
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2017

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 000-25032



UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

25-1724540
(IRS Employer
Identification No.)

600 Mayer Street
Bridgeville, PA 15017
(Address of principal executive offices, including zip code)
(412) 257-7600
(Registrant's telephone number, including area code)

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No
As of October 20, 2017, there were 7,228,277 shares of the Registrant's common stock outstanding.

Universal Stainless & Alloy Products, Inc.
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Part I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Thousands, Except Per Share Information)
(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Net sales	\$ 50,887	\$ 39,651	\$ 152,369	\$ 120,275
Cost of products sold	45,423	34,917	135,494	109,861
Gross margin	5,464	4,734	16,875	10,414
Selling, general and administrative expenses	4,448	4,504	13,676	12,933
Operating income (loss)	1,016	230	3,199	(2,519)
Interest expense and other financing costs	1,122	924	3,209	3,682
Other (income) expense	(23)	118	(43)	210
(Loss) income before income taxes	(83)	(812)	33	(6,411)
Provision (benefit) for income taxes	176	(292)	283	(2,649)
Net loss	<u>\$ (259)</u>	<u>\$ (520)</u>	<u>\$ (250)</u>	<u>\$ (3,762)</u>
Net loss per common share -Basic	<u>\$ (0.04)</u>	<u>\$ (0.07)</u>	<u>\$ (0.03)</u>	<u>\$ (0.52)</u>
Net loss per common share -Diluted	<u>\$ (0.04)</u>	<u>\$ (0.07)</u>	<u>\$ (0.03)</u>	<u>\$ (0.52)</u>
Weighted average shares of common stock outstanding				
Basic	7,228,277	7,206,659	7,221,426	7,188,782
Diluted	7,228,277	7,206,659	7,221,426	7,188,782

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

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Dollars in Thousands)
(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net loss	\$ (259)	\$ (520)	\$ (250)	\$ (3,762)
Other comprehensive income (loss), net of tax				
Reclassification of losses on foreign currency contracts to net income	10	-	28	-
Unrealized loss on foreign currency contracts	<u>(56)</u>	<u>-</u>	<u>(127)</u>	<u>-</u>
Other comprehensive loss	(46)	-	(99)	-
Comprehensive loss	<u>\$ (305)</u>	<u>\$ (520)</u>	<u>\$ (349)</u>	<u>\$ (3,762)</u>

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

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

(Unaudited)

	September 30, 2017	December 31, 2016
	(Unaudited)	(Derived from audited statements)
ASSETS		
Current assets:		
Cash	\$ 279	\$ 75
Accounts receivable (less allowance for doubtful accounts of \$468 and \$309, respectively)	26,538	19,437
Inventory, net	106,529	91,342
Other current assets	4,160	2,729
Total current assets	137,506	113,583
Property, plant and equipment, net	175,405	182,398
Other long-term assets	64	64
Total assets	<u>\$ 312,975</u>	<u>\$ 296,045</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 31,592	\$ 19,906
Accrued employment costs	2,881	3,803
Current portion of long-term debt	4,684	4,579
Other current liabilities	1,162	898
Total current liabilities	40,319	29,186
Long-term debt	72,402	67,998
Deferred income taxes	17,065	17,629
Other long-term liabilities	12	12
Total liabilities	129,798	114,825
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Senior preferred stock, par value \$0.001 per share; 1,980,000 shares authorized; 0 shares issued and outstanding	-	-
Common stock, par value \$0.001 per share; 20,000,000 shares authorized; 7,521,132 and 7,508,154 shares issued, respectively	8	8
Additional paid-in capital	57,866	56,397
Other comprehensive (loss) income	(78)	21
Retained earnings	127,671	127,084
Treasury stock, at cost; 292,855 common shares held	(2,290)	(2,290)
Total stockholders' equity	183,177	181,220
Total liabilities and stockholders' equity	<u>\$ 312,975</u>	<u>\$ 296,045</u>

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

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOW

(Dollars in Thousands)

(Unaudited)

	Nine months ended September 30,	
	2017	2016
Operating Activities:		
Net loss	\$ (250)	\$ (3,762)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	14,032	13,834
Deferred income tax	318	(2,686)
Write-off of deferred financing costs	-	768
Share-based compensation expense	1,367	972
Net gain on asset disposals	-	(340)
Changes in assets and liabilities:		
Accounts receivable, net	(7,122)	(3,834)
Inventory, net	(16,693)	(3,442)
Accounts payable	10,666	6,109
Accrued employment costs	(922)	(29)
Income taxes	(131)	269
Other, net	(399)	642
Net cash provided by operating activities	866	8,501
Investing Activities:		
Capital expenditures	(4,699)	(3,119)
Proceeds from sale of property, plant and equipment	-	1,571
Net cash used in investing activities	(4,699)	(1,548)
Financing Activities:		
Borrowings under revolving credit facility	240,750	184,684
Payments on revolving credit facility	(232,909)	(204,886)
Borrowings under term loan facility	-	30,000
Payments on term loan facility, capital leases, and convertible notes	(3,908)	(16,307)
Payments of deferred financing costs	-	(750)
Proceeds from the issuance of common stock	104	571
Net cash provided by (used in) financing activities	4,037	(6,688)
Net increase in cash	204	265
Cash at beginning of period	75	112
Cash at end of period	\$ 279	\$ 377

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

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Nature of Business and Basis of Presentation

Universal Stainless & Alloy Products, Inc., and its wholly-owned subsidiaries (“Universal”, “we”, “our” or the “Company”), manufacture and market semi-finished and finished specialty steel products, including stainless steel, nickel alloys, tool steel and certain other alloyed steels. Our manufacturing process involves melting, remelting, heat treating, hot and cold rolling, forging, machining and cold drawing of semi-finished and finished specialty steels. Our products are sold to service centers, forgers, rerollers, original equipment manufacturers and wire redrawers. Our customers further process our products for use in a variety of industries, including the aerospace, power generation, oil and gas, heavy equipment, and general industrial manufacturing industries. We also perform conversion services on materials supplied by customers.

The accompanying unaudited consolidated statements include the accounts of Universal Stainless & Alloy Products, Inc. and its subsidiaries and are prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial reports and the instructions for Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared under U.S. GAAP have been condensed or omitted pursuant to such regulations. However, we believe that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with our most recently audited financial statements and the notes thereto included in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission. In the opinion of management, the accompanying financial statements include all adjustments necessary to present a fair presentation of the consolidated financial statements for the periods shown. Interim results are not necessarily indicative of the operating results for the full fiscal year or any future period. The preparation of these financial statements in conformity with U.S. GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. Actual results may differ from our estimates. The consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated.

Recently Adopted Accounting Pronouncements

Effective January 1, 2017, we adopted the Financial Accounting Standards Board (“FASB”) Accounting Standard Update (“ASU”) 2016-09 “Improvements to Employee Share-Based Payment Accounting”. This ASU includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. Excess tax benefits for share-based payments will be recorded as a reduction of income taxes and reflected in operating cash flows upon the adoption of this ASU, eliminating additional paid in capital (“APIC”) pools. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. This ASU also eliminates the requirement that excess tax benefits be realized before companies can recognize them. As a result of the implementation of this guidance, we recorded an adjustment to retained earnings of \$0.8 million and a corresponding deferred tax asset for the cumulative effect of excess tax benefits that were not previously recognized. We recorded \$0.3 million of tax expense as discrete items in the nine months ended September 30, 2017 for the expiration of stock options. This amount would have been recorded to APIC under the previous guidance. We have elected to account for forfeitures as they occur. This election has not had a material impact on our financial statements.

Effective January 1, 2017, we adopted the FASB ASU 2015-11, “Simplifying the Measurement of Inventory”. This ASU simplifies the guidance on the subsequent measurement of inventory, excluding inventory measured using last-in, first out or the retail inventory method. Under the new standard, inventory should be valued at the lower of cost and net realizable value. The implementation of this guidance did not have a material impact on our financial statements.

Recently Issued Accounting Pronouncements

The Company considers the applicability and impact of all ASUs. Recently issued ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-2 “Leases (Topic 842)”. The ASU requires lessees to recognize most leases on their balance sheet as a right-of-use asset and a lease liability. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. The criteria for evaluating are similar to those applied in current leases accounting. This guidance is effective for annual and interim reporting periods beginning after December 15, 2018 with early adoption permitted. We are currently evaluating the impact of this guidance on our financial statements and the timing of adoption.

In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers (Topic 606)". This topic converges the guidance within U.S. GAAP and International Financial Reporting Standards and supersedes Accounting Standards Codification 605, Revenue Recognition. The new standard requires companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively, and improve guidance for multiple-element arrangements. The new guidance is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. We have completed a preliminary evaluation of this guidance and we do not expect it to have a material impact on our financial statements. We will continue our evaluation of this ASU through the date of adoption.

Note 2: Net loss per Common Share

The following table sets forth the computation of basic and diluted loss income per common share:

	Three months ended		Nine months ended	
	September 30,		September 30,	
<i>(dollars in thousands, except per share amounts)</i>	2017	2016	2017	2016
Numerator:				
Net loss	\$ (259)	\$ (520)	\$ (250)	\$ (3,762)
Adjustment for interest expense on convertible notes (A)	-	-	-	-
Net loss	<u>\$ (259)</u>	<u>\$ (520)</u>	<u>\$ (250)</u>	<u>\$ (3,762)</u>
Denominator:				
Weighted average number of shares of common stock outstanding	7,228,277	7,206,659	7,221,426	7,188,782
Weighted average effect of dilutive stock options and other stock compensation	-	-	-	-
Weighted average number of shares of common stock outstanding, as adjusted	<u>7,228,277</u>	<u>7,206,659</u>	<u>7,221,426</u>	<u>7,188,782</u>
Net loss per common share:				
Net loss per common share -Basic	<u>\$ (0.04)</u>	<u>\$ (0.07)</u>	<u>\$ (0.03)</u>	<u>\$ (0.52)</u>
Net loss per common share -Diluted	<u>\$ (0.04)</u>	<u>\$ (0.07)</u>	<u>\$ (0.03)</u>	<u>\$ (0.52)</u>

(A) An adjustment for interest expense on convertible notes was excluded from the loss per share calculation for the three and nine months ended September 30, 2016 as a result of the convertible notes being antidilutive. The right to convert all or any portion of the outstanding principal of the Convertible Notes into shares of common stock expired on August 17, 2017.

We had options to purchase 495,675 and 780,250 shares of common stock outstanding at an average price of \$31.74 and \$28.18, respectively, which were excluded in the computation of diluted net loss per common share for the three months ended September 30, 2017 and 2016, respectively. We had options to purchase 566,075 and 791,250 shares of common stock outstanding at an average price of \$30.21 and \$27.45, respectively, which were excluded in the computation of diluted net loss per common share for the nine months ended September 30, 2017 and 2016, respectively. These outstanding options were not included in the computation of diluted net loss per common share because their respective exercise prices were greater than the average market price of our common stock. The calculation of diluted net loss per common share for the three and nine months ended September 30, 2016 excluded 406,094 and 408,526 shares, respectively, for the assumed conversion of convertible notes as a result of being anti-dilutive. The calculation of diluted net loss per common share for the three months ended September 30, 2017 and 2016 excluded 121,750 and 2,912 shares, respectively, for the assumed exercise of stock options as a result of being in a net loss position. The calculation of diluted net loss per common share for the nine months ended September 30, 2017 and 2016 excluded 99,638 and 1,825 shares, respectively, for the assumed exercise of stock options as a result of being in a net loss position. In addition, for the three and nine months ended September 30, 2017, the calculation of diluted net loss per share excluded 39,216 and 29,101 shares, respectively, for the assumed issuance of stock for restricted stock units as a result of being in a net loss position.

Note 3: Inventory

Our raw material and starting stock inventory is primarily comprised of ferrous and non-ferrous scrap metal and alloys such as nickel, chrome, molybdenum, cobalt and copper. Our semi-finished and finished steel products are work-in-process in various stages of production or are finished products waiting to be shipped to our customers. Operating materials are primarily comprised of forge dies and production molds and rolls that are consumed over their useful lives. During the nine months ended September 30, 2017 and 2016, we amortized these operating materials in the amount of \$1.5 million and \$1.1 million, respectively. This expense is recorded as a component of cost of products sold on the consolidated statements of operations and included as a part of our total depreciation and amortization on the consolidated statements of cash flows. Inventory is stated at the lower of cost or net realizable value with cost principally determined on a weighted average cost method. Such costs include the acquisition cost for raw materials and supplies, direct labor and applied manufacturing overhead. We assess market based upon actual and estimated transactions at or around the balance sheet date. Typically, we reserve for slow-moving inventory and inventory that is being evaluated under our quality control process. The reserves are based upon management's expected method of disposition. Inventories consisted of the following:

<i>(in thousands)</i>	September 30, 2017	December 31, 2016
Raw materials and starting stock	\$ 8,652	\$ 5,769
Semi-finished and finished steel products	89,214	77,510
Operating materials	<u>11,008</u>	<u>9,893</u>
Gross inventory	108,874	93,172
Inventory reserves	<u>(2,345)</u>	<u>(1,830)</u>
Total inventory, net	<u>\$ 106,529</u>	<u>\$ 91,342</u>

Note 4: Long-Term Debt

Long-term debt consisted of the following:

<i>(in thousands)</i>	September 30, 2017	December 31, 2016
Revolving credit facility	\$ 34,387	\$ 26,546
Convertible notes	19,000	19,000
Term loan	22,614	26,273
Capital leases	<u>1,898</u>	<u>1,763</u>
Total debt	77,899	73,582
Less: current portion of long-term debt	(4,684)	(4,579)
Less: deferred financing costs	<u>(813)</u>	<u>(1,005)</u>
Long-term debt	<u>\$ 72,402</u>	<u>\$ 67,998</u>

Credit Facility

We have a Revolving Credit, Term Loan and Security Agreement (the "Credit Agreement") with PNC Bank, National Association, as administrative agent and co-collateral agent, Bank of America, N.A., as co-collateral agent, and PNC Capital Markets LLC, as sole lead arranger and sole bookrunner. The Credit Agreement provides for a senior secured revolving credit facility not to exceed \$65.0 million (the "Revolving Credit Facility") and a senior secured term loan facility (the "Term Loan") in the amount of \$30.0 million (together with the Revolving Credit Facility, the "Facilities"). The Credit Agreement also provides for a letter of credit sub-facility not to exceed \$10.0 million and a swing loan sub-facility not to exceed \$6.5 million. The Company may request to increase the maximum aggregate principal amount of borrowings under the Revolving Credit Facility by \$25.0 million prior to January 21, 2020.

The Facilities, which expire upon the earlier of (i) January 21, 2021 or (ii) the date that is 90 days prior to the scheduled maturity date of the Convertible Notes (as defined below) (in either case, the "Expiration Date"), are collateralized by a first lien on substantially all of the assets of the Company and its subsidiaries, except that no real property is collateral under the Facilities other than the Company's real property in North Jackson, Ohio.

Availability under the Revolving Credit Facility is based on eligible accounts receivable and inventory. The Company is required to pay a commitment fee of 0.25% based on the daily unused portion of the Revolving Credit Facility.

With respect to the Term Loan, the Company makes quarterly installment payments of principal of approximately \$1.1 million, plus accrued and unpaid interest, on the first day of each fiscal quarter. To the extent not previously paid, the Term Loan will become due and payable in full on the Expiration Date.

Amounts outstanding under the Facilities, at the Company's option, will bear interest at either a base rate plus a margin or a rate based on LIBOR plus a margin, in either case calculated in accordance with the terms of the Credit Agreement. Interest under the Credit Agreement is payable monthly. We elected to use the LIBOR based rate for the majority of the debt outstanding under the Facilities for the nine months ended September 30, 2017, which was 3.99% on our Revolving Credit Facility and 4.49% for the Term Loan at September 30, 2017.

The Credit Agreement contains customary affirmative and negative covenants. The Company must maintain a fixed charge coverage ratio of not less than 1.10 to 1.0, in each case measured on a rolling four-quarter basis calculated in accordance with the terms of the Credit Agreement. We were in compliance with our covenants under the Credit Agreement at September 30, 2017 and December 31, 2016.

At September 30, 2017, we had deferred financing costs of approximately \$0.8 million. For the nine months ended September 30, 2017, we amortized \$0.2 million of deferred financing costs.

On October 23, 2017, the Company announced that it obtained a favorable amendment to the Credit Agreement that lowers the Company's interest rates on its senior bank borrowings by 75 basis points. At current borrowing levels, this change will reduce annual interest expense by approximately \$0.4 million. In addition, several terms of the Credit Agreement were amended and will provide additional liquidity to the Company. There have been no changes to the financial covenants, and the Company remains in compliance with all covenants.

Convertible Notes

In connection with the acquisition of the North Jackson facility, in August 2011, we issued \$20.0 million in convertible notes (collectively, the "Notes") to the sellers of the North Jackson facility as partial consideration of the acquisition.

On January 21, 2016, the Company entered into Amended and Restated Convertible Notes (collectively, the "Convertible Notes") in the aggregate principal amount of \$20.0 million, each in favor of Gorbett Inc. (the "Holder"). The Convertible Notes amended and restated the Notes. The Company's obligations under the Convertible Notes are collateralized by a second lien on the same assets of the Company that collateralize the obligations of the Company under the Facilities. The Convertible Notes mature on March 17, 2019 and the maturity date may be extended, at the Company's option, to March 17, 2020 and further to March 17, 2021. If the Company elects to extend the maturity date of the Convertible Notes to March 17, 2020, principal payments in the aggregate of \$2.0 million will be required on March 17, 2019. If the Company elects to extend the maturity date of the Convertible Notes further to March 17, 2021, principal payments in the aggregate of \$2.0 million will be required on March 17, 2020.

The Convertible Notes bore interest at a rate of 5.0% per year through and including August 17, 2017 and bear a rate of 6.0% per year from and after August 18, 2017. All accrued and unpaid interest is payable quarterly in arrears on each September 18, December 18, March 18 and June 18.

Prior to August 17, 2017, the Holder could elect to convert all or any portion of the outstanding principal amount of the Convertible Notes which is an integral multiple of \$100,000 into shares of common stock. As of August 17, 2017, the Holder's conversion rights are void and no longer subject to exercise.

Capital Leases

The Company enters into capital lease arrangements from time to time. The capital assets and obligations are recorded at the present value of minimum lease payments. The assets are included in Property, plant and equipment, net on the Consolidated Balance Sheet and are depreciated over the respective lease terms which range from three to five years. The long-term component of the capital lease obligations is included in Long-term debt and the current component is included in Current portion of long-term debt. During the nine months ended September 30, 2017, the Company entered into capital lease agreements for which the net present value of the minimum lease payments, at inception, was \$0.4 million. These amounts have been excluded from the Consolidated Statement of Cash Flows as they are non-cash.

As of September 30, 2017, future minimum lease payments applicable to capital leases were as follows:

2017	\$	143
2018		571
2019		571
2020		549
2021		447
2022		34
Total minimum capital lease payments	\$	2,315
Less amounts representing interest		(417)
Present value of net minimum capital lease payments	\$	1,898
Less current obligation		(398)
Total long-term capital lease obligation	\$	1,500

For the three and nine months ended September 30, 2017 the amortization of capital lease assets was \$0.1 and \$0.3 million, respectively, which is included in cost of products sold in the Consolidated Statement of Operations.

Note 5: Fair Value Measurement

The fair value hierarchy has three levels based on the inputs used to determine fair value, which are as follows:

Level 1 — Unadjusted quoted prices available in active markets for the identical assets or liabilities at the measurement date.

Level 2 — Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3 — Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

The fair value hierarchy requires the use of observable market data when available. In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input significant to the fair value measurement in its entirety. Our assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

The carrying amounts of our cash, accounts receivable and accounts payable approximated fair value at September 30, 2017 and December 31, 2016 due to their short-term maturities (Level 1). The fair value of the Term Loan, Revolving Credit facility and swing loans at September 30, 2017 and December 31, 2016 approximated the carrying amount as the interest rate is based upon floating short-term interest rates (Level 2). At September 30, 2017 and December 31, 2016, the fair value of our Convertible Notes was approximately \$18.6 and \$18.4 million, respectively (Level 2).

Note 6: Commitments and Contingencies

From time to time, various lawsuits and claims have been or may be asserted against us relating to the conduct of our business, including routine litigation relating to commercial and employment matters. The ultimate cost and outcome of any litigation or claim cannot be predicted with certainty. Management believes, based on information presently available, that the likelihood that the ultimate outcome of any such pending matter will have a material adverse effect on our financial condition, or liquidity or a material impact on our results of operations is remote, although the resolution of one or more of these matters may have a material adverse effect on our results of operations for the period in which the resolution occurs.

Note 7: Income Taxes

Management estimates the annual effective income tax rate quarterly, based on current annual forecasted results. Items unrelated to current year ordinary income are recognized entirely in the period identified as a discrete item of tax. The quarterly income tax provision (benefit) is comprised of tax on ordinary income provided at the most recent estimated annual effective tax rate ("ETR"), increased or decreased for the tax effect of discrete items.

For the nine months ended September 30, 2017 and 2016, our estimated annual effective tax rates applied to ordinary income (losses) were 22.6% and 40.5%, respectively. The difference between the statutory rate and the projected annual ETR of 22.6%, for 2017, is primarily due to the research and development ("R&D") credit. The ETR for the nine months ended September 30, 2016 reflected a tax benefit on an estimated pre-tax loss for the year and a further benefit for the R&D credit.

In the nine months ended September 30, 2017, the Company recognized \$0.3 million of discrete items in accordance with ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting," which now requires tax expense to be recognized as discrete items in the quarter that stock options expire, or are forfeited. The Company also recognized \$0.1 million for a change in the state deferred tax rate due to changes in the state apportionment. These increases were partially offset by the reversal of \$0.1 million of reserves for uncertain tax positions due to the expiration of the statute of limitations.

Note 8: Derivatives and Hedging

The Company invoices certain customers in foreign currencies. To mitigate the risks associated with fluctuations in exchange rates with the US Dollar, the Company enters into foreign exchange forward contracts for a portion of these sales and has designated these contracts as cash flow hedges. The notional value of these contracts at September 30, 2017 and December 31, 2016 was \$3.9 million and \$2.4 million, respectively. An accumulated unrealized loss of \$78,000 was recorded in other comprehensive (loss) income at September 30, 2017 and an accumulated unrealized gain of \$21,000 was recorded in other comprehensive (loss) income at December 31, 2016.

Note 9: Subsequent Events

On October 23, 2017, the Company announced that it obtained a favorable amendment to the Credit Agreement that lowers the Company's interest rates on its senior bank borrowings by 75 basis points. At current borrowing levels, this change will reduce annual interest expense by approximately \$0.4 million. In addition, several terms of the Credit Agreement were amended and will provide additional liquidity to the Company. There have been no changes to the financial covenants, and the Company remains in compliance with all covenants.

On October 25, 2017, the Company announced that Ross C. Wilkin, Vice President of Finance, Chief Financial Officer and Treasurer of the Company, notified the Company of his intention to resign from his position to pursue another opportunity. The effective date of Mr. Wilkin's resignation is October 31, 2017.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains or incorporates forward looking statements within the meaning of the Private Securities Reform Act of 1995, which involves risks and uncertainties. The following information should be read in conjunction with the unaudited consolidated financial information and the notes thereto included in this Quarterly Report on Form 10-Q. You should not place undue reliance on these forward looking statements. Actual events or results may differ materially due to competitive factors and other factors referred to in Part 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2016, our other filings with the Securities and Exchange Commission and elsewhere in this Quarterly Report. These factors may cause our actual results to differ materially from any forward looking statement. These forward looking statements are based on current expectations, estimates, forecasts, and projections about the industry and markets in which we operate, and management's beliefs and assumptions. In addition, other written or oral statements that constitute forward looking statements may be made by us or on our behalf. Words such as "expect," "anticipate," "intend," "plan," "believe," "could," "estimate," "may," "target," "project," or variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties, and assumptions that are difficult to predict.

Business Overview

We manufacture and market semi-finished and finished specialty steel products, including stainless steel, nickel alloys, tool steel and certain other alloyed steels. Our manufacturing process involves melting, remelting, heat treating, hot and cold rolling, forging, machining and cold drawing of semi-finished and finished specialty steels. Our products are sold to rollers, forgers, service centers, original equipment manufacturers and wire redrawers. Our customers further process our products for use in a variety of industries, including the aerospace, power generation, oil and gas, heavy equipment and general industrial markets. We also perform conversion services on materials supplied by customers.

Net sales in the third quarter of 2017 were \$50.9 million, an increase of \$11.2 million, or 28.3%, from the third quarter of 2016 and a decrease of \$1.7 million, or 3.3%, from the second quarter of 2017. Net sales increased across most end markets in the third quarter of 2017 compared to the third quarter of 2016 with heavy equipment up \$4.8 million, or 99.1%, aerospace up \$4.1 million, or 17.3%, oil & gas up \$1.5 million, or 49.8%, and general industrial, conversion services and other up \$1.5 million, or 37.9%. These increases were partially offset by lower power generation end market sales of \$0.8 million, or negative 18.7%. Sequentially, compared to the second quarter of 2017, power generation end market sales decreased by \$1.5 million, or 31.7%, aerospace decreased by \$1.3 million, or 4.4%, and oil & gas decreased by \$0.2 million, or 4.6%. These decreases were partially offset by increased sales of \$0.8 million, or 8.4%, to the heavy equipment end market and \$0.5 million, or 10.7%, to the general industrial, conversion services and other end market. During the third quarter of 2017, our net sales of premium alloy products, which we define as all vacuum induction melt products represented a record \$7.4 million, or 14.5% of total net sales. This compared to the third quarter of 2016 when premium alloy net sales were \$3.4 million, or 8.6% of total net sales, and the second quarter of 2017 when premium alloy net sales were \$6.8 million, or 12.9% of total net sales. Our premium alloy products are primarily sold to the aerospace end market. Our backlog, before surcharges, at September 30, 2017 was \$66.2 million, an increase of \$26.8 million, or 68.1%, compared to the end of the third quarter of 2016 and an increase of \$2.7 million, or 4.3%, compared to June 30, 2017.

The Company's gross margin for the third quarter of 2017 was \$5.5 million, or 10.7% of net sales, compared to \$4.7 million, or 11.9% of net sales, for the third quarter of 2016 and \$7.2 million, or 13.6% of net sales, for the second quarter of 2017. Gross margin in the third quarter of 2017 was negatively impacted by expenses for fires at the Dunkirk and Bridgeville facilities amounting to \$0.3 million. In addition, the 2017 third quarter gross margin was adversely impacted by temporarily higher maintenance costs as well as by costly outsourcing, as the Company ramps up its business in response to continued strong levels of backlog at a time of a tightening labor market.

Selling, General and Administrative ("SG&A") expenses were \$4.4 million, or 8.7% of sales, in the third quarter 2017 compared to \$4.5 million, or 11.4% of sales, in the third quarter of 2016 and \$4.5 million, or 8.6% of sales, in the second quarter of 2017.

The Company incurred a net loss was \$0.3 million for the third quarter of 2017 compared to a net loss of \$0.5 million in the third quarter of 2016 and net income of \$1.2 million in the second quarter of 2017.

With business conditions and demand remaining positive and the continued strength in our order entry and backlog, we are focused on improving gross profit margins as we finish 2017 and look forward to 2018.

Results of Operations

Three months ended September 30, 2017 as compared to the three months ended September 30, 2016

<i>(in thousands, except shipped ton information)</i>	Three months ended September 30,					
	2017		2016		Dollar / ton variance	Percentage variance
	Amount	Percentage of net sales	Amount	Percentage of net sales		
Net sales:						
Stainless steel	\$ 34,106	67.0%	\$ 29,621	74.6%	\$ 4,485	15.1%
High-strength low alloy steel	3,359	6.6	3,376	8.5	(17)	(0.5)
Tool steel	9,202	18.1	4,503	11.4	4,699	104.4
High-temperature alloy steel	3,208	6.3	1,376	3.5	1,832	133.1
Conversion services and other sales	1,012	2.0	775	2.0	237	30.6
Total net sales	50,887	100.0	39,651	100.0	11,236	28.3
Cost of products sold	45,423	89.3	34,917	88.1	10,506	30.1
Gross margin	5,464	10.7	4,734	11.9	730	15.4
Selling, general and administrative expenses	4,448	8.7	4,504	11.4	(56)	(1.2)
Operating income	1,016	2.0	230	0.5	786	341.7
Interest expense	1,059	2.1	863	2.2	196	22.7
Deferred financing amortization	63	0.1	61	0.2	2	3.3
Other (income) expense	(23)	-	118	0.3	(141)	(119.5)
(Loss) income before income taxes	(83)	(0.2)	(812)	(2.2)	729	89.8
Provision (benefit) for income taxes	176	0.3	(292)	(0.7)	468	160.3
Net loss	\$ (259)	(0.5)%	\$ (520)	(1.5)%	\$ 261	(50.2)
Tons shipped	9,829		7,905		1,924	24.3%
Sales dollars per shipped ton	\$ 5,177		\$ 5,016		\$ 161	3.2%

Market Segment Information

<i>(in thousands)</i>	Three months ended September 30,					
	2017		2016		Dollar variance	Percentage variance
	Amount	Percentage of net sales	Amount	Percentage of net sales		
Net sales:						
Service centers	\$ 35,507	69.7%	\$ 27,507	69.3%	\$ 8,000	29.1%
Original equipment manufacturers	4,361	8.6	4,593	11.6	(232)	(5.1)
Rerollers	5,640	11.1	2,860	7.2	2,780	97.2
Forgers	4,367	8.6	3,916	9.9	451	11.5
Conversion services and other sales	1,012	2.0	775	2.0	237	30.6
Total net sales	\$ 50,887	100.0%	\$ 39,651	100.0%	\$ 11,236	28.3%

Melt Type Information

<i>(in thousands)</i>	Three months ended September 30,					
	2017		2016		Dollar variance	Percentage variance
	Amount	Percentage of net sales	Amount	Percentage of net sales		
Net sales:						
Specialty alloys	\$ 42,511	83.5%	\$ 35,460	89.4%	\$ 7,051	19.9%
Premium alloys (A)	7,364	14.5	3,416	8.6	3,948	115.6
Conversion services and other sales	1,012	2.0	775	2.0	237	30.6
Total net sales	<u>\$ 50,887</u>	<u>100.0%</u>	<u>\$ 39,651</u>	<u>100.0%</u>	<u>\$ 11,236</u>	<u>28.3%</u>

(A) Premium alloys represent all vacuum induction melted (VIM) products.

The majority of our products are sold to service centers rather than the ultimate end market customers. The end market information in this Quarterly Report is our estimate based upon our knowledge of our customers and the grade of material sold to them, which they will in-turn sell to the ultimate end market customer.

End Market Information

<i>(in thousands)</i>	Three months ended September 30,					
	2017		2016		Dollar variance	Percentage variance
	Amount	Percentage of net sales	Amount	Percentage of net sales		
Net sales:						
Aerospace	\$ 27,717	54.5%	\$ 23,628	59.6%	\$ 4,089	17.3%
Power generation	3,259	6.4	4,009	10.1	(750)	(18.7)
Oil & gas	4,593	9.0	3,066	7.7	1,527	49.8
Heavy equipment	9,698	19.1	4,872	12.3	4,826	99.1
General industrial, conversion services and other sales	5,620	11.0	4,076	10.3	1,544	37.9
Total net sales	<u>\$ 50,887</u>	<u>100.0%</u>	<u>\$ 39,651</u>	<u>100.0%</u>	<u>\$ 11,236</u>	<u>28.3%</u>

Net sales:

Net sales for the three months ended September 30, 2017 increased \$11.2 million, or 28.3%, as compared to the three months ended September 30, 2016. This growth reflects a 24.3% increase in consolidated shipments and a 3.2% increase in average sales dollar per shipped ton. The increase in sales dollars per ton in the three months ended September 30, 2017, compared to the same period in 2016, is primarily the result of increased base prices and higher surcharges. Net sales to all of our end markets, with the exception of power generation, increased as noted in the above table. During the three months ended September 30, 2017, premium alloy net sales increased by \$3.9 million when compared to the three months ended September 30, 2016. As a percentage of net sales, our premium alloy net sales increased to 14.5% of total net sales for the three months ended September 30, 2017 compared to 8.6% for the three months ended September 30, 2016. Our premium alloy sales are primarily for the aerospace end market.

Gross margin:

Our gross margin, as a percentage of sales, was 10.7% and 11.9% for the three months ended September 30, 2017 and 2016, respectively. Gross margin in three months ended September 30, 2017 was negatively impacted by expenses for fires at the Dunkirk and Bridgeville facilities amounting to \$0.3 million. In addition, gross margin in the 2017 third quarter was adversely impacted by temporarily higher maintenance costs as well as by costly outsourcing, as the Company ramps up its business in response to continued strong levels of backlog at a time of a tightening labor market.

Selling, general and administrative expenses:

Our SG&A expenses consist primarily of employee costs, which include salaries, payroll taxes and benefit related costs, legal and accounting services, stock compensation and insurance costs. SG&A expenses decreased by approximately \$0.1 million in the three months ended September 30, 2017 as compared to the three months ended September 30, 2016, during which variable compensation costs decreased by \$0.4 million. This decrease is partially offset by higher employee costs of \$0.2 million and higher share-based

compensation expense of \$0.1 million. As a percentage of sales, our SG&A expenses were 8.7% and 11.4% for the three months ended September 30, 2017 and 2016, respectively.

Interest expense and other financing costs:

Interest expense for the three months ended September 30, 2017 increased by \$0.2 million compared to the three months ended September 30, 2016 driven, equally, by higher interest rates and increased borrowings.

Deferred financing amortization was \$0.1 million in the third quarter of 2017 which is consistent with the same period in the prior year.

Income tax provision:

For the three months ended September 30, 2017 and 2016, our estimated annual effective tax rates applied to ordinary income were 22.6% and 40.5%, respectively. The difference between the statutory rate and the projected annual ETR of 22.6%, for 2017, is primarily due to the research and development credit.

Although we had a loss before income taxes of \$0.1 million for the three months ended September 30, 2017, we had income tax expense of \$0.2 million. The income tax expense is comprised of discrete items recognized in the three months ended September 30, 2017. The Company incurred \$0.2 million expense related to the cancellation of stock options and \$0.1 million due to a change in the state deferred tax rate resulting from changes in the state apportionment. These expenses were partially offset by a benefit of \$0.1 million for the reversal of reserves for uncertain tax positions due to the expiration of the statute of limitations.

Net income:

For the three months ended September 30, 2017, the Company incurred a net loss of \$0.3 million, or \$0.04 per diluted share. This loss includes the after-tax losses of \$0.2 million, or \$0.03 per diluted share, related to the fires in Dunkirk and Bridgeville noted above and \$0.2 million, or \$0.03 per diluted share, for the discrete income tax items noted above. This is compared to a net loss of \$0.5 million, or \$0.07 per diluted share for the three months ended September 30, 2016.

Nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016

<i>(in thousands, except shipped ton information)</i>	Nine months ended September 30,					
	2017		2016		Dollar / ton variance	Percentage variance
	Amount	Percentage of net sales	Amount	Percentage of net sales		
Net sales:						
Stainless steel	\$ 106,296	69.7%	\$ 89,070	74.0%	\$ 17,226	19.3%
High-strength low alloy steel	10,949	7.2	10,939	9.1	10	0.1
Tool steel	24,924	16.4	12,710	10.6	12,214	96.1
High-temperature alloy steel	8,085	5.3	4,642	3.9	3,443	74.2
Conversion services and other sales	2,115	1.4	2,914	2.4	(799)	(27.4)
Total net sales	152,369	100.0	120,275	100.0	32,094	26.7
Cost of products sold	135,494	88.9	109,861	91.3	25,633	23.3
Gross margin	16,875	11.1	10,414	8.7	6,461	62.0
Selling and administrative expenses	13,676	9.0	12,933	10.8	743	5.7
Operating income (loss)	3,199	2.1	(2,519)	(2.1)	5,718	NM
Interest expense	3,018	2.0	2,731	2.3	287	10.5
Deferred financing amortization	191	0.1	951	0.8	(760)	(79.9)
Other (income) expense	(43)	-	210	0.2	(253)	(120.5)
(Loss) income before income taxes	33	0.0	(6,411)	(5.4)	6,444	100.5
Provision (benefit) for income taxes	283	0.2	(2,649)	(2.2)	2,932	110.7
Net loss	\$ (250)	(0.2)%	\$ (3,762)	(3.2)%	\$ 3,512	(93.4)
Tons shipped	30,250		23,789		6,461	27.2%
Sales dollars per shipped ton	\$ 5,037		\$ 5,056		\$ (19)	(0.4)%

NM=Not Meaningful

Market Segment Information

<i>(in thousands)</i>	Nine months ended September 30,					
	2017		2016		Dollar variance	Percentage variance
	Amount	Percentage of net sales	Amount	Percentage of net sales		
Net sales:						
Service centers	\$ 105,618	69.2%	\$ 84,838	70.6%	\$ 20,780	24.5%
Original equipment manufacturers	13,239	8.7	12,283	10.2	956	7.8
Rerollers	17,452	11.5	9,356	7.8	8,096	86.5
Forgers	13,945	9.2	10,884	9.0	3,061	28.1
Conversion services and other sales	2,115	1.4	2,914	2.4	(799)	(27.4)
Total net sales	\$ 152,369	100.0%	\$ 120,275	100.0%	\$ 32,094	26.7%

Melt Type Information

<i>(in thousands)</i>	Nine months ended September 30,					
	2017		2016		Dollar variance	Percentage variance
	Amount	Percentage of net sales	Amount	Percentage of net sales		
Net sales:						
Specialty alloys	\$ 130,287	85.5%	\$ 106,104	88.2%	\$ 24,183	22.8%
Premium alloys (A)	19,967	13.1	11,257	9.4	8,710	77.4
Conversion services and other sales	2,115	1.4	2,914	2.4	(799)	(27.4)
Total net sales	<u>\$ 152,369</u>	<u>100.0%</u>	<u>\$ 120,275</u>	<u>100.0%</u>	<u>\$ 32,094</u>	<u>26.7%</u>

(A) Premium alloys represent all vacuum induction melted (VIM) products.

End Market Information

<i>(in thousands)</i>	Nine months ended September 30,					
	2017		2016		Dollar variance	Percentage variance
	Amount	Percentage of net sales	Amount	Percentage of net sales		
Net sales:						
Aerospace	\$ 83,404	54.7%	\$ 75,287	62.6%	\$ 8,117	10.8%
Power generation	12,267	8.1	10,933	9.1	1,334	12.2
Oil & gas	14,296	9.4	9,245	7.7	5,051	54.6
Heavy equipment	26,331	17.3	13,276	11.0	13,055	98.3
General industrial, conversion services and other sales	16,071	10.5	11,534	9.6	4,537	39.3
Total net sales	<u>\$ 152,369</u>	<u>100.0%</u>	<u>\$ 120,275</u>	<u>100.0%</u>	<u>\$ 32,094</u>	<u>26.7%</u>

The majority of our products are sold to service centers rather than the ultimate end market customers. The end market information in this Quarterly Report is our estimate based upon our knowledge of our customers and the grade of material sold to them, which they will in-turn sell to the ultimate end market customer.

Net sales:

Net sales for the nine months ended September 30, 2017 increased \$32.1 million, or 26.7%, as compared to the nine months ended September 30, 2016. This increase reflects a 27.2% increase in consolidated shipments and a 0.4% decrease in average sales dollar per shipped ton. The decrease in sales dollars per ton in the nine months ended September 30, 2017, compared to the same period in 2016, is primarily the result of the mix of products sold reflecting more tool steel, which is sold at a lower sales dollar per ton than our other products partially offset by increased shipments of higher value premium alloys and favorable pricing. Product net sales to all of our end markets increased as noted in the above table. During the nine months ended September 30, 2017, premium alloy net sales increased by \$8.7 million when compared to the nine months ended September 30, 2016. As a percentage of net sales, our premium alloy net sales increased to 13.1% of total net sales for the nine months ended September 30, 2017 compared to 9.4% for the nine months ended September 30, 2016. Our premium alloy sales are primarily for the aerospace end market.

Gross margin:

Our gross margin, as a percentage of net sales, was 11.1% and 8.7% for the nine months ended September 30, 2017 and 2016, respectively. The increase in our gross margin for the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016 is a result of the better alignment of melt costs and surcharges, and the realization of manufacturing and productivity savings. These increases were partially offset by expenses, in the third quarter of 2017, related to fires at the Dunkirk and Bridgeville facilities amounting to \$0.3 million. In addition, gross margin in the nine months ended September 30, 2017 was adversely impacted by temporarily higher maintenance costs as well as by costly outsourcing, as the Company ramps up its business in response to continued strong levels of backlog at a time of a tightening labor market.

Selling, general and administrative expenses:

Our SG&A expenses consist primarily of employee costs, which include salaries, payroll taxes and benefit related costs, legal and accounting services, stock compensation and insurance costs. SG&A expenses increased by approximately \$0.7 million in the nine

months ended September 30, 2017 as compared to the nine months ended September 30, 2016. Approximately \$0.5 million is due to increased employee costs, \$0.4 million is due to higher stock based compensation expense, and \$0.3 million of the increase is due to higher legal expenses. These increases were partially offset by a \$0.6 million reduction in variable compensation. As a percentage of sales, our SG&A expenses were 9.0% and 10.8% for the nine months ended September 30, 2017 and 2016, respectively.

Interest expense and other financing costs:

Interest expense for the nine months ended September 30, 2017 increased by \$0.3 million compared to the nine months ended September 30, 2016 approximately \$0.2 million of the increase is due to higher interest rates and \$0.1 million of the increase is due to increased borrowings.

Deferred financing amortization decreased by \$0.8 million for the nine months ended September 30, 2017 compared to the same period in the prior year. The decrease is the result of the write off of fees due to entering into a new Credit Agreement in the first quarter of 2016.

Income tax provision:

For the nine months ended September 30, 2017 and 2016, our estimated annual effective tax rates applied to ordinary income (losses) were 22.6% and 40.5%, respectively. The difference between the statutory rate and the projected annual ETR of 22.6%, for 2017, is primarily due to the research and development (“R&D”) credit. The ETR for the nine months ended September 30, 2016 reflected a tax benefit on an estimated pre-tax loss for the year and a further benefit for the R&D credit.

In the nine months ended September 30, 2017, the Company recognized \$0.3 million of discrete items as a result of the adoption of ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting,” which now requires tax expense to be recognized as discrete items in the quarter that stock options expire, or are forfeited. The Company also recognized \$0.1 million for a change in the state deferred tax rate due to changes in the state apportionment. These increases were partially offset by the reversal of \$0.1 million of reserves for uncertain tax positions due to the expiration of the statute of limitations.

Net income:

For the nine months ended September 30, 2017, the Company incurred a net loss of \$0.3 million, or \$0.03 per diluted share compared to a net loss of \$3.8 million, or \$0.52 per diluted share, for the nine months ended September 30, 2016.

Liquidity and Capital Resources

Historically, we have financed our operating activities through cash provided by operations and cash provided through our credit facilities.

Net cash (used in) provided by operating activities:

During the nine months ended September 30, 2017, we generated \$0.9 million net cash in operating activities. Net income adjusted for non-cash expenses was \$15.5 million. We utilized \$13.1 million of cash for managed working capital which we define as net accounts receivable, plus inventory and minus accounts payable. \$7.1 million of the increase in managed working capital is from accounts receivable due to the increase in net sales in the third quarter of 2017 compared to the fourth quarter of 2016. Inventories used \$16.7 million reflecting higher commodity cost combined with increased quantities in support of the higher backlog which was partially offset by the \$10.7 million increase in accounts payable due to increased production activity. Accrued employment costs decreased by \$0.9 million due to the payout of 2016 variable compensation partially offset by other payroll related accruals. Other activities, primarily maintenance costs, used \$0.4 million of cash and income taxes used \$0.1 million.

During the nine months ended September 30, 2016, we generated net cash from operating activities of \$8.5 million. Our net loss, adjusted for depreciation and amortization and other non-cash expenses, generated \$8.8 million of cash. We used \$1.2 million of cash from managed working capital which we define as net accounts receivable, plus inventory and minus accounts payable. Our accounts payable increased \$6.1 million due to increased operating activity which was offset by higher accounts receivable of \$3.8 million due to higher sales in the third quarter of 2016 compared to the fourth quarter of 2015. Net inventory increased by \$3.4 million reflecting higher inventory quantities, partially offset by lower unit costs. Income taxes contributed \$0.3 million due to the refund of overpayments in the prior year. All other operating activities contributed \$0.6 million of cash in the nine months ended September 30, 2016.

Net cash used in investing activities:

During the nine months ended September 30, 2017, we used \$4.7 million in cash for capital expenditures compared to \$3.1 million for the nine months ended September 30, 2016. This increase is primarily the result of a capital lease that was entered into during the first quarter of 2016 that reduced capital spending for the nine months ended September 30, 2016.

During the nine months ended September 30, 2016, we used \$1.5 million in cash for investing activities. We used \$3.1 million for capital expenditures and we received \$1.6 million from the sale of assets including the reimbursement of \$1.1 million of previous capital expenditures for assets that we ultimately leased in the first quarter of 2016.

Net cash provided by (used in) financing activities:

We received \$4.0 million in cash from financing activities for the nine months ended September 30, 2017. We increased borrowings under our revolving credit facility by \$7.8 million due to increased working capital requirements resulting from increased net sales and backlog. We paid down \$3.9 million of our term loan and received \$0.1 million for shares issued through our Employee Stock Purchase Plan.

During the nine months ended September 30, 2016, our financing activities used \$6.7 million in cash. As a result of entering into the new Credit Agreement on January 21, 2016, the mix of our borrowings has changed. Our net borrowings under revolving credit facilities decreased by \$20.2 million and our net borrowings under our term credit facilities increased by \$14.8 million. We made prepayments of \$1.0 million on our convertible notes in the first quarter of 2016. We paid \$0.8 million in deferred financing costs related to the new Credit Agreement. In conjunction with the new Credit Agreement in the first quarter of 2016, we issued 73,207 shares of the Company's common stock, for which the cash proceeds were \$0.5 million, and purchases of shares through our Employee Stock Purchase Plan (ESPP) contributed \$0.1 million.

We believe that our cash flows from continuing operations as well as available borrowings under our credit facility are adequate to satisfy our working capital, capital expenditure requirements, and other contractual obligations for the foreseeable future, including at least the next 12 months.

We continuously monitor market price fluctuations of key raw materials. The market values for these raw materials continue to fluctuate based on supply and demand, market disruptions, and other factors. We maintain sales price surcharge mechanisms on certain of our products, priced at time of shipment, to mitigate the risk of raw material cost fluctuations. There can be no assurance that these sales price adjustments will completely offset our raw material costs.

The following table reflects the average market values per pound for selected months during the last 9-month period:

	September 2017		June 2017		March 2017		December 2016
Nickel	\$ 5.10	\$	4.05	\$	4.64	\$	5.00
Chrome	\$ 1.45	\$	1.44	\$	1.46	\$	1.26
Molybdenum	\$ 8.71	\$	7.55	\$	8.46	\$	6.81
Carbon scrap	\$ 0.19	\$	0.18	\$	0.18	\$	0.12

Sources: Nickel is the daily average LME Cash Settlement Price; Chrome and Molybdenum is the final monthly average as published by CRUs; Carbon is the consumer price for #1 Industrial Bundles in the Pittsburgh, PA area as reported in American Metal Market.

We have a Revolving Credit, Term Loan and Security Agreement (the "Credit Agreement") with PNC Bank, National Association, as administrative agent and co-collateral agent, Bank of America, N.A., as co-collateral agent, and PNC Capital Markets LLC, as sole lead arranger and sole bookrunner. The Credit Agreement provides for a senior secured revolving credit facility not to exceed \$65.0 million (the "Revolving Credit Facility") and a senior secured term loan facility (the "Term Loan") in the amount of \$30.0 million (together with the Revolving Credit Facility, the "Facilities"). The Credit Agreement also provides for a letter of credit sub-facility not to exceed \$10.0 million and a swing loan sub-facility not to exceed \$6.5 million. The Company may request to increase the maximum aggregate principal amount of borrowings under the Revolving Credit Facility by \$25.0 million prior to January 21, 2020.

The Facilities, which expire upon the earlier of (i) January 21, 2021 or (ii) the date that is 90 days prior to the scheduled maturity date of the Convertible Notes (as defined below) (in either case, the "Expiration Date"), are collateralized by a first lien on substantially all of the assets of the Company and its subsidiaries, except that no real property is collateral under the Facilities other than the Company's real property in North Jackson, Ohio.

Availability under the Revolving Credit Facility is based on eligible accounts receivable and inventory. The Company is required to pay a commitment fee of 0.25% based on the daily unused portion of the Revolving Credit Facility.

With respect to the Term Loan, the Company makes quarterly installment payments of principal of approximately \$1.1 million, plus accrued and unpaid interest, on the first day of each fiscal quarter. To the extent not previously paid, the Term Loan will become due and payable in full on the Expiration Date.

Amounts outstanding under the Facilities, at the Company's option, will bear interest at either a base rate plus a margin or a rate based on LIBOR plus a margin, in either case calculated in accordance with the terms of the Credit Agreement. Interest under the Credit

Agreement is payable monthly. We elected to use the LIBOR based rate for the majority of the debt outstanding under the Facilities for the nine months ended September 30, 2017, which was 3.99% on our Revolving Credit Facility and 4.49% for the Term Loan at September 30, 2017.

The Credit Agreement contains customary affirmative and negative covenants. The Company must maintain a fixed charge coverage ratio of not less than 1.10 to 1.0, in each case measured on a rolling four-quarter basis calculated in accordance with the terms of the Credit Agreement. We were in compliance with our covenants under the Credit Agreement at September 30, 2017 and December 31, 2016.

At September 30, 2017, we had deferred financing costs of approximately \$0.8 million. For the nine months ended September 30, 2017, we amortized \$0.2 million of deferred financing costs.

On October 23, 2017, the Company announced that it obtained a favorable amendment to the Credit Agreement that lowers the Company's interest rates on its senior bank borrowings by 75 basis points. At current borrowing levels, this change will reduce annual interest expense by approximately \$0.4 million. In addition, several terms of the Credit Agreement were amended and will provide additional liquidity to the Company. There have been no changes to the financial covenants, and the Company remains in compliance with all covenants.

Convertible Notes

In connection with the acquisition of the North Jackson facility, in August 2011, we issued \$20.0 million in convertible notes (collectively, the "Notes") to the sellers of the North Jackson facility as partial consideration of the acquisition.

On January 21, 2016, the Company entered into Amended and Restated Convertible Notes (collectively, the "Convertible Notes") in the aggregate principal amount of \$20.0 million, each in favor of Gorbett Inc. (the "Holder"). The Convertible Notes amended and restated the Notes. The Company's obligations under the Convertible Notes are collateralized by a second lien on the same assets of the Company that collateralize the obligations of the Company under the Facilities. The Convertible Notes mature on March 17, 2019 and the maturity date may be extended, at the Company's option, to March 17, 2020 and further to March 17, 2021. If the Company elects to extend the maturity date of the Convertible Notes to March 17, 2020, principal payments in the aggregate of \$2.0 million will be required on March 17, 2019. If the Company elects to extend the maturity date of the Convertible Notes further to March 17, 2021, principal payments in the aggregate of \$2.0 million will be required on March 17, 2020.

The Convertible Notes bore interest at a rate of 5.0% per year through and including August 17, 2017 and bear a rate of 6.0% per year from and after August 18, 2017. All accrued and unpaid interest is payable quarterly in arrears on each September 18, December 18, March 18 and June 18.

Prior to August 17, 2017, the Holder could elect to convert all or any portion of the outstanding principal amount of the Convertible Notes which is an integral multiple of \$100,000 into shares of common stock. As of August 17, 2017, the Holder's conversion rights are void and no longer subject to exercise.

Capital Leases

The Company enters into capital lease arrangements from time to time. The capital assets and obligations are recorded at the present value of minimum lease payments. The assets are included in Property, plant and equipment, net on the Consolidated Balance Sheet and are depreciated over the respective lease terms which range from three to five years. The long-term component of the capital lease obligations is included in Long-term debt and the current component is included in Current portion of long-term debt. During the nine months ended September 30, 2017, the Company entered into capital lease agreements for which the net present value of the minimum lease payments, at inception, was \$0.4 million. These amounts have been excluded from the Consolidated Statement of Cash Flows as they are non-cash.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has reviewed its market risk and believes there are no significant changes from that disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, except as provided in this Form 10-Q in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 4. CONTROLS AND PROCEDURES

The Company's management, including the Company's Chairman, President and Chief Executive Officer and its Vice President of Finance, Chief Financial Officer and Treasurer, performed an evaluation of the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Company's Chairman, President and Chief Executive Officer and its Vice President of Finance, Chief Financial Officer and Treasurer concluded that, as of the end of the fiscal period covered by this quarterly report, the Company's disclosure controls and procedures are effective. During the fiscal quarter ended September 30, 2017 there were no changes in the Company's internal control over financial reporting which have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

There are no material changes from the legal proceedings disclosed in Item 3. of the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

Item 1A. RISK FACTORS

There are no material changes from the risk factors disclosed in Item 1A. of the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not Applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

Exhibit Number	Exhibit
10.1	<u>First Amendment to Revolving Credit, Term Loan and Security Agreement, dated May 12, 2017, by and among Universal Stainless & Alloy Products, Inc., the other borrowers party thereto, the lenders party thereto and PNC Bank National Association, as Administrative Agent (filed herewith).</u>
10.2	<u>Second Amendment to Revolving Credit, Term Loan and Security Agreement, dated October 23, 2017, by and among Universal Stainless & Alloy Products, Inc., the other borrowers party thereto, the lenders party thereto and PNC Bank National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Universal Stainless & Alloy Products, Inc. on October 23, 2017).</u>
10.3	<u>Form of Non-Employee Director Stock Option Award Agreement (Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan) (filed herewith).</u>
10.4	<u>Form of Non-Employee Director RSU Award Agreement (Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan) (filed herewith).</u>
10.5	<u>Form of Stock Option Award Agreement (Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan) (filed herewith).</u>
10.6	<u>Form of Stock Option Award Agreement (Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan) (filed herewith).</u>
10.7	<u>Form of RSU Award Agreement (Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan) (filed herewith).</u>
10.8	<u>Form of RSU Award Agreement (Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan) (filed herewith).</u>
31.1	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).</u>
31.2	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).</u>
32.1	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).</u>

Exhibit Number	Exhibit
101	The following financial information from this Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2017, formatted in XBRL (Extensible Business Reporting Language) and filed electronically herewith: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income (iv) the Consolidated Statements of Cash Flows; and (v) the Notes to the Consolidated Financial Statements (filed herewith).

SIGNATURES

Pursuant to the requirements 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.

Date: October 25, 2017

/s/ Dennis M. Oates

Dennis M. Oates
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

/s/ Ross C. Wilkin

Ross C. Wilkin
Vice President of Finance,
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

FIRST AMENDMENT TO REVOLVING CREDIT, TERM LOAN AND SECURITY AGREEMENT

This First Amendment to Revolving Credit, Term Loan and Security Agreement (this "First Amendment") is dated this 12th day of May, 2017, by and among UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC., a Delaware corporation ("Universal"), DUNKIRK SPECIALTY STEEL, LLC, a Delaware limited liability company ("Dunkirk"), NORTH JACKSON SPECIALTY STEEL, LLC, a Delaware limited liability company ("North Jackson") (Universal, Dunkirk, North Jackson are collectively, the "Borrowers", and each a "Borrower"), the LENDERS party hereto, and PNC BANK, NATIONAL ASSOCIATION ("PNC"), in its capacity as administrative agent for the Lenders (hereinafter referred to in such capacity as the "Administrative Agent").

WITNESSETH:

WHEREAS, the Borrowers, the Guarantors party thereto, the Lenders, the Administrative Agent, PNC and BANK OF AMERICA, N.A., as co-collateral agents for Lenders entered into that certain Revolving Credit, Term Loan and Security Agreement, dated as of January 21, 2016 (as amended, modified, supplemented, extended, renewed or restated from time to time, the "Credit Agreement"); and

WHEREAS, the Borrowers desire to amend certain provisions of the Credit Agreement, and the Lenders and the Administrative Agent agree to permit such amendments pursuant to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

1. All capitalized terms used herein which are defined in the Credit Agreement shall have the same meanings herein as in the Credit Agreement unless the context herein clearly indicates otherwise.

2. Section 1.2 of the Credit Agreement is hereby amended by deleting the following definition in its entirety and inserting in its stead the following:

"Availability Block" shall mean Six Million Five Hundred Thousand and 00/100 Dollars (\$6,500,000.00). Upon completion and acceptance by the Co-Collateral Agents of an equipment or Real Property Collateral appraisal in accordance with Section 4.7, the Co-Collateral Agents shall have the right, in their sole discretion upon written notice to the Borrowing Agent, to increase the Availability Block by the positive difference, if any, between (A) One Million Five Hundred Thousand and 00/100 Dollars (\$1,500,000.00), minus (B) the difference between (x) the sum of (i) eighty-five percent (85%) of the net orderly liquidation value of

the equipment, (ii) fifty percent (50%) of the fair market value of the Real Property Collateral, and (iii) the then current Availability Block, minus (y) the then current outstanding principal balance of the Term Loan.

3. A new Section 6.14 is hereby added to the Credit Agreement, immediately following Section 6.13:

6.14 Flood Insurance

Notwithstanding anything to the contrary set forth herein, no Loan Party or any Agent shall enter into any Mortgage in respect of any real property acquired by any Loan Party after the Closing Date that is located in a “special flood hazard area” until the date that is forty-five (45) days after the Administrative Agent has delivered to the Lenders the following documents in respect of such real property: (i) a completed flood hazard determination from a third party vendor; (ii) if such real property is located in a “special flood hazard area”, (A) a notification to the applicable Loan Parties of that fact and (if applicable) notification to the applicable Loan Parties that flood insurance coverage is not available and (B) evidence of the receipt by the applicable Loan Parties of such notice; and (iii) if required by applicable Flood Laws, evidence of required flood insurance with respect to which flood insurance has been made available under applicable Flood Laws; provided that any such Mortgage may be entered into prior to such period expiring if the Administrative Agent shall have received confirmation from each Lender that such Lender has completed any necessary flood insurance due diligence to its reasonable satisfaction.

4. Section 16.2 of the Credit Agreement is hereby amended by adding the following new clause (g) to the end thereof, immediately following clause (f):

(g) Notwithstanding anything to the contrary contained in the foregoing or otherwise in this Agreement, any increase, extension or renewal of any Advances or any related commitment hereunder shall be subject to flood insurance due diligence and flood insurance compliance reasonably satisfactory to all Lenders.

5. The provisions of Sections 2 through 4 of this First Amendment shall not become effective until the Administrative Agent shall have received:

- (a) this First Amendment, duly executed by the Borrowers, the Lenders and the Administrative Agent;
- (b) payment of all fees and expenses owed to the Administrative Agent, and the Administrative Agent's counsel in connection with this First Amendment and the Credit Agreement; and
- (c) such other documents in connection with such transactions as the Administrative Agent or said counsel may reasonably request.

6. Each Loan Party hereby reconfirms and reaffirms all representations and warranties, agreements and covenants made by it pursuant to the terms and conditions of the Credit Agreement, except as such representations and warranties, agreements and covenants may have heretofore been amended, modified or waived in writing in accordance with the Credit Agreement, and except any such representations or warranties made as of a specific date or time, which shall have been true and correct in all material respects as of such date or time.

7. Each Loan Party acknowledges and agrees that each and every document, instrument or agreement, which secured the Obligations immediately prior to the entering into of this First Amendment, continues to secure the Obligations.

8. Each Loan Party represents and warrants to each Agent and each of the Lenders as follows: (i) such Loan Party has the full power to enter into, execute, deliver and carry out this First Amendment and all such actions have been duly authorized by all necessary proceedings on its part, (ii) neither the execution and delivery of this First Amendment by such Loan Party nor the consummation of the transactions herein contemplated or compliance with the terms and provisions hereof by any of them will conflict with, constitute a default under or result in any breach of (a) such Loan Party's Organizational Documents or (b) any Law or any Material Contract or instrument or order, writ, judgment, injunction or decree to which such Loan Party is a party or by which it is bound or to which it is subject, or result in the creation or enforcement of any Lien, charge or encumbrance whatsoever upon any property (now or hereafter acquired) of such Loan Party, and (iii) this First Amendment has been duly and validly executed and delivered by such Loan Party and constitutes the legal, valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with its terms, except to the extent that enforceability of this First Amendment may be limited by any applicable bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights generally.

9. Each Loan Party represents and warrants that (i) no Default or Event of Default exists under the Credit Agreement, nor will any occur as a result of the execution and delivery of this First Amendment or the performance or observance of any provision hereof or any transaction completed hereby, and (ii) the schedules attached to and made a part of the Credit Agreement, are true and correct in all material respects as of the date hereof, except as such schedules may have heretofore been amended or modified in writing in accordance with the Credit Agreement or pursuant to this First Amendment.

10. Each reference to the Credit Agreement that is made in the Credit Agreement or any other document executed or to be executed in connection therewith shall hereafter be construed as a reference to the Credit Agreement as amended hereby.

11. The agreements contained in this First Amendment are limited to the specific agreements made herein. Except as expressly set forth herein, this First Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of the Agents or the Lenders under the Credit Agreement or any Other Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any Other Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle any Loan Party to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any Other Document in similar or different circumstances. This First Amendment shall apply and be effective only with respect to the provisions of the Credit Agreement specifically referred to herein. This First Amendment amends the Credit Agreement and is not a novation thereof. Nothing expressed or implied in this First Amendment or any other document contemplated hereby shall be construed as a release or other discharge of any Borrower or any Guarantor under the Credit Agreement or any Other Document from any of its obligations and liabilities thereunder.

12. This First Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts each of which, when so executed, shall be deemed to be an original, but all such counterparts shall constitute but one and the same instrument. Any signature delivered by a party by facsimile or electronic transmission (including email transmission of a PDF image) shall be deemed to be an original signature hereto.

13. This First Amendment shall be governed by, and shall be construed and enforced in accordance with, the Laws of the Commonwealth of Pennsylvania without regard to the principles of the conflicts of law thereof. Each of the parties hereto irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction and venue of the courts of the Commonwealth of Pennsylvania sitting in Allegheny County, Pennsylvania and the United States District Court for the Western District of Pennsylvania with respect to any suit arising out of or relating to this First Amendment.

[INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, by their officers thereunto duly authorized, have executed this First Amendment on the day and year first above written.

BORROWERS:

WITNESS:

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

/s/ Paul A. McGrath

By: /s/ Ross C. Wilkin (SEAL)

Name: Ross C. Wilkin

Title: VP Finance, CFO & Treasurer

WITNESS:

DUNKIRK SPECIALTY STEEL, LLC

/s/ Paul A. McGrath

By: /s/ Ross C. Wilkin (SEAL)

Name: Ross C. Wilkin

Title: Executive Officer

WITNESS:

NORTH JACKSON SPECIALTY STEEL, LLC

/s/ Paul A. McGrath

By: /s/ Ross C. Wilkin (SEAL)

Name: Ross C. Wilkin

Title: Treasurer

AGENT AND LENDERS:

PNC BANK, NATIONAL ASSOCIATION,
as a Lender and as Administrative Agent

By: /s/ David B. Thayer

Name: David B. Thayer

Title: Vice President

BANK OF AMERICA, N.A., as a Lender

By: /s/ Christy Bowen

Name: Christy Bowen

Title: Vice President

NON-EMPLOYEE DIRECTOR STOCK OPTION AWARD AGREEMENT

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
2017 EQUITY INCENTIVE PLAN

Universal Stainless & Alloy Products, Inc. (the “**Company**”) grants to the Participant named below (“**you**”) a Nonqualified Stock Option to purchase the number of Shares set forth below (the “**Option**”).

Plan:	Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan
Defined Terms:	As set forth in the Plan, unless otherwise defined in this Agreement
Participant:	[Name]
Type of Option:	Nonqualified Stock Option
Grant Date:	[Date]
Number of Shares Purchasable:	[####]
Option Price per Share:	[\$#.##], which is the Fair Market Value as of the Grant Date
Expiration Date:	[Date], which is [10] years from the Grant Date (or earlier if your Separation from Service occurs before this Expiration Date; see <i>Exercise after Separation from Service</i> below)
Exercisability Schedule:	The Option will become exercisable on the following schedule, as long as you do not have a Separation from Service before the applicable exercisability date or event: Exercisability Date or Event% of Option Exercisable
Acceleration of Exercisability:	The Option will become fully exercisable upon (1) a Change in Control that occurs before your Separation from Service (or after your Qualifying Separation but before the expiration of the Option) and (2) your Separation from Service due to your Disability or death.

<p>Qualifying Separation from Service:</p>	<p>If you have a Separation from Service for any reason other than your death, Disability, or Cause (1) after you reach age 55 and have been a service provider of the Company or an Affiliate for at least 10 continuous years through your Separation from Service or (2) after you reach age 65 (each, a “Qualifying Separation”), then any non-exercisable portion of the Option will continue to become exercisable under the Exercisability Schedule above as though you did not have a Separation from Service and any exercisable portion of the Option (and any portion that becomes exercisable after your Qualifying Separation) will remain exercisable until the original Expiration Date above. However, if you provide services to a competitor of the Company or an Affiliate after your Qualifying Separation, the entire Option will expire immediately.</p>
<p>Exercise after Separation from Service:</p>	<p><i>Separation from Service for any reason other than death, Disability, Qualifying Separation, or Cause:</i> any non-exercisable portion of the Option expires immediately and any exercisable portion remains exercisable for 90 days after your Separation from Service for any reason other than death, Disability, Qualifying Separation, or Cause.</p> <p><i>Separation from Service due to death or Disability:</i> any non-exercisable portion of the Option expires immediately and any exercisable portion remains exercisable for 12 months after your Separation from Service due to death or Disability.</p> <p><i>Qualifying Separation:</i> any non-exercisable portion of the Option will continue to become exercisable under the Exercisability Schedule above as though you did not incur a Separation from Service and any exercisable portion of the Option (and any portion that becomes exercisable after your Qualifying Separation) remains exercisable until the original Expiration Date above after your Qualifying Separation. However, if you provide services to a competitor of the Company or an Affiliate after your Qualifying Separation, the entire Option expires immediately.</p> <p><i>Separation from Service for Cause:</i> the entire Option, including any exercisable and non-exercisable portion, expires immediately upon Separation from Service for Cause.</p> <p>THE OPTION MAY NOT BE EXERCISED AFTER THE ORIGINAL EXPIRATION DATE SET FORTH ABOVE.</p>

By signing below, you agree that the Option is granted under and governed by the terms of the Plan and this Stock Option Award Agreement (including the attached Stock Option Terms) (“**Agreement**”), as of the Grant Date.

PARTICIPANT

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

Sign Name: _____

Sign Name: _____

Print Name: _____

Print Name: _____

Title: _____

STOCK OPTION TERMS

1. Grant of Option.

(a) The Option is subject to the terms of the Plan. The terms of the Plan are incorporated into this Agreement by this reference.

(b) You must accept the terms of this Agreement by returning a signed copy to the Company within 60 days after the Agreement is presented to you for review. You may not exercise any portion of the Option before you have accepted the terms of this Agreement. The Board may unilaterally cancel and forfeit the Option in its entirety if you do not accept the terms of this Agreement.

2. Exercise of Option.

(a) Right to Exercise. The Option will be exercisable in accordance with the Exercisability Schedule, Acceleration of Exercisability, Qualifying Separation from Service, and Exercise after Separation from Service terms provided above, and all the rest of the terms of this Agreement. The Option, to the extent exercisable, may be exercised in whole or in part. The Option may not be exercised after it expires. No Shares will be issued upon the exercise of the Option unless the issuance and exercise comply with all applicable laws. For income tax purposes, Shares will be considered transferred to you on the date you properly exercise the Option. Until you have duly exercised the Option and Shares have been delivered, you will not have any rights as a Stockholder for those Shares (including voting or dividend rights).

(b) Method of Exercise. You may exercise the Option by delivering an exercise notice in a form approved by the Company (the “**Exercise Notice**”). The Exercise Notice must state your election to exercise the Option, the number of Option Shares that are being purchased, and any other representations and agreements that may be required by the Company. Together with the Exercise Notice, you must tender payment of the aggregate Option Price for all Shares exercised and all applicable withholding and other taxes. The Option will be deemed to be exercised upon receipt by the Company of a fully executed Exercise Notice and payment of the aggregate Option Price and all applicable withholding and other taxes.

3. Method of Payment. If you elect to exercise the Option, you must pay the aggregate Option Price, as well as any applicable withholding or other taxes, by cash or check. However, the Board may—but is not required to—consent to payment in any of the following forms, or a combination of them together with cash or check:

(a) a “net exercise” under which the Company reduces the number of Shares issued upon exercise by the largest whole number of Shares with a Fair Market Value that does not exceed the aggregate Option Price and any applicable withholding;

(b) other consideration received by the Company under a cashless exercise program approved by the Company;

(c) surrender of other Shares owned by you that have a Fair Market Value on the date of surrender equal to the aggregate Option Price of the exercised Shares and any applicable withholding; or

(d) any other consideration that the Board deems appropriate.

4. Restrictions on Exercise.

(a) You may not exercise the Option if (i) the Plan has not been approved by the Stockholders or (ii) the issuance of Shares upon exercise or the method of payment for those Shares would constitute a violation of any applicable law, regulation, or Company policy.

(b) Any issuance of Shares under the Option may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any securities exchange or similar entity.

(c) If a certificate for Shares is delivered to you under the Option, the certificate may bear the following or a similar legend as determined by the Company:

The ownership and transferability of this certificate and the shares of stock represented hereby are subject to the terms (including forfeiture) of the Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan and a stock option award agreement entered into between the registered owner and Universal Stainless & Alloy Products, Inc. Copies of such plan and agreement are on file in the executive offices of Universal Stainless & Alloy Products, Inc.

In addition, any stock certificates for Shares will be subject to any stop-transfer orders and other restrictions as the Company may deem advisable under the rules, regulations, and other requirements of the SEC, any stock exchange upon which the Shares are then listed, and any applicable federal or state securities law, and the Company may cause a legend or legends to be placed on any certificates to make appropriate reference to these restrictions.

5. Transferability. The Option may not be transferred in any manner other than by will or by the laws of descent or distribution and may be exercised during your lifetime only by you; *provided, however*, that you may transfer the Option (a) pursuant to a domestic relations order by a court of competent jurisdiction or (b) to any Family Member in accordance with the “family transfers” provisions of the Plan by delivering to the Company a notice of assignment in a form acceptable to the Company. No transfer or assignment of the Option to or on behalf of a Family Member under this Section 5 will be effective until the Company has acknowledged such transfer or assignment in writing.

6. Term of Option. The Option may not be exercised after it expires and may only be exercised in accordance with this Agreement.

7. Withholding.

(a) Regardless of any action the Company may take that is related to any or all income tax, payroll tax, or other tax-related withholding (“**Tax-Related Items**”), the ultimate liability for all Tax-Related Items owed by you is and will remain your responsibility. The Company (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items under the Option, including the grant, vesting, or exercise of the Option or the subsequent sale of Shares acquired upon exercise and (ii) does not commit to structure the terms of the Option to reduce or eliminate your liability for Tax-Related Items.

(b) You will be required to meet any applicable tax withholding obligation in accordance with the tax withholding provisions of Section 17.3 of the Plan (or any successor provision).

8. Adjustment. Upon any event described in Section 15 of the Plan (or any successor provision) occurring after the Grant Date, the adjustment provisions of that section will apply to the Option.

9. Bound by Plan and Board Decisions. By accepting the Option, you acknowledge that you have received a copy of the Plan, have had an opportunity to review the Plan, and agree to be bound by all of the terms of the Plan. If there is any conflict between this Agreement and the Plan, the Plan will control. The authority to manage and control the operation and administration of this Agreement and the Plan is vested in the Board. The Board has all powers under this Agreement that it has under the Plan. Any interpretation of this Agreement or the Plan by the Board and any decision made by the Board related to the Agreement or the Plan will be final and binding on all persons.

10. Your Representations. You represent to the Company that you have read and fully understand this Agreement and the Plan and that your decision to participate in the Plan is completely voluntary. You also acknowledge that you are relying solely on your own advisors regarding the tax consequences of the Option.

11. Regulatory and Other Limitations. Notwithstanding anything else in this Agreement, the Board may impose conditions, restrictions, and limitations on the issuance of Shares under the Option unless and until the Board determines that the issuance complies with (a) all registration requirements under the Securities Act, (b) all listing requirements of any stock exchange on which the Shares are listed, (c) all Company policies and administrative rules, and (d) all applicable laws.

12. Miscellaneous.

(a) Notices. Any notice that may be required or permitted under this Agreement must be in writing and may be delivered personally, by intraoffice mail, or by electronic mail or via a postal service (postage prepaid) to the electronic mail or postal address and directed to the person as the receiving party may designate in writing from time to time.

(b) Waiver. The waiver by any party to this Agreement of a breach of any provision of the Agreement will not operate or be construed as a waiver of any other or subsequent breach.

(c) Entire Agreement. This Agreement and the Plan constitute the entire agreement between you and the Company related to the Option. Any prior agreements, commitments, or negotiations concerning the Option are superseded.

(d) Binding Effect; Successors. The obligations and rights of the Company under this Agreement will be binding upon and inure to the benefit of the Company and any successor corporation or organization resulting from the merger, consolidation, sale, or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company. Your obligations and rights under this Agreement will be binding upon and inure to your benefit and the benefit of your beneficiaries, executors, administrators, heirs, and successors.

(e) Governing Law; Consent to Jurisdiction; Consent to Venue; Service of Process. This Agreement will be construed and interpreted in accordance with the internal laws of the Commonwealth of Pennsylvania without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the Commonwealth of Pennsylvania. For purposes of resolving any dispute that arises directly or indirectly from the relationship of the parties evidenced by this Agreement, the parties hereto submit to and consent to the exclusive jurisdiction of the Commonwealth of Pennsylvania and agree that any related litigation must be conducted solely in the courts of Allegheny County, Pennsylvania or the federal courts for the United States for the Western District of Pennsylvania, where this Agreement is made and/or to be performed, and no other courts. You may be served with process in any manner permitted under Commonwealth of Pennsylvania law, or by United States registered or certified mail, return receipt requested.

(f) Headings. The headings contained in this Agreement are for convenience of reference only, and will not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

(g) Amendment. This Agreement may be amended at any time by the Board, except that no amendment may, without your consent, materially impair your rights under the Option.

(h) Severability. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision of the Agreement, and each other provision will be severable and enforceable to the extent permitted by law.

(i) No Rights to Service. Nothing in this Agreement will be construed as giving you any right to be retained in any position with the Company or its Affiliates. Nothing in this Agreement will interfere with or restrict the rights of the Company or its Affiliates—which are expressly reserved—to remove, terminate, or discharge you at any time for any reason whatsoever or for no reason, subject to the Company’s certificate of incorporation, bylaws, and other similar governing documents and applicable law.

(j) Section 409A. It is intended that the Option will be exempt from (or in the alternative will comply with) Section 409A, and this Agreement will be administered and interpreted accordingly. This paragraph is not a guarantee of any particular tax effect for your benefits under this Agreement and the Company does not guarantee that these benefits will satisfy Section 409A or any other provision of the Code.

(k) Further Assurances. You must, upon request of the Company or the Board, do all acts and execute, deliver, and perform all additional documents, instruments, and agreements that may be reasonably required by the Company or the Board to implement the provisions and purposes of this Agreement.

(l) Clawback. All awards, amounts, or benefits received or outstanding under the Plan will be subject to clawback, cancellation, recoupment, rescission, payback, reduction, or other similar action in accordance with the terms of any Company clawback or similar policy or any applicable law related to such actions, as may be in effect from time to time. You acknowledge and consent to the Company’s application, implementation, and enforcement of any applicable Company clawback or similar policy that may apply to you, whether adopted before or after the Grant Date, and any provision of applicable law relating to clawback, cancellation, recoupment, rescission, payback, or reduction of compensation, and the Company may take such actions as may be necessary to effectuate any such policy or applicable law, without further consideration or action.

(m) Electronic Delivery and Acceptance. The Company may deliver any documents related to current or future participation in the Plan by electronic means. You consent to receive those documents by electronic delivery and to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

NON-EMPLOYEE DIRECTOR RSU AWARD AGREEMENT

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
2017 EQUITY INCENTIVE PLAN

Universal Stainless & Alloy Products, Inc. (the “**Company**”) grants to the Participant named below (“**you**”) the number of restricted stock units (“**RSUs**”) set forth below (the “**Award**”).

Plan:	Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan
Defined Terms:	As set forth in the Plan, unless otherwise defined in this Agreement
Participant:	[Name]
Grant Date:	[Date]
Number of RSUs Granted:	[####]
Definition of RSU:	Each RSU will entitle you to receive one Share at such future date or dates and subject to such terms as set forth in this Agreement.
Earning and Payment Schedule:	The RSUs will become earned and payable on the following schedule, as long as you do not have a Separation from Service before the applicable payment date or event: Payment Date or Event% or # of RSUs Earned and Payable
Acceleration of Earning and Payment:	All of the RSUs will become earned and payable immediately upon (1) a Change in Control that occurs before your Separation from Service (or after your Qualifying Separation but before you forfeit the RSUs) and (2) your Separation from Service due to your Disability or death.
Qualifying Separation from Service	If you have a Separation from Service for any reason other than your death, Disability, or Cause (1) after you reach age 55 and have been a service provider of the Company or an Affiliate for at least 10 continuous years through your Separation from Service or (2) after you reach age 65 (each, a “ Qualifying Separation ”), then the RSUs will continue to become earned and payable under the Earning and Payment Schedule above as though you did not have a Separation from Service. However, if you provide services to a competitor of the Company or an Affiliate after your Qualifying Separation, all of your rights to the RSUs that have not previously been paid will terminate immediately and be forfeited in their entirety.

By signing below, you agree that the Award is granted under and governed by the terms of the Plan and this RSU Award Agreement (including the attached RSU Terms) (“**Agreement**”), as of the Grant Date.

PARTICIPANT

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

Sign Name: _____

Sign Name: _____

Print Name: _____

Print Name: _____

Title: _____

RSU TERMS

1. Grant of RSUs.

(a) The Award is subject to the terms of the Plan. The terms of the Plan are incorporated into this Agreement by this reference.

(b) You must accept the terms of this Agreement by returning a signed copy to the Company within 60 days after the Agreement is presented to you for review. The Board may unilaterally cancel and forfeit the Award in its entirety if you do not accept the terms of this Agreement.

2. Restrictions.

You ~~will~~ have no rights or privileges of a Stockholder as to the RSUs before settlement under Section 5 below (“**Settlement**”), including no right to vote or receive dividends or other distributions; in addition, the following provisions will apply:

(i) you will not be entitled to delivery of any Share certificates for the RSUs until Settlement (if at all), and upon the satisfaction of all other terms;

(ii) you may not sell, transfer (other than by will or the laws of descent and distribution), assign, pledge, or otherwise encumber or dispose of the RSUs before Settlement; and

(iii) you will forfeit all of the RSUs and all of your rights under the RSUs will terminate in their entirety on the terms set forth in Section 4 below.

Any ~~attempt~~ to dispose of RSUs or any interest in the RSUs in a manner contrary to the restrictions set forth in this Agreement will be void and of no effect.

3. Restricted Period and Payment. The “**Restricted Period**” is the period beginning on the Grant Date and ending on the date the RSUs, or such applicable portion of the RSUs, are deemed earned and payable under the terms set forth in table at the beginning of this Agreement.

4. Forfeiture. If, during the Restricted Period, (i) you incur a Separation from Service (for the avoidance of doubt, which does not otherwise result in the immediate—or continued—earning and payment of the RSUs), (ii) you materially breach this Agreement, or (iii) you fail to meet the tax withholding obligations described in Section 6 below, all of your rights to the RSUs that have not previously been paid will terminate immediately and be forfeited in their entirety.

5. Settlement of RSUs. Delivery of Shares or other amounts under this Agreement will be subject to the following:

The ~~Company~~ will deliver to you one Share for each RSU that has become earned and payable and not otherwise been forfeited within 30 days after the end of the applicable Restricted Period.

(b) Any issuance of Shares under the Award may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any securities exchange or similar entity.

(c) If a certificate for Shares is delivered to you under the Award, the certificate may bear the following or a similar legend as determined by the Company:

The ownership and transferability of this certificate and the shares of stock represented hereby are subject to the terms (including forfeiture) of the Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan and an RSU award agreement entered into between the registered owner and Universal Stainless & Alloy Products, Inc. Copies of such plan and agreement are on file in the executive offices of Universal Stainless & Alloy Products, Inc.

In addition, any stock certificates for Shares will be subject to any stop-transfer orders and other restrictions as the Company may deem advisable under the rules, regulations, and other requirements of the SEC, any stock exchange upon which the Shares are then listed, and any applicable federal or state securities law, and the Company may cause a legend or legends to be placed on any certificates to make appropriate reference to these restrictions.

6. Withholding.

Regardless of any action the Company may take that is related to any or all income tax, payroll tax, or other tax-related withholding (“**Tax-Related Items**”), the ultimate liability for all Tax-Related Items owed by you is and will remain your responsibility. The Company (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items under the Award and (ii) does not commit to structure the terms of the Award to reduce or eliminate your liability for Tax-Related Items.

You will be required to meet any applicable tax withholding obligation in accordance with the tax withholding provisions of Section 17.3 of the Plan (or any successor provision thereto).

7. Adjustment. Upon any event described in Section 15 of the Plan (or any successor provision) occurring after the Grant Date, the adjustment provisions of that section will apply to the Award.

8. Bound by Plan and Board Decisions. By accepting the Award, you acknowledge that you have received a copy of the Plan, have had an opportunity to review the Plan, and agree to be bound by all of the terms of the Plan. If there is any conflict between this Agreement and the Plan, the Plan will control. The authority to manage and control the operation and administration of this Agreement and the Plan is vested in the Board. The Board has all powers under this Agreement that it has under the Plan. Any interpretation of this Agreement or the Plan by the Board and any decision made by the Board related to the Agreement or the Plan will be final and binding on all persons.

9. Your Representations. You represent to the Company that you have read and fully understand this Agreement and the Plan and that your decision to participate in the Plan is completely voluntary. You also acknowledge that you are relying solely on your own advisors regarding the tax consequences of the Award.

10. Regulatory and Other Limitations. Notwithstanding anything else in this Agreement, the Board may impose conditions, restrictions, and limitations on the issuance of Shares under the Award unless and until the Board determines that the issuance complies with (a) all registration requirements under the Securities Act, (b) all listing requirements of any stock exchange on which the Shares are listed, (c) all Company policies and administrative rules, and (d) all applicable laws.

11. Miscellaneous.

(a) Notices. Any notice that may be required or permitted under this Agreement must be in writing and may be delivered personally, by intraoffice mail, or by electronic mail or via a postal service (postage prepaid) to the electronic mail or postal address and directed to the person as the receiving party may designate in writing from time to time.

(b) Waiver. The waiver by any party to this Agreement of a breach of any provision of the Agreement will not operate or be construed as a waiver of any other or subsequent breach.

(c) Entire Agreement. This Agreement and the Plan constitute the entire agreement between you and the Company related to the Award. Any prior agreements, commitments, or negotiations concerning the Award are superseded.

(d) Binding Effect; Successors. The obligations and rights of the Company under this Agreement will be binding upon and inure to the benefit of the Company and any successor corporation or organization resulting from the merger, consolidation, sale, or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company. Your obligations and rights under this Agreement will be binding upon and inure to your benefit and the benefit of your beneficiaries, executors, administrators, heirs, and successors.

(e) Governing Law; Consent to Jurisdiction; Consent to Venue; Service of Process. This Agreement will be construed and interpreted in accordance with the internal laws of the Commonwealth of Pennsylvania without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the Commonwealth of Pennsylvania. For purposes of resolving any dispute that arises directly or indirectly from the relationship of the parties evidenced by this Agreement, the parties hereto submit to and consent to the exclusive jurisdiction of the Commonwealth of Pennsylvania and agree that any related litigation must be conducted solely in the courts of Allegheny County, Pennsylvania or the federal courts for the United States for the Western District of Pennsylvania, where this Agreement is made and/or to be performed, and no other courts. You may be served with process in any manner permitted under Commonwealth of Pennsylvania law, or by United States registered or certified mail, return receipt requested.

(f) Headings. The headings in this Agreement are for convenience of reference only, and will not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

(g) Amendment. This Agreement may be amended at any time by the Board, except that no amendment may, without your consent, materially impair your rights under the Award.

(h) Severability. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision of the Agreement, and each other provision will be severable and enforceable to the extent permitted by law.

(i) No Rights to Service. Nothing in this Agreement will be construed as giving you any right to be retained in any position with the Company or its Affiliates. Nothing in this Agreement will interfere with or restrict the rights of the Company or its Affiliates—which are expressly reserved—to remove, terminate, or discharge you at any time for any reason whatsoever or for no reason, subject to the Company’s certificate of incorporation, bylaws, and other similar governing documents and applicable law.

(j) Section 409A. The RSUs are intended to comply with Section 409A to the extent subject thereto, and this Agreement will be administered and interpreted consistently with that intent. For purposes of Section 409A, each installment payment under this Agreement or the Plan, or otherwise payable to you, will be treated as a separate payment. This paragraph will not be construed as a guarantee of any particular tax effect for your benefits under this Agreement and the Company does not guarantee that any such benefits will satisfy the provisions of Section 409A or any other provision of the Code. Notwithstanding anything else in this Agreement, to the extent required to avoid accelerated taxation or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided under this Agreement during the six-month period immediately following your Separation from Service will instead be paid on the first payroll date after the

six-month anniversary of your Separation from Service (or your death, if earlier). Notwithstanding the foregoing, neither the Company nor the Board will have any obligation to take any action to prevent the assessment of any additional tax or penalty on you under Section 409A and neither the Company nor the Board will have any liability to you for such tax or penalty.

(k) Further Assurances. You must, upon request of the Company or the Board, do all acts and execute, deliver, and perform all additional documents, instruments, and agreements that may be reasonably required by the Company or the Board to implement the provisions and purposes of this Agreement.

(l) Clawback. All awards, amounts, or benefits received or outstanding under the Plan will be subject to clawback, cancellation, recoupment, rescission, payback, reduction, or other similar action in accordance with the terms of any Company clawback or similar policy or any applicable law related to such actions, as may be in effect from time to time. You acknowledge and consent to the Company's application, implementation, and enforcement of any applicable Company clawback or similar policy that may apply to you, whether adopted before or after the Grant Date, and any provision of applicable law relating to clawback, cancellation, recoupment, rescission, payback, or reduction of compensation, and the Company may take such actions as may be necessary to effectuate any such policy or applicable law, without further consideration or action.

(m) Electronic Delivery and Acceptance. The Company may deliver any documents related to current or future participation in the Plan by electronic means. You consent to receive those documents by electronic delivery and to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

RETENTION STOCK OPTION AWARD AGREEMENT

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
2017 EQUITY INCENTIVE PLAN

Universal Stainless & Alloy Products, Inc. (the “**Company**”) grants to the Participant named below (“**you**”) [an Incentive/a Nonqualified] Stock Option to purchase the number of Shares set forth below (the “**Option**”).

Plan:	Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan
Defined Terms:	As set forth in the Plan, unless otherwise defined in this Agreement
Participant:	[Name]
Type of Option:	[Incentive/Nonqualified] Stock Option
Grant Date:	[Date]
Number of Shares Purchasable:	[####]
Option Price per Share:	[\$#.##], which is the Fair Market Value as of the Grant Date
Expiration Date:	[Date], which is [10] years from the Grant Date (or earlier if your Separation from Service occurs before this Expiration Date; see <i>Exercise after Separation from Service</i> below)
Exercisability Schedule:	The Option will become exercisable on the following schedule, as long as you do not have a Separation from Service before the applicable exercisability date or event: Exercisability Date or Event% of Option Exercisable
Acceleration of Exercisability:	The Option will become fully exercisable upon your Separation from Service due to your Disability or death.

Exercise after Separation from Service:	<p><i>Separation from Service for any reason other than death, Disability, or Cause:</i> any non-exercisable portion of the Option expires immediately and any exercisable portion remains exercisable for 90 days after your Separation from Service for any reason other than death, Disability, or Cause.</p> <p><i>Separation from Service due to death or Disability:</i> any non-exercisable portion of the Option expires immediately and any exercisable portion remains exercisable for 12 months after your Separation from Service due to death or Disability.</p> <p><i>Separation from Service for Cause:</i> the entire Option, including any exercisable and non-exercisable portion, expires immediately upon Separation from Service for Cause.</p> <p>THE OPTION MAY NOT BE EXERCISED AFTER THE ORIGINAL EXPIRATION DATE SET FORTH ABOVE.</p>
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By signing below, you agree that the Option is granted under and governed by the terms of the Plan and this Stock Option Award Agreement (including the attached Stock Option Terms) (“**Agreement**”), as of the Grant Date.

PARTICIPANT

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

Sign Name: _____

Sign Name: _____

Print Name: _____

Print Name: _____

Title: _____

STOCK OPTION TERMS

1. Grant of Option.

(a) The Option is subject to the terms of the Plan. The terms of the Plan are incorporated into this Agreement by this reference.

(b) You must accept the terms of this Agreement by returning a signed copy to the Company within 60 days after the Agreement is presented to you for review. You may not exercise any portion of the Option before you have accepted the terms of this Agreement. The Committee may unilaterally cancel and forfeit the Option in its entirety if you do not accept the terms of this Agreement.

(c) If designated above as an Incentive Stock Option, the Option is intended to qualify as an Incentive Stock Option. To the extent the Option fails to meet the requirements of an Incentive Stock Option or is not designated as an Incentive Stock Option, the Option will be a Nonqualified Stock Option.

2. Exercise of Option.

(a) Right to Exercise. The Option will be exercisable in accordance with the Exercisability Schedule, Acceleration of Exercisability, and Exercise after Separation from Service terms provided above, and all the rest of the terms of this Agreement. The Option, to the extent exercisable, may be exercised in whole or in part. The Option may not be exercised after it expires. No Shares will be issued upon the exercise of the Option unless the issuance and exercise comply with all applicable laws. For income tax purposes, Shares will be considered transferred to you on the date you properly exercise the Option. Until you have duly exercised the Option and Shares have been delivered, you will not have any rights as a Stockholder for those Shares (including voting or dividend rights).

(b) Method of Exercise. You may exercise the Option by delivering an exercise notice in a form approved by the Company (the “**Exercise Notice**”). The Exercise Notice must state your election to exercise the Option, the number of Option Shares that are being purchased, and any other representations and agreements that may be required by the Company. Together with the Exercise Notice, you must tender payment of the aggregate Option Price for all Shares exercised and all applicable withholding and other taxes. The Option will be deemed to be exercised upon receipt by the Company of a fully executed Exercise Notice and payment of the aggregate Option Price and all applicable withholding and other taxes.

3. Method of Payment. If you elect to exercise the Option, you must pay the aggregate Option Price, as well as any applicable withholding or other taxes, by cash or check. However, the Committee may—but is not required to—consent to payment in any of the following forms, or a combination of them together with cash or check:

(a) a “net exercise” under which the Company reduces the number of Shares issued upon exercise by the largest whole number of Shares with a Fair Market Value that does not exceed the aggregate Option Price and any applicable withholding;

(b) other consideration received by the Company under a cashless exercise program approved by the Company;

(c) surrender of other Shares owned by you that have a Fair Market Value on the date of surrender equal to the aggregate Option Price of the exercised Shares and any applicable withholding; or

(d) any other consideration that the Committee deems appropriate.

4. Restrictions on Exercise.

(a) You may not exercise the Option if (i) the Plan has not been approved by the Stockholders or (ii) the issuance of Shares upon exercise or the method of payment for those Shares would constitute a violation of any applicable law, regulation, or Company policy.

(b) Any issuance of Shares under the Option may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any securities exchange or similar entity.

(c) If a certificate for Shares is delivered to you under the Option, the certificate may bear the following or a similar legend as determined by the Company:

The ownership and transferability of this certificate and the shares of stock represented hereby are subject to the terms (including forfeiture) of the Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan and a stock option award agreement entered into between the registered owner and Universal Stainless & Alloy Products, Inc. Copies of such plan and agreement are on file in the executive offices of Universal Stainless & Alloy Products, Inc.

In addition, any stock certificates for Shares will be subject to any stop-transfer orders and other restrictions as the Company may deem advisable under the rules, regulations, and other requirements of the SEC, any stock exchange upon which the Shares are then listed, and any applicable federal or state securities law, and the Company may cause a legend or legends to be placed on any certificates to make appropriate reference to these restrictions.

5. Transferability. The Option may not be transferred in any manner other than by will or by the laws of descent or distribution and may be exercised during your lifetime only by you [*provided, however*, that you may transfer the Option (a) pursuant to a domestic relations order by a court of competent jurisdiction or (b) to any Family Member in accordance with the “family transfers” provisions of the Plan by delivering to the Company a notice of assignment in a form acceptable to the Company. No transfer or assignment of the Option to or on behalf of a Family Member under this Section 5 will be effective until the Company has acknowledged such transfer or assignment in writing.]

6. Term of Option. The Option may not be exercised after it expires and may only be exercised in accordance with this Agreement.

7. Withholding.

(a) Regardless of any action the Company may take that is related to any or all income tax, payroll tax, or other tax-related withholding (“**Tax-Related Items**”), the ultimate liability for all Tax-Related Items owed by you is and will remain your responsibility. The Company (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items under the Option, including the grant, vesting, or exercise of the Option or the subsequent sale of Shares acquired upon exercise and (ii) does not commit to structure the terms of the Option to reduce or eliminate your liability for Tax-Related Items.

(b) You will be required to meet any applicable tax withholding obligation in accordance with the tax withholding provisions of Section 17.3 of the Plan (or any successor provision).

[(c) If you make any disposition of Shares delivered under an Incentive Stock Option under the circumstances described in Code Section 421(b) (relating to certain disqualifying dispositions), you must notify the Company of that disposition within 10 days.]

8. Adjustment. Upon any event described in Section 15 of the Plan (or any successor provision) occurring after the Grant Date, the adjustment provisions of that section will apply to the Option.

9. Bound by Plan and Committee Decisions. By accepting the Option, you acknowledge that you have received a copy of the Plan, have had an opportunity to review the Plan, and agree to be bound by all of the terms of the Plan. If there is any conflict between this Agreement and the Plan, the Plan will control. The authority to manage and control the operation and administration of this Agreement and the Plan is vested in the Committee. The Committee has all powers under this Agreement that it has under the Plan. Any interpretation of this Agreement or the Plan by the Committee and any decision made by the Committee related to the Agreement or the Plan will be final and binding on all persons.

10. Your Representations. You represent to the Company that you have read and fully understand this Agreement and the Plan and that your decision to participate in the Plan is completely voluntary. You also acknowledge that you are relying solely on your own advisors regarding the tax consequences of the Option.

11. Regulatory and Other Limitations. Notwithstanding anything else in this Agreement, the Committee may impose conditions, restrictions, and limitations on the issuance of Shares under the Option unless and until the Committee determines that the issuance complies with (a) all registration requirements under the Securities Act, (b) all listing requirements of any stock exchange on which the Shares are listed, (c) all Company policies and administrative rules, and (d) all applicable laws.

12. Miscellaneous.

(a) Notices. Any notice that may be required or permitted under this Agreement must be in writing and may be delivered personally, by intraoffice mail, or by electronic mail or via a postal service (postage prepaid) to the electronic mail or postal address and directed to the person as the receiving party may designate in writing from time to time.

(b) Waiver. The waiver by any party to this Agreement of a breach of any provision of the Agreement will not operate or be construed as a waiver of any other or subsequent breach.

(c) Entire Agreement. This Agreement and the Plan constitute the entire agreement between you and the Company related to the Option. Any prior agreements, commitments, or negotiations concerning the Option are superseded.

(d) Binding Effect; Successors. The obligations and rights of the Company under this Agreement will be binding upon and inure to the benefit of the Company and any successor corporation or organization resulting from the merger, consolidation, sale, or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company. Your obligations and rights under this Agreement will be binding upon and inure to your benefit and the benefit of your beneficiaries, executors, administrators, heirs, and successors.

(e) Governing Law; Consent to Jurisdiction; Consent to Venue; Service of Process. This Agreement will be construed and interpreted in accordance with the internal laws of the Commonwealth of Pennsylvania without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the Commonwealth of Pennsylvania. For purposes of resolving any dispute that arises directly or indirectly from the relationship of the parties evidenced by this Agreement, the parties hereto submit to and consent to the exclusive jurisdiction of the Commonwealth of Pennsylvania and agree that any related litigation must be conducted solely in the courts of Allegheny County, Pennsylvania or the federal courts for the United States for the Western District of Pennsylvania, where this Agreement is made and/or to be performed, and no other courts. You may be served with process in any manner

permitted under Commonwealth of Pennsylvania law, or by United States registered or certified mail, return receipt requested.

(f) Headings. The headings contained in this Agreement are for convenience of reference only, and will not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

(g) Amendment. This Agreement may be amended at any time by the Committee, except that no amendment may, without your consent, materially impair your rights under the Option.

(h) Severability. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision of the Agreement, and each other provision will be severable and enforceable to the extent permitted by law.

(i) No Rights to Service. Nothing in this Agreement will be construed as giving you any right to be retained in any position with the Company or its Affiliates. Nothing in this Agreement will interfere with or restrict the rights of the Company or its Affiliates—which are expressly reserved—to remove, terminate, or discharge you at any time for any reason whatsoever or for no reason, subject to the Company’s certificate of incorporation, bylaws, and other similar governing documents and applicable law.

(j) Section 409A. It is intended that the Option will be exempt from (or in the alternative will comply with) Section 409A, and this Agreement will be administered and interpreted accordingly. This paragraph is not a guarantee of any particular tax effect for your benefits under this Agreement and the Company does not guarantee that these benefits will satisfy Section 409A or any other provision of the Code.

(k) Further Assurances. You must, upon request of the Company or the Committee, do all acts and execute, deliver, and perform all additional documents, instruments, and agreements that may be reasonably required by the Company or the Committee to implement the provisions and purposes of this Agreement.

(l) Clawback. All awards, amounts, or benefits received or outstanding under the Plan will be subject to clawback, cancellation, recoupment, rescission, payback, reduction, or other similar action in accordance with the terms of any Company clawback or similar policy or any applicable law related to such actions, as may be in effect from time to time. You acknowledge and consent to the Company’s application, implementation, and enforcement of any applicable Company clawback or similar policy that may apply to you, whether adopted before or after the Grant Date, and any provision of applicable law relating to clawback, cancellation, recoupment, rescission, payback, or reduction of compensation, and the Company may take such actions as may be necessary to effectuate any such policy or applicable law, without further consideration or action.

(m) Electronic Delivery and Acceptance. The Company may deliver any documents related to current or future participation in the Plan by electronic means. You consent to receive those documents by electronic delivery and to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

EMPLOYEE STOCK OPTION AWARD AGREEMENT
UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
2017 EQUITY INCENTIVE PLAN

Universal Stainless & Alloy Products, Inc. (the “**Company**”) grants to the Participant named below (“**you**”) [an Incentive/a Nonqualified] Stock Option to purchase the number of Shares set forth below (the “**Option**”).

Plan:	Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan
Defined Terms:	As set forth in the Plan, unless otherwise defined in this Agreement
Participant:	[Name]
Type of Option:	[Incentive/Nonqualified] Stock Option
Grant Date:	[Date]
Number of Shares Purchasable:	[#####]
Option Price per Share:	[\$#.##], which is the Fair Market Value as of the Grant Date
Expiration Date:	[Date], which is [10] years from the Grant Date (or earlier if your Separation from Service occurs before this Expiration Date; see <i>Exercise after Separation from Service</i> below)
Exercisability Schedule:	The Option will become exercisable on the following schedule, as long as you do not have a Separation from Service before the applicable exercisability date or event: Exercisability Date or Event% of Option Exercisable
Acceleration of Exercisability:	The Option will become fully exercisable upon your Separation from Service due to your Disability or death.

<p>Qualifying Separation from Service:</p>	<p>If you have a Separation from Service for any reason other than your death, Disability, or Cause (1) after you reach age 55 and have been a service provider of the Company or an Affiliate for at least 10 continuous years through your Separation from Service or (2) after you reach age 65 (each, a “Qualifying Separation”), then any non-exercisable portion of the Option will continue to become exercisable under the Exercisability Schedule above as though you did not have a Separation from Service and any exercisable portion of the Option (and any portion that becomes exercisable after your Qualifying Separation) will remain exercisable until the original Expiration Date above. However, if you provide services to a competitor of the Company or an Affiliate after your Qualifying Separation, the entire Option will expire immediately.</p>
<p>Exercise after Separation from Service:</p>	<p><i>Separation from Service for any reason other than death, Disability, Qualifying Separation, or Cause:</i> any non-exercisable portion of the Option expires immediately and any exercisable portion remains exercisable for 90 days after your Separation from Service for any reason other than death, Disability, Qualifying Separation, or Cause.</p> <p><i>Separation from Service due to death or Disability:</i> any non-exercisable portion of the Option expires immediately and any exercisable portion remains exercisable for 12 months after your Separation from Service due to death or Disability.</p> <p><i>Qualifying Separation:</i> any non-exercisable portion of the Option will continue to become exercisable under the Exercisability Schedule above as though you did not have a Separation from Service and any exercisable portion of the Option (and any portion that becomes exercisable after your Qualifying Separation) remains exercisable until the original Expiration Date above after your Qualifying Separation. However, if you provide services to a competitor of the Company or an Affiliate after your Qualifying Separation, the entire Option expires immediately.</p> <p><i>Separation from Service for Cause:</i> the entire Option, including any exercisable and non-exercisable portion, expires immediately upon Separation from Service for Cause.</p> <p>THE OPTION MAY NOT BE EXERCISED AFTER THE ORIGINAL EXPIRATION DATE SET FORTH ABOVE.</p>

By signing below, you agree that the Option is granted under and governed by the terms of the Plan and this Stock Option Award Agreement (including the attached Stock Option Terms) (“**Agreement**”), as of the Grant Date.

PARTICIPANT

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

Sign Name: _____

Sign Name: _____

Print Name: _____

Print Name: _____

Title: _____

STOCK OPTION TERMS

1. Grant of Option.

(a) The Option is subject to the terms of the Plan. The terms of the Plan are incorporated into this Agreement by this reference.

(b) You must accept the terms of this Agreement by returning a signed copy to the Company within 60 days after the Agreement is presented to you for review. You may not exercise any portion of the Option before you have accepted the terms of this Agreement. The Committee may unilaterally cancel and forfeit the Option in its entirety if you do not accept the terms of this Agreement.

(c) If designated above as an Incentive Stock Option, the Option is intended to qualify as an Incentive Stock Option. To the extent the Option fails to meet the requirements of an Incentive Stock Option or is not designated as an Incentive Stock Option, the Option will be a Nonqualified Stock Option.

2. Exercise of Option.

(a) Right to Exercise. The Option will be exercisable in accordance with the Exercisability Schedule, Acceleration of Exercisability, Qualifying Separation from Service, and Exercise after Separation from Service terms provided above, and all the rest of the terms of this Agreement. The Option, to the extent exercisable, may be exercised in whole or in part. The Option may not be exercised after it expires. No Shares will be issued upon the exercise of the Option unless the issuance and exercise comply with all applicable laws. For income tax purposes, Shares will be considered transferred to you on the date you properly exercise the Option. Until you have duly exercised the Option and Shares have been delivered, you will not have any rights as a Stockholder for those Shares (including voting or dividend rights).

(b) Method of Exercise. You may exercise the Option by delivering an exercise notice in a form approved by the Company (the “**Exercise Notice**”). The Exercise Notice must state your election to exercise the Option, the number of Option Shares that are being purchased, and any other representations and agreements that may be required by the Company. Together with the Exercise Notice, you must tender payment of the aggregate Option Price for all Shares exercised and all applicable withholding and other taxes. The Option will be deemed to be exercised upon receipt by the Company of a fully executed Exercise Notice and payment of the aggregate Option Price and all applicable withholding and other taxes.

3. Method of Payment. If you elect to exercise the Option, you must pay the aggregate Option Price, as well as any applicable withholding or other taxes, by cash or check. However, the Committee may—but is not required to—consent to payment in any of the following forms, or a combination of them together with cash or check:

(a) a “net exercise” under which the Company reduces the number of Shares issued upon exercise by the largest whole number of Shares with a Fair Market Value that does not exceed the aggregate Option Price and any applicable withholding;

(b) other consideration received by the Company under a cashless exercise program approved by the Company;

(c) surrender of other Shares owned by you that have a Fair Market Value on the date of surrender equal to the aggregate Option Price of the exercised Shares and any applicable withholding; or

(d) any other consideration that the Committee deems appropriate.

4. Restrictions on Exercise.

(a) You may not exercise the Option if (i) the Plan has not been approved by the Stockholders or (ii) the issuance of Shares upon exercise or the method of payment for those Shares would constitute a violation of any applicable law, regulation, or Company policy.

(b) Any issuance of Shares under the Option may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any securities exchange or similar entity.

(c) If a certificate for Shares is delivered to you under the Option, the certificate may bear the following or a similar legend as determined by the Company:

The ownership and transferability of this certificate and the shares of stock represented hereby are subject to the terms (including forfeiture) of the Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan and a stock option award agreement entered into between the registered owner and Universal Stainless & Alloy Products, Inc. Copies of such plan and agreement are on file in the executive offices of Universal Stainless & Alloy Products, Inc.

In addition, any stock certificates for Shares will be subject to any stop-transfer orders and other restrictions as the Company may deem advisable under the rules, regulations, and other requirements of the SEC, any stock exchange upon which the Shares are then listed, and any applicable federal or state securities law, and the Company may cause a legend or legends to be placed on any certificates to make appropriate reference to these restrictions.

5. Transferability. The Option may not be transferred in any manner other than by will or by the laws of descent or distribution and may be exercised during your lifetime only by you [*provided, however*, that you may transfer the Option (a) pursuant to a domestic relations order by a court of competent jurisdiction or (b) to any Family Member in accordance with the “family transfers” provisions of the Plan by delivering to the Company a notice of assignment in a form acceptable to the Company. No transfer or assignment of the Option to or on behalf of a Family Member under this Section 5 will be effective until the Company has acknowledged such transfer or assignment in writing.]

6. Term of Option. The Option may not be exercised after it expires and may only be exercised in accordance with this Agreement.

7. Withholding.

(a) Regardless of any action the Company may take that is related to any or all income tax, payroll tax, or other tax-related withholding (“**Tax-Related Items**”), the ultimate liability for all Tax-Related Items owed by you is and will remain your responsibility. The Company (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items under the Option, including the grant, vesting, or exercise of the Option or the subsequent sale of Shares acquired upon exercise and (ii) does not commit to structure the terms of the Option to reduce or eliminate your liability for Tax-Related Items.

(b) You will be required to meet any applicable tax withholding obligation in accordance with the tax withholding provisions of Section 17.3 of the Plan (or any successor provision).

[(c) If you make any disposition of Shares delivered under an Incentive Stock Option under the circumstances described in Code Section 421(b) (relating to certain disqualifying dispositions), you must notify the Company of that disposition within 10 days.]

8. Adjustment. Upon any event described in Section 15 of the Plan (or any successor provision) occurring after the Grant Date, the adjustment provisions of that section will apply to the Option.

9. Bound by Plan and Committee Decisions. By accepting the Option, you acknowledge that you have received a copy of the Plan, have had an opportunity to review the Plan, and agree to be bound by all of the terms of the Plan. If there is any conflict between this Agreement and the Plan, the Plan will control. The authority to manage and control the operation and administration of this Agreement and the Plan is vested in the Committee. The Committee has all powers under this Agreement that it has under the Plan. Any interpretation of this Agreement or the Plan by the Committee and any decision made by the Committee related to the Agreement or the Plan will be final and binding on all persons.

10. Your Representations. You represent to the Company that you have read and fully understand this Agreement and the Plan and that your decision to participate in the Plan is completely voluntary. You also acknowledge that you are relying solely on your own advisors regarding the tax consequences of the Option.

11. Regulatory and Other Limitations. Notwithstanding anything else in this Agreement, the Committee may impose conditions, restrictions, and limitations on the issuance of Shares under the Option unless and until the Committee determines that the issuance complies with (a) all registration requirements under the Securities Act, (b) all listing requirements of any stock exchange on which the Shares are listed, (c) all Company policies and administrative rules, and (d) all applicable laws.

12. Miscellaneous.

(a) Notices. Any notice that may be required or permitted under this Agreement must be in writing and may be delivered personally, by intraoffice mail, or by electronic mail or via a postal service (postage prepaid) to the electronic mail or postal address and directed to the person as the receiving party may designate in writing from time to time.

(b) Waiver. The waiver by any party to this Agreement of a breach of any provision of the Agreement will not operate or be construed as a waiver of any other or subsequent breach.

(c) Entire Agreement. This Agreement and the Plan constitute the entire agreement between you and the Company related to the Option. Any prior agreements, commitments, or negotiations concerning the Option are superseded.

(d) Binding Effect; Successors. The obligations and rights of the Company under this Agreement will be binding upon and inure to the benefit of the Company and any successor corporation or organization resulting from the merger, consolidation, sale, or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company. Your obligations and rights under this Agreement will be binding upon and inure to your benefit and the benefit of your beneficiaries, executors, administrators, heirs, and successors.

(e) Governing Law; Consent to Jurisdiction; Consent to Venue; Service of Process. This Agreement will be construed and interpreted in accordance with the internal laws of the Commonwealth of Pennsylvania without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the Commonwealth of Pennsylvania. For purposes of resolving any dispute that arises directly or indirectly from the relationship of the parties evidenced by this Agreement, the parties hereto submit to and consent to the exclusive jurisdiction of the Commonwealth of Pennsylvania and agree that any related litigation must be conducted solely in the courts of Allegheny County, Pennsylvania or the federal courts for the United States for the Western District of Pennsylvania, where this Agreement is made and/or to be performed, and no other courts. You may be served with process in any manner

permitted under Commonwealth of Pennsylvania law, or by United States registered or certified mail, return receipt requested.

(f) Headings. The headings contained in this Agreement are for convenience of reference only, and will not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

(g) Amendment. This Agreement may be amended at any time by the Committee, except that no amendment may, without your consent, materially impair your rights under the Option.

(h) Severability. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision of the Agreement, and each other provision will be severable and enforceable to the extent permitted by law.

(i) No Rights to Service. Nothing in this Agreement will be construed as giving you any right to be retained in any position with the Company or its Affiliates. Nothing in this Agreement will interfere with or restrict the rights of the Company or its Affiliates—which are expressly reserved—to remove, terminate, or discharge you at any time for any reason whatsoever or for no reason, subject to the Company’s certificate of incorporation, bylaws, and other similar governing documents and applicable law.

(j) Section 409A. It is intended that the Option will be exempt from (or in the alternative will comply with) Section 409A, and this Agreement will be administered and interpreted accordingly. This paragraph is not a guarantee of any particular tax effect for your benefits under this Agreement and the Company does not guarantee that these benefits will satisfy Section 409A or any other provision of the Code.

(k) Further Assurances. You must, upon request of the Company or the Committee, do all acts and execute, deliver, and perform all additional documents, instruments, and agreements that may be reasonably required by the Company or the Committee to implement the provisions and purposes of this Agreement.

(l) Clawback. All awards, amounts, or benefits received or outstanding under the Plan will be subject to clawback, cancellation, recoupment, rescission, payback, reduction, or other similar action in accordance with the terms of any Company clawback or similar policy or any applicable law related to such actions, as may be in effect from time to time. You acknowledge and consent to the Company’s application, implementation, and enforcement of any applicable Company clawback or similar policy that may apply to you, whether adopted before or after the Grant Date, and any provision of applicable law relating to clawback, cancellation, recoupment, rescission, payback, or reduction of compensation, and the Company may take such actions as may be necessary to effectuate any such policy or applicable law, without further consideration or action.

(m) Electronic Delivery and Acceptance. The Company may deliver any documents related to current or future participation in the Plan by electronic means. You consent to receive those documents by electronic delivery and to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

EMPLOYEE RSU AWARD AGREEMENT

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
2017 EQUITY INCENTIVE PLAN

Universal Stainless & Alloy Products, Inc. (the “**Company**”) grants to the Participant named below (“**you**”) the number of restricted stock units (“**RSUs**”) set forth below (the “**Award**”).

Plan:	Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan				
Defined Terms:	As set forth in the Plan, unless otherwise defined in this Agreement				
Participant:	[Name]				
Grant Date:	[Date]				
Number of RSUs Granted:	[####]				
Definition of RSU:	Each RSU will entitle you to receive one Share at such future date or dates and subject to such terms as set forth in this Agreement.				
Earning and Payment Schedule:	The RSUs will become earned and payable on the following schedule, as long as you do not have a Separation from Service before the applicable payment date or event: <table border="0"> <tr> <td>Payment Date or Event</td> <td>% or # of RSUs Earned and Payable</td> </tr> <tr> <td>4th anniversary of Grant Date</td> <td>100%</td> </tr> </table>	Payment Date or Event	% or # of RSUs Earned and Payable	4th anniversary of Grant Date	100%
Payment Date or Event	% or # of RSUs Earned and Payable				
4th anniversary of Grant Date	100%				
Acceleration of Earning and Payment:	All of the RSUs will become earned and payable immediately if you have a Separation from Service due to your Disability or death.				
Qualifying Separation from Service	If you have a Separation from Service for any reason other than your death, Disability, or Cause (1) after you reach age 55 and have been a service provider of the Company or an Affiliate for at least 10 continuous years through your Separation from Service or (2) after you reach age 65 (each, a “ Qualifying Separation ”), then the RSUs will continue to become earned and payable under the Earning and Payment Schedule above as though you did not have a Separation from Service. However, if you provide services to a competitor of the Company or an Affiliate after your Qualifying Separation, all of your rights to the RSUs that have not previously been paid will terminate immediately and be forfeited in their entirety.				

By signing below, you agree that the Award is granted under and governed by the terms of the Plan and this RSU Award Agreement (including the attached RSU Terms) (“**Agreement**”), as of the Grant Date.

PARTICIPANT

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

Sign Name: _____

Sign Name: _____

Print Name: _____

Print Name: _____

Title: _____

RSU TERMS

1. Grant of RSUs.

(a) The Award is subject to the terms of the Plan. The terms of the Plan are incorporated into this Agreement by this reference.

(b) You must accept the terms of this Agreement by returning a signed copy to the Company within 60 days after the Agreement is presented to you for review. The Committee may unilaterally cancel and forfeit the Award in its entirety if you do not accept the terms of this Agreement.

2. Restrictions.

You ~~will~~ have no rights or privileges of a Stockholder as to the RSUs before settlement under Section 5 below (“**Settlement**”), including no right to vote or receive dividends or other distributions; in addition, the following provisions will apply:

(i) you will not be entitled to delivery of any Share certificates for the RSUs until Settlement (if at all), and upon the satisfaction of all other terms;

(ii) you may not sell, transfer (other than by will or the laws of descent and distribution), assign, pledge, or otherwise encumber or dispose of the RSUs before Settlement; and

(iii) you will forfeit all of the RSUs and all of your rights under the RSUs will terminate in their entirety on the terms set forth in Section 4 below.

Any ~~attempt~~ to dispose of RSUs or any interest in the RSUs in a manner contrary to the restrictions set forth in this Agreement will be void and of no effect.

3. Restricted Period and Payment. The “**Restricted Period**” is the period beginning on the Grant Date and ending on the date the RSUs, or such applicable portion of the RSUs, are deemed earned and payable under the terms set forth in table at the beginning of this Agreement.

4. Forfeiture. If, during the Restricted Period, (i) you incur a Separation from Service (for the avoidance of doubt, which does not otherwise result in the immediate—or continued—earning and payment of the RSUs), (ii) you materially breach this Agreement, or (iii) you fail to meet the tax withholding obligations described in Section 6 below, all of your rights to the RSUs that have not previously been paid will terminate immediately and be forfeited in their entirety.

5. Settlement of RSUs. Delivery of Shares or other amounts under this Agreement will be subject to the following:

The ~~Company~~ will deliver to you one Share for each RSU that has become earned and payable and not otherwise been forfeited within 30 days after the end of the applicable Restricted Period.

(b) Any issuance of Shares under the Award may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any securities exchange or similar entity.

(c) If a certificate for Shares is delivered to you under the Award, the certificate may bear the following or a similar legend as determined by the Company:

The ownership and transferability of this certificate and the shares of stock represented hereby are subject to the terms (including forfeiture) of the Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan and an RSU award agreement entered into between the registered owner and Universal Stainless & Alloy Products, Inc. Copies of such plan and agreement are on file in the executive offices of Universal Stainless & Alloy Products, Inc.

In addition, any stock certificates for Shares will be subject to any stop-transfer orders and other restrictions as the Company may deem advisable under the rules, regulations, and other requirements of the SEC, any stock exchange upon which the Shares are then listed, and any applicable federal or state securities law, and the Company may cause a legend or legends to be placed on any certificates to make appropriate reference to these restrictions.

6. Withholding.

Regardless of any action the Company may take that is related to any or all income tax, payroll tax, or other tax-related withholding (“**Tax-Related Items**”), the ultimate liability for all Tax-Related Items owed by you is and will remain your responsibility. The Company (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items under the Award and (ii) does not commit to structure the terms of the Award to reduce or eliminate your liability for Tax-Related Items.

You will be required to meet any applicable tax withholding obligation in accordance with the tax withholding provisions of Section 17.3 of the Plan (or any successor provision thereto).

7. Adjustment. Upon any event described in Section 15 of the Plan (or any successor provision) occurring after the Grant Date, the adjustment provisions of that section will apply to the Award.

8. Bound by Plan and Committee Decisions. By accepting the Award, you acknowledge that you have received a copy of the Plan, have had an opportunity to review the Plan, and agree to be bound by all of the terms of the Plan. If there is any conflict between this Agreement and the Plan, the Plan will control. The authority to manage and control the operation and administration of this Agreement and the Plan is vested in the Committee. The Committee has all powers under this Agreement that it has under the Plan. Any interpretation of this Agreement or the Plan by the Committee and any decision made by the Committee related to the Agreement or the Plan will be final and binding on all persons.

9. Your Representations. You represent to the Company that you have read and fully understand this Agreement and the Plan and that your decision to participate in the Plan is completely voluntary. You also acknowledge that you are relying solely on your own advisors regarding the tax consequences of the Award.

10. Regulatory and Other Limitations. Notwithstanding anything else in this Agreement, the Committee may impose conditions, restrictions, and limitations on the issuance of Shares under the Award unless and until the Committee determines that the issuance complies with (a) all registration requirements under the Securities Act, (b) all listing requirements of any stock exchange on which the Shares are listed, (c) all Company policies and administrative rules, and (d) all applicable laws.

11. Miscellaneous.

(a) Notices. Any notice that may be required or permitted under this Agreement must be in writing and may be delivered personally, by intraoffice mail, or by electronic mail or via a postal service (postage prepaid) to the electronic mail or postal address and directed to the person as the receiving party may designate in writing from time to time.

(b) Waiver. The waiver by any party to this Agreement of a breach of any provision of the Agreement will not operate or be construed as a waiver of any other or subsequent breach.

(c) Entire Agreement. This Agreement and the Plan constitute the entire agreement between you and the Company related to the Award. Any prior agreements, commitments, or negotiations concerning the Award are superseded.

(d) Binding Effect; Successors. The obligations and rights of the Company under this Agreement will be binding upon and inure to the benefit of the Company and any successor corporation or organization resulting from the merger, consolidation, sale, or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company. Your obligations and rights under this Agreement will be binding upon and inure to your benefit and the benefit of your beneficiaries, executors, administrators, heirs, and successors.

(e) Governing Law; Consent to Jurisdiction; Consent to Venue; Service of Process. This Agreement will be construed and interpreted in accordance with the internal laws of the Commonwealth of Pennsylvania without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the Commonwealth of Pennsylvania. For purposes of resolving any dispute that arises directly or indirectly from the relationship of the parties evidenced by this Agreement, the parties hereto submit to and consent to the exclusive jurisdiction of the Commonwealth of Pennsylvania and agree that any related litigation must be conducted solely in the courts of Allegheny County, Pennsylvania or the federal courts for the United States for the Western District of Pennsylvania, where this Agreement is made and/or to be performed, and no other courts. You may be served with process in any manner permitted under Commonwealth of Pennsylvania law, or by United States registered or certified mail, return receipt requested.

(f) Headings. The headings in this Agreement are for convenience of reference only, and will not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

(g) Amendment. This Agreement may be amended at any time by the Committee, except that no amendment may, without your consent, materially impair your rights under the Award.

(h) Severability. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision of the Agreement, and each other provision will be severable and enforceable to the extent permitted by law.

(i) No Rights to Service. Nothing in this Agreement will be construed as giving you any right to be retained in any position with the Company or its Affiliates. Nothing in this Agreement will interfere with or restrict the rights of the Company or its Affiliates—which are expressly reserved—to remove, terminate, or discharge you at any time for any reason whatsoever or for no reason, subject to the Company’s certificate of incorporation, bylaws, and other similar governing documents and applicable law.

(j) Section 409A. The RSUs are intended to comply with Section 409A to the extent subject thereto, and this Agreement will be administered and interpreted consistently with that intent. For purposes of Section 409A, each installment payment under this Agreement or the Plan, or otherwise payable to you, will be treated as a separate payment. This paragraph will not be construed as a guarantee of any particular tax effect for your benefits under this Agreement and the Company does not guarantee that any such benefits will satisfy the provisions of Section 409A or any other provision of the Code. Notwithstanding anything else in this Agreement, to the extent required to avoid accelerated taxation or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided under this Agreement during the six-month period immediately following your Separation from Service will instead be paid on the first payroll date after the

six-month anniversary of your Separation from Service (or your death, if earlier). Notwithstanding the foregoing, neither the Company nor the Committee will have any obligation to take any action to prevent the assessment of any additional tax or penalty on you under Section 409A and neither the Company nor the Committee will have any liability to you for such tax or penalty.

(k) Further Assurances. You must, upon request of the Company or the Committee, do all acts and execute, deliver, and perform all additional documents, instruments, and agreements that may be reasonably required by the Company or the Committee to implement the provisions and purposes of this Agreement.

(l) Clawback. All awards, amounts, or benefits received or outstanding under the Plan will be subject to clawback, cancellation, recoupment, rescission, payback, reduction, or other similar action in accordance with the terms of any Company clawback or similar policy or any applicable law related to such actions, as may be in effect from time to time. You acknowledge and consent to the Company's application, implementation, and enforcement of any applicable Company clawback or similar policy that may apply to you, whether adopted before or after the Grant Date, and any provision of applicable law relating to clawback, cancellation, recoupment, rescission, payback, or reduction of compensation, and the Company may take such actions as may be necessary to effectuate any such policy or applicable law, without further consideration or action.

(m) Electronic Delivery and Acceptance. The Company may deliver any documents related to current or future participation in the Plan by electronic means. You consent to receive those documents by electronic delivery and to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

RETENTION RSU AWARD AGREEMENT

**UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
2017 EQUITY INCENTIVE PLAN**

Universal Stainless & Alloy Products, Inc. (the “**Company**”) grants to the Participant named below (“**you**”) the number of restricted stock units (“**RSUs**”) set forth below (the “**Award**”).

Plan:	Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan
Defined Terms:	As set forth in the Plan, unless otherwise defined in this Agreement
Participant:	[Name]
Grant Date:	[Date]
Number of RSUs Granted:	[####]
Definition of RSU:	Each RSU will entitle you to receive one Share at such future date or dates and subject to such terms as set forth in this Agreement.
Earning and Payment Schedule:	The RSUs will become earned and payable on the following schedule, as long as you do not have a Separation from Service before the applicable payment date or event: Payment Date or Event% or # of RSUs Earned and Payable
Acceleration of Earning and Payment:	All of the RSUs will become earned and payable immediately if you have a Separation from Service due to your Disability or death.

By signing below, you agree that the Award is granted under and governed by the terms of the Plan and this RSU Award Agreement (including the attached RSU Terms) (“**Agreement**”), as of the Grant Date.

PARTICIPANT

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

Sign Name: _____

Sign Name: _____

Print Name: _____

Print Name: _____

Title: _____

RSU TERMS

1. Grant of RSUs.

(a) The Award is subject to the terms of the Plan. The terms of the Plan are incorporated into this Agreement by this reference.

(b) You must accept the terms of this Agreement by returning a signed copy to the Company within 60 days after the Agreement is presented to you for review. The Committee may unilaterally cancel and forfeit the Award in its entirety if you do not accept the terms of this Agreement.

2. Restrictions.

You ~~will~~ have no rights or privileges of a Stockholder as to the RSUs before settlement under Section 5 below (“**Settlement**”), including no right to vote or receive dividends or other distributions; in addition, the following provisions will apply:

(i) you will not be entitled to delivery of any Share certificates for the RSUs until Settlement (if at all), and upon the satisfaction of all other terms;

(ii) you may not sell, transfer (other than by will or the laws of descent and distribution), assign, pledge, or otherwise encumber or dispose of the RSUs before Settlement; and

(iii) you will forfeit all of the RSUs and all of your rights under the RSUs will terminate in their entirety on the terms set forth in Section 4 below.

Any ~~attempt~~ to dispose of RSUs or any interest in the RSUs in a manner contrary to the restrictions set forth in this Agreement will be void and of no effect.

3. Restricted Period and Payment. The “**Restricted Period**” is the period beginning on the Grant Date and ending on the date the RSUs, or such applicable portion of the RSUs, are deemed earned and payable under the terms set forth in table at the beginning of this Agreement.

4. Forfeiture. If, during the Restricted Period, (i) you incur a Separation from Service (for the avoidance of doubt, which does not otherwise result in the immediate—or continued—earning and payment of the RSUs), (ii) you materially breach this Agreement, or (iii) you fail to meet the tax withholding obligations described in Section 6 below, all of your rights to the RSUs that have not previously been paid will terminate immediately and be forfeited in their entirety.

5. Settlement of RSUs. Delivery of Shares or other amounts under this Agreement will be subject to the following:

The ~~Company~~ will deliver to you one Share for each RSU that has become earned and payable and not otherwise been forfeited within 30 days after the end of the applicable Restricted Period.

(b) Any issuance of Shares under the Award may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any securities exchange or similar entity.

(c) If a certificate for Shares is delivered to you under the Award, the certificate may bear the following or a similar legend as determined by the Company:

The ownership and transferability of this certificate and the shares of stock represented hereby are subject to the terms (including forfeiture) of the Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan and an RSU award agreement entered into between the registered owner and Universal Stainless & Alloy Products, Inc. Copies of such plan and agreement are on file in the executive offices of Universal Stainless & Alloy Products, Inc.

In addition, any stock certificates for Shares will be subject to any stop-transfer orders and other restrictions as the Company may deem advisable under the rules, regulations, and other requirements of the SEC, any stock exchange upon which the Shares are then listed, and any applicable federal or state securities law, and the Company may cause a legend or legends to be placed on any certificates to make appropriate reference to these restrictions.

6. Withholding.

Regardless of any action the Company may take that is related to any or all income tax, payroll tax, or other tax-related withholding (“**Tax-Related Items**”), the ultimate liability for all Tax-Related Items owed by you is and will remain your responsibility. The Company (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items under the Award and (ii) does not commit to structure the terms of the Award to reduce or eliminate your liability for Tax-Related Items.

You will be required to meet any applicable tax withholding obligation in accordance with the tax withholding provisions of Section 17.3 of the Plan (or any successor provision thereto).

7. Adjustment. Upon any event described in Section 15 of the Plan (or any successor provision) occurring after the Grant Date, the adjustment provisions of that section will apply to the Award.

8. Bound by Plan and Committee Decisions. By accepting the Award, you acknowledge that you have received a copy of the Plan, have had an opportunity to review the Plan, and agree to be bound by all of the terms of the Plan. If there is any conflict between this Agreement and the Plan, the Plan will control. The authority to manage and control the operation and administration of this Agreement and the Plan is vested in the Committee. The Committee has all powers under this Agreement that it has under the Plan. Any interpretation of this Agreement or the Plan by the Committee and any decision made by the Committee related to the Agreement or the Plan will be final and binding on all persons.

9. Your Representations. You represent to the Company that you have read and fully understand this Agreement and the Plan and that your decision to participate in the Plan is completely voluntary. You also acknowledge that you are relying solely on your own advisors regarding the tax consequences of the Award.

10. Regulatory and Other Limitations. Notwithstanding anything else in this Agreement, the Committee may impose conditions, restrictions, and limitations on the issuance of Shares under the Award unless and until the Committee determines that the issuance complies with (a) all registration requirements under the Securities Act, (b) all listing requirements of any stock exchange on which the Shares are listed, (c) all Company policies and administrative rules, and (d) all applicable laws.

11. Miscellaneous.

(a) Notices. Any notice that may be required or permitted under this Agreement must be in writing and may be delivered personally, by intraoffice mail, or by electronic mail or via a postal service (postage prepaid) to the electronic mail or postal address and directed to the person as the receiving party may designate in writing from time to time.

(b) Waiver. The waiver by any party to this Agreement of a breach of any provision of the Agreement will not operate or be construed as a waiver of any other or subsequent breach.

(c) Entire Agreement. This Agreement and the Plan constitute the entire agreement between you and the Company related to the Award. Any prior agreements, commitments, or negotiations concerning the Award are superseded.

(d) Binding Effect; Successors. The obligations and rights of the Company under this Agreement will be binding upon and inure to the benefit of the Company and any successor corporation or organization resulting from the merger, consolidation, sale, or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company. Your obligations and rights under this Agreement will be binding upon and inure to your benefit and the benefit of your beneficiaries, executors, administrators, heirs, and successors.

(e) Governing Law; Consent to Jurisdiction; Consent to Venue; Service of Process. This Agreement will be construed and interpreted in accordance with the internal laws of the Commonwealth of Pennsylvania without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the Commonwealth of Pennsylvania. For purposes of resolving any dispute that arises directly or indirectly from the relationship of the parties evidenced by this Agreement, the parties hereto submit to and consent to the exclusive jurisdiction of the Commonwealth of Pennsylvania and agree that any related litigation must be conducted solely in the courts of Allegheny County, Pennsylvania or the federal courts for the United States for the Western District of Pennsylvania, where this Agreement is made and/or to be performed, and no other courts. You may be served with process in any manner permitted under Commonwealth of Pennsylvania law, or by United States registered or certified mail, return receipt requested.

(f) Headings. The headings in this Agreement are for convenience of reference only, and will not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

(g) Amendment. This Agreement may be amended at any time by the Committee, except that no amendment may, without your consent, materially impair your rights under the Award.

(h) Severability. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision of the Agreement, and each other provision will be severable and enforceable to the extent permitted by law.

(i) No Rights to Service. Nothing in this Agreement will be construed as giving you any right to be retained in any position with the Company or its Affiliates. Nothing in this Agreement will interfere with or restrict the rights of the Company or its Affiliates—which are expressly reserved—to remove, terminate, or discharge you at any time for any reason whatsoever or for no reason, subject to the Company’s certificate of incorporation, bylaws, and other similar governing documents and applicable law.

(j) Section 409A. The RSUs are intended to comply with Section 409A to the extent subject thereto, and this Agreement will be administered and interpreted consistently with that intent. For purposes of Section 409A, each installment payment under this Agreement or the Plan, or otherwise payable to you, will be treated as a separate payment. This paragraph will not be construed as a guarantee of any particular tax effect for your benefits under this Agreement and the Company does not guarantee that any such benefits will satisfy the provisions of Section 409A or any other provision of the Code. Notwithstanding anything else in this Agreement, to the extent required to avoid accelerated taxation or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided under this Agreement during the six-month period immediately following your Separation from Service will instead be paid on the first payroll date after the

six-month anniversary of your Separation from Service (or your death, if earlier). Notwithstanding the foregoing, neither the Company nor the Committee will have any obligation to take any action to prevent the assessment of any additional tax or penalty on you under Section 409A and neither the Company nor the Committee will have any liability to you for such tax or penalty.

(k) Further Assurances. You must, upon request of the Company or the Committee, do all acts and execute, deliver, and perform all additional documents, instruments, and agreements that may be reasonably required by the Company or the Committee to implement the provisions and purposes of this Agreement.

(l) Clawback. All awards, amounts, or benefits received or outstanding under the Plan will be subject to clawback, cancellation, recoupment, rescission, payback, reduction, or other similar action in accordance with the terms of any Company clawback or similar policy or any applicable law related to such actions, as may be in effect from time to time. You acknowledge and consent to the Company's application, implementation, and enforcement of any applicable Company clawback or similar policy that may apply to you, whether adopted before or after the Grant Date, and any provision of applicable law relating to clawback, cancellation, recoupment, rescission, payback, or reduction of compensation, and the Company may take such actions as may be necessary to effectuate any such policy or applicable law, without further consideration or action.

(m) Electronic Delivery and Acceptance. The Company may deliver any documents related to current or future participation in the Plan by electronic means. You consent to receive those documents by electronic delivery and to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

CERTIFICATION

I, Dennis M. Oates, certify that:

1. I have reviewed this report on Form 10-Q of Universal Stainless & Alloy Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 25, 2017

/s/ Dennis M. Oates

Dennis M. Oates
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Ross C. Wilkin, certify that:

1. I have reviewed this report on Form 10-Q of Universal Stainless & Alloy Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 25, 2017

/s/ Ross C. Wilkin

Ross C. Wilkin
Vice President of Finance,
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Universal Stainless & Alloy Products, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 25, 2017

/s/ Dennis M. Oates

Dennis M. Oates
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Date: October 25, 2017

/s/ Ross C. Wilkin

Ross C. Wilkin
Vice President of Finance,
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

