

QUAKER CHEMICAL CORP
Form DEFM14A
July 31, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

QUAKER CHEMICAL CORPORATION

(Name of Registrant as Specified In Its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

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No fee required.

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

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

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

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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QUAKER CHEMICAL CORPORATION

One Quaker Park

901 E. Hector Street

Conshohocken, Pennsylvania 19428

(610) 832-4000

July 31, 2017

Dear Shareholder:

On April 4, 2017, Quaker Chemical Corporation (the **Company**) entered into a Share Purchase Agreement (the **Share Purchase Agreement**) with Global Houghton Ltd., an exempted company incorporated under the laws of the Cayman Islands (**Houghton**), Gulf Houghton Lubricants, Ltd., an exempted company incorporated under the laws of the Cayman Islands (**Gulf**), certain current and former members of the management of Houghton (collectively with Gulf, the **Sellers**) and Gulf as representative for the Sellers (in this capacity, the **Sellers Representative**). The terms we, our, us, the Company and Quaker, as used in this letter and in the accompanying proxy statement, refer to Quaker Chemical Corporation.

Upon the terms and subject to the conditions set forth in the Share Purchase Agreement, the Company has agreed to purchase (the **Combination**) all of the outstanding share capital (the **Shares**) of Houghton from the Sellers. The Shares will be sold for an aggregate purchase price (subject to adjustment as provided in the Share Purchase Agreement) of: (1) \$172,500,000 in cash; and (2) a number of shares (the **Consideration Shares**) of common stock, \$1.00 par value per share, of the Company (the **Common Stock**) comprising 24.5% of the Common Stock outstanding immediately after the closing of the Combination (the **Closing**), which based on the closing stock price of shares of our Common Stock on the New York Stock Exchange on the record date, had a value of approximately \$626,344,715. There can be no assurance as to what the value of the Consideration Shares will be at the Closing. If the proposed Charter Amendment, as described below, is not approved by the Company's shareholders at the Meeting (as defined below), the Company will instead issue, as the Consideration Shares, shares of a new series of voting preferred stock of the Company (the **Preferred Stock**) having in the aggregate 24.5% of the voting rights applicable to the Company's outstanding voting securities and economic, and other rights equivalent to the Common Stock. The terms of the Share Purchase Agreement and other aspects of the Combination are more fully described in the accompanying proxy statement.

On behalf of the Board of Directors (the **Board**) of the Company, I cordially invite you to attend the Special Meeting of Shareholders (the **Meeting**) of the Company, which will be held at our headquarters, located at One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania 19428, at 8:30 A.M., local time, on September 7, 2017. The matters to be considered by our shareholders at the Meeting are described in detail in the accompanying materials. The matters that our shareholders will be considering are the approval of: (1) the amendment (the **Charter Amendment**) of our Articles of Incorporation (as amended, our **Articles of Incorporation**), to provide that every holder of Common Stock will be entitled to one vote for each share of Common Stock standing in its name on the books of the Company; (2) the issuance (the **Issuance**) of the Consideration Shares (either as Common Stock or Preferred Stock) in

connection with the Combination; and (3) the adjournment of the Meeting, if necessary to solicit additional proxies if there are not sufficient votes to approve the foregoing proposals at the time of the Meeting (the **Adjournment Proposal**). This proxy is solicited on behalf of the Board.

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We are seeking shareholder approval of the Issuance in connection with the Combination to satisfy the rules of the New York Stock Exchange, which require shareholder approval before the issuance of common shares in connection with any transaction or series of related transactions if: (1) the common shares have, or will have upon issuance, voting power equal to or in excess of 20% of the voting power outstanding before the issuance of such shares; or (2) the number of common shares to be issued is, or will be upon issuance, equal to or in excess of 20% of the number of common shares outstanding before the issuance of the common shares. Because it is contemplated that the shares of Common Stock to be issued in the Combination will exceed the 20% threshold, the Issuance requires shareholder approval. Under the rules of the New York Stock Exchange, approval of the proposal requires the affirmative vote of the holders of a majority in voting power of the shares of Common Stock present or represented and voting on the proposal (provided that a quorum is present at the Meeting). Shareholder approval of the Issuance in connection with the Combination is a required condition to the completion of the Combination. We are also seeking approval of the other matters summarized above and described in further detail in this proxy statement.

Shareholders of record at the close of business on June 15, 2017 (the **Record Date**) are entitled to receive notice of and vote at the Meeting and any adjournment or postponement thereof.

After careful consideration, the Board unanimously recommends that you vote FOR the proposal to approve the Charter Amendment, FOR the proposal to authorize the Issuance, and FOR the Adjournment Proposal.

It is very important that you be represented at the Meeting regardless of the number of shares you own. Even if you plan to attend the Meeting, I urge you to submit your proxy promptly. You may vote your shares in person at the Meeting, via the Internet, via a toll-free telephone number or by marking, signing and dating your proxy card and returning it in the envelope provided, as described in further detail in the accompanying proxy statement. Voting over the Internet, by phone or by proxy card will not prevent you from voting in person, but it will ensure that your vote is counted if, for any reason, you are unable to attend the Meeting. If your shares are held in the name of a bank, brokerage firm, fiduciary or custodian, as record holder of your shares, please follow the voting instructions on the form you receive from your record holder. The method of submitting a voting proxy through any such record holder will depend on their voting procedures.

Your vote is very important. The Combination cannot be completed unless a quorum is present in person or by proxy and holders of a majority of the votes cast at the Meeting vote in favor of the proposal to approve the Issuance. A failure to vote your shares of Common Stock on the proposal to approve the Issuance will not count as a vote cast, and therefore will have no effect on the approval of the Issuance (unless such failures, in the aggregate, prevent a quorum as described in the accompanying proxy statement).

We urge you to read carefully the accompanying proxy statement (and the documents incorporated by reference into it) which includes important information about the Combination, the Company, Houghton, the Sellers and the Meeting. You may obtain additional information about us from the documents we file with the U.S. Securities and Exchange Commission (the **SEC**). **Please pay particular attention to the section titled Risk Factors beginning on page 20 of the accompanying proxy statement.**

These proxy materials are being mailed to shareholders of record on or about August 1, 2017.

Your continued support and interest in the Company are sincerely appreciated.

Sincerely,

Michael F. Barry

Chairman of the Board, Chief Executive Officer and

President

Quaker Chemical Corporation

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QUAKER CHEMICAL CORPORATION

One Quaker Park

901 E. Hector Street

Conshohocken, Pennsylvania 19428

(610) 832-4000

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To Be Held on September 7, 2017

Dear Shareholder:

You are cordially invited to attend the Special Meeting of Shareholders (the **Meeting**) of Quaker Chemical Corporation (the **Company**), to be held at our headquarters, located at One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania 19428, at 8:30 A.M., local time, on September 7, 2017. The terms we, our, us, the Company and Quaker, as used in this notice and in the accompanying proxy statement, refer to Quaker Chemical Corporation.

The Special meeting is being called in connection with the proposed purchase (the **Combination**) of all of the outstanding share capital (the **Shares**) of Global Houghton Ltd., an exempted company incorporated under the laws of the Cayman Islands (**Houghton**), from Gulf Houghton Lubricants, Ltd., an exempted company incorporated under the laws of the Cayman Islands (**Gulf**), and certain current and former members of the management of Houghton (collectively with Gulf, the **Sellers**) pursuant to a Share Purchase Agreement (the **Share Purchase Agreement**), dated as of April 4, 2017, by and among the Company, the Sellers, Houghton and Gulf as representative for the Sellers (in this capacity, the **Sellers Representative**) and as described in the accompanying proxy statement.

At the Meeting, you will be asked to consider and vote upon proposals to:

1. Approve an amendment (the **Charter Amendment**) of our Articles of Incorporation (as amended, our **Articles of Incorporation**), that provides that every holder of common stock, \$1.00 par value per share, of the Company (the **Common Stock**) will be entitled to one vote for each share of Common Stock standing in its name on the books of the Company;
2. Approve the issuance (the **Issuance**) of a number of shares (the **Consideration Shares**) of equity securities that will have 24.5% of the voting rights applicable to the Company's outstanding voting securities immediately after the closing (the **Closing**) of the Combination (as defined in the proxy statement), and economic and other rights equivalent to the Company's Common Stock as described in the proxy statement; and
3. Approve the adjournment of the Meeting, if necessary to solicit additional proxies if there are not sufficient votes to approve the foregoing proposals at the time of the Meeting (the **Adjournment Proposal**).

These items of business are described in detail in the accompanying proxy statement.

All shareholders of Quaker who owned shares of record on June 15, 2017 (the **Record Date**) can attend and are entitled to vote in person or by proxy at the Meeting. If you want to vote in person and you hold Common Stock in street name (i.e., your shares are held in the name of a brokerage firm, bank or other nominee), you must obtain a proxy card issued in your name from your nominee and bring that proxy card to the meeting, together with a copy of a brokerage or other statement reflecting your stock ownership as of the Record Date and valid government-issued photo identification. If you hold Common Stock in street name and want to attend the Meeting but not vote in person at the Meeting, you must bring a copy of a brokerage or other statement reflecting your stock ownership as of the Record Date, the stock acquisition date and valid government-issued photo identification.

After careful consideration, the Board of Directors (the **Board**) of the Company unanimously recommends that you vote **FOR** each of Proposals 1, 2 and 3.

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YOUR VOTE IS IMPORTANT!

We cannot complete the Combination unless our shareholders approve the Issuance. Closing of the Combination is subject to the approval by our shareholders of the Issuance (the **Company Shareholder Approval**) and the satisfaction of other closing conditions, including certain regulatory approvals. We are obligated to reimburse Houghton and the Sellers for certain documented out of pocket Combination-related expenses up to \$10 million if the Company Shareholder Approval is not obtained. The Share Purchase Agreement may be terminated by the Company or Gulf if any of their respective closing conditions have not been, or if it becomes apparent that any of such conditions will not be, fulfilled by April 4, 2018, unless such failure is due to the failure of the terminating party to perform or comply with any of the covenants, agreements or conditions thereof required to be performed or complied with by it before the Closing.

You should read the accompanying proxy statement and the information incorporated by reference into the proxy statement carefully. Whether or not you plan to attend the Meeting, you are urged to vote your shares promptly either by Internet, by telephone or by mail by signing, dating and mailing the proxy card in the envelope provided. You may revoke your proxy at any time before it is exercised at the Meeting as described in the accompanying proxy materials. If your shares are held in the name of a bank, brokerage firm or other nominee as record holder of our shares, follow the voting instructions on the form you receive from your nominee. The method of submitting a voting proxy through any such record holder will depend on their voting procedures.

Thank you very much for your continued support.

By order of the Board:

Robert T. Traub

Vice President, General Counsel

and Corporate Secretary

Quaker Chemical Corporation

Conshohocken, Pennsylvania

July 31, 2017

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QUAKER CHEMICAL CORPORATION

One Quaker Park

901 E. Hector Street

Conshohocken, Pennsylvania 19428

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation by the Board of Directors (the **Board**) of Quaker Chemical Corporation (the **Company**) of proxies to be voted at our Special Meeting of Shareholders (the **Meeting**) to be held at our headquarters, located at One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania 19428, at 8:30 A.M., local time, on September 7, 2017. Holders of record of shares of our common stock, \$1.00 par value per share (the **Common Stock**), as of the close of business on June 15, 2017 (the **Record Date**), will be entitled to receive notice of and vote at the Meeting and any adjournment or postponement thereof. As of the Record Date, there were 13,309,643 shares of Common Stock issued and outstanding. Every holder of Common Stock is entitled to either one vote or ten votes for each share held of record on the Record Date, based on how long such shares have been owned by the holder.

The Special meeting is being called in connection with the proposed purchase (the **Combination**) of all of the outstanding share capital (the **Shares**) of Global Houghton Ltd., an exempted company incorporated under the laws of the Cayman Islands (**Houghton**), from Gulf Houghton Lubricants, Ltd., an exempted company incorporated under the laws of the Cayman Islands (**Gulf**), and certain current and former members of the management of Houghton (collectively with Gulf, the **Sellers**) pursuant to a Share Purchase Agreement (the **Share Purchase Agreement**), dated as of April 4, 2017, by and among the Company, the Sellers, Houghton and Gulf as representative for the Sellers (in this capacity, the **Sellers Representative**) and as described in this proxy statement.

The terms we, our, us, the Company and Quaker, as used in this proxy statement, refer to Quaker Chemical Corporation.

In connection with the Meeting, you are being asked to consider and vote upon proposals to:

1. Approve an amendment (the **Charter Amendment**) of our Articles of Incorporation (as amended, our **Articles of Incorporation**), that provides that every holder of Common Stock will be entitled to one vote for each share of Common Stock standing in its name on the books of the Company;
2. Approve the issuance (the **Issuance**) of a number of shares (the **Consideration Shares**) of equity securities that will have 24.5% of the voting rights applicable to the Company's outstanding voting securities immediately after the closing (the **Closing**) of the Combination (as defined in the proxy statement), and economic and other rights equivalent to the Company's Common Stock as described in the proxy statement; and
3. Approve the adjournment of the Meeting, if necessary to solicit additional proxies if there are not sufficient votes to approve the foregoing proposals at the time of the Meeting (the **Adjournment Proposal**).

A summary of information regarding the Combination is set forth below.

SUMMARY TERM SHEET

This summary highlights selected information from this proxy statement and the documents referred to or incorporated by reference herein, and may not contain all of the information that is important to you. Below is a summary of the principal terms of the transactions and the proposals we are asking you to consider at the Meeting. To better understand the transactions and the proposals we are asking you to consider, you should read this entire proxy statement carefully, as well as those additional documents to which we refer. Each item in this

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*summary includes a page reference directing you to a more complete description of that topic. You may obtain the information incorporated by reference into this proxy statement by following the instructions set forth in the section entitled *Where You Can Find More Information* .*

The Companies (see Page 33)

Quaker Chemical Corporation

Quaker develops, produces, and markets a broad range of formulated chemical specialty products and offers chemical management services (CMS) for various heavy industrial and manufacturing applications in a global portfolio throughout its four regions: the North America region, the Europe, Middle East and Africa (EMEA) region, the Asia/Pacific region and the South America region. The principal products and services in Quaker s global portfolio include: (i) rolling lubricants (used by manufacturers of steel in the hot and cold rolling of steel and by manufacturers of aluminum in the hot rolling of aluminum); (ii) machining and grinding compounds (used by metalworking customers in cutting, shaping, and grinding metal parts which require special treatment to enable them to tolerate the manufacturing process, achieve closer tolerance, and improve tool life); (iii) hydraulic fluids (used by steel, metalworking, and other customers to operate hydraulic equipment); (iv) corrosion preventives (used by steel and metalworking customers to protect metal during manufacture, storage, and shipment); (v) specialty greases (used in automotive production processes, the manufacturing of steel, and various other applications); (vi) metal finishing compounds (used to prepare metal surfaces for special treatments such as galvanizing and tin plating and to prepare metal for further processing); (vii) forming compounds (used to facilitate the drawing and extrusion of metal products); (viii) chemical milling maskants for the aerospace industry; (ix) temporary and permanent coatings for metal and concrete products; (x) construction products, such as flexible sealants and protective coatings, for various applications; (xi) bio-lubricants (that are mainly used in machinery in the forestry and construction industries); (xii) die casting lubricants; and (xiii) programs to provide CMS.

We are a Pennsylvania corporation. Our registered office and headquarters are located in Conshohocken, Pennsylvania at One Quaker Park, 901 E. Hector Street. Our phone number is (610) 832-4000.

Global Houghton Ltd.

Houghton is an exempted company incorporated under the laws of the Cayman Islands. Houghton is a leading global provider of specialty chemicals and technical services for metalworking and other industrial applications. Its primary products include metalworking fluids and specialty hydraulic fluids. Metalworking fluids are chemical formulations used for a variety of metal processing applications. Its specialty hydraulic fluids are designed to improve performance in critical hydraulic systems of industrial machinery, offshore drilling rigs and metal rolling applications. Houghton and its subsidiaries manufacture and market more than 6,000 specialty chemical formulations developed over its 150-year history. Its products are often customized for a customer s specific application and can provide cost savings and other benefits to a customer s manufacturing process, such as increasing machine throughput, extending tool life, reducing corrosion, bacterial growth and waste, and improving surface finishing. To complement its extensive product portfolio, Houghton and its subsidiaries also offer a broad range of value-added technical services to its customers. The scope of technical services provided depends on each customer s specific requirements and can range from basic product customization and on-site technical support to comprehensive chemical management.

The address of Houghton s principal executive offices is Whitehall House, 238 North Church Street, P.O. Box 1043, George Town Grand Cayman KY1-1102 Cayman Islands and its phone number is (345) 949-0050.

Gulf Houghton Lubricants Ltd.

Gulf Houghton Lubricants Ltd. (**Gulf** and, together with certain current and former managers of Houghton who are parties to the Share Purchase Agreement, **Sellers**) is an exempted company incorporated under the laws of the Cayman Islands. The address of Gulf's principal executive offices is Whitehall House, 238 North Church Street, P.O. Box 1043, George Town Grand Cayman KY1-1102 Cayman Islands and its phone number is (345) 949-0050.

Table of Contents**Summary of the Principal Terms of the Combination and the Issuance (Page 34)***The Combination and Issuance*

On April 4, 2017, the Company entered into the Share Purchase Agreement. Upon the terms and subject to the conditions set forth in the Share Purchase Agreement, the Company agreed to purchase all of the Shares of Houghton from the Sellers for an aggregate purchase price (subject to adjustment as provided in the Share Purchase Agreement) of: (1) \$172,500,000 in cash; and (2) a number of shares (the **Consideration Shares**) of Common Stock comprising 24.5% of the Common Stock outstanding immediately after the Closing (the date of such Closing, the **Closing Date**), which based on the closing stock price of shares of our Common Stock on the New York Stock Exchange on the Record Date, had a value of approximately \$626,344,715. In addition, effective as of the Closing, the Company anticipates refinancing substantially all of Houghton's consolidated indebtedness, which as of March 31, 2017 was approximately \$700 million in the aggregate, net of cash. There can be no assurance as to what the value of the Consideration Shares will be at the Closing. If the proposed Charter Amendment, as described in this proxy statement, is not approved by the Company's shareholders at the Meeting, the Company will instead issue, as the Consideration Shares, preferred stock (the **Preferred Stock**) having in the aggregate 24.5% of the voting rights applicable to the Company's outstanding voting securities and economic, and other rights equivalent to the Common Stock. A portion of the cash consideration and the Consideration Shares, initially totaling in the aggregate \$100,000,000, will at the Closing be placed in escrow to secure against breaches of the Sellers' representations, warranties and covenants in the Share Purchase Agreement.

Closing of the Combination is subject to the approval by the shareholders of the Company of the Issuance (the **Company Shareholder Approval**) and the satisfaction at the Closing of other closing conditions, including certain regulatory approvals, as described below. The approval of the Charter Amendment is not a condition to the Closing.

If the Company or Houghton is required, in order to obtain necessary regulatory approvals, to commit to any divestiture, license, hold separate, sale or other disposition of or with respect to the businesses, assets, properties or product lines of the Company, Houghton or any of their respective subsidiaries, representing a certain amount of pro forma combined 2016 net sales of the Company and Houghton (which commitment we refer to as a **triggering divestiture**), the purchase price will, subject to certain limitations, be adjusted downward. In addition, the Company, or Gulf in certain circumstances, may choose not to go forward with the Combination if triggering divestitures representing more than \$80 million of pro forma combined 2016 net sales are required in connection with obtaining regulatory approval. There can be no assurance that a triggering divestiture will not occur, and accordingly there can be no assurance that the purchase price will not be adjusted, or that substantial divestitures will not be required, in which event the Combination may not close.

The Company and the Sellers have each made customary representations and warranties. The parties' liabilities under the Share Purchase Agreement are subject to certain caps and thresholds. In addition, the Company, Sellers and Houghton are subject to customary covenants between the date of the Share Purchase Agreement and the date of the Closing, including the obligation to operate Houghton in the ordinary course of business consistent with past practice.

Conditions to Closing of the Combination

The Closing is conditioned on the following conditions, among others, having been satisfied or waived in accordance with the Share Purchase Agreement:

All necessary and material filings and notices required to be made before Closing under the applicable antitrust and competition laws (the **Antitrust Laws**) shall have been made and any applicable and mandatory waiting period or other time periods (including any extensions thereof) under such legislation or regulation in any such jurisdiction shall have expired or been terminated, all other material obligations under the Antitrust Laws having been complied with in each case in connection with the transactions contemplated by the Share Purchase Agreement, and all material authorizations,

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consents or approvals necessary under the Antitrust Laws in any jurisdiction for or in respect of the transactions contemplated by the Share Purchase Agreement shall have been obtained from all appropriate governmental authorities in each such jurisdiction and all such authorizations, consents or approvals shall remain in full force and effect and there shall be no notice of any intention to revoke, suspend, or adversely restrict or modify any of the same;

No governmental authority shall have enacted, issued, promulgated, enforced or entered any order which is in effect and has the effect of making the transactions contemplated by the Share Purchase Agreement illegal, otherwise restraining or prohibiting consummation of such transactions or causing any of the transactions contemplated hereunder to be rescinded following completion thereof;

The representations and warranties of each Seller and the Company contained in the Share Purchase Agreement, the other transaction documents and any certificate or other writing delivered pursuant to such agreement must have been true and correct in all material respects as of the date of the Share Purchase Agreement and in all material respects as of the Closing Date (except for representations and warranties made as of a specified date, which must have been true and correct as of the specified date); *provided, that* certain fundamental representations and warranties must be true and correct as of the Closing Date in all respects;

Each Seller and the Company must have duly performed and complied in all material respects with all agreements, covenants and conditions required by the Share Purchase Agreement and each of the other transaction documents to be performed or complied with by them before or on the Closing Date;

No Action shall have been commenced by any Governmental Authority against the Company, or against any Seller or Houghton or any subsidiary and be pending, which would prevent the Closing. No injunction or restraining order shall have been issued by any Governmental Authority, and be in effect, which restrains or prohibits any transaction contemplated hereby;

All other required consents shall have been received; and

From the date of the Share Purchase Agreement, there shall not have occurred any material adverse effect (as defined in that agreement), nor shall any event or events have occurred that, individually or in the aggregate, with or without the lapse of time, could reasonably be expected to result in a material adverse effect.

Principal Reasons for the Combination (Page 34)

The Board of Directors (the **Board**) of the Company and the Company's management believe that the Combination, of which the Issuance is a part, is a compelling opportunity to meet the multiple objectives of the Company's operating strategies and should increase shareholder value. Combining the Company's and Houghton's product solutions and service offerings will allow the resulting company to better serve customers in the automotive, aerospace, heavy equipment, metals, mining, machinery, marine, offshore, and container industries. The business is expected to have one of the world's most expansive metalworking platforms comprised of specialty products that include removal fluids, forming fluids, protecting fluids, heat treating fluids, industrial lubricants and greases. The expanded portfolio

is expected to generate significant cross-selling opportunities and allow further expansion into growth markets that include India, Korea, Japan, and Mexico. By combining resources, the combined company is expected to increase the breadth of its innovative technology, accelerate its product development capabilities, speed its time to market, and diversify its long-term R&D pipeline.

In addition, the Company currently anticipates achieving cost synergies of approximately \$45 million, the majority of which are expected to be realized within two years of Closing. These synergies are expected to be driven primarily by supply efficiencies and cost reductions. Additional value creation is expected through the cross-selling opportunities and the ability to provide an expanded array of products and solutions for customers, as discussed above.

Table of Contents**Opinion of the Company's Financial Advisors (Page 38)**

By letter agreement dated September 29, 2016, as amended on March 2, 2017 (as so amended, the **Engagement Agreement**), the Company retained The Valence Group to provide a fairness opinion in connection with the Combination. In connection with this engagement, The Valence Group rendered its opinion that, as of April 3, 2017 and based upon and subject to the factors and assumptions set forth therein, the consideration to be paid by the Company in the Combination pursuant to the Share Purchase Agreement was fair, from a financial point of view, to the Company. In reviewing the opinion, the Board considered, among other things, that the differences between the common stock to be issued if the Charter Amendment is approved, and the preferred stock to be issued if the Charter Amendment is not approved are not material and do not substantively affect shareholder rights. Because the Board deemed these two alternatives to be functionally equivalent in all material respects, it determined that The Valence Group's assumption of the adoption of the Charter Amendment effectively addressed both potential scenarios, and that therefore the opinion would in all material respects be equally applicable under either scenario. The Board advised The Valence Group of this determination and The Valence Group agreed that this was a reasonable assumption.

As contemplated by the Engagement Letter with The Valence Group, the full text of the written opinion of The Valence Group, dated April 3, 2017, which sets forth the assumptions made, matters considered and limitations on the review undertaken in connection therewith, is attached as Annex B to this proxy statement. The summary of the opinion of The Valence Group set forth in this proxy statement is qualified in its entirety by reference to the full text of such opinion. Shareholders are urged to read the opinion carefully and in its entirety. The Valence Group's opinion was not intended to be and does not constitute a recommendation to any member of the Board, any security holder of the Company, or any other person as to how they should vote or act with respect to any matter related to the Combination or otherwise.

Regulatory Approvals and Regulatory Notifications (Page 57)

Closing of the Combination is subject to the following principal regulatory approvals and regulatory notifications:

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the **HSR Act**), certain transactions, including the Combination and the issuance of the Consideration Shares, may not be completed until notifications have been given and information furnished to the Antitrust Division of the Department of Justice (the **Antitrust Division**) and the Federal Trade Commission (the **FTC**) and all statutory waiting period requirements have been satisfied. Completion of the Combination is subject to the expiration or termination of the applicable waiting period under the HSR Act. Both the Company and Houghton filed their respective Notification and Report Forms with the Antitrust Division and the FTC. On July 3, 2017, the Company and Houghton each received a formal request for additional information pursuant to 16 C.F.R. § 803.20 (a **Second Request**) from the FTC. The effect of a Second Request is to extend the waiting period until 30 calendar days following the date both companies have substantially complied with the Second Request, unless the waiting period is terminated earlier by the FTC, or extended by agreement of the companies or court order. The parties intend to respond to the Second Request as quickly as practicable, and to continue to work cooperatively with the FTC in connection with its review. Completion of the Combination and issuance of the Consideration Shares remains subject to receipt of certain required or recommended regulatory approvals, including notification, clearance and/or approval in the European Union and Australia. The parties intend to continue to work cooperatively with regulators in each of these jurisdictions to facilitate the resolution of their respective reviews. China's regulatory authority notified the parties on July 17, 2017 that it approved the Combination.

The Company's compliance with applicable United States federal and state securities laws and the New York Stock Exchange (**NYSE**) Listing Rules in connection with the Issuance. The rules of the NYSE require shareholder approval before the issuance of securities in connection with the acquisition of the stock or assets of another company if the issuance would constitute more than 20% of the total number of shares of common stock outstanding before the issuance. We are seeking shareholder approval of the Issuance to satisfy these rules.

Table of Contents**Financing Associated with the Combination (Page 58)**

In connection with entering into the Share Purchase Agreement and the transactions contemplated thereby, the Company on April 4, 2017 also entered into a Senior Secured Credit Facilities Commitment Letter (together with all exhibits thereto, the **Commitment Letter**) with Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank AG New York Branch and Deutsche Bank Securities Inc. (collectively, the **Commitment Parties**). Pursuant to the Commitment Letter and subject to the terms and conditions set forth therein, the Commitment Parties have committed to provide senior secured credit facilities of up to \$1.15 billion consisting of (i) a \$575 million senior secured term loan to the Company on the Closing Date, (ii) a senior secured term loan in Euros in an amount equal to \$175 million to certain European subsidiaries of the Company (collectively, the **Foreign Borrowers**) on the Closing Date, and (iii) a \$400 million revolving facility available to the Foreign Borrowers or the Company (collectively, the **Financing**). The proceeds of the term loans and a portion of the revolving credit loans are expected to be used at the Closing for the purpose of funding (i) the payment of \$172.5 million of the consideration to be paid in cash in respect of the Combination, (ii) the repayment of an estimated amount of approximately \$66 million of existing indebtedness of the Company and its subsidiaries, (iii) the repayment of an estimated amount of approximately \$752 million of indebtedness of Houghton and its subsidiaries, and (iv) the payment of an estimated amount of approximately \$50 million of fees and expenses incurred in connection with the foregoing. It is also expected that the remainder of the revolving facility would remain available to provide liquidity for the Company after the Closing for general corporate purposes. The commitment to provide the Financing is subject to certain terms and conditions, including the negotiation of definitive documentation and other customary closing conditions consistent with the Share Purchase Agreement and Commitment Letter. We have negotiated the terms of the credit agreement and the form of the guaranty agreement (neither of which have yet become effective and both of which need some additional information and/or schedules before they are complete) and expect to complete the negotiation of the remainder of the definitive agreements governing the Financing and finalize the documentation before the Closing.

Impact of the Issuance on Existing Shareholders (Page 58)

The Issuance will dilute the Common Stock ownership percentages of our existing shareholders. As of the Record Date, there were 13,309,643 shares of Common Stock issued and outstanding. When the Combination is completed, the Common Stock owned by the Sellers will represent, in the aggregate, 24.5% of the issued and outstanding shares of Quaker's Common Stock immediately after the Closing, or a number of shares of voting Preferred Stock having in the aggregate 24.5% of the voting rights applicable to the Company's outstanding voting securities and economic, and other rights equivalent to the Common Stock. Each Seller will be entitled to that portion of the Consideration Shares represented by its ownership interest in Houghton as of the Closing.

As a result of the Issuance, Gulf will become our largest shareholder and will have substantial influence over matters submitted to a vote of our shareholders, including the election of directors, amendment of our organizational documents, acquisitions or other business combinations involving Quaker, and potentially the ability to prevent extraordinary transactions such as a takeover attempt.

Quaker Board of Directors following the Combination (Page 58)

As a result of the Combination, Gulf will initially be entitled to representation on our Board, the size of which we expect to be increased from nine to twelve members at or before the Closing, resulting in three vacancies in the Board. Under the terms and subject to the conditions of the Shareholder Agreement, three individuals designated by Gulf, who have not yet been identified, will be appointed to the Board at the Closing to fill those vacancies, each to serve on one of our Board's three separate director classes. Gulf will thereafter have the right to nominate: three individuals for election to the Board for so long as the aggregate percentage ownership of Gulf (and the other Shareholders as defined

in the Shareholder Agreement) as of the record date for such meeting exceeds 19%; two individuals for so long as their percentage ownership exceeds 14%; and one individual for so long as their percentage ownership exceeds 10%. Upon the mutual agreement of the Company and the Sellers,

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Gulf may be entitled to two of nine directors, instead of three of twelve directors, in which case the parties will agree to alternative percentages.

Dissenters or Appraisal Rights of Existing Shareholders (Page 59)

Under applicable Pennsylvania law, the Company's shareholders do not have dissenters or appraisal rights in connection with the Issuance of the Consideration Shares. We do not plan to independently provide shareholders with any such rights.

Registration of Certain Shares of Quaker Common Stock Issued in the Combination (Page 59)

The shares of Common Stock issued to Sellers in the Combination will not be registered under the Securities Act of 1933 (as amended, the **Securities Act**), and will be subject to various restrictions and limitations on transfer under U.S. securities laws. The Company has agreed to register the shares held by Gulf upon certain term and conditions as set forth in the Shareholder Agreement, following six months after the Closing. The Company has also agreed upon certain terms and conditions to register the shares of the individual stockholders of Houghton who also are Sellers under the Share Purchase Agreement and who are receiving shares of the Company's Common Stock in the Combination, within thirty days of the Closing.

Anticipated Accounting Treatment of the Combination (Page 59)

Quaker prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (referred to as GAAP). The Combination will be accounted for by Quaker using GAAP. Quaker expects to allocate the purchase price being paid by it to the fair value of Houghton's tangible and intangible assets as of the Closing Date, with the excess purchase price, if any, being recorded as goodwill.

Material U.S. Federal Income Tax Consequences of the Combination (Page 59)

The Combination will not result in any taxable gain or loss for U.S. federal income tax purposes to Quaker or to any Quaker shareholder in his, her or its capacity as a Quaker shareholder. Quaker shareholders who are also Sellers, if any, should consult their own tax advisors as to the tax consequences of participating in the Combination with respect to their Houghton stock, or the shares of Quaker Common Stock (or Preferred Stock) they may be entitled to receive in the Combination.

Risk Factors (Page 20)

There are a number of risks related to the Combination and the Issuance and to the existing business of the Company and the business of the Company after the Combination. See *Risk Factors* beginning on page 20 of this proxy statement for a discussion of these and other risks.

Vote Required and Recommendation of the Board (Page 59)

You may vote in favor of, against, or abstain from voting on each of the proposals being presented at the Meeting, namely, the Charter Amendment proposal, the Issuance proposal and the Adjournment proposal. The Charter Amendment proposal, the Issuance proposal and the Adjournment proposal each require the affirmative vote of a majority of votes cast by the Company's shareholders at the Meeting (provided that a quorum is present at the Meeting). Abstentions, failures to vote and broker non-votes, if any, are not considered votes cast and will therefore have no effect on the outcome of the vote on these proposals.

The Board unanimously recommends a vote FOR the approval of the Charter Amendment proposal, a vote FOR the approval of the Issuance proposal and a vote FOR the approval of the Adjournment proposal.

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QUESTIONS AND ANSWERS ABOUT THE MEETING AND VOTING

The following are some of the questions, and answers to those questions, that you as a shareholder of the Company may have about the Combination, the Issuance and the other matters being considered at the Meeting to which this proxy statement relates. The information in this section does not provide all of the information that may be important to you with respect to the matters being considered at the Meeting. Therefore, you should read this proxy statement carefully, as well as the full contents of the other documents to which this proxy statement refers or incorporates by reference. These documents contain information that may be important to you in determining how you will vote on the matters to be considered at the Meeting. See **Where You Can Find More Information** beginning on page 110.

Q: When is the Meeting and where will it be held?

A: The Meeting will be held on September 7, 2017, at 8:30 A.M. local time, at Quaker Chemical Corporation, One Quaker Park, 901 E. Hector Street, Conshohocken, Pennsylvania 19428. The date, time and place of any adjournment or postponement of the Meeting will be established in accordance with our governing documents and applicable law.

Q: Why am I receiving these proxy materials?

A: Our Board is sending this proxy statement to provide shareholders with information about the Combination and the proposals so that they may determine how their shares should be voted at the Meeting.

Q: What am I being asked to vote on?

A: You are being asked to consider and vote on three matters:

1. approval of the Charter Amendment proposal;
2. approval of the Issuance proposal; and
3. approval of the Adjournment proposal.

Q: How does the Board recommend that I vote on the proposals?