion of the Building, or to any of the services required of Landlord under this Lease, without the prior written approval of Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, and in the event such consent is granted, such replacements, changes or additions shall be paid for by Tenant at Tenant's sole cost and expense. At the expiration or earlier termination of this Lease, Tenant shall pay Landlord's cost of restoring such systems to their condition prior to such replacements, changes or additions provided that, at the time Landlord consented to such improvements, Landlord advised Tenant that such systems would need to be restored; and

(h) Observe the rules and regulations annexed hereto as Exhibit "D," as Landlord may from time to time amend the same, for the general safety, comfort and convenience of Landlord, occupants and tenants of the Buildings.

11. MECHANIC'S LIEN. Tenant shall, within thirty (30) days after notice from Landlord, discharge any mechanic's lien for materials or labor claimed to have been furnished to the Demised Premises on Tenant's behalf (except for work contracted for by Landlord) and shall indemnify and hold harmless Landlord from any loss incurred in connection therewith.

12. REPAIRS AND MAINTENANCE. Landlord shall maintain, repair and replace all portions of the Complex which are not expressly the responsibility of Tenant hereunder, including, without limitation, keeping and maintaining the public areas of the Complex clean and in good working order. Landlord shall further make, or cause to be made, all necessary repairs to the structure and exterior of the Buildings, as well as to the mechanical, HVAC, electrical and plumbing systems servicing the Buildings, provided that Landlord shall have no obligation to make any repairs until Landlord shall have received notice of the need for such repair. The cost of the foregoing maintenance and repairs shall be included in Operating Expenses. Notwithstanding the foregoing, all repairs made necessary by Tenant's specific use, occupancy or alteration of the Complex, or by the negligent acts of Tenant, its agents, employees or invitees, shall be made at the sole cost and expense of Tenant.

13. SUBLETTING AND ASSIGNING.

(a) Tenant shall have the right to assign this Lease or sublet all or any portion of the Demised Premises, whether voluntarily or by operation of law, without requiring Landlord's prior written consent thereto. In addition, Tenant shall not mortgage, pledge or hypothecate this Lease.

(b) A transfer or sale by Tenant of a majority of the voting shares, partnership interests or other controlling interests in Tenant shall not be deemed an assignment of this Lease by Tenant.

(c) Notwithstanding the foregoing, any subletting or assignment by Tenant (with or without Landlord's consent) shall not in any way relieve or release Tenant from liability for the performance of all terms, covenants and conditions of this Lease.

(d) Tenant shall pay to Landlord, as additional rent hereunder, 50% of all subrents or other sums or economic consideration received by Tenant (after deducting Tenant's reasonable costs of reletting, including, without limitation, the amortization of any fit-out costs incurred by Tenant to improve any space for a subtenant's occupancy), whether denominated as rentals or otherwise, in excess of the monthly sums which Tenant is required to pay under this Lease.

14. FIRE OR CASUALTY. In the event that the whole or a substantial part of the Buildings or the Demised Premises is damaged or destroyed by fire or other casualty, then, within thirty (30) days after the date that Landlord receives notice of such fire or other casualty, Landlord shall provide written notice to Tenant as to whether Landlord intends to repair or rebuild and the estimated time period for the completion thereof. In the event that Landlord's notice provides that the repairs to the Demised Premises shall require more than one hundred eighty (180) days from the date of such fire or casualty to complete, or if Landlord fails to provide such notice within said thirty (30) days, then Tenant shall have the right to terminate this Lease by providing written notice thereof to Landlord within thirty days (30) after receipt of Landlord's notice, in which event this Lease shall be deemed terminated as of the date of such fire or casualty. In the event that Landlord elects to repair or rebuild (and Tenant does not have the right to, or has elected not to, terminate this Lease in accordance with the foregoing sentence), Landlord shall thereupon cause the damage (excepting, however, Tenant's furniture, fixtures, equipment and improvements, which

shall be Tenant's responsibility to restore) to be repaired with reasonable speed. If Landlord fails to complete such repairs within said one hundred eighty (180) days, Tenant may terminate this Lease by providing written notice to Landlord, in which event this Lease shall be deemed terminated as of the date of such fire or casualty. In the event the damage shall be so extensive that Landlord shall decide not to repair or rebuild, or if any mortgagee, having the right to do so, shall direct that the insurance proceeds are to be applied to reduce the mortgage debt rather than to the repair of such damage, this Lease shall be terminated effective as of the date of casualty. To the extent and for the time that the Demised Premises are rendered untenantable or inaccessible on account of fire or other casualty, the rent shall proportionately abate.

15. EMINENT DOMAIN. If the whole or a substantial part of the Demised Premises, the Buildings or the Complex is taken or condemned for a public or quasi-public use under any statute or by right of eminent domain by any competent authority or sold in lieu of such taking or condemnation, such that in the opinion of an architect (who shall be selected by both Tenant and Landlord), the Demised Premises, the Buildings and/or the Complex are not economically operable as before without substantial alteration or reconstruction, this Lease shall automatically terminate on the date that the right to possession shall vest in the condemning authority (the "Taking Date"), with rent being adjusted to said Taking Date, and Tenant shall have no claim against Landlord for the value of any unexpired term of this Lease. Tenant shall have no claim against Landlord and no claim or right to any portion of any amount that may be awarded as damages or paid as a result of any taking, condemnation or purchase in lieu thereof; except that Tenant shall have the right to recover a separate award for moviing expenses or any other award which woould not reduce the award payable to Landlord. If any part of the Demised Premises is so taken or condemned, but this Lease is not automatically terminated as aforesaid this Lease shall automatically terminate as to the portion of the Demised Premises so taken or condemned, as of the Taking Date, and this Lease shall continue in full force as to the remainder of the Demised Premises, with rent abating only to the extent of the Demised Premises so taken or condemned; provided, however, that if the remaining portion of the Demised Premises is no longer suitable for the Permitted Use, then Tenant shall have the right to terminate this Lease by providing written notice thereof to Landlord within thirty (30) days after the Taking Date.

16. INSOLVENCY. (a) The appointment of a receiver or trustee to take possession of all or a portion of the assets of Tenant, or (b) an assignment by Tenant for the benefit of creditors, or (c) the institution by or against Tenant of any proceedings for bankruptcy or reorganization under any state or federal law (unless in the case of involuntary proceedings, the same shall be dismissed within forty-five (45) days after institution), or (d) any execution issued against Tenant which is not stayed or discharged within fifteen (15) days after issuance of any execution sale of the assets of Tenant, shall constitute a breach of this Lease by Tenant. Landlord in the event of such a breach, shall have, without need of further notice, the rights enumerated in Section 17 herein.

17. DEFAULT.

(a) If Tenant shall fail to pay rent or any other sum payable to Landlord hereunder when due and such failure continues for more than five (5) days after written notice thereof from Landlord to Tenant), or if Tenant shall fail to perform or observe any of the other covenants, terms or conditions contained in this Lease and such failure continues for thirty (30) days after written notice thereof from Landlord (or such longer period as is reasonably required to correct any such default, provided Tenant promptly commences and diligently continues to effectuate a cure), or if any of the events specified in Section 16 occur, or if Tenant vacates or abandons the Demised Premises during the term hereof or removes any of Tenant's goods or property therefrom other than in the ordinary and usual course of Tenant's business, then and in any of said cases (notwithstanding any former breach of covenant or waiver thereof in a former

instance), Landlord, in addition to all other rights and remedies available to it by law or equity or by any other provisions hereof, may at any time thereafter:

(i) upon three (3) days notice to Tenant, declare to be immediately due and payable, a sum equal to the Accelerated Rent Component (as hereinafter defined), and Tenant shall remain liable to Landlord as hereinafter provided; and/or

(ii) terminate this Lease on at least five (5) days notice to Tenant and, on the date specified in said notice, this Lease and the term hereby demised and all rights of Tenant hereunder shall expire and terminate and Tenant shall thereupon quit and surrender possession of the Demised Premises to Landlord in the condition elsewhere herein required and Tenant shall remain liable to Landlord as hereinafter provided.

(b) For purposes herein, the Accelerated Rent Component shall mean the aggregate of:

(i) all rent and other charges, payments, costs and expenses due from Tenant to Landlord and in arrears at the time of the election of Landlord to recover the Accelerated Rent Component; and

(ii) the Annual Base Rent reserved for the then entire unexpired balance of the Term (taken without regard to any early termination of the term by virtue of any default, and without regard for any unexercised Renewal Terms, plus all other charges, payments, costs and expenses herein agreed to be paid by Tenant up to the end of the Term which shall be capable of precise determination at the time of Landlord's election to recover the Accelerated Rent Component.

(c) In any case in which this Lease shall have been terminated, or in any case in which Landlord shall have elected to recover the Accelerated Rent Component and any portion of such sum shall remain unpaid, Landlord may without further notice, enter upon and repossess the Demised Premises, by summary proceedings, ejectment or otherwise, and may dispossess Tenant and remove Tenant and all other persons and property from the Demised Premises and may have, hold and enjoy the Demised Premises and the rents and profits therefrom. Landlord may, in its own name, as agent for Tenant, if this Lease has not been terminated, or in its own behalf, if this Lease has been terminated, relet the Demised Premises or any part thereof for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the Term) and on such terms (which may include concessions of free rent) as Landlord in its sole discretion may determine. Landlord may, in connection with any such reletting, cause the Demised Premises to be decorated, altered, divided, consolidated with other space or otherwise changed or prepared for reletting. No reletting shall be deemed a surrender and acceptance of the Demised Premises.

(d) In the event Landlord shall, after default or breach by Tenant, recover the Accelerated Rent Component from Tenant and it shall be determined at the expiration of the Term of this Lease (taken without regard to early termination for default) that a credit is due Tenant because the net proceeds of reletting, as aforesaid, plus amounts paid to Landlord by Tenant exceed the aggregate of rent and other charges accrued in favor of Landlord to the end of the Term of this Lease, Landlord shall refund such excess to Tenant, without interest, promptly after such determination.

(e) Landlord shall in no event be responsible or liable for any failure to relet the Demised Premises or any part thereof, or for any failure to collect any rent due upon a reletting.

(f) Tenant shall pay upon demand all Landlord's costs, charges and expenses, including the fees and out-of-pocket expenses of counsel, agents and others retained by Landlord, incurred in enforcing Tenant's obligations hereunder.

(g) Intentionally Omitted.

(h) If rent or any other sum due from Tenant to Landlord shall be overdue for more than thirty (30) days after notice from Landlord, it shall thereafter bear interest at the rate of twenty percent (20%) per annum (or, if lower, the highest legal rate) until paid.

(i) All remedies available to Landlord hereunder and at law and in equity shall be cumulative and concurrent. No termination of this Lease nor taking or recovering possession of the Demised Premises shall deprive Landlord of any remedies or actions against Tenant for rent, for charges or for damages for the breach of any covenant, agreement or condition herein contained, nor shall the bringing of any such action for rent, charges or breach of covenant, agreement or condition, nor the resort to any other remedy or right for the recovery of rent, charges or damages for such breach be construed as a waiver or release of the right to insist upon the forfeiture and to obtain possession. No reentering or taking possession of the Demised Premises, or making of repairs, alterations or improvements thereto, or reletting thereof, shall be construed as an election on the part of Landlord to terminate this Lease unless written notice of such election be given by Landlord to Tenant.

(j) No waiver of any provision of this Lease shall be implied by any failure of Landlord to enforce any remedy allowed for the violation of such provision, even if such violation is continued or repeated, and no express waiver shall affect any provision other than the one(s) specified in such waiver and only for the time and in the manner specifically stated. No receipt of monies by Landlord from Tenant after the termination of this Lease shall in any way alter the length of the Term or of Tenant's right of possession hereunder or after the giving of any notice shall reinstate, continue or extend the Term or affect any notice given to Tenant prior to the receipt of such moneys, it being agreed that after the service of notice or the commencement of a suit or after final judgment for possession of the Demised Premises, Landlord may receive and collect any rent due, and the payment of said rent shall not waive or affect said notice, suit or judgment.

18. LANDLORD'S RIGHT TO CURE. Landlord may (but shall not be obligated), on fifteen (15) days notice to Tenant (except that no notice need be given in case of emergency) cure on behalf of Tenant any default hereunder by Tenant, and the cost of such cure (including any attorney's fees incurred) shall be deemed additional rent payable upon demand.

19. INSURANCE.

(a) Tenant shall at all times during the Term, including any renewal or extension thereof, maintain in full force and effect with respect to the Demised Premises and Tenant's use thereof, (i) comprehensive public liability insurance, covering injury to person and property in amounts at least equal to Two Million Dollars ($2,000,000) per occurrence and annual aggregate limit for bodily injury and One Million Dollars ($1,000,000) per occurrence and annual aggregate limit for property damage, with increases in such limits as Landlord may from time to time reasonably request, and (ii) all-risk or fire and extended coverage insurance upon Tenant's personal property and leasehold improvements in the Demised Premises for the full replacement value of such personal property and leasehold improvements. Notwithstanding the foregoing, so

long as the original named Tenant is the holder of the Tenant's interest in this Lease, Tenant shall have the right, at its option, to self-insure up to One Million Dollars ($1,000,000) against the risks that would be covered under the insurance policies required by Tenant pursuant clause (i) above pursuant to a self-insurance program administered by Tenant. If and to the extent Tenant implements any self-insurance program, then Tenant acknowledges that Tenant shall be responsible for the amounts that would, but for such self-insurance by Tenant, be payable in accordance with the terms and conditions of the policies required to fulfill the minimum requirements of this Section 19. All liability insurance policies (excepting any workers compensation policy carried by Tenant) shall name Landlord and at Landlord's request any mortgagee of all or any portion of the Complex as additional insureds. Tenant shall lodge with Landlord duplicate originals or certificates of such insurance at or prior to the Commencement Date, together with evidence of paid-up premiums, and shall lodge with Landlord renewals thereof at least fifteen (15) days prior to expiration. All such policies or certificates shall provide that such insurance coverage may not be cancelled or materially amended unless Landlord and any mortgagee designated by Landlord as aforesaid are given at least thirty (30) days prior written notice of the same.

(b) Landlord shall at all times during the Term, including any renewal or extension thereof, maintain in full force and effect with respect to the Complex and the Buildings, (i) comprehensive public liability insurance, covering injury to person and property in amounts at least equal to Two Million Dollars ($2,000,000) per occurrence and annual aggregate limit for bodily injury and One Million Dollars ($1,000,000) per occurrence and annual aggregate limit for property damage and (ii) property insurance in an amount equal to at least 90% of the full replacement cost of the Buildings in the Complex. Landlord's insurance obligation may be satisfied under so-called "blanket" insurance policies covering other properties in addition to the Complex, and the coverage limits may be satisfied by "umbrella" coverage.

20. WAIVER OF SUBROGATION. Each party hereto hereby waives any and every claim which arises or which may arise in its favor against the other party hereto during the Term, including any extension or renewal thereof, for any and all loss of, or damage to, any of its property located within or upon or constituting a part of the Building, to the extent that such loss or damage is covered under an insurance policy or policies and to the extent such policy or policies contain provisions permitting such waivers of claims. Each party agrees to request its insurers to issue policies containing such provisions and if any extra premium is payable therefor, the party which would benefit from the provision shall have the option to pay such additional premium in order to obtain such benefit.

21. LIABILITY. Tenant agrees that Landlord, the Property Manager and their respective officers, employees and agents shall not be liable to Tenant, and Tenant hereby releases said parties, for any personal injury or damage to or loss of personal property in the Demised Premises from any cause whatsoever unless such damage, loss or injury is the result of the negligence or willful misconduct of Landlord, its agents or employees. Landlord shall not be liable to Tenant for any such damage or loss whether or not the result of the negligence or willful misconduct of Landlord, its agents or employees to the extent Tenant would be covered by insurance that Tenant is required to carry hereunder. Tenant shall and does hereby indemnify and hold Landlord harmless of and from all loss or liability incurred by Landlord (including, without limitation, reasonable attorney's fees) in connection with any failure of Tenant to fully perform its obligations under this Lease and in connection with any personal injury or damage of any type or nature occurring in, or resulting out of Tenant's use of, the Demised Premises, unless due to the negligence or willful misconduct of Landlord, its agents or employees.

22. ENVIRONMENTAL MATTERS.

(a) Tenant shall conduct, and cause to be conducted, all operations and activity at the Demised Premises in compliance with, and shall in all other respects applicable to the Demised Premises comply with, all applicable present and future federal, state, municipal and other governmental statutes, ordinances, regulations, orders, directives and other requirements, and all present and future requirements of common law, concerning the environment (hereinafter collectively called "Environmental Statutes") including, without limitation, (i) those relating to the generation, use, handling, treatment, storage, transportation, release, emission, disposal, remediation or presence of any material, substance, liquid, effluent or product, including, without limitation, hazardous substances, hazardous waste or hazardous materials, (ii) those concerning conditions at, below or above the surface of the ground and (iii) those concerning conditions in, at or outside the Building.

(b) Tenant shall not cause or suffer or permit to occur in, on or under the Demised Premises any generation, use, manufacturing, refining, transportation, emission, release, treatment, storage, disposal, presence or handling of hazardous substances, hazardous wastes or hazardous materials (as such terms are now or hereafter defined under any Environmental Statute) or any other material, substance, liquid, effluent or product now or hereafter regulated by any Environmental Statute (all of the foregoing herein collectively called "Hazardous Substances"), in violation of any Environmental Statutes or any other applicable governmental requirements. Should Tenant, its agents, employees or invitees cause any release of Hazardous Substances at the Demised Premises, Tenant shall immediately contain, remove and dispose of, such Hazardous Substances and any material that was contaminated by the release and to remedy and mitigate all threats to human health or the environment relating to such release. When conducting any such measures the Tenant shall comply with all Environmental Statutes.

(c) Tenant hereby agrees to indemnify and to hold harmless Landlord of, from and against any and all expense, loss or liability suffered by Landlord by reason of Tenant's breach of any of the provisions of this Section, including, but not limited to, (i) any and all expenses that Landlord may incur in complying with any Environmental Statutes, (ii) any and all costs that Landlord may incur in studying, assessing, containing, removing, remedying, mitigating, or otherwise responding to, the release of any Hazardous Substance or waste at or from the Demised Premises, (iii) any and all costs for which Landlord may be liable to any governmental agency for studying, assessing, containing, removing, remedying, mitigating, or otherwise responding to, the release of a Hazardous Substance or waste at or from the Demised Premises, (iv) any and all fines or penalties assessed, or threatened to be assessed, upon Landlord by reason of a failure of Tenant to comply with any obligations, covenants or conditions set forth in this Article, and (v) any and all legal fees and costs incurred by Landlord in connection with any of the foregoing.

(d) Tenant's covenants, obligations and liabilities under this Section shall survive the expiration or earlier termination of this Lease.

23. SUBORDINATION. This Lease shall not be subject or subordinate to the terms and conditions of any underlying mortgages which may now or hereafter encumber the Buildings and/or the Complex, or to any renewals, modifications, consolidations, replacements or extensions thereof, unless and until the holder of any such mortgage has delivered to Tenant a subordination and non-disturbance agreement ("SNDA"), in form and substance reasonably satisfactory to Tenant, which provides that, inter alia, so long as Tenant is not in default hereunder, Tenant's occupancy will not be disturbed, and this Lease shall remain in full force and effect in the event of a foreclosure of such mortgage. Tenant hereby acknowledges and agrees that the form of SNDA

attached hereto as Exhibit "E" is acceptable to Tenant. If Landlord subsequently delivers to Tenant a form of SNDA required by any mortgagee of the Property that meets the foregoing requirements, Tenant agrees to execute and return the same to Landlord within seven (7) days after receipt thereof by Tenant.

24. ESTOPPEL STATEMENT. Each of Landlord and Tenant shall from time to time, within seven (7) days after request by the other party, execute, acknowledge and deliver to Landlord a statement certifying that this Lease is unmodified and in full force and effect (or that the same is in full force and effect as modified, listing any instruments or modifications), the dates to which rent and other charges have been paid, and whether or not, to the best of the knowledge of the party making such statement, the other party is in default or whether the party making such statement has any claims or demands against the other party (and, if so, the default, claim and/or demand shall be specified), and such other information reasonably requested by the other party.

25. RELOCATION. Intentionally Omitted.

26. HOLDING-OVER. Should Tenant continue to occupy the Demised Premises after the expiration of the Term, including any renewal or renewals thereof, or after a forfeiture incurred, such tenancy shall (without limitation of any of Landlord's rights or remedies therefor) be one at sufferance at a minimum monthly rental equal to one hundred fifty percent (150%) of the rent payable for the last month of the Term.

27. FINANCIAL STATEMENTS. Upon the request of any mortgagee, prospective mortgagee or prospective purchaser of the Complex, Tenant shall provide to Landlord complete copies of Tenant's latest publicly available, annual financial statements and such other publicly available financial information as may be reasonably requested by such mortgagee and/or purchaser.

28. RENT TAX. If, during the Term, including any renewal or extension thereof, any tax is imposed upon the privilege of renting or occupying the Demised Premises or upon the amount of rentals collected therefor, Tenant will pay each month, as additional rent, a sum equal to such tax or charge that is imposed for such month, but nothing herein shall be taken to require Tenant to pay any income, estate, inheritance or franchise tax imposed upon Landlord.

29. QUIET ENJOYMENT. Tenant, upon paying the rent, and observing and keeping all covenants, agreements and conditions of this Lease on its part to be kept, shall quietly have and enjoy the Demised Premises during the term of this Lease without hindrance or molestation by anyone claiming by or through Landlord, subject, however, to the exceptions, reservations and conditions of this Lease.

30. NOTICES. All notices required to be given by Landlord to Tenant shall be sufficiently given by leaving the same upon the Demised Premises, by overnight express delivery service or by courier service delivery against written receipt or signed proof of delivery, or mailing the same by registered or certified mail, return receipt requested, to Tenant's Address until the Commencement Date and to the Demised Premises thereafter. Notices given by Tenant to Landlord must be given by registered or certified mail, return receipt requested, overnight express delivery service or by courier service delivery against written receipt or signed proof of delivery, to Landlord at Landlord's Address, with a copy to the Property Manager, and to such other person and address as Landlord may from time to time designate in writing

31. MISCELLANEOUS.

(a) Each of the parties hereto represents and it has dealt with no broker, agent or other intermediary in connection with this Lease other than Landlord's Broker, and that insofar as each knows, no other broker, agent or other intermediary negotiated this Lease or introduced Tenant to Landlord. Each of Landlord and Tenant agrees to indemnify, defend and hold the other and its partners, employees, agents, their officers and partners, harmless from and against any claims made by any broker, agent or other intermediary other than Landlord's Broker with respect to a claim through such party for broker's commission or fee or similar compensation brought by any person in connection with this Lease, Landlord agrees to pay all commissions payable to Landlord's Broker pursuant to a separate agreement between Landlord and Landlord's Broker.

(b) The word "Tenant" as used in this Lease shall be construed to mean tenants in all cases where there is more than one tenant, and the necessary grammatical changes required to make the provisions hereof apply to corporations, partnerships or individuals, men or women, shall in all cases be assumed as though in each case fully expressed. This Lease shall not inure to the benefit of any assignee, heir, legal representative, transferee or successor of Tenant except in accordance with the provisions of Section13 of this Lease. Subject to the foregoing limitation, each provision hereof shall extend to and shall, as the case may require, bind and inure to the benefit of Tenant and its heirs, legal representatives, successors and assigns.

(c) The term "Landlord" as used in this Lease means the fee owner of the Complex or, if different, the party holding and exercising the right, as against all others (except space tenants of the Complex) to possession of the entire Complex. In the event of the voluntary transfer of such ownership or right to a successor-in-interest of Landlord, Landlord shall be freed and relieved of all liability and obligation hereunder which shall thereafter accrue (and, as to any unapplied portion of Tenant's security deposit, Landlord shall be relieved of all liability therefor upon transfer of such portion to its successor in interest) and Tenant shall look solely to such successor in interest for the performance of the covenants and obligations of the Landlord hereunder accruing after such transfer (either in terms of ownership or possessory rights). Subject to the foregoing, the provisions hereof shall be binding upon and inure to the benefit of the successors and assigns of Landlord.

(d) Notwithstanding anything to the contrary contained in this Lease, it is expressly understood and agreed by Tenant that none of Landlord's covenants, undertakings or agreements are made or intended as personal covenants, undertakings or agreements by Landlord or its partners, shareholders or trustees, or any of their respective partners, shareholders or trustees, and any liability for damage or breach or nonperformance by Landlord, or for Landlord's negligence, shall be collectible only out of Landlord's interest in the Building and no personal liability is assumed by, nor at any time may be asserted against, Landlord or its partners, shareholders or trustees or any of its or their partners, shareholders, trustees, officers, agents, employees, legal representatives, successors or assigns, if any; all such liability, if any, being expressly waived and released by Tenant. Notwithstanding anything to the contrary contained in this Lease, in no event shall Landlord be liable to Tenant for any consequential damages, lost profits, loss of business or other similar damages, regardless of whether the same arises out of the negligence of Landlord, its agents or employees.

(e) Landlord and Landlord's agents have made no representation, agreements, conditions, warranties, understandings, or promises, either oral or written, other than as herein set forth, with respect to this Lease, the Buildings, the Complex, the Demised Premises, or otherwise.

(f) Time is of the essence of this Lease and all of its provisions

(g) If Landlord is delayed or prevented from performing any of its obligations under this Lease by reason of causes beyond Landlord's control, the period of such delay or prevention shall be deemed added to the time herein provided for the performance of any such obligation by Landlord.

(h) Tenant shall have the right to record a short form memorandum of this Lease in form and substance reasonably satisfactory to Landlord, and Landlord shall execute any such memorandum within five (5) business days after a request to do so is received by Landlord from Tenant.

(i) Any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not apply to the interpretation of this Lease or any amendments or exhibits hereto.

32. PRIOR AGREEMENT, AMENDMENTS. This Lease, the exhibits, and any riders attached hereto and forming a part hereof set forth all of the promises, agreements, conditions, warranties, representations and understandings between Landlord and Tenant relative to the Premises and this leasehold. No alteration, amendment, modification, waiver, understanding or addition to this Lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by Landlord and Tenant.

33. CAPTIONS. The captions of the paragraphs in this Lease are inserted and included solely for convenience and shall not be considered or given any effect in construing the provisions hereof.

34. SEVERABILITY If any provision contained in this Lease shall, to any extent, be invalid or unenforceable, the remainder of this Lease (and the application of such provision to the persons or circumstances, if any, other than those as to which it is invalid or unenforceable) shall not be affected thereby, and each and every provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

35. GOVERNING LAW. This Lease shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

36. INTERIM OCCUPANCY. From and after the execution of this Lease through the Commencement Date (the "Interim Occupancy Period"), Landlord hereby grants Tenant a license to continue to occupy that portion of the Complex currently occupied by Tenant and consisting of approximately 80,000 square feet (the "Existing Premises") at a monthly rental rate of $56,854.00. Upon the Commencement Date, Tenant shall vacate and surrender the Existing Premises in good condition, removing therefrom all of Tenant's furniture, trade fixtures and equipment, and relocate to the Demised Premises.

37. DELIVERY FOR EXAMINATION. DELIVERY OF THE LEASE TO TENANT SHALL NOT BIND LANDLORD IN ANY MANNER, AND NO LEASE OR OBLIGATIONS OF LANDLORD SHALL ARISE UNTIL THIS INSTRUMENT IS SIGNED BY BOTH LANDLORD AND TENANT.

38. RENEWAL OPTION. Tenant shall have the option to extend the Term for three (3) separate, consecutive renewal periods (each, a "Renewal Option"), under and subject to the following terms and conditions:

(a) The first renewal term (the "First Renewal Term") shall be for a five (5) year period commencing on the day immediately following the expiration date of the original Term of this Lease and expiring at midnight on the day immediately preceding the fifth (5th) anniversary thereof. The second renewal term (the "Second Renewal Term") shall be for a five (5) year period commencing on the day immediately following the expiration date of the First Renewal Term and expiring at midnight on the day immediately preceding the fifth (5th) anniversary thereof. The third renewal term (the "Third Renewal Term") shall be for a four (4) year period commencing on the day immediately following the expiration date of the Second Renewal Term and expiring at midnight on the day immediately preceding the fourth (4th) anniversary thereof. If Tenant fails to exercise any Renewal Option, all subsequent Renewal Options shall be null and void and of no further force and effect.

(b) Tenant must exercise each Renewal Option, if at all, upon at least 180 days' written notice to Landlord prior to the expiration date of the then current Term of this Lease, time being of the essence.

(c) At the time Tenant delivers its notice of election to exercise the applicable Renewal Option to Landlord, this Lease shall be in full force and effect, Tenant shall not have assigned this Lease or sublet the Demised Premises, and Tenant shall not be in default in the performance of any of its obligation hereunder.

(d) Each Renewal Term shall be on the same terms and conditions contained in this Lease, except that (i) subject to the last two sentences of this subparagraph (d), the Annual Base Rent shall be ninety-five percent (95%) of the then current "Fair Market Rental Rate" for the Demised Premises, but in no event more than one hundred fifteen percent (115%) of the Annual Base Rent payable during the final year of the then current Term, and (ii) Tenant shall not be entitled to any allowances or other concessions with respect to the Renewal Terms. Notwithstanding the foregoing, in the event that Tenant shall have assigned this Lease or sublet all or any portion of the Demised Premises, then the Annual Base Rent for the applicable Renewal Term (and each Renewal Term thereafter) shall be the greater of (i) ninety-five (95%) of the then current "Fair Market Rental Rate", and (ii) the Annual Base Rent payable during the final year of the then current Term. If Tenant shall assign this Lease or sublet all or any portion of the Demised Premises during any Renewal Term, then the Annual Base Rent shall automatically increase to the greater of (i) ninety-five (95%) of the then current "Fair Market Rental Rate", and (ii) the Annual Base Rent payable during the final year of the immediately preceding Term, which adjustment shall be made as of the effective date of the assignment or sublease.

(e) As used herein, the term "Fair Market Rental Rate" shall mean the average of the annual rental rates then being charged by Landlord for office space in the Complex for leases commencing on or about the commencement of the Renewal Term (or, if there are not at least two (2) leases for tenants in the Complex that commence on or about the commencement of the Renewal Term, then the annual rental rates then being charged for Class "A" office space in the Conshohocken, Pennsylvania market), taking into consideration the use, location and floor level of the applicable building, leasehold improvements or allowances provided, rental concessions, the term of the lease under consideration, the extent of services provided thereunder, the creditworthiness of Tenant, annual escalations and other adjustments to the base rental and any other relevant term or condition in making such evaluation. Landlord shall determine the Fair Market Rental Rate using its good faith judgment and shall provide written notice of such rate within fifteen (15) days after Tenant's exercise notice pursuant to this Section. Tenant shall thereupon have the following options: (i) to accept such proposed "Fair Market Rental Rate", (ii) to rescind its

exercise of the renewal option, or (iii) to notify Landlord in writing that Tenant objects to the proposed rental rate. Tenant must provide Landlord with written notification of its election within fifteen (15) days after Tenant's receipt of Landlord's notice, otherwise Tenant shall be deemed to have elected clause (i) above and to have accepted Landlord's proposed "Fair Market Rental Rate." If Tenant objects to Landlord's proposed "Fair Market Rental Rate" in accordance with clause (iii) above, Landlord and Tenant shall attempt to negotiate a mutually acceptable rental rate within fifteen (15) days following notification by Tenant, and if such negotiations have not been concluded within such fifteen (15) day period, either party may require determination of the Fair Market Rental Rate for the Renewal Term by giving written notice to the other no later than ten (10) days after the expiration of such fifteen (15) day period, which notice shall designate a MAI real estate appraiser or real estate broker with at least five (5) years experience in office leasing in the suburban Philadelphia market. Within ten (10) days after receipt of such notice, the other party to this Lease shall select a real estate appraiser/broker meeting the aforesaid requirements and give written notice of such selection to the initiating party. If the two (2) real estate appraisers/brokers fail to agree upon the Fair Market Rental Rate within ten (10) days after selection of the second appraiser/broker, the two (2) appraisers/brokers shall select a third (3rd) real estate appraiser/broker meeting the foregoing requirements to determine the Fair Market Rental Rate within ten (10) days after the appointment of the third (3rd) appraiser/broker. The Fair Market Rental Rate applicable to the applicable Renewal Term shall equal the arithmetic average of such three (3) determinations; provided, however, that if one (1) appraiser's/broker's determination deviates more than five percent (5%) from the median of the three (3) determinations, the Fair Market Rental Rate shall be an amount equal to the average of the other two (2) determinations. The determination of Fair Market Rental Rate shall be final, binding and conclusive on Landlord and Tenant

(f) Except for the specific Renewal Options set forth above, there shall be no further privilege of renewal.

[signatures on next page]

IN WITNESS WHEREOF, the parties hereto have executed this Lease or caused this Lease to be executed by their duly authorized representatives the day and year first above written.

LANDLORD:

QUAKER PARK ASSOCIATES, L.P.,
a limited partnership

By: QUAKER PARK, INC.,
its authorized general partner

Attest:

/s/ Alan S. Werther
- ----------

By: /s/ Nimish Sanghrajka

Name: Nimish Sanghrajka
Title: President

Attest:

By: QUAKER QP, INC.,
its authorized general partner

_____

By: /s/ Michael F. Barry

Name: Michael F. Barry
Title: President

TENANT:

Attest:

QUAKER CHEMICAL CORPORATION

_____

By: /s/ Michael F. Barry

Name: Michael F. Barry
Title: Vice President and
Chief Operating Officer

EXHIBIT 10(kk)

ASSET PURCHASE AGREEMENT

Between

UNITED LUBRICANTS CORPORATION

(the "Company")

and

ULC ACQUISITION CORP.

("Purchaser")

Dated as of

January 23, 2002

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT (the "Agreement"), dated as of January 23, 2002, between United Lubricants Corporation, a Delaware corporation (the "Company") and ULC Acquisition Corp., a Delaware corporation (the "Purchaser").

Recitals

WHEREAS, the Company is in the business of manufacturing and distributing specialty lubricant products and fluid management services for the ferrous and non-ferrous metals industry (the "Business");

WHEREAS, Purchaser desires to acquire from the Company, and the Company desires to sell to Purchaser, the assets and liabilities of the Company described herein for cash.

Accordingly, in consideration of the mutual agreements contained herein, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I
PURCHASE AND SALE OF ASSETS AND LIABILITIES

1.1 Purchase and Sale.

(a) Subject to the terms and conditions set forth herein, on the Closing Date (as defined below), the Company shall transfer and sell to Purchaser all of the Company's right, title, and interest in and to its assets, tangible and intangible, and wherever situated (the "Assets"), in each case free and clear of all liabilities, obligations, claims, liens and other Encumbrances, whether absolute, accrued, contingent or otherwise, except those expressly assumed by Purchaser as provided in Section 1.2, for a purchase price of Twelve Million Nine Hundred Fifty Thousand Dollars ($12,950,000) less the gross amount of ULC Rolmex Receivables at Closing (the "Purchase Price"), subject to adjustment as set forth in this Article I; provided that Purchaser shall not acquire or assume any Excluded Assets or Excluded Liabilities.

(b) Enumeration of Assets. The Assets include all assets of the Company, except for the Excluded Assets. The Assets include, without limitation, the following items:

(i) All inventory, including, without limitation, raw materials, work in process, finished goods, service parts and spare parts, and production, maintenance and office supplies (collectively, the "Inventory") and all furniture, fixtures, improvements, equipment (including office equipment), machinery, parts, computer hardware, tools, vehicles and all other tangible personal property (collectively, the "Personal Property");

(ii) All accounts and notes receivable billed or unbilled, negotiable instruments and chattel paper due from Productos Quimicos Monclova, S.A. Col. Del Valle Ave

or Productos Rolmex S.A. de C.V./Monterrey as of the Closing Date, including all accrued interest thereon (collectively, the "ULC Rolmex Receivables");

(iii) All accounts and notes receivable (other than ULC Rolmex Receivables), billed or unbilled, negotiable instruments and chattel paper (the "Accounts Receivable");

(iv) All real property and interests therein (the "Real Property"), specifically including leasehold interests, if any, owned or leased by the Company or United Lubricants Realty, L.P. ("ULR");

(v) Subject to Section 5.12, all claims and rights (and benefits arising therefrom) relating to the Assets with or against all Persons whomsoever, including, without limitation, all rights under the Real Estate Purchase Agreement between Ashland, Inc. and the Company, executed March 1998 as it relates to the Real Property (the "Ashland Agreement"), all rights against suppliers under warranties covering any of the Inventory or Personal Property and all Permits, to the extent they are legally transferable by the Company;

(vi) All intellectual property, owned, used or held for use by or licensed or granted to the Company, including, without limitation, content on, and Internet addresses and URLs of, any Internet site which the Company maintains and all other Internet and related web assets; the names and works and related goodwill associated with the name "United Lubricants", and all goodwill associated with any other intellectual property of the Company; patents, patent applications, patent disclosures and improvements thereto, all reissuances, continuances, continuations-in-part, revisions, extensions and re-examinations thereof and shop rights; trademarks, service marks, trade dress, logos, trade names and corporate names (including without limitation all brand names and trade styles), and registrations and applications for registration thereof and all rights related thereto, including all good will; copyrights and registrations and applications for registration thereof; computer software, data and documentation; trade secrets and confidential business information (including but not limited to ideas, know-how, inventions, formulae, drawings, specifications, manuals, designs, plans, proposals, technical data, copyrightable works, financial, marketing and business data, pricing and cost information, business and marketing plans and customer and supplier lists and information) and all other proprietary information; license agreements or other rights related to the foregoing and any rights or causes of action resulting from any infringement or violation of any of the foregoing (collectively, the "Intellectual Property");

(vii) All sales orders, sales contracts, quotations and bids;

(viii) All contracts and agreements used in or related to the Business;

(ix) All Books and Records;

(x) All Bank Accounts (excluding any cash and cash equivalents contained therein as of the Closing);

(xi) All rights under insurance policies applicable to the Business; and

(xii) Subject to proration as described in Section 1.3(d), all prepaid expenses, all advances made by the Company and all other prepaid items, credits and discounts for or toward the purchase of goods, services and Inventory relating to the Business which have not as of the Closing Date been received in full by the Business (collectively, the "Prepaids").

(c) Notwithstanding Sections 1.1(a) and 1.1(b), the Assets shall not include, and Purchaser shall not purchase or assume, any cash, security deposits, letters of credit (including any related collateral), marketable securities, or any Benefit Plan, the assets thereof or any of the other assets listed in Section 1.1(c) of the Disclosure Schedule hereto (the "Excluded Assets").

(d) The transfer and sale of the Assets shall be effected by delivery by the Company to Purchaser at the Closing (as defined below) of the following:

(i) a bill of sale in substantially the form of Exhibit A hereto (the "Bill of Sale");

(ii) assignments with respect to all patents, trademarks, trade or service names and marks, assumed names and copyrights and all applications therefor in which the Company has any interest, all in recordable form (each, an "Assignment", and collectively, the "Assignments");

(iii) the documents, deeds and other deliveries called for in the Agreement of Sale by and between Purchaser and ULR dated as of the date of this Agreement (the "Real Estate Purchase Agreement"); and

(iv) such other good and sufficient instruments of conveyance and transfer as shall be necessary to vest in Purchaser good and valid title to the Assets (collectively, the "Other Instruments" and together with the assignment, Bill of Sale and the Real Estate Purchase Agreement, the "Ancillary Agreements"), free and clear of all liabilities, obligations, claims, liens and other Encumbrances (whether absolute, accrued, contingent or otherwise), except the Assumed Liabilities.

1.2 Assumption of Liabilities. Subject to the terms and conditions of this Agreement, at the Closing, Purchaser shall assume and agree to perform, pay or discharge (a) those specifically identified liabilities and obligations of the Company to the extent set forth on the proforma combined balance sheet (the "Balance Sheet") of the Company and ULR dated May 31, 2001 set forth in Section 1.2(a) of the Disclosure Schedule (the "Balance Sheet Date") which have not been discharged as of the Closing (the Balance Sheet), (b) those current liabilities and obligations incurred from the Balance Sheet Date to the Closing Date in the Ordinary Course of Business which have not been discharged at Closing, (c) all of the Company's liabilities and obligations arising following the Closing Date pursuant to those leases, contracts, agreements and instruments set forth on Section 1.2(b) of the Disclosure Schedule, and (d) all of the Company's liabilities and obligations arising following the Closing Date under the Ashland Agreement (except to the extent that a Purchaser Indemnified Party has a valid claim for indemnification against the Company for the matter for which the Company's liability thereunder arises), except in each case for liabilities and obligations to the extent attributable to

the Company's default or delinquency thereunder (collectively, the "Assumed Liabilities"), pursuant to the Assumption Agreement, substantially in the form of Exhibit B hereto (the "Assumption Agreement"); provided that, (a) the Purchaser shall only assume those liabilities and obligations which are specifically set forth on the Closing Statement prepared pursuant to Section 1.3, or which are otherwise Assumed Liabilities and are of a nature that they cannot be reflected on a balance sheet prepared in accordance with GAAP (as defined below) and (b) the Assumed Liabilities shall not in any event exceed $3,500,000 in the aggregate. Except as expressly provided in this Agreement, Purchaser shall not assume or be responsible for any Excluded Liabilities (as defined in Section 11.2 hereof). Following the Closing, the Company shall timely perform, pay or discharge all liabilities and obligations relating to the Business, other than the Assumed Liabilities, that arose or relate to events occurring prior to the Closing.

1.3 Adjustments.

(a) Purchase Price Adjustment.

(i) At least three (3) Business Days before the Closing Date, the Company shall prepare or cause to be prepared, in accordance with United States generally accepted accounting principles ("GAAP"), consistently applied and those principles identified on Section 1.3(a) of the Disclosure Schedule, its good faith estimate of Working Capital. Purchaser shall review the preliminary Working Capital calculation, and shall either approve it or Purchaser and the Company shall work in good faith to reach agreement thereon in accordance with the terms of this Agreement, and those principles identified on Section 1.3(a) of the Disclosure Schedule. At the Closing, Purchaser shall pay to the Company the Purchase Price, plus (or minus) the amount by which such good faith estimate of Working Capital exceeds (or is less than) $1,853,000 (such payment, the "Closing Payment").

(ii) Within 100 days following the Closing Date, Purchaser shall deliver to the Company a final draft of a balance sheet presentation of the Assets and Assumed Liabilities and calculation of Working Capital as of the Effective Time, prepared in accordance with GAAP, consistently applied, and those principles identified on Section 1.3(a) of the Disclosure Schedule (the "Closing Statement"). In preparing the Closing Statement, the amount attributed to Accounts Receivable for purposes of calculating Working Capital shall not exceed the amount of Accounts Receivable included in the Assets and actually collected by Purchaser during the 90-day period following the Closing Date pursuant to Section 1.3(a)(vi) below. If the Company does not give Purchaser notice of the Company's objection to the Closing Statement (such notice must contain a statement of the basis of the Company's objection, to the extent known as of the time of the notice), within 30 days of receipt of the Closing Statement, then the Closing Statement (including the Working Capital calculation and amount of uncollected Accounts Receivable set forth therein) shall be final for purposes of this Agreement.

(iii) If the Company shall have any objections to the Closing Statement or to any aspect thereof, Purchaser and the Company shall attempt in good faith to reach an agreement as to the matter in dispute. If Purchaser and the Company shall have failed to resolve such disputed matter within ten (10) Business Days after receipt of notice of such objection (or such longer period as mutually agreed by Purchaser and the Company) and all such disputed matters would involve more than $10,000, then any such disputed matter may, at the instance of

Purchaser or the Company be submitted to and determined by a nationally recognized accounting firm that is independent from Purchaser and the Company and is reasonably acceptable to Purchaser and the Company (the "Independent Accounting Firm"). If the Purchaser and the Company cannot resolve all such disputed matters within ten (10) Business Days after receipt of notice of such objection (or such longer period as mutually agreed by Purchaser and the Company), and resolution of such disputed matters would not involve the payment of more than $10,000, then the Closing Statement shall be deemed to be accepted by each of the Company and Purchaser and shall be final, binding and conclusive on all parties hereto. The fees and expenses of the Independent Accounting Firm incurred in resolving the disputed matter shall be equitably apportioned by such accountants based upon the extent to which Purchaser or the Company are determined by such accountants to be the prevailing party (as further clarified and detailed, if necessary, in the engagement letter with the accountants). Purchaser and the Company each agree to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary to cooperate with the Independent Accounting Firm in its resolution of the dispute. The determination of the Independent Accounting Firm will be made as promptly as practicable, provided that Purchaser and the Company shall request that the Independent Accounting Firm render its determination within sixty (60) days after submission of the disputed amounts for resolution by the Independent Accounting Firm. The definitive Closing Statement and calculation of Working Capital (the "Certified Statement") after resolution of any disputes pursuant to this Section 1.3(b), shall be verified by the Independent Accounting Firm as in accordance with the requirements of this Section 1.3 and shall be final, binding and conclusive on all parties hereto.

(iv) On or before the third Business Day following the final determination of the Certified Statement, Purchaser or the Company, as the case may be, shall pay to the other party an amount such that following such payment, and taking into account the payments made on the Closing Date, Purchaser shall have paid to the Company the Purchase Price, plus (or minus) 100% of the amount by which the amount of Working Capital set forth on the Certified Statement exceeds (or is less than) $1,853,000. Payments shall be paid in immediately available funds by wire transfer to such account as designated in writing by the party receiving payment.

(v) In the event that Purchaser and the Company agree that, based on the calculation of Working Capital, a payment will ultimately be required to be made pursuant to this Section 1.3(a) by the Company to Purchaser or by Purchaser to the Company, but the parties disagree regarding the magnitude of such payment, the amount of such payment which the parties do not dispute shall be paid promptly.

(vi) Purchaser shall use reasonable commercial efforts to collect each Account Receivable included in the Assets, including disputed receivables, for a period of ninety (90) days after the Closing Date. Purchaser shall use the same efforts to collect such Accounts Receivable that Quaker Chemical Corporation normally uses to collect its own accounts receivable and shall not direct any of its customers to pay its receivables in preference to the Accounts Receivable; provided, however, that Purchaser shall be under no obligation to threaten or to institute any law suit or collection proceedings against any account debtor and Purchaser shall not be obligated to bear any expenses as a result of such collection activities other than the normal expenses of operating Purchaser's accounts receivable department. The Company shall

cooperate with Purchaser in its collection efforts, including supplying such information and documents in its possession as are reasonably required. Subsequent to Closing and until that date which is ninety (90) days after the Closing Date, Purchaser shall provide the Company with a report within fifteen (15) days after the end of each calendar month setting forth the amount collected from each customer included in the Accounts Receivable during the prior month. On the next Business Day beginning at least 91 days after the Closing Date, Purchaser shall assign to the Company all of its right, title and interest in and to any Accounts Receivable (and proceeds thereof) not included in the calculation of Working Capital pursuant to Section 1.3(a)(ii). Any proceeds received thereafter with respect to such assigned receivables shall be the property of the Company. Purchaser shall take all actions reasonably requested by the Company to cooperate with the Company in the collection of the Accounts Receivable assigned to the Company. Unless otherwise directed by the customer or reasonably apparent on the face of the payment (from the amount paid or otherwise), for purposes of this Section 1.3(a), proceeds received with respect to any account or note receivable due from a particular customer shall be applied to reduce such customer's receivables in the order of their origination.

(b) Collection and Remittance of Rolmex Receivables.

(i) Beginning upon the Closing Date, and for eighteen (18) months thereafter (such period, the "Rolmex Term"), Purchaser shall use commercially reasonable efforts in good faith (i) to retain and maintain the Business' business relationship with each of Productos Quimicos Monclava S.A. Col. Del Valle Ave and Productos Rolmex S.A. de C.V./Monterrey (collectively, "Rolmex") and (ii) to collect the ULC Rolmex Receivables and any other receivables generated after the Closing owed to the Purchaser by Rolmex (together with the ULC Rolmex Receivables, the "Rolmex Receivables"). During the Rolmex Term, Purchaser shall not impose payment terms on Rolmex requiring payment of Rolmex Receivables less than 90 days after the invoice date, and Purchaser shall use commercially reasonable efforts, and the Company shall reasonably cooperate with Purchaser, to extend Purchaser's contractual relationship with Rolmex until at least September, 2003. Subject to Section 1.3(b)(vi), Purchaser shall remit to the Company one-half (1/2) of the net amount of all collections of the Rolmex Receivables attributable to the principal amount of the invoice(s) being paid, and a portion (calculated as set forth below) of the net amount of the interest on Rolmex Receivables collected from Rolmex. For purposes of this Agreement, the term "net amount", when applied to the collection of the principal amount of or interest on Rolmex Receivables, shall mean the amount collected, less the out of pocket costs and expenses reasonably incurred in connection therewith. The portion of the net amount of the interest to be remitted to the Company on account of any interest payment received from Rolmex shall equal the amount of interest paid, multiplied by the product of (A) the ULC Rolmex Receivables outstanding for more than 60 days as of the date of receipt, divided by (B) all Rolmex Receivables outstanding for more than 60 days as of the date of receipt (less, in each case, ULC Rolmex Receivables disputed by Rolmex). All payments from the Purchaser to the Company based on the collection of principal or interest on Rolmex Receivables shall be made on or before the 15th day after the date on which the funds received by the Purchaser from Rolmex become available to the Purchaser.

(ii) So long as Purchaser has continuing obligations to remit to the Company amounts collected in respect of the Rolmex Receivables, Purchaser shall provide the

Company with a report on or before the 15th day of each month, describing the dollar amount of sales billed to Rolmex and the amount of cash collected from Rolmex during the prior month.

(iii) If, at any time during the period that Purchaser has continuing obligations to remit to the Company amounts collected in respect of the Rolmex Receivables, Rolmex (A) applies for, consents to, or acquiesces in the appointment of, a trustee, receiver or other custodian for Rolmex or any of its property or (B) in the absence of such application, consents or acquiesces to the appointment of, a trustee, receiver or other custodian for Rolmex or for a substantial part of its property, which is not discharged within sixty (60) days, or (C) commences, or has commenced against it, any bankruptcy, reorganization, liquidation, dissolution or other case and proceeding under any bankruptcy or insolvency law and, if such case or proceeding is not commenced by Rolmex, it is consented to or acquiesced in by Rolmex or remains undismissed for sixty (60) days, or (D) shall generally not, or shall admit in writing its inability to, pay its debts as they generally become due, and Purchaser pursues legal action or other remedy against Rolmex seeking payment for Rolmex Receivables, then, subject to Section 1.3(b)(vi), Purchaser shall remit to the Company one-half of all net amounts so collected from Rolmex pursuant to such action.

(iv) If the Company shall have any objections to the amounts paid to it by Purchaser pursuant to Section 1.3(b), then Purchaser and the Company shall attempt in good faith to reach an agreement as to the matter in dispute. If Purchaser and the Company shall have failed to resolve such disputed matter within ten (10) Business Days after receipt of notice of such objection (or such longer period as mutually agreed by Purchaser and the Company), then any such disputed matter may be resolved by an Independent Accounting Firm selected in the same manner as set forth in Section 1.3(a)(iii) hereof. Purchaser and the Company each agree to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary to cooperate with the Independent Accounting Firm in its resolution of the dispute. The determination of the Independent Accounting Firm will be made as promptly as practicable, provided that Purchaser and the Company shall request that the Independent Accounting Firm render its determination within thirty (30) days after submission of the dispute for resolution by the Independent Accounting Firm. The fees and expenses of the Independent Accounting Firm incurred in resolving the disputed matter shall be equitably apportioned by such accountant based upon the extent to which Purchaser or the Company are determined by such accountants to be the prevailing party. Upon resolution of the dispute pursuant to this Section 1.3(b), the Independent Accounting Firm shall issue a statement of the remittance owed by Purchaser to the Company, if any, which statement shall be final, binding and conclusive on all parties hereto.

(v) If at any time during the period that Purchaser has continuing obligations to remit to the Company amounts collected in respect of the Rolmex Receivables, Purchaser decides to permanently cease all efforts to collect the then outstanding Rolmex Receivables, Purchaser shall notify the Company in writing and shall offer to assign such outstanding Rolmex Receivables to the Company. If the Company accepts the assignment of the outstanding Rolmex Receivables, the Company shall use commercially reasonable efforts to collect such receivables and interest thereon, and within 15 days after the date on which the funds received by the Company from Rolmex become available to the Company, the Company shall remit to Purchaser a portion of the net amount of collections determined in accordance with Section 1.3(b)(vii) below.

(vi) Notwithstanding anything to the contrary contained herein, in no event shall the amounts received by the Company on account of Rolmex Receivables exceed the original principal amount of the ULC Rolmex Receivables, less the principal amount of the ULC Rolmex Receivables disputed by Rolmex and one-half of the out of pocket costs and expenses reasonably incurred in pursuing and collecting Rolmex Receivables and interest thereon, plus amounts, if any, paid to Company as interest in accordance with the terms of Section 1.3(b)(i), above.

(vii) In the event that (i) Purchaser has ceased doing business with Rolmex for any reason, (ii) the Company is still entitled to receive payments under this Section 1.3(b), (iii) Purchaser does not reasonably expect to resume doing business with Rolmex within twelve (12) months from such date, and (iv) as of such date, the percentage of the total amount of the Rolmex Receivables (which amount shall include all cash collected after the Closing Date from Rolmex plus the then outstanding Rolmex Receivables as of the date on which Purchaser ceases doing business with Rolmex) that is represented by ULC Rolmex Receivables (the "ULC Percentage") is greater than 50, then Purchaser and the Company shall apportion the net amount of cash collected so that the Company receives the ULC Percentage of such net collections. Upon determination of the ULC Percentage, Purchaser shall remit to the Company the amount necessary for the net amount of cash collected as of such date to be so apportioned. Thereafter, any additional net amounts collected from Rolmex (by either party) in respect of Rolmex Receivables shall be apportioned according to the ULC Percentage.

(c) Allocation of Purchase Price. The amounts payable hereunder shall be allocated among the Assets as specified on Section 1.3(c) of the Disclosure Schedule. Within 100 days following the Closing Date, Purchaser shall prepare and submit to the Company Internal Revenue Form 8594 (relating to purchase price allocation), prepared in accordance with such allocation. Subject to the provisions of Section 1.3(a)(iii) and 1.3(b)(iv), the Company and Purchaser shall prepare their respective federal, state and local tax returns and reports employing the allocation made pursuant to this Section 1.3(c), and shall not take a position in any tax proceeding or audit or otherwise that is inconsistent with such allocation; provided that nothing contained herein shall require the Company or Purchaser to contest, beyond the exhaustion of its administrative remedies before any taxing authority or agency, and the Company and Purchaser shall not be required to litigate before any court, including, without limitation, the United States Tax Court, any proposed deficiency or adjustment by any taxing authority or agency which challenges such allocation. The Company and Purchaser shall give prompt notice to each other of the commencement of any tax audit or the assertion of any proposed deficiency or adjustment by any tax authority or agency that challenges such allocation.

(d) Credits and Prorations. The Company and Purchaser shall prorate all Prepaids, including any payments due under any lease (and all other similar customary adjustments, Taxes and assessments levied against the Real Property as of the Effective Time). With respect to any amounts (including Taxes) that have not yet been billed or otherwise determined, the Company and Purchaser shall prorate such amounts based on the most recent ascertainable bill, based on when such Taxes, Prepaids and assessments are due and payable. Such prorations shall be included in the preparation of the Closing Statement, to the extent assumed by Purchaser.

ARTICLE II

CLOSING

2.1 Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Klehr, Harrison, Harvey, Branzburg & Ellers LLP, 260 South Broad Street, Philadelphia, Pennsylvania, at 10:00 A.M., on the second Business Day after all of the conditions to Closing have been waived or satisfied or such other time and date as Purchaser and the Company may agree. The date on which the Closing actually occurs is referred to herein as the "Closing Date." The Closing shall be effective as of the Effective Time.

2.2 Deliveries by the Company.

(a) At the Closing, the Company shall deliver to or at the direction of Purchaser the following:

(i) the Bill of Sale;

(ii) the Assignments and Other Instruments;

(iii) the officer's certificate referred to in Section 7.6;

(iv) the secretary's certificate referred to in Section 7.7;

(v) the documents, deeds and other deliveries called for in the Real Estate Purchase Agreement;

(vi) the opinion of counsel referred to in Section 7.8;

(vii) executed counterparts of any consents and approvals referred to in Section 7.10;

(viii) all documents containing or relating to Intellectual Property to be transferred and sold to Purchaser pursuant to this Agreement;

(ix) all originals and copies of books and records on any media whatsoever (including all computerized records and other computerized storage media and the software used in connection therewith) (collectively, "Books and Records"), including all Books and Records relating to the purchase of materials, supplies and services for the Company, customer lists, dealings with customers and distributors of the Company, and employees of the Company that Purchaser determines to hire, provided that the Company may retain one copy of each item of Books and Records; and

(x) all other previously undelivered documents, instruments and writings required to be delivered by the Company to Purchaser at or prior to the Closing pursuant to this Agreement or otherwise reasonably requested by Purchaser in connection herewith.

(b) At the Closing, the Company's sole stockholder, Alan Berg ("Mr. Berg"), and Mr. Berg's spouse shall each deliver his and her personal guarantee (together, the

"Guarantee") of the Company's indemnification obligations pursuant to this Agreement, in the form of Exhibit "C" hereto.

2.3 Deliveries by Purchaser. At the Closing, Purchaser shall deliver to the Company the following:

(a) the Closing Payment and other amounts payable at Closing, by wire transfer of immediately available funds into an account specified by the Company at least three (3) Business Days prior to the Closing;

(b) the Assumption Agreement;

(c) the officer's certificate referred to in Section 8.5;

(d) the secretary's certificate referred to in Section 8.6; and

(e) all other previously undelivered documents, instruments and writings required to be delivered by Purchaser to the Company at or prior to the Closing pursuant to this Agreement or otherwise reasonably requested by the Company in connection herewith.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth in the Disclosure Schedules delivered by the Company to Purchaser prior to the execution of this Agreement (the "Disclosure Schedule") (each section of which qualifies only the correspondingly numbered representation and warranty and only to the extent specified therein), the Company represents and warrants to Purchaser as follows:

3.1 Organization, Etc.

(a) The Company is a corporation duly organized, validly existing and in good standing as a corporation under the laws of the State of Delaware. The Company has the power and authority to conduct its business as it is currently being conducted and to own and lease the property and assets that it now owns and leases. The Company is duly qualified and in good standing to do business in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, except where the failure to be so qualified would not have a Material Adverse Effect.

(b) The copies of the Certificate of Incorporation (the "Certificate of Incorporation") and Bylaws (the "Bylaws") of the Company, as previously delivered to Purchaser by the Company, are complete and correct copies of such instruments as currently in effect. All of the issued and outstanding shares of capital stock, and other equity or similar interests in the Company are owned of record and beneficially by Mr. Berg. No Person has any preemptive or other similar right with respect to any such equity interests or other securities. There are no offers, options, rights, agreements or commitments of any kind (contingent or otherwise) relating to the issuance, conversion, registration, voting, sale or transfer of any equity interests or other securities of the Company, or obligating the Company or any other Person to purchase or redeem any such equity interests or other securities. The Company does not directly

or indirectly own any equity or similar interest in, or any interest convertible into or exchangeable or exercisable for any equity or similar interest, in any corporation, partnership, joint venture or other business association or entity.

3.2 Authorization. The Company has all power and authority necessary to execute and deliver this Agreement and the Ancillary Agreements and to consummate the transactions contemplated by this Agreement and the Ancillary Agreements (except, in each case, for the Real Estate Purchase Agreement and any other Ancillary Agreements which, by their terms, are executed and delivered by an Affiliate of the Company, in which case such Affiliate has all power and authority necessary to execute, deliver and act under such agreements or instruments). The execution and delivery of this Agreement and each of the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby have been duly authorized by the Company and Mr. Berg or by ULR, as the case may be. This Agreement and the Ancillary Agreements have been duly executed and delivered by the Company or ULR, as the case may be, and constitute valid and binding obligations of the Company, enforceable against the Company or ULR, as the case may be, in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting creditors rights generally, and by general equity principles (regardless of whether such enforceability is considered in a proceeding in equity or at law).

3.3 No Violation. Neither the execution or delivery of this Agreement or any agreement or instrument contemplated hereby by the Company or ULR, nor the performance by the Company or ULR of the transactions contemplated hereby or thereby violates, conflicts with, or constitutes a default (or an event or condition that, with notice or lapse of time or both, would constitute a default) under, or results in the termination of, or accelerates the performance required by, or causes the acceleration of the maturity of any liability or obligation pursuant to, or results in the creation or imposition of any security interest, lien, charge or other Encumbrance upon any of the property or assets of the Company or any of the Real Property under (a) the Certificate of Incorporation or the Bylaws or limited partnership agreement or certificate of limited partnership of ULR or (b) any judgment, order, writ, injunction, decree, law, statute, ordinance, rule or regulation, or (c) any material, note, bond, mortgage, indenture, deed of trust, license, lease, contract, commitment, understanding, arrangement, agreement or restriction of any kind or character applicable to the Company or ULR or their properties or assets.

3.4 Financial Statements. The Company has delivered to Purchaser (i) audited balance sheets of the Company at December 31, 1999 and December 31, 2000, together with audited statements of income and cash flows for each of the years then ended, in each case, together with the reports thereon of Deloitte & Touche, LLP, independent certified public accountants, (the "Financial Statements") and (ii) the unaudited balance sheet, of the Company as of May 31, 2001 together with unaudited statements of income and cash flows for the five months ended on the Balance Sheet Date. All such financial statements (including the notes thereto) were prepared in accordance with GAAP consistently applied, and fairly present, in all material respects, the financial condition and results of operations and changes in cash flows of the Company as of the respective dates or for the periods referred to therein, all in accordance with GAAP consistently applied. All of the Books and Records and the financial statements of the Company referred to in this Agreement have been prepared from and are in accordance with the accounting records of the Company, and reflect the consistent application of such accounting

principles throughout the periods involved, except as disclosed in the notes to the financial statements delivered to Purchaser, or as set forth on Section 3.4 of the Disclosure Schedule. The Company has delivered to Purchaser correct and complete copies of all reports and correspondences from the Company's auditors to the Company's Board of Directors or any committee thereof since the beginning of the periods covered by the Financial Statements.

3.5 No Undisclosed or Contingent Liabilities. Except as set forth on Section 3.5 of the Disclosure Schedule, the Company has no liabilities or obligations of any nature (whether absolute, accrued, contingent or otherwise and whether due or to become due) that are not fully reflected on the Balance Sheet, except for (i) current liabilities and obligations incurred in the Ordinary Course of Business since the date thereof, and (ii) liabilities and obligations arising from this Agreement and transaction expenses incurred in connection with this Agreement.

3.6 Absence of Certain Changes. Since May 31, 2001, the Company has conducted its business solely in the Ordinary Course of Business, and has not:

(a) suffered any event which has had a Material Adverse Effect;

(b) except as set forth on Section 3.6(b) of the Disclosure Schedule, permitted or allowed any of its assets to be subjected to any mortgage, pledge, lien, security interest, Encumbrance, restriction or charge of any kind;

(c) written down the value of any inventory or written off as uncollectible any notes or accounts receivable in excess of $50,000 in the aggregate for all such actions;

(d) canceled or compromised any debts in excess of $50,000 in the aggregate for all such actions or waived any material claims or rights;

(e) disposed of or permitted to lapse any rights to the use of any material Intellectual Property, or transferred or disposed of any rights under any Intellectual Property or disclosed to any Person other than an Affiliate any Intellectual Property not theretofore a matter of public knowledge;

(f) except as set forth on Section 3.6(f) of the Disclosure Schedule, granted any increase in the compensation, severance or other benefits of non-management employees (including any such increase pursuant to any bonus, pension, profit sharing or other plan or commitment) or any increase in any compensation, severance or other benefits payable or to become payable to any management employee, and no such increase is customary on a periodic basis or required by agreement or understanding;

(g) except as set forth on Section 3.6(g) of the Disclosure Schedule, made any capital expenditure or commitment for additions to its property, equipment or intangible capital assets in excess of $50,000 in the aggregate;

(h) made or amended any tax elections or made any change in any method of accounting or accounting practice or failed to maintain its accounts, Books and Records in the Ordinary Course of Business and consistent with past practice;

(i) failed to maintain in full force and effect all existing policies of insurance at least at such levels as were in effect prior to such date or canceled any such insurance or taken or failed to take any action that would enable the insurers under such policies to avoid liability for claims arising out of occurrences prior to the Closing;

(j) entered into any transaction or made or entered into any contract or commitment, or terminated or amended any contract or commitment which has resulted in a Material Adverse Effect;

(k) taken any action or suffered any event that has had a Material Adverse Effect on its business organization or its current relationships with its employees, suppliers, distributors, advertisers, subscribers or others having business relationships with it;

(l) declared, paid or set aside for payment any distribution or payment in respect of the common stock of the Company ("Common Stock"), other than tax distributions to the stockholder of the Company, or redeemed, purchased or otherwise acquired, directly or indirectly, any of the Common Stock, or as otherwise described on Section 3.6(l) of the Disclosure Schedule;

(m) except as set forth on Section 3.6(m) of the Disclosure Schedule, amended, modified, instituted or otherwise changed any Benefit Plans;

(n) except as set forth on Section 3.6(n) of the Disclosure Schedule, entered into any transaction or made or entered into any contract or commitment, or terminated or amended any contract or commitment, which has reduced the volume of purchases by a Key Customer, or changed price, payment or other contract terms in a manner adverse to the Company;

(o) except as set forth on Section 3.6(o) of the Disclosure Schedule, received or otherwise become aware of any information which would indicate that the Company's relationship with any Key Customer is not on good terms, or that there is any intention of any Key Customer to terminate or modify its relationship with the Company; or

(p) agreed to take any action with respect to any of the matters described in this Section 3.6.

Purchaser acknowledges that there may be a disruption to the Business as a result of the public announcement by Purchaser or the Company of its intention to consummate the transaction contemplated hereby, or by the consummation of the transaction contemplated hereby, and Purchaser agrees that such disruptions, considered individually or in the aggregate shall not constitute a breach of this Section 3.6.

3.7 Litigation, Orders. Except as described on Section 3.7 of the Disclosure Schedule, there are no claims, demands, notices of violation, directives, actions, suits, proceedings, investigations or inquiries pending by or before any court, arbitrator or governmental or regulatory authority (collectively, "Legal Actions"), or, to the Knowledge of the Company, threatened against or affecting the Company. None of the Legal Actions would, individually or in the aggregate, if decided, levied or otherwise resolved against the Company,

result in an injunction or other equitable relief against the Company, or result in monetary liability in excess of $100,000. There are no Legal Actions questioning the validity of this Agreement, the transaction contemplated hereby or any action taken or to be taken by the Company pursuant to this Agreement or any other agreement contemplated hereby, at law or in equity, before or by any federal, state, local or foreign governmental authority. The Company is not subject to any judgment, order or decree entered in any lawsuit or proceeding providing for monetary liability in excess of $100,000 or injunctive or other equitable relief.

3.8 Title to Property.

(a) The Real Property and the improvements located thereon are physically sufficient for the operational requirements of the Business as currently conducted. To the Knowledge of the Company, the uses of the Real Property for the various purposes for which it is presently being used are permitted under all applicable zoning legal requirements and are not subject to "permitted non-conforming" use or structure classifications. To the Knowledge of the Company, all existing improvements which were located on the Real Property prior to the date on which the Company acquired a leasehold or other interest therein, if any, are in compliance in all material respects with all applicable Laws, including those pertaining to zoning, building and the disabled, are structurally sound, in good repair and condition, ordinary wear and tear excepted, and are free from any material patent and latent defects. All existing improvements constructed on the Real Property on or after the date on which the Company acquired a leasehold or other interest therein are in compliance in all material respects with all applicable Laws, including those pertaining to zoning, building and the disabled, are structurally sound, in good repair and in good condition, ordinary wear and tear excepted, and are free from any material patent, and to the Knowledge of the Company, latent, defects. To the Knowledge of the Company, no part of any improvement located on the Real Property encroaches on any real property not included in the Real Property and there are no buildings, structures, fixtures or other improvements primarily situated on adjoining property which encroach on any part of the Real Property. To the Knowledge of the Company, each parcel of Real Property abuts on and has direct vehicular access to a public road or has access to a public road via a permanent, irrevocable, appurtenant easement benefiting such Real Property and comprising a part of the Real Property, is supplied with public or quasi-public utilities and other services appropriate for the operation of the facilities located thereon (the "Facilities") and is not located within any flood plain or area subject to wetlands regulation or any similar restriction. To the Knowledge of the Company, there is no existing or proposed plan to modify or realign any street or highway or any existing or proposed eminent domain proceeding that would result in the taking of all or any part of any Facility or that would prevent or hinder the continued use of any Facility as heretofore used in the conduct of its Business.

(b) The Company has good and marketable title to all of its properties and assets other than the Real Property, free and clear of all Encumbrances, except liens for taxes not yet due and payable and such other liens or other imperfections of title, if any, that are disclosed on Section 3.8(b) of the Disclosure Schedule; and all leases pursuant to which the Company leases real or personal property, are in good standing, valid and effective in accordance with their respective terms, and there is not, under any such lease, any existing default (or event which with notice or lapse of time, or both, would constitute a default).

(c) Except as disclosed in Section 3.8(c) of the Disclosure Schedule, the Company has possession of all tangible properties and Assets (whether real, personal, or mixed) that are reflected as owned in the Books and Records of the Company, or are used in the business of the Company under operating leases or otherwise. All of such Assets are reflected in the Balance Sheet, except for (i) Assets held under operating leases, (ii) assets sold or acquired since the Balance Sheet Date in the Ordinary Course of Business, and (iii) as identified on Section 3.8(c) of the Disclosure Schedule. The Assets constitute all of the assets, tangible and intangible, of any nature whatsoever used in or necessary to operate the Business in the manner presently operated (other than the Excluded Assets).

(d) To the Knowledge of the Company, the Company owns good and marketable title to its respective estates in each item of Real Property, free and clear of any Encumbrances, other than Encumbrances set forth in Section 3.8(d) to the Disclosure Schedule ("Permitted Real Estate Encumbrances"). Copies of (i) all deeds, existing title insurance policies and surveys of or pertaining to the Real Property in the possession or control of the Company and (ii) all instruments, agreements and other documents in the possession or control of the Company evidencing, creating or constituting any Permitted Real Estate Encumbrances have been delivered to Purchaser. (e) Except as set forth in Section 3.8(e) of the Disclosure Schedule, the Company and each of the Facilities and any other facility operated by the Company, if any, is in compliance with and have been operated and maintained in accordance with, the requirements of the Americans with Disabilities Act.

3.9 Compliance with Law; Licenses.

(a) The Business has not been and is not being conducted by the Company in violation or default under any Laws, including, without limitation, any Laws relating to the safe conduct of the Company's business, conservation and protection of human health, antitrust, taxes, consumer protection, currency exchange, equal opportunity, health, sanitation, fire, zoning, building, occupational safety, pension, securities and trademark and copyright, except for such violations as would not, individually or in the aggregate, have a Material Adverse Effect, and except for laws that are Environmental Laws (as to which no representation and warranty is made in this Section 3.9). The Company holds, and Section 3.9 of the Disclosure Schedule lists, all material licenses, permits, variances, exemptions, authorizations, operating certificates, orders and approvals of all government, court, administrative agency or commission or other governmental authority or instrumentality, domestic, foreign or supranational, or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority (each, a "Governmental Entity") (collectively, "Licenses") that are required for it to own, lease and operate its properties and conduct Business. There has occurred no default under or violation of any such License in any material respect.

(b) Since December 31, 2000, the Company has filed with the applicable Governmental Entities, all material forms, statements, reports and documents (including exhibits, annexes and any amendments thereto) required to be filed by it, and each such filing complied in all material respects with all applicable laws, rules, and regulations.

(c) The Company has all material permits, licenses, franchises, variances, exemptions, orders and other governmental authorizations, consents and approvals (collectively, "Permits"), necessary to conduct its Business as presently conducted.

3.10 Taxes.

(a) Except as set forth on Section 3.10(a) of the Disclosure Schedule, the Company has timely filed (including any applicable extension periods) all federal, state and other material tax reports, returns and forms required to be filed by it in the manner provided by applicable federal, state, local or foreign tax laws and all such reports, returns and forms are correct and complete in all material respects. Copies of all federal, state and other material tax returns for the Company in respect of all years not barred by the statute of limitations have been delivered by the Company to Purchaser and all such returns are listed on Section 3.10(a) of the Disclosure Schedule.

(b) With respect to each of the Company's tax returns that has been examined or audited by the Internal Revenue Service or a state, local or foreign taxing authority (collectively, an "Authority"), each of which returns are identified on Section 3.10(b) of the Disclosure Schedule, all deficiencies asserted as a result of such examinations or audits have been fully paid, adequately provided for or are being contested in good faith. No issue has been raised by the Internal Revenue Service or any Authority in any such examination or audit that, by application of the same or similar principles, could result in a proposed deficiency for any other period not so examined and not barred by the statute of limitations. There are no outstanding agreements or waivers extending the statutory period of limitation applicable to any federal, state, local or foreign tax return for any period.

(c) The Company has timely paid all federal, state, and all material local and foreign income, payroll, withholding, excise, sales, use, customs duties, real and personal property, use and occupancy, business and occupancy, business and occupation, mercantile, real estate, capital stock and franchise and other taxes (collectively, "Taxes") due or claimed to be due from the Company by the Internal Revenue Service or any Authority. No tax liens have been filed on any property or assets of the Company and no claims are being asserted with respect to any Taxes.

(d) The Company has been an S corporation as defined in Section 1361 of the Internal Revenue Code of 1986, as amended (the "Code") since August 26, 1993, and will maintain such S status until the Closing Date. Section 3.10(d) of the Disclosure Schedule lists all the states and localities with respect to which the Company is required to file any corporate, income or franchise tax returns and sets forth whether the Company is treated as the equivalent of an S corporation by or with respect to each such state or locality.

3.11 Consents and Approvals. Except as set forth on Section 3.11 of the Disclosure Schedule, the Company is not required to obtain any consent or approval of or make any declaration, filing or registration with, any Person or any governmental or regulatory authority in connection with (a) the execution and delivery by the Company of this Agreement or any agreement contemplated hereby, (b) the consummation by the Company of the transactions

contemplated hereby or thereby, or (c) the transfer of any Licenses as contemplated hereby or thereby.

3.12 Contracts and Commitments.

(a) Section 3.12(a) of the Disclosure Schedule sets forth complete and accurate lists of the following:

(i) all real property and the location thereof and the description of any structures located thereon that are owned, leased or operated by the Company, together with the annual rental and unexpired lease term and identity of the owner of any real property leased;

(ii) all employment, consulting or agency agreements to which the Company is a party or is otherwise bound, other than oral employment agreements relating to at-will employees which are terminable on notice without payment of severance or other remuneration based on separation;

(iii) except for standard vendor invoices for which payment is due at least thirty (30) days after the invoice date, each evidence of indebtedness, note, advance, instrument or agreement defining the terms on which any debt of, or guarantees by or letter of credit entered into by, the Company has been or may be issued, and all security and other agreements related thereto;

(iv) all contracts to which the Company is a party not denominated in U.S. dollars;

(v) all contracts or agreements containing covenants that in any way purport to restrict the Company's business activity or limit the freedom of the Company to engage in any line of business or to compete with any Person;

(vi) all contracts providing for payments to or by any Person based on sales, purchases, or profits, other than direct payments for goods or involving a sharing of profits, losses, costs or liabilities by the Company with any other Person;

(vii) all powers of attorney of the Company that are currently effective and outstanding;

(viii) all contracts entered into other than in the Ordinary Course of Business;

(ix) all contracts that contain or provide for an express undertaking by the Company to be responsible for consequential damages;

(x) all outstanding loans or advances (excluding advances for ordinary and necessary business expenses) by the Company to any of its officers, directors or stockholders or any member of the immediate families of such officers, directors or stockholders;

(xi) except for standard purchase orders for which payment or delivery is due within 30 days, all contracts, commitments or agreements to which the Company is a party or is otherwise bound and which involve future payments, performance of services or delivery of goods to or by the Company; and

(xii) any other contract, agreement or commitment that is material to the Business.

(b) The Company and, to the best of the Company's Knowledge, all other parties to the contracts, commitments, instruments and agreements required to be listed on Section 3.12(a) of the Disclosure Schedule have complied with the provisions thereof in all material respects, no party is in material default thereunder, and no event has occurred which, but for the passage of time or the giving of notice or both, would constitute a material default thereunder. Except as set forth on Section 3.11 of the Disclosure Schedules, no contract, commitment, instrument or agreement listed on Section 3.12(a) of the Disclosure Schedule requires the consent of any party thereto in order to consummate the transaction contemplated hereby, except for such consents already obtained.

(c) There are no renegotiations of, attempts to renegotiate, or outstanding rights to renegotiate any material amounts paid or payable to the Company under current or completed contracts with any Person having the contractual or statutory right to demand or require such renegotiation or no such Person has made written demand for such renegotiation.

(d) (i) Except as set forth on Section 3.12(d) of the Disclosure Schedule, the Company is not a party to or bound by any contracts or commitments that are not cancelable by the Company on notice of not longer than 30 days without payment of any penalty or other fee;

(ii) Subject to obtaining any requisite consents of third parties, all of which have been identified in the Disclosure Schedules, the enforceability of the contracts and commitments referred to in Section 3.12(a) will not be affected in any manner by the execution and delivery of this Agreement or the consummation of the transaction contemplated hereby or by the other agreements referred to herein;

(iii) Except as set forth on Section 3.12(d) of the Disclosure Schedule, the Company is not a party to or bound by any contracts or commitments with officers, employees, agents, consultants, advisors, salesmen, sales representatives, distributors or dealers that are not cancelable by it on notice of not longer than 30 days and without liability, penalty or premium, or any agreement or arrangement providing for the payment of any bonus or commission based on sales or earnings; and

(iv) Except as set forth on Section 3.12(d) of the Disclosure Schedule, the Company is not a party to or bound by any employment agreement or any other agreement that contains any severance or termination pay, liabilities or obligations.

3.13 Insurance. The Company maintains policies of fire, medical, life, liability, workers' compensation and other forms of insurance in such amounts, with such deductibles and against such risks and losses as are, in the Company's judgment, reasonable for the business and

assets of the Company. All such insurance policies are listed on Section 3.13 of the Disclosure Schedule. Section 3.13 of the Disclosure Schedule describes any self-insurance arrangement by or affecting the Company, including any reserves established thereunder, and any contract or arrangement (other than a policy of insurance), for the transfer or sharing of any risk to which the Company is a party or which involves the Business. The Company has not received (a) any refusal of coverage or any notice that a defense will be afforded with reservation of rights, or (b) any notice of cancellation or any other indication that any policy of insurance is no longer in full force or effect or that the issuer of any policy of insurance is not willing or able to perform its obligations thereunder.

3.14 Intellectual Property.

(a) Section 3.14 of the Disclosure Schedule sets forth a list of all patents, patent applications, trademarks, service marks, trade names, material copyrights and registrations and applications therefor that the Company either owns or has a license to use, and all license agreements or other rights related to the foregoing and any rights or causes of action resulting from any infringement or violation of any of the foregoing, all of which are included in the Intellectual Property as defined in Section 1.1(b)(vi). Except as set forth in Section 3.14 of the Disclosure Schedule, the Company has not made any registration or application with respect to any of the Intellectual Property transferred to Purchaser hereunder. The Company solely and exclusively owns or is licensed to use all of the Intellectual Property, free and clear of any Encumbrances or other restrictions. None of the Company's Intellectual Property or the Company's use or exploitation or authorization of third parties to use or exploit any of the Intellectual Property, is subject to any pending or, to the Knowledge of the Company, threatened, challenge or reversion. The Company has not interfered with, infringed upon, misappropriated or otherwise come in conflict with, any patents, trademarks, copyrights, trade names, service marks, licenses or other intellectual property or proprietary rights or interests of others, and the Company has not received any complaint, claim or notice alleging any such interference, infringement, misappropriation or violation. To the Knowledge of the Company, none of its Intellectual Property is currently being infringed by a third party and the Company has made no claims that a third party has violated or infringed any of the Company's rights in the Intellectual Property or other proprietary interests. All of the patents, trademark and service mark registrations, and copyright registrations listed in Section 3.14 of the Disclosure Schedule are in full force, are held of record in the Company's name free and clear of all Encumbrances, and are not the subject of any cancellation or reexamination proceeding or any other proceeding challenging their extent or validity. No order, holding, decision or judgment has been rendered by any governmental authority, and no agreement, consent or stipulation exists, which would limit the Company's use of any Intellectual Property. Section 3.14 of the Disclosure Schedule also identifies each item of Intellectual Property that any third party owns and that the Company uses pursuant to license, sublicense, agreement or permission. The Company has made available to representatives of Purchaser correct and complete copies of all such licenses, sublicenses, agreements and permissions (as amended to date). The Intellectual Property is sufficient for the continued conduct of the Business as heretofore conducted and consummation of the transaction contemplated in this Agreement will not impair Purchaser's ability or right to use or exploit any of the Intellectual Property.

(b) All personnel, including employees, agents, consultants, and contractors, who have contributed to or participated in the conception or development of the Intellectual Property on behalf of the Company either (1) have been part of a "work made for hire" arrangement or agreement with the Company in accordance with applicable federal and state law, that has accorded to the Company full effective, exclusive and original ownership of all tangible and intangible property thereby arising or (2) have executed appropriate instruments of assignment that have conveyed to the Company full, effective and exclusive ownership of all tangible and intangible property thereby arising.

3.15 Employee Benefit Plans.

(a) Section 3.15 of the Disclosure Schedule lists each Benefit Plan. The Company has delivered to Purchaser, with respect to each Benefit Plan maintained by or on behalf of the Company, true, correct and complete copies of the following: plan documents (and amendments thereto); handbooks; manuals; similar documents governing employment policies, practices and procedures; most recent summary plan descriptions (and subsequent summaries of material modifications); trust agreements (and amendments thereto); plan contracts with service providers or with insurers providing benefits; and a summary of any oral or unwritten Benefit Plan.

(b) Each Benefit Plan has been, at all times since its establishment, administered, in all material respects, in compliance with its terms and is, in all material respects, in compliance with the applicable provisions of ERISA (including, without limitation, the applicable funding, reporting and disclosure requirements), the Code and other applicable laws. There is not now, and has not been, any violation of the Code or ERISA with respect to the filing of applicable reports, documents, and notices regarding the Benefit Plans with the Secretary of Labor or the Secretary of the Treasury or the furnishing of such documents to the participants or beneficiaries of the Benefit Plans.

(c) Each Benefit Plan that is intended to be qualified within the meaning of Section 401(a) of the Code is and has from its inception been so qualified, and any trust created pursuant to any such plan is exempt from federal income tax under Section 501(a) of the Code.

(d) There are no inquiries or proceedings (other than routine claims for benefits) pending, or to the Knowledge of the Company, threatened by the Internal Revenue Service, the U.S. Department of Labor, the Pension Benefit Guaranty Corporation, or any participant or beneficiary with respect to any Benefit Plan.

(e) Neither the Company nor any ERISA Affiliate currently maintains or is obligated to contribute to, nor has in the past maintained or been obligated to contribute to, nor has any liability with respect to, any multiemployer plan (as defined in Section 3(37) of ERISA) or any employee pension benefit plan subject to Title IV of ERISA.

(f) The Company has made all required contributions under each Benefit Plan maintained by or on behalf of the Company, including the payment of all insurance premiums, for all periods through and including the fiscal year most recently ended, and has made all

required contributions for subsequent periods or has provided adequate accruals therefor in the Balance Sheet.

(g) No fiduciary or other party in interest with respect to any Benefit Plan has caused any such plan to engage in a "prohibited transaction," as defined in Section 406 of ERISA, for which an exemption is not available.

(h) There has been no violation of the "continuation coverage requirements" of "group health plans" as set forth in Section 4980B of the Code and Part 6 of Subtitle B of Title I of ERISA or the "HIPAA" requirements as set forth in Section 9801 and 9802 of the Code and Part 7 of Subtitle B of ERISA with respect to any Benefit Plan to which such continuation coverage requirements apply.

(i) The Company does not maintain any retiree life or retiree health insurance plan that provides for continuing benefits or coverage for any employee or any beneficiary of any employee after such employee's termination of employment (except to the extent such continued coverage is required by COBRA).

(j) Other than as set forth on Section 3.15(j) of the Disclosure Schedule, the employment of each Company employee is terminable at will without cost to the Company except for payments required under the Benefit Plans and payment of accrued salaries or wages. No employee or former employee of the Company has a right to be employed by Purchaser.

3.16 Labor Matters.

(a) The Company has for the past three years complied, and is currently complying, in all material respects with all applicable laws relating to employment and employment practices, terms and conditions of employment, worker health and safety and wages and hours, and is not, and has not engaged in any unfair labor practice or unlawful employment practice;

(b) There is no unfair labor practice charge or complaint against the Company pending or, to the best of the Company's Knowledge, threatened before the National Labor Relations Board nor, to the Knowledge of the Company, is there any basis for any such charge or complaint;

(c) There is no labor strike, slowdown or work stoppage pending or threatened against the Company;

(d) The Company has not experienced any significant work stoppages or been a party to any proceedings before the National Labor Relations Board involving any significant issues for the past three years or been a party to any arbitration proceeding arising out of or under collective bargaining agreements for the past three years; and

(e) There is no charge or complaint pending or, to the Knowledge of the Company, threatened against the Company before the Equal Employment Opportunity Commission or the Department of Labor or any state or local agency of similar jurisdiction. No employees or the Company are represented by any labor union and there is no collective

bargaining agreement in effect with respect to such employees. During the past five years, to the Knowledge of the Company, no labor union has engaged in any organizing activities with respect to the Company's employees.

3.17 Environmental Protection.

(a) The Company and ULR maintain, and always have maintained, (i) the operation of the Business in compliance with all material Laws relating to conservation, pollution or protection of human health and the environment, including the use, storage, transportation or disposal of any hazardous, toxic, corrosive or flammable substance or waste, or other pollutant, substance, contaminant or Hazardous Substances defined or regulated under Laws (collectively, the "Environmental Laws") in effect and applicable on or before the Closing Date and (ii) all material Licenses and Permits required for operation of the Business under Environmental Laws in effect and applicable as of the Closing Date. The list of such Licenses and Permits is disclosed on Section 3.17(a) of the Disclosure Schedule.

(b) Except as set forth on Section 3.17(b) of the Disclosure Schedule, the Company is, and always has, operated in material compliance with all terms and conditions of such Licenses and Permits and Environmental Laws and has not received any notice of violation or notice alleging any non-compliance with any Environmental Laws.

(c) Except as set forth on Section 3.17(c) of the Disclosure Schedule, there is no civil, criminal or administrative action, suit, demand, claim, investigation, proceeding, written notice or demand letter pending or, to the Knowledge of the Company, threatened against the Company arising under any Environmental Laws.

(d) During Company's ownership, operation or lease of any real property now or formerly owned, leased or operated by the Company or ULR or as to any other real property in any way related to the operation of the Company or Business, no Hazardous Substances were used, handled, generated, processed, treated, stored, transported to or from, released, discharged or disposed of by the Company or ULR from, on, about or beneath such real property, except in material compliance with all Environmental Laws.

(e) Except as set forth on Section 3.17(e) of the Disclosure Schedule, the Company has not caused and has no Knowledge of the installation or placement of any storage tanks, or Hazardous Substances (except for asbestos), in, on or under any real property owned, leased or operated by the Company, or any real property that was, but is no longer, leased, occupied or operated by the Company, or any other real property related to the operation of the Company or the Business, which require investigation or remediation under Environmental Laws in effect and applicable as of the Closing Date.

(f) The Company has made available to Purchaser copies of any and all environmental records, assessments, studies, investigations, data and other documents in its possession or control relating to the Business and the environmental conditions of any real property now or formerly owned, leased or operated by the Company or ULR or any other real property related to the operation of the Company or the Business.

(g) The Company has not stored, transloaded or packaged any of the products listed in Exhibit E of the Ashland Agreement, other than in quantities and under circumstances permitted under the Ashland Agreement. Except as disclosed on Section 3.17(g) of the Disclosure Schedule, the Company has complied with all of its obligations under the Ashland Agreement and has not breached or violated any of its representations, warranties, covenants or agreements thereunder.

3.18 Brokers or Finders. No agent, broker, investment banker, financial advisor or other firm or Person is or will be entitled to any broker's or finder's fees or any similar commission or fee in connection with the transaction contemplated by this Agreement, based upon arrangements made by or on behalf of the Company, except Boenning & Scattergood, Inc. (formerly known as Berwind Financial, L.P.) (the "Investment Banker), whose fees and expenses will be paid by the Company in accordance with the agreement with such firm previously provided to Purchaser.

3.19 Equipment. The Company's Personal Property has no known material defects and is in good operating condition and repair (ordinary wear and tear excepted) and is adequate for its current uses and the operation of the Business as it is currently conducted; and none of such Personal Property is in need of maintenance or repairs except for ordinary routine maintenance and repairs that are not material in nature or cost.

3.20 Good Title Conveyed, Etc. The Company has complete and unrestricted power and the unqualified right to sell, assign, transfer and deliver to Purchaser, and upon consummation of the transactions contemplated by this Agreement, Purchaser will acquire good and valid title to, the Assets, free and clear of all mortgages, pledges, liens, security interests, conditional sales agreements, Encumbrances or charges of any kind, except for the liens set forth on Section 3.20 of the Disclosure Schedule. The Bill of Sale and Assignments, when duly executed and delivered by the Company to Purchaser at the Closing, will effectively vest in Purchaser good and valid title to the Assets.

3.21 Personnel. Section 3.21 of the Disclosure Schedule contains an accurate and complete list of (a) the names and current salaries of all officers of the Company and (b) the wage rates for non-salaried and non-executive salaried employees of the Company by classification. The Company is not in default with respect to any obligation to any of its officers or employees, and to the Company's Knowledge, the Company has a good working relationship with its officers and employees.

3.22 Accounts Receivable. Section 3.22 of the Disclosure Schedule sets forth a true and complete list of all accounts receivable of the Company as of the Balance Sheet Date and the aging thereof. All accounts receivable of the Company, whether reflected on such balance sheet or subsequently created through the Closing Date, represent sales actually made or services actually performed in the Ordinary Course of Business and either have been collected in full or, to the Knowledge of the Company, are collectible in full, without any setoff, except to the extent of the reserves established by the Company to cover losses arising from uncollected accounts receivable.

3.23 Compliance with the Foreign Corrupt Practices Act and Export Control and Anti-Boycott Laws.

(a) The Company and its representatives have not, to obtain or retain business, directly or indirectly offered, paid, or promised to pay, or authorized the payment of, any money or other thing of value (including any fee, gift, sample, travel expense, or entertainment with a value in excess of U.S. $100.00 in the aggregate to any one individual in any year) or any commission payment in excess of five percent (5%) of any amount payable, to:

(i) any person who is an official, officer, agent, employee or representative of any Governmental Entity;

(ii) any political party or official thereof;

(iii) any candidate for political or political party office; or

(iv) any other individual or entity;

while knowing or having reason to believe that all or any portion of such money or thing of value would be offered, given, or promised, directly or indirectly, to any such official, officer, agent, employee, representative, political party, political party official, candidate, political party or official, or political office.

(b) The Company has made all payments to third parties by check mailed to such third parties' principal place of business or by wire transfer to a bank located in the same jurisdiction as such party's principal place of business.

(c) Each transaction to which the Company is a party is properly and accurately recorded on the Books and Records, and each document on which entries in the Company's books and records are based is complete and accurate. The Company maintains a system of internal accounting controls adequate to insure that the Company maintains no off-the-books accounts and that the Company's assets are used only in accordance with the Company's management directives.

(d) The Company has at all times been in compliance with all Laws relating to export control and trade embargoes. No product sold or service provided by the Company during the last five years has been, directly or indirectly, sold to or performed on behalf of Cuba, Iraq, Iran, Libya, or North Korea.

(e) The Company has not violated the anti-boycott prohibitions contained in 50 U.S.C. (S) 2401 et seq. or taken any action which can be penalized under Section 999 of the Code. Except as set forth in Section 3.23(e) of the Disclosure Schedule, during the last five years, the Company has not been a party to, is not a beneficiary under, and has not performed any service or sold any product under, any Contract under which a product has been sold to customers in Bahrain, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Sudan, Syria, United Arab Emirates, or the Republic of Yemen.

3.24 Bank Accounts. Section 3.24 of the Disclosure Schedule sets forth the names and locations of all financial institutions at which the Company has accounts or lockboxes, and the account numbers into which deposits are made by customers of the Company (the "Bank Accounts").

3.25 Inventory. All items included in inventory of finished goods and work-in-process in the Balance Sheet and on the current accounting records of the Company were, or are, of a quality and quantity usable, and with respect to finished goods, are saleable, in the Ordinary Course of Business. Obsolete items and items of below-standard quality, excess inventory of finished goods or work in process, and inventory of raw materials and parts not reasonably expected to be used have been written off or written down to net realizable value in the Balance Sheet and in the current accounting records of the Company. Except as set forth on Section 3.25 of the Disclosure Schedule, the Company is not in possession of any inventory not owned by the Company, including goods already sold, and none of the Inventory included in the Balance Sheet or in the current accounting records of the Company was or is in the possession of any other Person. Work-in-process Inventories are now valued, and will be valued on the Closing Date, in accordance with GAAP.

3.26 Full Disclosure. All documents and other papers delivered and to be delivered by or on behalf of the Company in connection with the transaction contemplated hereby are accurate and complete and are authentic. No representation or warranty of the Company contained in this Agreement, any Ancillary Agreement, or any Schedule hereto or thereto, or the Disclosure Schedule contains any untrue statement or omits to state a fact necessary in order to make the statements herein or therein, in light of the circumstances under which they were made, not misleading in any material respect.

3.27 NO OTHER REPRESENTATIONS OR WARRANTIES. EXCEPT AS SPECIFICALLY AND EXPRESSLY SET FORTH IN THIS AGREEMENT, THE ANCILLARY AGREEMENTS OR ANY DOCUMENTS OR INSTRUMENTS CONTEMPLATED HEREBY OR THEREBY, (I) THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, RELATING TO THE COMPANY, OR THE ASSETS OR BUSINESS OF THE COMPANY, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY AS TO VALUE, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR FOR ORDINARY PURPOSES, OR ANY OTHER MATTER, (II) THE COMPANY MAKES NO, AND HEREBY DISCLAIMS ANY, OTHER REPRESENTATIONS OR WARRANTIES REGARDING THE ASSETS OF THE COMPANY, OR THE BUSINESS OF THE COMPANY, AND (III) THE ASSETS AND BUSINESS OF THE COMPANY ARE CONVEYED ON AN "AS IS, WHERE IS" BASIS AS OF THE CLOSING, AND PURCHASER SHALL RELY UPON ITS OWN EXAMINATION THEREOF.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to the Company as follows:

4.1 Organization, Etc. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Purchaser has the power and authority to conduct its business as it is currently being conducted and to own and lease the property and assets that it now owns and leases. Purchaser is duly qualified and in good standing to do business in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, except where the failure to be so qualified would not have a Material Adverse Effect.

4.2 Authorization. Purchaser has all power and authority necessary to execute, deliver and consummate the transaction contemplated by this Agreement. The execution and delivery of this Agreement and the consummation of the transaction contemplated hereby have been duly authorized by Purchaser. This Agreement has been duly executed and delivered by Purchaser and constitutes a valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting creditors rights generally, by general equity principles (regardless of whether such enforceability is considered in a proceeding in equity or at law) or by an implied covenant of good faith and fair dealing.

4.3 No Violation. Neither the execution or delivery of this Agreement or any agreement contemplated hereby by Purchaser, nor the performance by Purchaser of the transaction contemplated hereby or thereby violates, conflicts with, or constitutes a default (or an event or condition that, with notice or lapse of time or both, would constitute a default) under, or results in the termination of, or accelerates the performance required by, or causes the acceleration of the maturity of any liability or obligation pursuant to, or results in the creation or imposition of any security interest, lien, charge or other encumbrance upon any of the property or assets of Purchaser under (a) Purchaser's Articles of Incorporation or Purchaser's Bylaws or (b) except as would not have a Material Adverse Effect or would not prevent or materially impede or delay the consummation of the transaction contemplated hereby, any judgment, order, writ, injunction, decree, law, statute, ordinance, rule, regulation, note, bond, mortgage, indenture, deed of trust, license, lease, contract, commitment, understanding, arrangement, agreement or restriction of any kind or character applicable to Purchaser or its respective properties or assets.

4.4 Consents and Approvals. Except for consents and approvals that have been obtained and consents and approvals the failure of which to obtain would not, individually or in the aggregate, have a Material Adverse Effect or prevent or materially impede or delay the consummation of the transaction contemplated hereby, Purchaser is not required to obtain, transfer or cause to be transferred any consent, approval or License of, or make any declaration, filing or registration with, any third party or any governmental or regulatory authority in connection with (a) the execution and delivery by Purchaser of this Agreement or any agreement contemplated hereby, or (b) the consummation by Purchaser of the transaction contemplated hereby or thereby.

4.5 Ability to Fund Purchase Price. Purchaser has access to sufficient funds to pay the Purchase Price on the Closing Date.

4.6 Unocal Agreement. Purchaser acknowledges receipt of that certain asset purchase agreement by and between Ashland, Inc. and Union Oil Company of California dated as of February 14, 1992, referred to in Section 15.2(i) of the Ashland Agreement (the "Unocal Agreement").

ARTICLE V

OTHER OBLIGATIONS OF THE COMPANY AND PURCHASER

5.1 Consummation of Agreement. Each of the parties hereto covenants and agrees that it will use its reasonable best efforts to duly and timely carry out all of its obligations hereunder, to perform and comply with all of the covenants, agreements, representations, and warranties hereunder applicable to it, and to cause all conditions applicable to it to the obligations of the other party to close the purchase and sale of the Assets pursuant hereto to be satisfied as promptly as possible (subject to the provisions of Sections 5.3(h), (i) and (j) below).

5.2 Supplemental Disclosure. The Company shall promptly supplement or amend the Disclosure Schedule with respect to any matter arising or discovered after the date hereof that, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Disclosure Schedule, provided that any such amendment or supplement shall not affect any rights of Purchaser hereunder.

5.3 Conduct of Business. From the date of this Agreement to the Closing, the Company shall conduct the Business in the Ordinary Course of Business in compliance with all applicable Laws and all agreements to which it is a party. Without limiting the generality of the foregoing and except as otherwise expressly provided in this Agreement or consented to in writing by Purchaser, from the date of this Agreement to the Closing, the Company shall:

(a) use commercially reasonable efforts to preserve its business organization and its current relationships with its employees, suppliers, distributors, creditors, customers and others having business relationships with it and to keep available to it the services of its employees;

(b) not take any action that would result in any of its representations or warranties set forth in this Agreement becoming untrue, cause any of the conditions to the Closing set forth in Article VII to not be satisfied, or cause a schedule hereto to be incorrect or incomplete;

(c) maintain the Facilities, the Personal Property and the Company's other assets in a state of repair and condition which complies with Laws and is consistent with the requirements and normal conduct of the Business;

(d) keep in full force and effect, without amendment, all material rights relating to the Business;

(e) continue in full force and effect the insurance coverage under the policies referred to in Section 3.13 or substantially equivalent policies;

(f) maintain all Books and Records in accordance with past practice;

(g) pay or otherwise satisfy in the Ordinary Course of Business all of its liabilities and obligations;

(h) from and after the date on which Purchaser waives in writing the conditions set forth in Section 7.14 hereof, cooperate with Purchaser and assist Purchaser in obtaining any necessary consents, and in transferring existing Licenses of the Company to Purchaser, where permissible, or, at Purchaser's request, obtaining new Licenses for Purchaser so as to enable Purchaser to operate the business from and after the Closing Date;

(i) from and after the date on which Purchaser waives in writing the conditions set forth in Section 7.14, use commercially reasonable efforts to obtain the consent of Henkel Corporation ("Henkel") to the assignment of that certain Toll Manufacturing Agreement dated March 1, 2000, by and between Henkel and the Company;

(j) from and after the date on which Purchaser waives in writing the conditions set forth in Section 7.14, use commercially reasonable efforts to obtain a written statement from Ashland, Inc. as to the existence of any defaults under the Ashland Agreement known to Ashland, Inc.; and

(k) promptly advise Purchaser in writing of the threat or commencement against the Company of any dispute, claim, action, suit, proceeding, arbitration or investigation by, against or affecting the Company, or which challenges or may affect the validity of this Agreement or any action taken or to be taken in connection with this Agreement or the ability of the Company to consummate the transactions contemplated herein.

Purchaser acknowledges that there may be a disruption to the Company's business as a result of the negotiation and execution of this Agreement, and the announcement by the Company or Purchaser of its intention to consummate the transaction contemplated hereby and Purchaser agrees that such disruptions do not and shall not constitute a breach of this Section 5.3.

5.4 Confidentiality. Mr. Berg, the Company and Purchaser shall hold, and shall cause their respective employees, agents, consultants and advisors to hold, in strict confidence, unless compelled to disclose by judicial or administrative process or by other requirements of law, all documents and information concerning the other parties furnished to it by any other party or its representatives in connection with the transaction contemplated by this Agreement (except to the extent that such information shall be shown to have been (a) previously known by the party to which it was furnished, (b) in the public domain through no fault of such party or (c) later lawfully acquired from other sources by the party to which it was furnished), and each party shall not release or disclose such information to any other person, except its auditors, attorneys, financial advisors, bankers and other consultants and advisors in connection with the transaction contemplated by this Agreement. All environmental site assessments, reports and data prepared by or at the direction of Company or Purchaser shall be subject to this Section 5.4, provided that with respect to such site assessments, reports and data, the confidentiality obligations contained

herein shall apply only to Purchaser prior to the Closing and only to the Company following the Closing. Notwithstanding any other provision of this Agreement, from and after the time that the conditions to closing provided by Section 7.12 shall have been satisfied or waived, Purchaser may discuss the transaction contemplated by this Agreement with the Key Customers, provided that the President of the Company shall have the right to attend and participate in such discussions; but further provided that Purchaser shall have the right to exclude the President from portions thereof in its sole discretion. This Section 5.4 shall survive termination of this Agreement for any reason. From and after Closing, the provisions of this Section 5.4 shall not apply to or restrict in any manner Purchaser's use of information relating to the Assets or the Assumed Liabilities.

5.5 Negative Covenants. Except as expressly provided herein, between the date hereof and the Closing, without the prior written consent of Purchaser, the Company shall not:

(a) take any action, or fail to take any reasonable action within its control, as a result of which any of the changes or events listed in Section 3.6 would be likely to occur;

(b) make any modification to any material contract, agreement, instrument, or License;

(c) give any unusual discounts, seek to accelerate sales from future periods;

(d) accelerate the collection of any Accounts Receivable or provide any incentives for the payment of any Accounts Receivable or discounts except in the Ordinary Course of Business, provided that, a customer's unsolicited early payment of an invoice shall not be deemed an acceleration of payment or provision of an incentive pursuant to this Section 5.5(d);

(e) allow the levels of raw materials, supplies or other materials included in the Inventories to vary materially from the levels required to operate in the Ordinary Course of Business;

(f) enter into any compromise or settlement of any litigation, proceeding or governmental investigation relating to the Assets, the Business or the Assumed Liabilities; or

(g) agree to do any of the foregoing.

5.6 Covenant Not to Compete.

(a) For a period of five (5) years from and after the Closing Date, neither Mr. Berg, the Company nor any Person under the Control (as defined in (b) below) of the Company shall, directly or indirectly: (i) engage in the manufacture, assembly, design, distribution or marketing of any product substantially similar to or in competition with any product which at any time during the period of twelve months prior to the date of this Agreement has been manufactured, sold or distributed by the Company or any product which the

Company was developing during such period for future manufacture, sale or distribution or in the provision of any service substantially similar to or in competition with any service offered by the Company at any time during the period of twelve months prior to the date of this Agreement or which the Company was developing during such period; (ii) be or become a stockholder, partner, owner, officer, director or employee or agent of, or a consultant to or give financial or other assistance to, any Person considering engaging in any such activities or so engaged; (iii) seek in competition with the Business to procure orders from or do business with any customer of the Company; or (iv) seek to contract with or engage (in such a way as to adversely affect or interfere with the business of the Company as carried on as of the date of this Agreement) any Person who has been contracted with or engaged to manufacture, assemble, supply or deliver products, goods, materials or services to the Company; provided, however, that nothing herein shall prohibit the Company and Persons under Control of the Company from owning, as passive investors, in the aggregate not more than 5% of the outstanding publicly traded stock of any corporation so engaged. Purchaser acknowledges that any and all business activities and products which are conducted or manufactured, sold or distributed by Nupro Industries Corporation (d/b/a the Neatsfoot Oil Refineries Corp.), or Advanced Technologies, LLC, or which those entities plan to conduct or manufacture, sell or distribute, as of the Closing Date, in each case, only to the extent set forth on Section 5.6 of the Disclosure Schedule, shall not be subject to the covenants and agreements set forth in this Section 5.6.

(b) The duration of the Company's covenants set forth in this Section shall be extended by a period of time equal to the number of days, if any, during which the Company is in violation of the provisions hereof. For the purposes of this Section, "Control" means: (i) any corporation of which the Company owns or otherwise possesses the power to direct the vote, directly or indirectly, of an amount of voting securities sufficient to elect a majority of the board of directors of such corporation, and (ii) the power to direct the management and policies of a Person (other than a natural person), directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; provided that, any Person of which the Company owns beneficially or of record, either directly or through one or more intermediaries, more than 20% of the ownership interests, shall be conclusively presumed to be under the Control of the Company.

(c) The Company acknowledges that the provisions of this Section are reasonable and necessary to protect the interests of Purchaser, that any violation of this Section will result in an irreparable injury to Purchaser and that damages at law would not be reasonable or adequate compensation to Purchaser for violation of this Section and that, in addition to any other available remedies, Purchaser shall be entitled to have the provisions of this Section specifically enforced by preliminary and permanent injunctive relief without the necessity of proving actual damages or posting a bond or other security and to an equitable accounting of all earnings, profits and other benefits arising out of any violation of this Section. In the event that the provisions of this Section shall ever be deemed to exceed the time or other limitations permitted by applicable law, then the provisions shall be deemed reformed to the maximum extent permitted by applicable law.

5.7 Cooperation. Subject to the terms and conditions of this Agreement, each party hereto shall take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate the transaction contemplated by this Agreement as soon as practicable after the date hereof. Each party hereto shall consult with, and take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable (including using its reasonable best efforts to

provide all appropriate and necessary assistance to the other party hereto) with respect to the obtaining of all permits, consents, approvals and authorizations of all third parties and Governmental Entities (including, without limitation, Ashland, Inc.) necessary or advisable in order to consummate the transaction contemplated by this Agreement (subject to the waiver by Purchaser of the conditions set forth in Section 7.14 hereof) and each party will keep the other party apprised of the status of matters relating to completion of the transaction contemplated hereby.

5.8 Public Announcements. Except as otherwise consented to in writing by the other party, neither Purchaser nor the Company shall issue any press release or otherwise make any public statement with respect to this Agreement or the transaction contemplated hereby prior to the satisfaction or irrevocable waiver of the condition set forth in Section 7.14 hereof. Notwithstanding the foregoing, the consent of the other party shall not be required (but each party shall notify the other party) in advance of any disclosure of the transaction contemplated hereby if the disclosing party, after consultation with counsel, determines reasonably and in good faith that such disclosure is required by applicable Law or the rules or regulations of the New York Stock Exchange.

5.9 Employee Matters.

(a) As of the Effective Time, the Company shall terminate the employment of all of its employees, and Purchaser shall offer employment to such employees (comprising at least eighty percent (80%) of the employees terminated as of the Effective Time) as employees-at-will as Purchaser shall identify to Company at least ten (10) days before Closing, on terms and conditions which, when taken in the aggregate, are no less favorable to such employees than the terms and conditions of such employees' current employment with the Company. With respect to employees hired by Purchaser, Purchaser shall recognize such employees' service with the Company or any predecessor of the Company solely for purposes of eligibility for and vesting of any benefits offered to such employees.

(b) Within thirty (30) days of the Effective Time, the Company shall commence the termination of its 401(k) plan and distribute the plan's assets to the owners thereof. The Company shall be responsible for all aspects of its 401(k) plan, including, without limitation, all final contributions thereto and issuance of final forms 5500 related thereto. Purchaser intends to provide employees of Company hired by it with the right to participate in a 401(k) plan of Purchaser or its Affiliates, and Purchaser shall use commercially reasonable efforts to permit rollovers by such employees from the Company's 401(k) to Purchaser's 401(k) plan. The Company shall be responsible for (i) all accrued salaries, commissions, bonuses and wages, and (ii) accrued vacation, sick and personal days owed with respect to employees and former employees of the Company, covering all periods (and all obligations incurred) on or prior to the Closing Date, except to the extent a specific accrual with respect thereto is included in the Closing Statement and the calculation of Working Capital.

(c) The Company shall be responsible for all health continuation requirements under Section 4980B of the Code and Part 6 of Subtitle B of Title I of ERISA with respect to any individual who is a qualified beneficiary (within

the meaning of Section 4980B(g)(1) of the Code) with respect to the Company's group health plan(s), and whose qualifying event (within the meaning of Section 4980B(f)(3) of the Code) occurred prior to or in connection with the transaction contemplated by this Agreement. The Company (or an ERISA Affiliate) shall maintain one or more group health plans to provide coverage to such individuals which is identical to the coverage provided to similarly situated beneficiaries who were employed by the Company prior to the Closing Date, such coverage to be provided in accordance with Section 4980B(f)(2)(B), (C), (D) and (E) of the Code (determined without regard to Sections 4980B(f)(2)(B)(ii) and 4980B(d)(1) of the Code).

(d) It is understood and agreed that (i) Purchaser's intention to extend offers of employment as set forth in this Section shall not constitute any commitment, contract or understanding (expressed or implied) of any obligation on the part of Purchaser to a post-Closing employment relationship of any fixed term or duration or upon any terms or conditions other than those that Purchaser may establish pursuant to individual offers of employment, and (ii) employment offered by Purchaser is "at will" and may be terminated by Purchaser or by an employee at any time for any reason (subject to any written commitments to the contrary made by Purchaser or an employee and applicable state and federal laws governing employment). Nothing in this Agreement shall be deemed to prevent or restrict in any way the right of Purchaser to terminate, reassign, promote or demote any of such employees after the Closing, or to change adversely or favorably the title, powers, duties, responsibilities, functions, locations, salaries, other compensation or terms or conditions of employment of such employees.

(e) Following the date of this Agreement, the Company and Purchaser shall reasonably cooperate in all matters reasonably necessary to effect the transactions contemplated by this Section 5.9.

5.10 Effect of Due Diligence. In connection with Purchaser's investigation
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of the Business, Purchaser may have received from or on behalf of the Company or the Investment Banker certain projections, including projected statements of operating revenues and income from operations of the Company. Purchaser acknowledges that there are uncertainties inherent in attempting to make such estimates, projections and other forecasts and plans, that Purchaser is familiar with such uncertainties, that Purchaser is taking full responsibility for making its own evaluation of the adequacy and accuracy of all estimates, projections and other forecasts and plans so furnished to it (including the reasonableness of the assumptions underlying such estimates, projections and forecasts), and that Purchaser shall have no claim against the Company or the Investment Banker, or any of their Affiliates with respect thereto. Accordingly, neither the Company nor the Investment Banker makes any representation or warranty with respect to such estimates, projections and other forecasts and plans (including the reasonableness of the assumptions underlying such estimates, projections and forecasts).

5.11 Use of the United Lubricants Name. From and after the Closing, the name "United Lubricants" shall be the property of Purchaser, and neither the Company nor any Person under the Control of the Company shall use, or authorize any other Person to use, the United Lubricants name, or any stationary, accounts, or other assets carrying the United Lubricants name, for any purpose, except as expressly contemplated herein. Promptly following the Closing, the Company shall, and shall cause ULR to, amend its governing documents and take all other actions necessary to change its name to a name that cannot reasonably be confused with "United Lubricants", or a derivation thereof.

5.12 Ashland Rights. The assignment of rights made pursuant to Section 1.1(b)(v) is not intended to deprive the Company of any rights it may have for indemnification from Ashland, Inc. pursuant to the Ashland Agreement. Accordingly, in the event that a claim is made against the Company for which the Company may have the right to indemnification, defense and being held harmless pursuant to the Ashland Agreement (the "Indemnification Rights"), Purchaser shall provide the Company with the benefit of the Indemnification Rights, unless claim(s) are made against both Purchaser and the Company, in which case the Company and Purchaser shall take such steps as may be necessary or proper, including the conduct of a joint defense, to provide both Purchaser and the Company with the benefit of the Indemnification Rights. Other than as set forth in this Agreement, and subject to the Company's compliance with Article VI of this Agreement, neither the Company nor Purchaser shall make, and each hereby waives and releases, any claim against the other party for the investigation, remediation or monitoring of Hazardous Substances which were present on, at, beneath or from the Real Property prior to August 20, 1998.

5.13 Environmental Reports. As promptly as reasonably practicable following receipt of any report, assessment or written data generated prior to the Closing Date regarding the environmental condition of the Real Property, the Purchaser shall provide the Company with a copy of such report, assessment or written data, without charge. Purchaser and the Company shall treat such reports, assessments and data as provided in Section 5.4 hereof. The Company understands and acknowledges that neither the Purchaser nor any of its representatives or agents is making any representation or warranty as to the accuracy or completeness of any reports, assessments or data provided pursuant to this Section 5.13, and neither Purchaser nor any of its officers, directors, employees, representatives or agents shall have any liability relating thereto, except for any liability which such parties would otherwise have, had such reports, assessments and data not been provided to the Company pursuant to this Section 5.13. Such reports, assessments and data are being provided to the Company under this Section 5.13 for its information only, and the Company may not rely on such reports, assessments or data for any reason.

ARTICLE VI

SURVIVAL OF REPRESENTATIONS; INDEMNIFICATION

6.1 Survival of Representations. All representations and warranties made by any party to this Agreement or pursuant hereto, or by any party to the Real Estate Purchase Agreement or pursuant thereto, shall survive the Closing for a period of eighteen (18) months following the Closing Date; provided, however, that any representation or warranty made under this Agreement or the Real Estate Purchase Agreement with respect to Taxes, title to the Assets,

employee benefits or labor matters shall survive the Closing hereunder for a period equal to the applicable statute of limitations, and provided further, that any representation or warranty made under this Agreement or the Real Estate Purchase Agreement with respect to environmental matters (including environmental matters set forth in Section 3.17 hereof) shall survive the Closing hereunder for a period of five (5) years. The waiver of any condition to Closing based on the inaccuracy of any representation or warranty, or on the non-performance of or compliance with any covenant or obligation, will not affect the right to indemnification, reimbursement, or other remedy based on such representations, warranties, covenants and obligations.

6.2 Indemnification.

(a) Subject to the terms and conditions of this Article VI, the Company shall indemnify, defend and hold harmless Purchaser and Purchaser's officers, directors, shareholders, employees, representatives, agents and Affiliates (collectively, "Purchaser Indemnified Parties") from and against all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, costs and expenses, including interest, penalties and reasonable attorneys' fees and expenses (collectively, "Damages"), asserted against, resulting to, imposed upon or incurred by any Purchaser Indemnified Party, directly or indirectly, by reason of or resulting from or arising out of (i) liabilities or obligations of the Company or ULR (whether absolute, accrued, contingent or otherwise) existing as of the Closing or arising out of facts, conditions or circumstances existing at or prior thereto (other than the Assumed Liabilities), whether or not such liabilities, obligations or claims were known at the time of the Closing; (ii) a breach of any representation, warranty, covenant or agreement of the Company or ULR contained in or made pursuant to this Agreement, the Real Estate Purchase Agreement, or any Other Instruments; (iii) any claim asserted against Purchaser or any of its Affiliates with respect to any Taxes relating to the Company's or ULR's operations or properties on or prior to the Effective Time, including without limitation Taxes incurred by the Company or ULR as a result of the transactions contemplated in this Agreement or in the Real Estate Purchase Agreement; (iv) any liability arising out of Excluded Liabilities and (v) until the fifth (5th) anniversary of the Closing Date, the use, handling, generation, processing, treatment, storage, transportation, release, discharge or disposal of Hazardous Substances by the Company or ULR on, about, or beneath or from (A) any real property now or previously owned, leased or operated by the Company or ULR prior to the Effective Time, or (B) other real property in any way related to the operation of the Business by the Company or ULR prior to the Effective Time at any other location, provided that nothing in this Section 6.2(a) requires the Company to indemnify the Purchaser Indemnified Parties for the mere presence of Hazardous Substances on, about, beneath or from any such real property, unless the Company or ULR caused, or had Knowledge of but failed to identify on the Disclosure Schedules hereto, any such presence (collectively, "Claims").

(b) Subject to the terms and conditions of this Article VI, Purchaser shall indemnify, defend and hold harmless the Company and the Company's officers, directors, shareholders, employees, representatives, agents and Affiliates (collectively, "Company Indemnified Parties") from and against all Damages asserted against, resulting to, imposed upon or incurred by the Company, directly or indirectly, by reason of or resulting from (i) the Assumed Liabilities; and (ii) a breach of any representation, warranty, covenant or agreement of Purchaser contained in or made pursuant to this Agreement or the Real Estate Purchase Agreement.

(c) Notwithstanding any provision in this Article VI to the contrary, no party hereto shall be required to indemnify any Person pursuant to this Article VI (including, without limitation, for breaches of representations, warranties, covenants and agreements contained herein) unless and until the aggregate amount of all Claims for such breaches as to which indemnification would be required from such party (but for the provisions of this Section 6.2) exceeds $300,000 (the "Indemnity Threshold"), and thereafter such party shall be required, in the manner and to the extent otherwise provided in this Article VI, to indemnify any Person and to pay the aggregate amount of all Damages incurred. The maximum liability of the Company, on the one hand, and Purchaser, on the other hand, for indemnification for breaches of representations and warranties under this Section 6.2 shall not exceed seven million dollars ($7,000,000), plus (or minus) one-half of the amount by which Working Capital exceeds (or is less than) $1,853,000 (the "Indemnity Cap"). It is expressly understood and agreed that: (A) the limitations effected by application of the Indemnity Threshold and the Indemnity Cap shall not apply to (i) Claims based on or arising out of breaches of the covenant not to compete set forth in Section 5.6 hereof, (ii) disputes relating to the purchase price adjustment set forth in Section 1.3(a) hereof, (iii) Claims based on or arising out of breaches of the covenants set forth in Section 1.3(b) hereof or (iv) the Company's obligations to pay and satisfy in full all of the Excluded Liabilities and to indemnify Purchaser with respect thereto; and (B) the limitations effected by application of the Indemnity Threshold shall not apply to Claims based on or arising out of a breach of the representations and warranties made in or pursuant to Section 3.17(g). The amount of each Claim shall be adjusted to provide the Indemnifying Party (as defined below) the benefit of any insurance coverage actually received by the Indemnified Party (as defined below) with respect to a Claim. The limitations in this Section 6.2(c) shall not apply to any Claim for breach of any representation or warranty made in or pursuant to Sections 3.1(b)(Organization), 3.2 (Authorization), 3.10 (Taxes), 3.15 (Employee Benefit Plans) or 3.18 (Brokers or Finders) of this Agreement.

(d) All Claims for indemnification for any breach of a representation, warranty, covenant or agreement herein must be initially asserted within the applicable survival period set forth in this Article VI.

6.3 Conditions of Indemnification. The obligations and liabilities of
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Purchaser, on the one hand, and the Company, on the other hand, as indemnifying parties (each, an "Indemnifying Party") to indemnify the Company Indemnified Parties and Purchaser Indemnified Parties, respectively (each, an "Indemnified Party"), under Section 6.2 with respect to Claims made by third parties, shall be subject to the following terms and conditions: The Indemnified Party shall give written notice to the Indemnifying Party of any Claim with respect to which it seeks indemnification promptly after the discovery by such party of any matters giving rise to such Claim for indemnification; provided that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under Section 6.2 except to the extent it shall have been prejudiced by the omission to provide such notice. In case any action, suit, claim or proceeding is brought against an Indemnified Party, the Indemnifying Party shall be entitled to participate in the defense thereof and, (except for indemnification arising out of certain environmental matters referred to in Section 3.17, which will be governed by Section 6.4 to the extent that the Indemnifying Party acknowledges the obligation to indemnify as set forth in Section 6.4(b)) to the extent that it may wish, to assume the defense thereof, with counsel reasonably satisfactory to the Indemnified Party, and after

notice from the Indemnifying Party of its election so as to assume the defense thereof and to acknowledge responsibility therefor, the Indemnifying Party will not be liable to the Indemnified Party under Section 6.2 for any legal or other expense subsequently incurred by the Indemnified Party in connection with the defense thereof; provided, however, that (i) if the Indemnifying Party shall elect not to assume the defense of such claim or action or (ii) if the Indemnified Party reasonably determines that there may be a conflict between the positions of the Indemnifying Party and the Indemnified Party in defending such claim or action, then separate counsel shall be entitled to participate in and conduct such defense, and the Indemnifying Party shall be liable for any reasonable legal or other expenses incurred by the Indemnified Party in connection with such defense. Provided that the Indemnifying Party has acknowledged responsibility for the Claim, the Indemnifying Party shall not be liable for any settlement of any Claim effected without its written consent, which consent shall not be unreasonably withheld. The Indemnifying Party shall not, without the Indemnified Party's prior written consent, settle or compromise any action, suit, claim or proceeding to which the Indemnified Party is a party or consent to entry of any judgment in respect thereof. The Indemnifying Party further agrees that it will not, without the Indemnified Party's prior written consent, settle or compromise any claim or consent to entry of any judgment in respect thereof in any pending or threatened action, suit, claim or proceeding in respect of which indemnification may be sought hereunder (whether or not the Indemnified Party is an actual or potential party to such action, suit, claim or proceeding) unless such settlement or compromise includes an unconditional release of the Indemnified Party from all liability arising out of such action, suit, claim or proceeding.

6.4 Additional Conditions of Indemnification For Matters Arising Out of Environmental Matters Referred to in Section 3.17.

(a) The Company's indemnification obligations under Section 6.2 for matters arising out of environmental matters in Section 3.17 shall be subject to Section 6.2 and 6.3, except that indemnification obligations for property damage as a result of, or remediation or investigations due to, the presence of Hazardous Substances on, about or beneath any Real Property shall be further subject to this Section 6.4.

(b) The Indemnified Party shall give written notice to the Indemnifying Party of any claim with respect to which it seeks indemnification which involves the performance of environmental remediation work promptly upon discovery by such party of such claim, provided that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under Section 6.2, except to the extent it shall have been prejudiced by the omission to provide such notice. Within forty-five (45) days of the Indemnifying Party's receipt of written notice from the Indemnified Party of a claim for indemnification for the performance of environmental investigation or remediation work, the Indemnifying Party shall respond in writing to such notice of claim, acknowledging or denying an obligation to indemnify for such Damages, or stating that it has insufficient information to make such determination, in which case the Indemnified Party shall reasonably cooperate with the Indemnifying Party to provide, within such 45 days, such information relating to the Claim as requested by the Indemnifying Party; provided that Indemnified Party may act within such 45 day period (but only to the extent such action is required during such period) to comply with applicable Laws, to prevent an increase in the cost to respond by any failure to act before a response from the Indemnifying Party is received, or in response to an imminent risk of

endangerment to human health or the environment. If the Indemnified Party undertakes any work during such period, to the extent reasonably practicable, it will provide notice of such undertaking to the Indemnifying Party in advance. At all times, each party hereto shall take, or cause to be taken, all reasonable actions designed to be cost-effective in response to environmental matters at the Real Property. In the event that Indemnifying Party denies an obligation to indemnify or fails to respond within such forty-five (45) day period, the Indemnified Party may enforce any rights available to it elsewhere in this Agreement. In the event that the Indemnifying Party agrees in writing to indemnify the Indemnified Party pursuant to this Agreement, the Indemnifying Party shall pay directly for the performance of the environmental investigation and remediation work and shall have the right to control such work, provided: (i) the Indemnifying Party shall retain a qualified independent environmental consultant (the "Environmental Consultant") approved by the Indemnified Party, which approval shall not be unreasonably withheld; (ii) such remediation work shall be completed in accordance with all applicable Laws; (iii) prior to implementation of any remediation, the Indemnifying Party shall submit an investigation and remediation plan to the Indemnified Party for review and approval, which approval shall not be unreasonably withheld; (iv) the implementation of the investigation and remediation plan shall not impair or interfere with, in any material way, the Indemnified Party's operation of the Business or future use of the property for industrial purposes (and the remediation shall be to standards applicable to industrially-used property), and shall be completed in a manner that minimizes the disruption of the Indemnified Party's use of the property; (v) the Indemnified Party shall not take any action that unreasonably interferes with the implementation of the investigation and remediation plan; (vi) the Indemnified Party shall allow reasonable access necessary to implement the remediation plan; (vii) the Indemnifying Party shall not be obligated to the Indemnified Party for the costs and expenses of oversight of the Indemnifying Party's performance of the environmental investigation and remediation work; and (viii) the Indemnifying Party shall pursue the completion of such investigation and remediation work with all deliberate speed and diligent effort, without unreasonable delay until completion of the remediation work as contemplated herein, except to the extent that the Indemnified Party causes the delay. The Indemnifying Party's performance of the environmental remediation work shall be complete upon the Indemnified Party's receipt of (i) a "no further action" letter or similar letter from the appropriate regulatory agency, confirming that the remediation is complete, or (ii) if the appropriate agency does not issue such letters (in any circumstance of the kind in question), a written certification from the Environmental Consultant, upon which the Indemnified Party may legally rely, confirming completion of the remediation in compliance with applicable Laws and this Section 6.4.

(c) Notwithstanding anything to the contrary in this Agreement, the sole and exclusive remedy against the Company with respect to Damages (which are deemed to include any alleged property damages) that are addressed by the successful completion of environmental investigation and remediation performed by the Company in accordance with this Section 6.4 with respect to the presence of Hazardous Substances on, about or beneath the Real Property, shall be the indemnity set forth in this Section 6.4.

ARTICLE VII

CONDITIONS TO OBLIGATIONS OF PURCHASER

The obligations of Purchaser under this Agreement are subject to the satisfaction or waiver (such waiver being the exclusive right of Purchaser), at or before the Closing, of each of the following conditions:

7.1 Representations and Warranties. Each of the representations and warranties of the Company contained herein, and the statements contained in any schedule, instrument, list, certificate or writing delivered by the Company pursuant to this Agreement, that is qualified as to materiality shall be true and correct as of the date when made and as of the Closing Date as if made at and as of the Closing Date and each of such representations, warranties and statements that is not so qualified shall be true and correct in all material respects as of the date when made and as of the Closing Date as if made at and as of the Closing Date (except, in each case, for those representations, warranties and statements that address matters only as of a specified date, in which case they shall be true and correct, or true and correct in all material respects, as applicable, as of such date).

7.2 Performance. The Company shall have performed and complied with all agreements, obligations and conditions required by this Agreement to be performed or complied with by the Company at or prior to the Closing that are qualified as to materiality and shall have performed and complied in all material respects with all other agreements, obligations and conditions required by this Agreement to be performed or complied with by the Company at or prior to the Closing that are not so qualified as to materiality.

7.3 No Proceeding or Litigation. There shall not be instituted or pending any suit, action, investigation, inquiry or other proceeding by or before any court or governmental or other regulatory or administrative agency or commission requesting or looking toward an order, judgment or decree that restrains or prohibits the consummation of the transaction contemplated hereby.

7.4 No Injunction. No statute, rule, regulation, executive order, decree or injunction shall have been enacted, entered, promulgated or enforced by any court or governmental authority that prohibits the consummation of the transaction contemplated hereby.

7.5 Personal Guarantee of the Company's Stockholder. Mr. Berg and Mr. Berg's spouse shall have executed and delivered the Guarantee, which shall include a covenant not to compete on terms substantially similar to the terms set forth in Section 5.6 hereof.

7.6 Officer's Certificate. The Chief Executive Officer of the Company shall have delivered to Purchaser a certificate, dated the Closing Date, certifying the fulfillment of the conditions specified in Sections 7.1, 7.2, 7.3, 7.4 and 7.10.

7.7 Secretary's Certificate. The Secretary of the Company shall have delivered to Purchaser a certificate, dated the Closing Date, certifying as to the Company Certificate of Incorporation, the Company Bylaws and resolutions adopted by the board of directors and the stockholder of the Company with respect to the transaction contemplated hereby, all of which shall be attached to such certificate.

7.8 Opinion of the Company's Counsel. Purchaser shall have received an opinion of Klehr, Harrison, Harvey, Branzburg & Ellers LLP, counsel to the Company, dated the Closing Date, in the form attached hereto as Exhibit D.

7.9 Documents. All documents to be delivered pursuant to Section 2.2 of this Agreement and all other documents to be delivered by the Company to Purchaser at the Closing shall have been so delivered and shall be reasonably satisfactory in form and substance to Purchaser.

7.10 Consents and Approvals. All licenses, permits, consents, approvals and authorizations of all third parties (except Henkel) and Governmental Entities shall have been obtained that are necessary in connection with the execution and delivery by the Company of this Agreement, or the consummation by the Company of the transaction contemplated hereby, and copies of all such licenses, permits, consents, approvals and authorizations shall have been delivered to Purchaser.

7.11 Real Estate Purchase Agreement. The transaction contemplated by the Real Estate Purchase Agreement shall have been consummated.

7.12 Environmental Due Diligence. Purchaser shall have been satisfied, in its sole discretion, with its due diligence investigation and review of the Company's environmental matters, and its due diligence investigations performed pursuant to Sections 4.2 and 10.1 of the Real Estate Purchase Agreement, and shall have waived in writing the conditions to Closing contained in this Section 7.12.

7.13 Employees.

(a) Purchaser shall have entered into employment agreements with those employees or consultants of the Company identified in Section 7.13 of the Disclosure Schedule (the "Key Employees").

(b) A number of other employees reasonably sufficient for Purchaser to operate the Business, to whom Purchaser has offered employment pursuant to Section 5.9(d), shall have accepted employment with Purchaser as of the Closing.

7.14 Key Customers. Purchaser shall have been satisfied, based upon its good faith determination, as a result of the meetings between Purchaser and each of the Key Customers (other than Rolmex) that it has no reason to believe that any of the Key Customers will not continue to do business with Purchaser on terms and conditions no less favorable to Purchaser than the terms and conditions between such Key Customer and the Company immediately prior to the Closing Date; provided that this Section 7.14 shall be deemed to be waived by Purchaser as to any particular Key Customer unless and until Purchaser meets with the representative of such Key Customer set forth opposite such Key Customer's name on Section 7.14 of the Disclosure Schedule, or attempts in good faith to meet with such representative and is not successful.

7.15 No Material Adverse Change. From the date of this Agreement through the Closing Date, there shall not have occurred any change in the financial condition, business or operations of the Company that would have a Material Adverse Effect.

ARTICLE VIII

CONDITIONS TO OBLIGATIONS OF THE COMPANY

The obligations of the Company under this Agreement are subject to the satisfaction or waiver (such waiver being the exclusive right of the Company), at or before the Closing, of each of the following conditions:

8.1 Representations and Warranties. Each of the representations and warranties of Purchaser contained herein that is qualified as to materiality shall be true and correct as of the date when made and as of the Closing Date as if made at and as of the Closing Date and each of such representations and warranties that is not so qualified shall be true and correct in all material respects as of the date when made and as of the Closing Date as if made at and as of the Closing Date (except, in each case, for those representations and warranties that address matters only as of a specified date, in which case they shall be true and correct or, true and correct in all material respects, as applicable, as of such date).

8.2 Performance. Purchaser shall have performed and complied with all agreements, obligations and conditions required by this Agreement to be performed or complied with by Purchaser at or prior to the Closing that are qualified as to materiality and shall have performed and complied in all material respects with all other agreements, obligations and conditions required by this Agreement to be performed or complied with Purchaser at or prior to Closing that are not so qualified as to materiality.

8.3 No Proceeding or Litigation. There shall not be threatened, instituted or pending any suit, action, investigation, inquiry or other proceeding by or before any court or governmental or other regulatory or administrative agency or commission requesting or looking toward an order, judgment or decree that restrains or prohibits the consummation of the transaction contemplated hereby.

8.4 No Injunction. No statute, rule, regulation, executive order, decree or injunction shall have been enacted, entered, promulgated or enforced by any court or governmental authority which prohibits the consummation of the transaction contemplated hereby.

8.5 Officer's Certificate. Purchaser shall have delivered to the Company a certificate, dated the Closing Date, executed by the Chief Executive Officer of Purchaser, certifying to the fulfillment of the conditions specified in Sections 8.1, 8.2, 8.3, 8.4 and 8.8.

8.6 Secretary's Certificate. The Secretary of Purchaser shall have delivered to the Company a certificate, dated the Closing Date, certifying as to Purchaser's Articles of Incorporation and Purchaser's Bylaws, each of which shall be attached to such certificate.

8.7 Documents. All documents to be delivered pursuant to Section 2.3 of this Agreement and all other documents to be delivered by Purchaser to the Company at the Closing shall have been so delivered and shall be satisfactory in form and substance to the Company.

8.8 Consents and Approvals. All licenses, permits, consents, approvals and authorizations of all third parties (other than consents with respect to leases of real estate) and Governmental Entities shall have been obtained that are necessary in connection with the execution and delivery by Purchaser of this Agreement, or the consummation by Purchaser of the transaction contemplated hereby and copies of all such licenses, permits, consents, approvals and authorizations shall have been delivered to the Company.

8.9 Real Estate Purchase Agreement. The transaction contemplated by the Real Estate Purchase Agreement shall have been consummated.

ARTICLE IX

TERMINATION OF AGREEMENT

9.1 Mutual Agreement. This Agreement may be terminated by the mutual written agreement of the parties at any time prior to the Closing Date.

9.2 Termination of Real Estate Purchase Agreement. This Agreement shall automatically be terminated, without further action by either party hereto, immediately upon the termination of the Real Estate Purchase Agreement.

9.3 Failure of Conditions. In the event the Closing shall not have occurred on or prior to February 28, 2002 this Agreement may be terminated by either party hereto, provided that as a condition to such termination, the terminating party must not be in breach of any of its obligations hereunder at the time of such termination.

9.4 Effect of Termination.

(a) In the event that this Agreement is terminated pursuant to Section 9.1 above, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of any party hereto or any of their respective Affiliates, officers, directors or stockholders hereunder, other than as provided herein.

(b) In the event that this Agreement is terminated by either party pursuant to Section 9.2 or by Purchaser pursuant to Section 9.3(a) or by the Company pursuant to Section 9.3(b), or by either party pursuant to Section 9.3(c), as the case may be, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of any party hereto or any of their respective Affiliates, officers, directors or stockholders hereunder, provided however, that nothing contained in this Section 9.4 shall relieve any party from liability for any breach of its representations or warranties or breach of its covenants or agreements set forth in this Agreement.

(c) In the event that this Agreement is terminated for any reason, the Real Estate Purchase Agreement shall automatically be terminated and there shall be no liability or obligation on the part of any party hereto or thereto or any of their respective Affiliates, officers, directors or stockholders thereunder, other than as set forth in this Article IX.

9.5 Procedure Upon Termination. In the event that this Agreement is terminated for any reason, the Company on the one hand and Purchaser on the other hand shall return all

documents, work papers and other material relating to the transaction contemplated hereby, whether obtained before or after the execution hereof, to the party furnishing such items.

ARTICLE X

MISCELLANEOUS

10.1 Expenses. Except as otherwise provided herein, each party hereto shall pay all fees and expenses incurred by it in connection with this Agreement.

10.2 Further Assurances. Following the Closing, at the request of any party, the other party or parties shall deliver any further instruments of transfer and take all reasonable actions as may be necessary or appropriate to effectuate any of the other transactions contemplated by this Agreement. Purchaser shall permit a representative of the Company to have reasonable access, at the Company's expense, to the Books and Records subsequent to the Closing Date for the purpose of completing the Company's final tax returns, financial statements and other reports.

10.3 Parties in Interest. This Agreement shall be binding upon, inure to the benefit of, and be enforceable by the respective successors and permitted assigns of the parties hereto. The rights and obligations of Purchaser and the Company hereunder may not be assigned, in whole or in part, without the prior written consent of the others and any attempt to make any such assignment without such consent shall be null and void. Notwithstanding the foregoing, Purchaser may assign this Agreement in whole or in part to any Affiliate of Purchaser, provided that Purchaser remains liable for any acts or omissions of such assignee.

10.4 Entire Agreement, Amendments and Waiver.

(a) This Agreement, the exhibits, the schedules and other writings referred to herein or delivered pursuant hereto that form a part hereof contain the entire understanding, both written and oral, of the parties with respect to its subject matter. This Agreement supersedes all prior agreements and understandings between the parties with respect to its subject matter.

(b) This Agreement may be amended only by a written instrument duly executed by each of the parties hereto. Any condition to a party's obligations hereunder may be waived in writing by such party to the extent permitted by law.

10.5 Interpretation. When a reference is made in this Agreement to Articles, Sections, Exhibits or Schedules, such reference shall be to an Article or Section of or Exhibit or Schedule to this Agreement unless otherwise indicated. The table of contents, glossary of defined terms and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The term "or" is not exclusive.

10.6 Notices. All notices, claims, certificates, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if

delivered personally, by facsimile transmission or mailed (registered or certified mail, postage prepaid, return receipt requested or recognized overnight carrier) as follows:

If to Purchaser to:
ULC Acquisition Corp.
c/o Quaker Chemical Corporation
Elm and Lee Streets
Conshohocken, PA 19428-0809
Attention: General Counsel
Facsimile No.: 610-832-4494

with a copy (which shall not constitute notice) to:
Drinker Biddle & Reath LLP
18th & Cherry Streets
One Logan Square
Philadelphia, PA 19103-6996
Attention: F. Douglas Raymond III
Facsimile No.: 215-988-2757

If to the Company or ULR:
The Neatsfoot Oil Refineries Corporation
East Ontario and Bath Streets
Philadelphia, PA 19134
Attention: Alan Berg
Facsimile No.: 215-425-3370

with a copy (which shall not constitute notice) to:
Klehr, Harrison, Harvey, Branzburg & Ellers LLP
260 South Broad Street
Philadelphia, PA 19102
Attention: Michael C. Forman, Esquire
Facsimile No.: 215-568-6603

or to such other address as the Person to whom notice is to be given may have previously furnished to the others in writing in the manner set forth above, provided that notice of a change of address shall be deemed given only upon receipt.

10.7 Submission of Agreement. Submission of this Agreement for examination and negotiation does not constitute an offer. This Agreement shall become effective only upon the execution and delivery hereof by each of the parties to this Agreement, and upon the execution and delivery of the Real Estate Purchase Agreement by all parties thereto.

10.8 Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware without regard to its or any other jurisdiction's conflicts of law rules.

10.9 Submission to Jurisdiction; Waivers. Each of Purchaser and the Company irrevocably agrees that any legal action or proceeding with respect to this Agreement or for recognition and enforcement of any judgment in respect hereof brought by any other party hereto

or its successors or assigns may be brought and determined in the Chancery Court of the State of Delaware or any federal District Court in the State of Delaware, and irrevocably submits with regard to any such action or proceeding for itself and in respect to its property, generally and unconditionally, to the exclusive jurisdiction of such courts, and agrees that service of process in any such action or proceeding shall be effective if mailed to such party at the address specified in Section 10.6. Each of Purchaser and the Company hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement, (a) any claim that it is not personally subject to the jurisdiction of such courts for any reason, (b) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise), and (c) to the fullest extent permitted by applicable law, that (i) the suit, action or proceeding in any such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper and (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

10.10 Third Parties. Nothing herein expressed or implied is intended or shall be construed to confer upon or give to any person, other than the parties hereto and their successors or permitted assigns, any rights or remedies under or by reason of this Agreement.

10.11 Severability. If it is determined that any term or provision of this Agreement is invalid, illegal or incapable of being enforced by any law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transaction contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transaction contemplated hereby is consummated as originally contemplated to the greatest extent possible.

10.12 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered (including by facsimile transmission) to the other parties hereto, it being understood that all parties need not sign the same counterpart.

ARTICLE XI

DEFINED TERMS

11.1 Location of Certain Defined Terms. The following terms used in this Agreement are defined in the Section indicated:

Term	Section
Accounts Receivable	1.1
Agreement	forepart
Ancillary Agreements	1.1
Ashland Agreement	1.1
Assets	1.1
Assignments	1.1
Assumed Liabilities	1.2
Assumption Agreement	1.2
Authority	3.10
Balance Sheet	1.2
Balance Sheet Date	1.2
Bill of Sale	1.1
Books and Records	2.2
Business	forepart
Bylaws	3.1
Certificate of Incorporation	3.1
Certified Statement	1.3
Claims	6.2
Closing	2.1
Closing Date	2.1
Closing Payment	1.3
Closing Statement	1.3
Code	3.10
Common Stock	3.6
Company	forepart
Company Indemnified Parties	6.2
Company Parties	6.4
Damages	6.2
Disclosure Schedule	Article III
Environmental Consultant	6.4
Environmental Laws	3.17
Excluded Assets	1.1
Excluded Liabilities	1.2
Facilities	3.8
Financial Statements	3.4
GAAP	1.3
Governmental Entity	3.9
Guarantee	2.2
Indemnification Rights	5.12
Indemnified Party	6.3
Indemnifying Party	6.3
Indemnity Cap	6.2
Indemnity Threshold	6.2
Independent Accounting Firm	1.3
Intellectual Property	1.1

Inventory	1.1
Investment Banker	5.10
Key Employees	7.12
Legal Actions	3.7
Licenses	3.9
Mr. Berg	2.2
Other Instruments	1.1
Permits	3.9
Personal Property	1.1
Prepaids	1.1
Purchase Price	1.1
Purchaser	forepart
Purchaser Indemnified Parties	6.2
Real Estate Purchase Agreement	1.1
Real Property	1.1
Rolmex	1.3
Rolmex Payment Date	1.3
Rolmex Receivables	1.1
Rolmex Term	1.3
Taxes	3.10
ULC Rolmex Receivables	1.1
ULC Percentage	1.3
ULR	1.1
Unocal Agreement	4.6

11.2 Other Defined Terms. As used in this Agreement, the following terms have the meanings indicated:

"Affiliate" of a specified Person means a Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the Person specified.

"Benefit Plans" means, with respect to the Company and any ERISA Affiliate, each employee benefit plan, program, arrangement and contract (including, without limitation, any "employee benefit plan," as defined in Section 3(3) of ERISA and any bonus, incentive, deferred compensation, stock bonus, stock purchase, restricted stock, stock option, vacation, disability, employment, termination, stay agreement or bonus, change in control and severance plan, program, arrangement and contract) which is maintained by or on behalf of, or contributed to by, the Company or an ERISA Affiliate (excluding any plans or programs required to be maintained or contributed to under the local law of the jurisdiction in which such person is employed).

"Business Day" means any day other than (i) Saturday or Sunday or (ii) any other day on which banks in Philadelphia, Pennsylvania are permitted or required to be closed.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (29 USC 1161 et. seq.).

"Effective Time" means 12:01 a.m. (EST) on the Closing Date.

"Encumbrances" means any charge, claim, community or other marital property interest, condition, equitable interest, lien, option, pledge, security interest, mortgage, right of way, easement, encroachment, servitude, right of first option, right of first refusal or restriction of any kind, including any restriction on use, voting (in the case of any security or equity interest), transfer, receipt of income, or exercise of any other attribute of ownership.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means any entity under "common control" with the Company within the meaning of Sections 414(b), 414(c), 414(m) or 414(o) of the Code.

"Excluded Liabilities" means:

(a) all liabilities relating to or arising out of the Excluded Assets;

(b) any liability or obligation of the Company existing as a result of any act, failure to act or other state of facts or occurrence which constitutes a breach or violation of any of the Company's representations, warranties, covenants or agreements contained in this Agreement;

(c) any product liability claim not specifically assumed by Purchaser pursuant to Section 1.2 of any nature in respect of products of the Business manufactured prior to the Effective Time;

(d) all of the Company's liabilities for Taxes that have been or may be incurred as a result of the Company's operation of the Business or ownership of the Assets before the Effective Time, including without limitation (1) any such Taxes imposed on the Company in connection with the transfer pursuant to this Agreement and (2) any liability for deferred Taxes of any nature;

(e) subject to the provisions set forth in Article VI hereof, any liability or obligation relating to or arising out of any non-compliance with or violations of any Laws, including without limitation, any Environmental Laws, by the Company or ULR;

(f) any liability or obligation arising under any contract or agreement that (1) is not transferred to Purchaser as part of the Assets, or (2) is not transferred to Purchaser because of the Company's failure or inability to obtain any third party consent required for the transfer or assignment of such contract to Purchaser, or (3) regardless of whether the contract or agreement was transferred to Purchaser, relates to any breach or default (or an event which might, with the passing of time or the giving of notice or both, constitute a default) under such contract or agreement, or to any services to be provided by the Company under any such contract or agreement, arising out of or relating to periods prior to the Effective Time;

(g) any liabilities or obligations of the Company to indemnify its officers, directors, employees or agents;

(h) except to the extent specifically set forth in Section 5.9, any liabilities relating to accrued payroll, accrued vacation, accrued pension benefits and health care or other Benefit Plans for employees or former employees of the Company;

(i) any liability or obligation under any employment, severance, retention or termination agreement with any employee of the Company or any of its affiliates;

(j) any obligation or liability arising out of or related to any employee grievances commenced or relating to periods prior to the Effective Time whether or not the affected employees become employees of Purchaser;

(k) any obligation or liability of the Company, which would otherwise be an Assumed Liability, to the extent that the Company is indemnified by an insurer or other third party under the policies in force immediately preceding the Effective Time;

(l) any obligation or liability of the Company arising out of existing litigation whether or not set forth in the Disclosure Schedule, or any other litigation arising out of, or relating to, an occurrence or event happening before the Effective Time;

(m) any obligation or liability of the Company based upon acts or omissions of the Company occurring after the Effective Time;

(n) those liabilities, if any, listed on Section 11.2 of the Disclosure Schedule; and

(o) any other liability of the Company including any liability directly or indirectly arising out of or relating to the operation of the Business or ownership of the Assets prior to the Effective Time whether contingent or otherwise, fixed or absolute, known or unknown, matured or unmatured, present, future or otherwise, except for the Assumed Liabilities.

"Hazardous Substances" or "Hazardous Substance" means any substance regulated under any of the Environmental Laws including, without limitation, any substance which is: (A) petroleum, asbestos or asbestos-containing material, or polychlorinated biphenyls; (B) defined, designated or listed as a "Hazardous Substance" pursuant to Sections 307 and 311 of the Clean Water Act, 33 U.S.C. (S)(S)1317, 1321, Section 101(14) of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. (S)9601; (C) listed in the United States Department of Transportation Hazardous Material Tables, 49 C.F.R. (S)172.101; (D) defined, designated or listed as a "Hazardous Waste" under Section 1004(5) of the Resource and Conservation and Recovery Act, 42 U.S.C. 6903(5).

"Key Customers" means Rolmex, AK Steel Corp. and Nucor.

"Knowledge" means, as to an individual, if such individual is actually aware of a fact or matter, or if a prudent individual would be expected to discover or otherwise become

aware of such fact or matter in the course of operating the Company in the Ordinary Course of Business. A Person (other than an individual) will be deemed to have "knowledge" of a particular fact or other matter if any individual who is serving, or who has at any time served, as a director, officer, partner, executor or trustee of that Person (or in any similar capacity) has, or at any time had, Knowledge of that fact or other matter.

An action taken by a Person will be deemed to have been taken in the "Ordinary Course of Business" only if:

(a) such action is consistent with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person;

(b) such action is not, and is not required by applicable principles of corporate or limited partnership law or any agreement to which such Person is a party to be, authorized by the board of directors or shareholders, or general or limited partners, of such Person (or by any Person or group of Persons exercising similar authority) and does not require any other separate or special authorization of any nature; and

(c) such action is similar in nature and magnitude to actions customarily taken, without any separate or special authorization, in the ordinary course of the normal day-to-day operations of other Persons that are in the same line of business as such Person.

"Laws" shall mean any laws (whether statutory or otherwise), rules, regulations, orders, ordinances, judgments, decrees, writs or injunctions of any federal, state, local or foreign governmental authorities.

"Material Adverse Effect" means any circumstance(s) or event(s), the result of which would have, or reasonably could be expected to have, individually or in the aggregate, a material adverse effect on the business, assets, results of operations, or condition (financial or otherwise) of the Company other than such effect arising out of or resulting from a transaction contemplated by this Agreement or general economic, financial, competitive or market conditions, or changes in or generally affecting the ferrous and non-ferrous metals industry.

"Person" means an individual, corporation, limited liability corporation, limited liability partnership, partnership association, trust, unincorporated organization, other entity or group (as defined in the Securities Exchange Act of 1934, as amended).

"Working Capital" shall mean (i) the Accounts Receivable, Inventory, Prepaids and other current assets included in the Assets as of the Closing Date, less (ii) the Assumed Liabilities, as all such items would be reflected in a balance sheet of the Company, prepared in accordance with GAAP as of the Effective Time. For the avoidance of doubt, Working Capital shall not include any ULC Rolmex Receivables.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of Purchaser and the Company on the date first written above.

PURCHASER:

ULC ACQUISITION CORP.

By:/s/ Michael F. Barry

Name: Michael F. Barry

Title: President

COMPANY:

UNITED LUBRICANTS CORPORATION

By:/s/ Alan Berg

Alan Berg, Chairman

AMENDMENT TO

ASSET PURCHASE AGREEMENT

AND

REAL ESTATE PURCHASE AGREEMENT

THIS AMENDMENT (the "Amendment"), made this 28th day of February, 2002, by and among ULC Acquisition Corp. ("Buyer"), United Lubricants Corporation ("ULC") and United Lubricants Realty, L.P. ("ULR"), amends, and is made a part of, the Asset Purchase Agreement (the "APA") by and between the Buyer and ULC, dated as of January 23, 2001, and the Real Estate Purchase Agreement ("REPA") by and between the Buyer and ULR, dated as of January 23, 2001. Capitalized terms used, but not defined, herein shall have the meanings ascribed to such terms in the APA.

WHEREAS, the parties desire to extend the date of closing under the APA and REPA;

WHEREAS, the parties further desire to reallocate the purchase prices set forth in the APA and REPA;

WHEREAS, the parties further desire to include certain employee insurance policies in the Assets being acquired and the Assumed Liabilities being assumed in the APA;

WHEREAS, the parties further desire to correct a typographical error in Section 6.2(a) of the REPA;

NOW, THEREFORE, the parties to the APA and REPA, intending to be legally bound, hereby amend the terms of the APA and REPA as follows:

1. Section 9.3 of the APA is hereby amended to delete the words "February 28, 2002" and replace them with the words "March 1, 2002."

2. Section 1.1(a) of the APA is hereby amended to delete the words "Twelve Million Nine Hundred Fifty Thousand Dollars ($12,950,000)" and replace them with the words "Twelve Million Five Hundred Six and 73/100 Dollars ($12, 506,520.73)." Section 2.1 of the REPA is hereby amended to delete the words "One Million Dollars ($1,000,000)" and replace them with the words "One Million Four Hundred Seventy Thousand Dollars ($1,470,000)."

3. (a) Section 1.1(b)(xi) of the APA is hereby deleted in its entirety and replaced with the following:

> "All rights under insurance policies applicable to the Business, and the Health Insurance Policies; and"

(b) Section 1.1(c) of the APA is hereby amended to add the words "(other than the Health Insurance Policies, which provide benefits under such plans)" after the word "Plan" in such section.

(c) The following definition shall be added to Section 11.2 of the APA:

"Health Insurance Policies" means the following insurance contracts: (i) Medical Insurance Contract between the Company and Principal Financial Group (Policy Number P28914-1) (Broker - Pinnacle Advisory Group), (ii) Dental Insurance Contract between the Company and American Medical Security (Policy Number 3600-16028) (Broker - Prestige Professional Plans), and (iii) Life/Long Term Disability Insurance Contract between the Company and GE Life Assurance Inc. (policy Number 057-4660-005) (Broker - Pinnacle Advisory Group)."

4. The first sentence of Section 6.2(a) of the REPA is hereby amended to delete the words "Commonwealth of Pennsylvania" and replace them with the words "State of Delaware."

5. Except as expressly set forth herein, the APA and REPA remain in full force and effect, and the terms and conditions of the APA and REPA are ratified.

This Amendment contains the entire understanding, both written and oral, of the parties, with respect to the subject matter hereof and may be amended only by a written instrument duly executed by the parties hereto.

This Amendment shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware without regard to its or any other jurisdiction's conflicts of law rules.

This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all such counterparts together shall be deemed to be one and the same instrument. This Amendment may be executed by, and the transactions contemplated hereby may be closed by, the delivery of facsimile copies of the signatures of the parties hereto.

IN WITNESS WHEREOF, each of the parties hereto, intending to be legally bound hereby, has duly executed this Amendment as of the date first above written.

SELLERS:

United Lubricants Corporation

By: /s/ Alan Berg

Alan Berg, Chairman

United Lubricants Realty, L.P.

By: United Lubricants Realty, LLC, an Ohio limited liability company, its sole general partner

By: /s/ Alan Berg

Alan Berg, its sole member

BUYER:

ULC Acquisiton Corp.

By: /s/ Michael F. Barry

Michael F. Barry, President

EXHIBIT 21

SUBSIDIARIES AND AFFILIATES OF THE REGISTRANT

Name	Jurisdiction of Incorporation	Percentage of voting securities owned directly or indirectly by Quaker
*Quaker Chemical Corporation	Delaware, U.S.A	100%
+*Quaker Chemical Management Inc	Delaware, U.S.A.	100%
+SB Decking, Inc. (formerly Selby, Battersby & Co.)	Delaware, U.S.A.	100%
*AC Products, Inc	California, U.S.A.	100%
+*Quaker QP, Inc	Pennsylvania, U.S.A	100%
*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, S.A	Spain	100%
+*Quaker Denmark ApS	Denmark	100%
*Quaker Chemical S.A	Argentina	100%
+*Quaker Chemical Participacoes, Ltda	Brazil	100%
*Quaker Chemical Limited	Hong Kong	100%
*Q2 Technologies, LLC	Nevada, U.S.A.	70%
*Quaker Chemical Industria e Comercio S.A	Brazil	60%
*Quaker Chemical Operacoes, Ltda	Brazil	60%
*Wuxi Quaker Chemical Co., Ltd	China	60%
*Quaker Chemical India Limited	India	55%
*Quaker Chemical (Australasia) Pty. Limited	State of New South Wales, Australia	51%
**Quaker Park Associates, LP	Pennsylvania, U.S.A	50%
**Nippon Quaker Chemical, Ltd	Japan	50%
**Quaker Chemical South Africa (Pty.) Limited	Republic of South Africa	50%
**Kelko Quaker Chemical, S.A	Venezuela	50%
**TecniQuimia Mexicana S.A. de C.V	Mexico	40%

\+ A non-operating company.
* Included in the consolidated financial statements.

** Accounted for in the consolidated financial statements under the equity method.

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-19957) and on Form S-8 (No.2-57924, No.33-54158, No.33-51655, No. 333-26793, No. 333-88229, No. 333-48130, No. 333-58676, and No. 333-65400) of Quaker Chemical Corporation of our report dated March 13, 2002 relating to the financial statements and financial statement schedules, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
March 27, 2002