UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 1999
OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from ______ to ______

Commission File Number 0-25032

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE	25-1724540
(State or other jurisdiction of incorporation or organization)	(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)

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

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

Title of Class
Common Stock, par value $.001 per share

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 [X] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K ((S)229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [_]

The aggregate market value of the voting stock held by non-affiliates of the registrant on March 27, 2000, based on the closing price of $7.0625 per share on that date, was $21,262,094. For the purposes of this disclosure only, the registrant has assumed that its directors, executive officers, and beneficial owners of 5% or more of the registrant's Common Stock are the affiliates of the registrant.

As of March 27, 2000, there were 6,072,516 shares of the Registrant's Common Stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Annual Report to Stockholders for the year ended December 31, 1999, and definitive Proxy Statement for the Annual Meeting of Stockholders scheduled to be held May 23, 2000, are incorporated by reference into Parts II, III and IV of this Form 10-K.

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PART I

ITEM 1. BUSINESS

General

Universal Stainless & Alloy Products, Inc. (the "Company"), which was incorporated in 1994, manufactures and markets semi-finished and finished specialty steel products, including stainless steel, tool steel and certain other alloyed steels. The Company's products are sold to rerollers, forgers, service centers and original equipment manufacturers. The Company's customers further process its products for use primarily in the heavy equipment manufacturing, power generation and aerospace industries. The Company also performs conversion services on materials supplied by customers that lack certain of the Company's production facilities or that are subject to their own capacity constraints.

The Company's products are manufactured in a wide variety of grades, widths and gauges in response to customer specifications. At the Bridgeville facility, the Company produces its specialty steel products in the form of long products (ingots, blooms, billets and bars) and flat rolled products (slabs and plates). The semi-finished long products are primarily used by customers to produce finished bar, rod and wire products, and the semi-finished flat rolled products are used by customers to produce fine-gauge plate, sheet and strip products. The finished bar products manufactured by the Company are primarily used by service center customers for distribution to a variety of customers. The Company also produces customized shapes primarily for original equipment manufacturers that are cold rolled from purchased coiled strip, flat bar or extruded bar at its Precision Rolled Products department ("PRP"), located at the Titusville facility.

Industry Overview

The specialty steel industry is a relatively small but distinct segment of the overall steel industry. Specialty steels include stainless steels, high speed and tool steels, electrical steels, high temperature alloys, magnetic alloys and electronic alloys. Specialty steels are made with a high alloy content, which enables their use in environments that demand exceptional hardness, toughness, strength and resistance to heat, corrosion or abrasion, or combinations thereof. Specialty steels generally must conform to more demanding customer specifications for consistency, straightness and surface finish than carbon steels.

The Company primarily manufactures its products within the following specialty steel product lines:

Stainless Steel. Stainless steel, which represents the largest part of the specialty steel market, contains elements such as nickel, chrome and molybdenum that give it unique qualities of resistance to rust, corrosion and heat, high strength, good wear characteristics, natural attractiveness and ease of maintenance. Stainless steel is used, among other applications, in the automotive, aircraft and aerospace industries and in the manufacture of food handling, chemical processing, and pollution control and medical and health equipment. The large number of applications for stainless steel has resulted in the development of a greater variety of stainless steel metallurgical grades than carbon steel.

Tool Steel. Tool steels contain elements of manganese, silicon, chrome and molybdenum to produce specific hardness characteristics that enable them to form, cut, shape and shear other materials in the manufacturing process. Heating and cooling at precise rates in the heat treating process bring out these hardness characteristics. Tool steels are utilized in the manufacturing of metals, plastics, pharmaceuticals, electronics, optics and paper and aluminum extrusions.

High Temperature Alloy Steel. These steels are designed to meet critical requirements of heat resistance and structural integrity. They generally have a very high nickel content relative to other types of specialty steels. High temperature alloy steels are manufactured for use generally in the aerospace industry.

High Strength Low Alloy Steel. High strength low alloy steel is a relative term that refers to those steels that maintain alloying elements that range in versatility. The alloy element of nickel, chrome and molybdenum in such steels typically exceed the alloy element of carbon steels but not that of high temperature alloy steel.

Net sales by principal product line were as follows (dollars in thousands):

Year ended December 31,	1999	1998	1997
Stainless steel	$55,255	$53,661	$60,700
Tool steel	6,055	7,548	10,467
High-temperature alloy steel	2,124	4,387	2,636
Conversion service	1,807	3,690	4,834
Other	1,422	3,309	2,664
	$66,663	$72,595	$81,301

Raw Materials

Scrap Metal

The Company's major raw material is ferrous scrap metal, which is generated principally from industrial, automotive, demolition and railroad sources and is purchased in the open market through a number of scrap brokers and dealers or by direct purchase. The Company purchases approximately 80% of its scrap metal from three principal domestic suppliers. The long-term demand for scrap metal and its importance to the domestic specialty steel industry is expected to increase as demand for specialty steel products increases. In addition, the importance of scrap metal will be further enhanced as steel makers continue to expand scrap metal-based electric furnace capacity. The high quality of the Company's products requires use of premium grades of scrap metal, the supply of which is limited. The Company has not experienced difficulty to date in purchasing adequate scrap metal for its production processes. The Company believes that adequate supplies of scrap metal will continue to be available in sufficient quantities for the foreseeable future.

Alloys

The Company purchases various materials for use as alloy additions, some of which come from Canada (principally nickel) and other foreign countries. South African manufacturers supply certain alloys (principally chrome). Any political disruptions in that country could interfere with the delivery of those materials.

PRP Starting Materials

PRP's principal starting materials consist of metallic flat bar, extruded "near shaped" bar and coiled strip, which the Company cold rolls to customer specifications to produce special shapes. The Company generally purchases those starting materials from steel strip coil suppliers, extruders, flat rolled producers and service centers. The Company believes that adequate supplies of starting material for PRP will continue to be available in sufficient quantities for the foreseeable future.

The cost of raw material is approximately 40% of the Company's total cost of products sold. Raw material prices vary based on numerous factors, including quality, and are subject to frequent market fluctuations and future prices cannot be predicted with any degree of certainty. Therefore, the Company does not maintain any long-term written agreements with any of its raw material suppliers. The Company has established arrangements with certain raw material suppliers that permit the Company to purchase certain

raw materials at set prices for 30 days. These arrangements may protect the Company against short-term price increases in raw materials after it has agreed to manufacture products for its customers at specified prices, which reflect those set raw material prices. In addition, the Company may also be protected by an alloy surcharge mechanism covering nickel, chrome and molybdenum.

Customers

The Company's principal customers are rerollers, forgers, service centers and original equipment manufacturers, which primarily include the power generation and aerospace industries. The Company has a supply agreement with its primary customer, Talley Metals Technology, Inc., a subsidiary of Carpenter Technology Corporation to provide an average of 1,750 tons of stainless steel reroll billet products per month. In December 1999, the agreement was extended through June 2001. For the year ended December 31, 1999, Talley Metals and its affiliates accounted for 48% of the Company's net sales. No other customer accounted for more than 10% of the Company's net sales for the year ended December 31, 1999.

The Company's five largest customers in the aggregate accounted for approximately 66% of net sales. A principal element of the Company's business strategy is to seek new customers so that over time it will reduce its dependence on one or a small number of customers. The Company's customer base increased from 200 at December 31, 1998 to 235 at December 31, 1999.

The Company's products are marketed directly to its customers by Company personnel, including the Company's President and Chief Executive Officer, its PRP General Manager, five full-time sales persons and two independent sales representatives. In view of the relatively small number of prospective customers, the strong business relationships maintained with its existing customers and the thorough product knowledge possessed by those management and marketing persons, the Company believes its sales force is adequate for its current and immediately foreseeable needs.

Backlog

The Company primarily manufactures products to meet specific customer orders, generally fulfilling orders in eight weeks or less for its semi-finished products and in sixteen weeks or less for its finished products. The Company's backlog of orders on hand as of December 31, 1999, was approximately $14.5 million as compared to $10.8 million at the same time in 1998. The increase in backlog of orders on hand as of December 31, 1999 as compared to December 31, 1998 primarily resulted from declining import levels during 1999 and higher demand for products required by the power generation industry. Customer orders are generally subject to cancellation with the payment of a penalty charge prior to delivery. The Company's backlog may not be indicative of actual sales and therefore should not be used as a measure of future revenue.

Competition

The Company believes itself to be one of approximately 20 domestic manufacturers that produce specialty steel and one of approximately five domestic specialty steel manufacturers that produce special shapes. Of that number of firms that produce specialty steel, the Company believes five companies currently compete within the Company's selected markets, although other specialty steel mills have the capability of producing, and hence competing with, some of or all the Company's specialty steel products.

Major competitors of the Company in the specialty steel market include fully integrated specialty steel producers such as Allegheny Technologies, Inc.;

Carpenter Technology Corporation; Empire Specialty Steel Inc. (formerly AL Tech Specialty Steel Corporation); Slater Steels Corporation; and The Timken Company. Although Electralloy, a subsidiary of G.O. Carlson Inc., and First Mississippi Steels, Inc. generally produce only stainless steel ingots, they can also compete with the Company by utilizing outside conversion services. Additionally, there are several smaller electric arc furnace melt shops that also produce specialty steel. The major competitors of the Company in the special shapes market served by

PRP include Rathbone Precision Metals, Inc., a subsidiary of Carpenter Technology Corporation; Precision Shapes, Inc.; and J.T. Slocomb Company.

Competition in the Company's markets is based upon product quality, delivery capability, customer service and price. Maintaining high standards of product quality while keeping production costs at competitive levels is essential to the Company's ability to compete in its markets. The ability of a manufacturer to respond quickly to customer orders is currently, and is expected to remain, important in the specialty steel market. The Company believes its universal rolling mill provides it with a competitive advantage as the only domestic mill that can produce both long product and flat rolled product. The Company believes it has the ability to fill customers' orders in a shorter lead time for delivery than a fully-integrated specialty steel mill currently can achieve, which provides it with another competitive advantage. The short lead-time may also enable the Company to avoid maintaining a high level of inventory of raw materials, thereby reducing the Company's cost of production.

The domestic specialty steel industry is frequently affected by general economic conditions. Further, the Company also faces competition from producers of certain materials, particularly aluminum, composites and plastics. In addition, many of the finished products sold by the Company's customers are in direct competition with finished products manufactured by foreign sources, which may affect the demand for those customers' products. Any competitive factors that adversely affects the market for finished products manufactured by the Company's customers could indirectly adversely affect the demand for the Company's specialty steel products.

Employee Relations

The Company considers the maintenance of good relations with its employees to be important to the successful conduct of its business. The Company has profit-sharing plans for certain salaried employees and all of its United Steel Workers of America (USWA) employees and has equity ownership programs for all of its eligible employees, in an effort to forge an alliance between its employee's interests and those of the Company's stockholders. At December 31, 1999, the Company had 229 employees at its Bridgeville facility and 48 employees at its Titusville facility, of whom 183 and 41 were USWA members, respectively.

In August 1997, the Company and the USWA completed negotiation of a new five-year comprehensive collective bargaining agreement (the "Bridgeville CBA") that recognizes the USWA as the exclusive representative for the Company's hourly Bridgeville employees with respect to the terms and conditions of their employment. The basic structure of the Bridgeville CBA is similar to the original four-year agreement, which contained certain wage, benefit, and work rule terms, which permitted the Company to be competitive in the domestic specialty steel industry.

In February 2000, the Company and the USWA completed negotiation of a new sixty-seven (67) month comprehensive collective bargaining agreement (the "Titusville CBA"). The Titusville CBA is similar to the original five-year agreement.

The Company has profit-sharing plans that cover certain salaried employees and all hourly employees. The profit-sharing plans provide for the sharing of pre-tax profits in excess of specified amounts. The Company maintains separate 401(k) retirement plans for its hourly and salary employees. Pursuant to each plan, participants may elect to make pre-tax contributions to the plan, subject to certain limitations imposed under the Internal Revenue Code of 1986, as amended (the "Code"). Company matching contributions are not permitted under the plans. In addition, the Company is required to make periodic contributions to the plans based on service. The Company also provides life insurance and health coverage for its hourly and salary employees.

Armco Agreement

Armco, which merged with and into AK Steel in 1999, the former owner of certain assets of the Company ("Armco"), retained responsibility for any employee benefit obligations existing prior to August 15, 1994 with respect to persons previously employed at the Bridgeville facility. In addition, Armco agreed to indemnify the Company up to $3.0 million in the aggregate with respect to any such liabilities that may arise prior to August 15, 2004.

Employee Stock Purchase Plan

Under the 1996 Employee Stock Purchase Plan (the "Plan"), the Company is authorized to issue up to 90,000 shares of Common Stock to its full-time employees, nearly all of whom are eligible to participate. Under the terms of the Plan, employees can choose as of January 1 and July 1 of each year to have up to 10% of their total earnings withheld to purchase up to 100 shares of the Company's Common Stock each six-month period. The purchase price of the stock is 85% of the lower of its beginning-of-the-period or end-of-the-period market prices.

Safety

The Company has established and seeks to maintain appropriate safety standards and policies for its employees. To encourage plant safety, the USWA Agreements provide that employees will be entitled to receive 50% of the savings, if any, of reduced workers' compensation premiums obtained due to reductions in the state experience modifier issued to the Company.

Executive Officers

The following table sets forth, as of December 31, 1999, certain information with respect to the executive officers of the Company:

NAME (AGE)	EXECUTIVE OFFICER SINCE	POSITION
Clarence M. McAninch (64)	1994	President and Chief Executive Officer
A. Bruce Kennedy (41)	1998	Vice President, Operations
Paul McGrath (48)	1996	Director of Employee Relations, General Counsel and Secretary
Richard M. Ubinger (40)	1994	Chief Financial Officer and Treasurer

Clarence M. McAninch, 64, has been President and Chief Executive Officer and a Director of the Company since July 1994. Mr. McAninch served as Vice President, Sales and Marketing, of the Stainless and Alloy Products Division of Armco from 1992 to 1994.

A. Bruce Kennedy, 41, has been Vice President, Operations since August 1998. Mr. Kennedy was employed by Kurtz Steel Company for the previous 17 years, most recently as President and Chief Executive Officer from January 1991 to May 1998.

Paul A. McGrath, 48, has been General Counsel and Director of Employee Relations since January 1995 and was appointed Secretary in May 1996. Prior thereto, he was employed by Westinghouse Electric Corporation for approximately 24 years in various management positions.

Richard M. Ubinger, 40, has been Chief Financial Officer and Principal Accounting Officer of the Company since August 1994, and was appointed Assistant Secretary in November 1995 and Treasurer in May 1996. From 1981 to 1994, Mr. Ubinger was employed by Price Waterhouse LLP (currently known as PricewaterhouseCoopers LLP) in its audit department, and he served in the capacity of Senior Manager for Price Waterhouse LLP from 1990 to 1994. Mr. Ubinger is a Certified Public Accountant.

Patents and Trademarks

The Company does not consider its business to be materially dependent on patent or trademark protection, and believes it owns or maintains effective licenses covering all the intellectual property used in its business. The Company seeks to protect its proprietary information by use of confidentiality and non-competition agreements with certain employees.

Risk Factors

The Company's business and results of operations are subject to a wide range of substantial business and economic factors including, but not limited to the factors discussed below, many of which are not within the Company's control.

Significant Customer and Concentrated Customer Base

For the year ended December 31, 1999, the Company's largest customer, Talley Metals Technology, Inc., a subsidiary of Carpenter Technology Corporation, and its affiliates accounted for approximately 48% of the Company's net sales. The Company's five largest customers in the aggregate accounted for approximately 66% of net sales. An adverse change in, or termination of, the Company's relationship with one or more of its major customers or one or more of its market segments could have a material adverse effect upon the Company. In addition, a number of the Company's customers are also competitors of the Company. See "Business--Customers" and "Business--Competition".

Reliance on Critical Manufacturing Equipment

The Company's manufacturing processes are dependent upon certain critical pieces of specialty steel making equipment, such as the Company's electric arc-furnace and universal rolling mill. In the event a critical piece of equipment should become inoperative as a result of unexpected equipment failure, there can be no assurance that the Company's operations would not be substantially curtailed which may have a negative effect on the Company's financial results. See "Properties."

Competition

The Company competes with domestic and foreign sources of specialty steel products. In addition, many of the finished products sold by the Company's customers are in direct competition with finished products manufactured by foreign sources, which may affect the demand for those customers' products. Any competitive factors that adversely affects the market for finished products manufactured by the Company's customers could indirectly adversely affect the demand for the Company's semi-finished products. Additionally, the Company's products compete with products fashioned from alternative materials such as aluminum, composites and plastics, the production of which includes domestic and foreign enterprises. Competition in the Company's field is intense and is expected to continue to be so in the foreseeable future. There can be no assurance that the Company will be able to compete successfully in the future. See "Business--Competition."

Environmental Issues

The Company is subject to demanding federal, state and local environmental laws and regulations ("Environmental Laws") governing, among other things, air emissions, waste water discharge and solid and hazardous waste disposal. The Company leases or owns certain real property and operates equipment previously owned and used in the manufacture of steel products by Armco. In connection with the acquisition of the Bridgeville facility assets, Armco agreed to retain responsibility for certain environmental liabilities and agreed to indemnify the Company for environmental liabilities existing prior to August 15, 1994. Because the indemnification is the Company's primary remedy against Armco for a given environmental liability, the Company will be materially dependent upon that indemnity should any environmental liability arise. There can be no assurance that the indemnities from Armco will fully cover any or all environmental liabilities, and there can be no assurance that the Company will have the financial resources to discharge the liabilities if legally compelled to do so.

Environmental laws and regulations have changed rapidly in recent years, and the Company may be subject to increasingly stringent environmental standards in the future. The Armco indemnities do not cover any liability incurred with respect to violations of Environmental Laws enacted after August 15, 1994, with respect to the Bridgeville facility, or after June 2, 1995, with respect to the Titusville facility. There is no assurance that the Company will not incur any such liability. See "Properties--Environmental Compliance."

Supply of Raw Materials and Cost of Raw Materials

The Company relies on a limited number of suppliers, some of which are foreign owned, for its raw material needs which currently account for approximately 40% of the Company's total cost of products sold. Raw material prices are affected by cyclical, seasonal and other market factors. In addition, the supply of premium grades of scrap metal used by the Company is more limited than the supply of lower grades of scrap metal. Further, nickel and chrome, key ingredients in certain alloys produced by the Company and significant cost components, are available substantially only from foreign sources, some of which are located in countries that may be subject to unstable political and economic conditions. Those conditions might disrupt supplies or affect the prices of the raw materials used by the Company. The Company does not maintain long-term supply agreements with any of its independent suppliers. If its supply of raw materials were interrupted, the Company might not be able to obtain sufficient quantities of raw materials, or obtain sufficient quantities of such materials at satisfactory prices, which, in either case, could adversely affect the Company's results of operations. In addition, significant increases in the price of the Company's principal raw materials could adversely affect the Company's financial results. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Raw Materials."

ITEM 2. PROPERTIES

The Company leases its Bridgeville facility from Armco (the "Bridgeville Lease") and owns the Titusville facility. The Bridgeville Lease is for ten years commencing on August 15, 1994, which includes the payment by the Company of real and personal property taxes, water and sewage charges, special assessment and insurance premiums associated therewith. The Bridgeville Lease also provides for three five-year options to renew on the same terms at the sole discretion of the Company. In addition, the Bridgeville Lease provides the Company with an option to purchase substantially all of the leased premises for $1 any time during the term of the Bridgeville Lease prior to August 15, 2015. The building that houses the electro-slag remelting equipment, which is nearby, but not contiguously located, to the other facilities, is included in the ten-year initial lease term only. The Company anticipates relocating the equipment it owns in that facility in close proximity to the melt shop complex in an existing building prior to the expiration of that initial ten-year term. The Bridgeville Lease is assignable with the written consent of Armco, which consent cannot be unreasonably withheld. The Company is responsible for compliance with all environmental laws related to the property subsequent to August 15, 1994, subject to liabilities Armco retained and indemnification obligations under the asset agreement related to the Bridgeville facility (the "Asset Agreement").

The Bridgeville facility consists of approximately 600,000 square feet of floor space on approximately 50 acres. The Bridgeville facility contains melting, electro-slag remelting, conditioning, rolling, annealing and various other processing equipment. Substantially all products shipped from the Bridgeville facility are processed through its melt shop and universal rolling mill operations. In early 1999, the Company successfully completed the round-bar finishing facility at the Bridgeville location. The facility includes heat-treating and processing equipment that enables the Company to produce completely finished 2-inch to 6-inch round bar products.

The Titusville facility consists of approximately 10 acres and includes seven separate buildings, including two principal buildings of approximately 265,000 square feet in total area. The Titusville facility contains vacuum-arc remelting and various rolling and finishing equipment.

Specialty steel production is a capital-intensive industry. The Company believes that its facilities and equipment are suitable for its present needs. The Company believes, however, that it will continue to require capital from time to time to add new equipment and to repair or replace existing equipment to remain competitive and to enable it to manufacture quality products and provide delivery and other support service assurances to its customers.

Environmental Compliance

The Company is subject to Environmental Laws, including those governing discharges of pollutants into the air and water, the generation, handling and disposal of hazardous and non-hazardous substances. The Company may be liable for the remediation of contamination associated with generation, handling and disposal activities. The Company is subject periodically to environmental compliance reviews by various regulatory offices. The Company monitors its compliance with Environmental Laws applicable to it and, accordingly, believes that it is currently in compliance with all laws and regulations in all material respects. The Company has not made to date and does not anticipate making any significant expenditure for environmental control facilities. Environmental costs could be incurred which may be significant, related to environmental compliance at any time or from time to time in the future.

Bridgeville Facility

The Company has not incurred to date and does not anticipate incurring any significant remediation costs from environmental conditions at the Bridgeville facility. The Company does not expect that any remediation that may be required at the Bridgeville facility will have a material adverse effect on the Company's results of operations, liquidity or financial condition. The Company operates production and processing equipment, which it owns, on real property that is leased from Armco. Armco remains contractually obligated for environmental matters, including compliance with laws governing the removal of hazardous materials and the elimination of hazardous conditions, which stem from any operations or activities at the leased Bridgeville facility prior to August 15, 1994. In addition, Armco has agreed to indemnify the Company against any liability arising from any of those matters with respect to the Bridgeville facility to the extent of $6.0 million in the aggregate until 2004. Armco has further agreed (subject to the indemnity limits) to pay up to up to $1.0 million for certain non-recoverable operating costs should the Company's business be interrupted as a result of Environmental Law violations that stem from occurrences prior to August 15, 1994. Except as required by law or for the protection of public health or the safety of its employees, the Company is contractually prohibited from taking voluntary or discretionary action to accelerate or delay the timing, or increase the cost of, Armco's environmental obligations with respect to the Bridgeville facility.

Titusville Facility

The Company operates its production and processing equipment that was acquired from Armco on real property the Company owns. Armco has agreed to indemnify the Company to the extent of $3.0 million in the aggregate against liability for environmental matters that pertain to environmental conditions existing on or under the Titusville facility prior to June 2, 1995. In addition, Armco has agreed to indemnify the Company for any liabilities arising out of environmental conditions existing offsite as of June 2, 1995, and that indemnification is not subject to the $3.0 million limitation. In connection with the acquisition of the Titusville facility, the Company conducted a Phase I and Phase II environmental study (the "Study") of the parcel of real estate acquired. The Company believes the amount and terms of Armco's indemnity are sufficient to protect the Company against environmental liabilities arising at the Titusville facility from environmental conditions existing as of June 2, 1995. The Study noted that as is typical of the Titusville,

Pennsylvania area generally, there is regional soil and groundwater hydrocarbon contamination present at above applicable cleanup standards, reflecting the fact that this area contains natural petroleum deposits and that petroleum-refining operations had been conducted nearby. To date, no environmental governmental authority has contacted the Company concerning this matter. The Company believes it unlikely that it or Armco will be required to provide cleanup at the Titusville facility for the local hydrocarbon contamination. If the Company accelerates the timing or increases the cost of any environmental obligation retained by Armco, except as required by law or for the protection of public health or for the safety of its employees, the Company shall bear such accelerated or increased cost. Any accelerated or increased cost of an environmental obligation retained by Armco resulting from the Company seeking financing or from the sale of less than a controlling interest in the voting stock of the Company shall be borne equally by Armco and the Company.

The Company's primary remedies for reimbursement from Armco for losses stemming from pre-closing environmental conditions at each of the Bridgeville facility and the Titusville facility are the indemnities agreed to with respect to each of the facilities. The Company believes the amount and terms of the Armco indemnities are sufficient to protect the Company against environmental liabilities arising from environmental conditions prior to August 15, 1994, with respect to the Bridgeville facility, and prior to June 2, 1995, with respect to the Titusville facility. There can be no assurance, however, that those indemnities will fully cover all environmental liabilities incurred by the Company and there can be no assurance that the Company will have the financial resources to discharge those liabilities if legally compelled to do so. See "Risk Factors--Environmental Issues."

ITEM 3. LEGAL PROCEEDINGS

There are no material legal proceedings pending or, to the Company's best knowledge, threatened against the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 1999.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

At December 31, 1999, a total of 6,330,416 shares of the Company's Common Stock, par value $.001 per share, were issued and outstanding, and held by approximately 216 holders of record. 257,900 shares of the issued and outstanding Common Stock of the Company were held in treasury at December 31, 1999.

Certain holders of Common Stock and the Company are party to a stockholder agreement. That agreement maintains in effect certain registration rights granted to non-management stockholders, which provides to them two demand registration rights exercisable at any time upon written request for the registration of Restricted Shares of Common Stock having an aggregate net offering price of at least $5,000,000 (the "Registrable Securities").

Price Range of Common Stock

The information called for by this item is set forth on page 26 of the Annual Report to Stockholders for the year ended December 31, 1999, which is incorporated herein by reference.

Preferred Stock

The Company's Certificate of Incorporation provides that the Company may, by vote of its Board of Directors, issue the Preferred Stock in one or more series. The Preferred Stock may have rights, preferences, privileges and restrictions thereon, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or designation of such series, without further vote or action by the stockholders. The issuance of Preferred Stock may have the effect of delaying, deferring or preventing a change in control of the Company without further action by the stockholders and may adversely affect the voting and other rights of the holders of Common Stock. The issuance of Preferred Stock with voting and conversion rights may adversely affect the voting power of the holders of Common Stock, including the loss of voting control to others.

The Company has no outstanding Preferred Stock and has no plans to issue any of the authorized Preferred Stock.

Dividends

The Company has never paid a cash dividend on its Common Stock and currently has no plans to pay dividends in the foreseeable future. Restrictions contained in the Company's Credit Agreement with PNC currently prohibit the payment of cash dividends on Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

The information called for by this item is set forth on page 27 of the Annual Report to Stockholders for the year ended December 31, 1999, which is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information called for by this item is set forth on pages 10 through 13 of the Annual Report to Stockholders for the year ended December 31, 1999, which are incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Prices for the Company's raw materials are subject to frequent market fluctuations. The Company does not maintain long term supply agreements for its raw material needs. Raw material price increases are normally off-set by selling price increases and surcharges.

The Company is exposed to market risk from changes in interest rates related to its long-term debt. At December 31, 1999, the Company's total long-term debt, including the current portion was $11,841,000. Of that amount, $2,541,000 has fixed rates and $9,300,000 bears a variable rate. Assuming a 10% increase in interest rates on the Company's variable rate (an increase from the December 31, 1999 interest rate of 8.0% to an interest rate of 8.8%), annual interest expense would be approximately $74,000 higher based on the December 31, 1999 balance of variable rate debt.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by this item is set forth on pages 14 through 25 of the Annual Report to Stockholders for the year ended December 31, 1999, which are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The information concerning the directors of the Company is set forth in the Proxy Statement (the "Proxy Statement") to be sent to stockholders in connection with the Company's Annual Meeting of Stockholders to be held on May 23, 2000, under the heading "Proposal No. 1--Election of Directors," which information is incorporated herein by reference. With the exception of the information specifically incorporated herein by reference, the Company's Proxy Statement is not to be deemed filed as part of this report for the purposes of this Item.

ITEM 11. EXECUTIVE COMPENSATION

The information concerning executive compensation is set forth in the Proxy Statement under the heading "Executive Compensation," which information is incorporated by reference. With the exception of the information specifically incorporated herein by reference, the Company's Proxy Statement is not to be deemed filed as part of this report for the purposes of this Item.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information concerning security ownership of certain beneficial owners and management is set forth in the Proxy Statement under the heading "Security Ownership of Certain Beneficial Owners and Management," which information is incorporated by reference. With the exception of the information specifically incorporated herein by reference, the Company's Proxy Statement is not to be deemed filed as part of this report for the purposes of this Item.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1) Consolidated Financial Statements:

The consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP, appearing on pages 14 through 25 of the accompanying Annual Report, are incorporated by reference in this Form 10-K Annual Report.

2) Consolidated Financial Statement Schedules:

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and have therefore been omitted.

3) Exhibits:

EXHIBIT NUMBER	DESCRIPTION	PAGE NO.
2.1	Certificate of Merger, dated July 29, 1994, between Universal Stainless & Alloy Products, Inc., a Pennsylvania corporation, and the Company (incorporated herein by reference to Exhibit 2.1 to Registration No. 33-85310).	
2.2	Agreement and Plan of Merger, dated July 28, 1994, among Universal Stainless & Alloy Products, Inc., a Pennsylvania corporation, and the Company (incorporated herein by reference to Exhibit 2.2 to Registration No. 33-85310).	
2.3	Asset and Real Property Purchase Agreement, dated as of June 2, 1995, by and between Armco Inc. and the Company (incorporated herein by reference to Exhibit 2.3 to Registration No. 33-97896).	
3.1	Amended and Restated Certificate of Incorporation (incorporated herein by reference to Exhibit 3.1 to Registration No. 33-85310).	
3.2	By-laws of the Company (incorporated herein by reference to Exhibit 3.2 to Registration No. 33-85310).	
4.1	Specimen Copy of Stock Certificate for shares of Common Stock (incorporated herein by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).	
4.2	Form of Representative's Warrant Agreement (including Form of Representative's Warrant Certificate) (incorporated herein by reference to Exhibit 4.2 to Registration No. 33-85310).	
10.1	Stockholders Agreement, dated as of August 1, 1994, by and among the Company and its existing stockholders (incorporated herein by reference to Exhibit 10.8 to Registration No. 33-85310).	
10.2	Asset Purchase Agreement, dated August 15, 1994, by and between the Company and Armco Inc., as amended by letter agreement, dated October 5, 1994, by and between the Company and Armco, Inc. (incorporated herein by reference to Exhibit 10.12 to Registration No. 33-85310).	

EXHIBIT NUMBER	DESCRIPTION	PAGE NO.
10.3	Lease Agreement, dated August 15, 1994, by and between Armco Inc. and the Company (incorporated herein by reference to Exhibit 10.9 to Registration No. 33-85310).	
10.4	Security Agreement, dated August 15, 1994, by and between the Company and Armco Inc (incorporated herein by reference to Exhibit 10.21 to Registration No. 33-85310).	
10.5	Employment Agreement, dated November 20, 1998 by and between the Company and Clarence M. McAninch (incorporated herein by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).	
10.6	Employment Agreement, dated August 15, 1998, by and between the Company and Daniel J. DeCola, Sr. (incorporated herein by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).	
10.7	Employment Agreement, dated August 1, 1998, by and between the Company and A. Bruce Kennedy (incorporated herein by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).	

10.8	Employment Agreement dated January 1, 1998 between the Company and Paul McGrath (incorporated herein by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
10.9	Employment Agreement dated January 1, 1998 between the Company and Richard M. Ubinger (incorporated herein by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
10.10	1994 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.25 to Registration No. 33-85310).
10.11	Collective Bargaining Agreement, dated May 3, 1995, by and between the Company and United Steelworkers of America (incorporated herein by reference to Exhibit 10.42 to Registration No. 33-97896).
10.12	Collective Bargaining Agreement, dated September 1, 1997, by and between the Company and United Steelworkers of America (incorporated herein by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
10.13	Credit Agreement, dated as of January 30, 1998, between the Company and PNC Bank, National Association, with Exhibits and Schedules (incorporated herein by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
10.14	Security Agreement and Collateral Assignment, dated as of January 30, 1998, by and between the Company and PNC Bank, National Association (incorporated herein by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
10.15	Note, dated as of January 30, 1998, by and between the Company and PNC Bank, National Association (incorporated herein by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
10.16	Landlord's Waiver, dated as of January 30, 1998, by Armco Inc (incorporated herein by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).

EXHIBIT NUMBER	DESCRIPTION	PAGE NO.
10.17	Open-End Leasehold Mortgage, Collateral Assignment and Security Agreement dated as of January 30, 1998, by the Company in favor of PNC Bank, National Association (incorporated herein by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).	
10.18	First Amendment to Credit Agreement, dated as of December 31, 1998, between the Company and PNC Bank, National Association (incorporated herein by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K for the year ended Decenber 31, 1998).	
10.19	Supply Contract Agreement, dated as of January 1, 1999, between the Company and Talley Metals Technology, Inc. a subsidiary of Carpenter Technologies Corporation as amended as of December 15, 1999 by and between the Company and Talley Metals Technology, Inc. (filed herein).	
10.20	Loan Agreement, dated October 3, 1995, by and between the Company and Commonwealth of Pennsylvania (incorporated herein by reference to Exhibit 10.47 to Registration No. 33-97896).	
10.21	Note, dated October 3, 1995, for the principal sum of $500,000, by the Company, in favor of the Commonwealth of Pennsylvania (incorporated herein by reference to Exhibit 10.48 to Registration No. 33-97896).	
10.22	Security Agreement, dated October 3, 1995, by and between the Company and the Commonwealth of Pennsylvania (incorporated herein by reference to Exhibit 10.48 to Registration No. 33-97896).	
10.23	Underwriting Agreement, dated December 14, 1994, among the Company and Keane Securities Co., Inc., as representatives of the several underwriters (incorporated herein by reference to Exhibit 10.52 to Registration No. 33-85310).	
10.24	Equipment Purchase Agreement dated as of November 6, 1997 between the Company and Hetran, Inc. for the purchase of certain bar finishing equipment (incorporated herein by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).	
13.01	Selected pages of the Company's 1999 Annual Report to Stockholders incorporated by reference in Parts II and IV of the Company's Annual Report on Form 10-K for the year ended December 31, 1999.	
23.01	Consent of PricewaterhouseCoopers LLP.	
24.01	Powers of Attorney (included on the signature page hereto).	
27.01	Financial Data Schedule	

(b) The following reports on Form 8-K were filed during the fourth quarter of 1999:

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on March 30, 2000.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

By: /s/ C. M. McAninch

Clarence M. McAninch
President and Chief Executive Officer

POWER OF ATTORNEY

Each of the officers and directors of Universal Stainless & Alloy Products, Inc., whose signature appears below in so signing also makes, constitutes and appoints Clarence M. McAninch and Paul A. McGrath, and each of them acting alone, his true and lawful attorney-in-fact, with full power of substitution, for him in any and all capacities, to execute and cause to be filed with the Securities Exchange Commission any and all amendment or amendments to this Report on Form 10-K, with exhibits thereto and other documents connected therewith and to perform any acts necessary to be done in order to file such documents, and hereby ratifies and confirms all that said attorney-in-fact or his substitute or substitutes, may do or cause to be done by virtue hereof.

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

SIGNATURE	TITLE	DATE
/s/ C. M. McAninch ----------------------------- Clarence M. McAninch	President, Chief Executive Officer And Director (Principal Executive Officer)	March 30, 2000
/s/ Richard M. Ubinger ----------------------------- Richard M. Ubinger	Chief Financial Officer and Treasurer, (Principal Financial and Accounting Officer)	March 30, 2000
/s/ Douglas M. Dunn ----------------------------- Douglas M. Dunn	Director	March 30, 2000
/s/ George F. Keane ----------------------------- George F. Keane	Director	March 30, 2000
/s/ Udi Toledano ----------------------------- Udi Toledano	Director	March 30, 2000
/s/ D. Leonard Wise ----------------------------- D. Leonard Wise	Director	March 30, 2000

EXHIBIT 10.19

AMENDMENT

This Amendment is made as of December 15, 1999, by and between UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC., a Delaware corporation (hereinafter "Universal") and TALLEY METALS TECHNOLOGY, INC., A Carpenter Company (hereafter "Talley Metals").

WHEREAS, Universal and Talley Metals entered into an Agreement dated January 1, 1999, for Universal's sale of, and Talley Metals' purchase of, billets for use in Talley Metals' rolling and finishing operations; and

WHEREAS, said Agreement's initial eighteen (18) months term will expire on June 30, 2000; and

WHEREAS, the parties wish to extend the initial term of said Agreement for an additional twelve (12) months.

THEREFORE, In consideration of the mutual covenants contained herein and intending to be legally bound hereby, the parities agree to amend Section 7 "TERM" of the Agreement in its entirety to read as follows:

7. TERM. The term of this Agreement shall commence on the date hereof and continue for a period of thirty (30) months. This Agreement will automatically renew each month with the placement of each separate order placed by Talley Metals unless and until notice not to renew is given in writing by either party.

Notwithstanding the foregoing this Agreement is cancelable at any time after the expiration of the initial thirty (30) month period upon the provision of 90 days prior written notice by either party. Either party may terminate the Agreement at any time in the event that the other party materially breaches its obligations as stated in this Agreement.

Either Party may terminate immediately upon the other Party declaring insolvency or bankruptcy.

All other terms and conditions of the original Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment on the day and year first above written.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.	TALLEY METALS TECHNOLOGY, INC.
By: /s/ C.M. McAninch	By: /s/ Bruce P. Bogardus
Title: President & CEO	Title: Vice President - Materials
Date: December 3, 1999	Date: December 15, 1999

Universal Stainless & Alloy Products Sales Agreement

This AGREEMENT is made and entered into as of the FIRST day of JANUARY 1999, by and between UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC., a Delaware corporation (hereinafter "Universal") and TALLEY METALS TECHNOLOGY, a Carpenter Company (hereinafter "Talley Metals").

WITNESSETH:

WHEREAS, Talley Metals desires to insure a supply of billets for use in its rolling and finishing operations; and

WHEREAS, Universal desires to sell billets and allocate a portion of its monthly capacity to manufacture billets on a continuing basis;

NOW, THEREFORE, Universal and Talley Metals the ("Parties" or separately "Party"), intending to be legally bound, in consideration of the premises and the mutual covenants and agreements contained herein, agree as follows:

1. BILLET QUANTITIES During the term of this Agreement, Universal shall sell to Talley Metals and Talley Metals shall purchase from Universal, stainless steel billets (hereinafter the "Billets") in an aggregate quantity, of no less than three million (3,000,000) pounds and no more than six million (6,000,000) pounds per month. On an annual basis Talley Metals purchases from Universal will average three million five hundred thousand pounds (3,500,000) pounds per month.

2. RESERVED CAPACITY Universal will set aside such capacity as necessary to produce the billet quantities as ordered during the first week in any month for a shipment in the subsequent month, according to the terms of this Agreement. Talley Metals will give as much advanced notice as possible if the order quantity will vary significantly from month to month. Reserved capacity is based on heat-lot quantities. If product is rejected by Universal during processing, the order will be considered complete based on the shipped weight.

3. BILLET SIZES AND SPECIFICATIONS The Billets shall be provided by Universal in the sizes and grades requested by Talley Metals' purchase orders and "Stainless grades" regularly produced by Universal and requested in accordance with the specifications set forth by Talley Metals and previously approved by Universal. The Billets shall be square, with rounded corners, in thickness of four and one-half (4.5") to eight (8") inches by ten (10") inches, and shall be delivered in such lengths as Talley Metals shall specify in its monthly purchase orders, but in no event shorter than twenty-two feet (22') or longer than forty feet (40').

   Universal represents and warrants to Talley Metals that the Billets

   delivered by Universal pursuant to this Agreement have been produced in accordance with good mill practice with respect to dimensions, weight, straightness,

   section, composition and mechanical properties and has been inspected to assure Billets will meet all applicable standard industry specifications and all of the specifications set forth in this Agreement and Talley Metals purchase orders.

4. BILLET PRICES Pricing will be based on Universal's offering to Talley metals dated 5/28/98 and 6/1/98. Exhibit "A" of this Agreement. Monthly adjustments to that offering will be made to address market changes in key raw material prices per existing formulas.

   Any price changes, outside established formulas to adjust for raw material price fluctuation, must be negotiated in good faith and agreed to in writing by both parties prior to implementation and be consistent with market conditions and price changes then common in the industry.

5. BILLET ORDER; DELIVERY

   (a) Talley Metals will place orders in heat lot quantities specifying grade, billet size, and requested delivery on their standard purchase order form. Orders will be acknowledged by Universal on their standard acknowledgement form.

(b) The parties acknowledge that this Agreement has been entered into with the intention that Universal shall retain the capacity needed to supply Talley Metals with its desired quantity of Billets. Universal must report all material changes in their plans, forecast, etc. for manufacturing Billets to Talley Metals as soon as such plans are known. Talley Metals will advise Universal of any change to monthly purchases or changes in usage by grade as soon as such information is available.

(c) The prices and delivery for Billets ordered outside of the first week of any calendar month shall be as agreed upon by the parties at the time of order placement.

(d) The Billet prices in all cases shall be exclusive of freight and insurance, the payment of which shall be solely Talley Metals' responsibility.

Billets are purchased F.O.B. Bridgeville, PA and Talley Metals accepts all risk of loss at that time. It is recognized that Billets are not accepted by Talley Metals until they have arrived at Talley metals and have been inspected to determine acceptability under quality standards specified in this Agreement.

(e) Talley Metals guarantees the minimum order quantity of three million pounds (3,000,000) of Billet each month during the term of this Agreement.

(f) Talley Metals purchase orders are placed upon the condition that Universal shall not assign it or any interest therein, including any payment due or to become due with respect thereto, and any assignment or any attempt to assign shall be void without Talley Metals prior written consent and that Talley Metals shall be entitled at all times, to setoff any

undisputed amounts owing from Universal to Talley against any amount due or owing Universal with respect to this order.

6. PAYMENT. Talley Metals will pay to Universal the full invoiced amount within forty-five (45) days of delivery of material.

7. TERM. The term of this Agreement shall commence on the date hereof and continue for a period of eighteen (18) months. This Agreement will automatically renew each month with the placement of each separate order placed by Talley Metals unless and until notice not to renew is given in writing by either party.

Notwithstanding the foregoing Agreement is cancelable at any time after the expiration of the initial eighteen-month period upon the provision of 90 days prior written notice by either party. Either party may terminate the Agreement at any time in the event that the other party materially breaches its obligations as stated in this Agreement.

Either Party may terminate immediately upon the other Party declaring insolvency or bankruptcy.

8. FORCE MAJEURE. Both parties will make a good faith effort to perform hereunder. Neither party, however, shall be liable for delay in performance or for failure to render any performance under this Agreement (and without in any way limiting the generality of the foregoing, any such delay or failure shall be excused) when such delay or failure is caused by governmental regulations (whether or not valid, fire, strike, war, flood, accident, epidemic, embargo, appropriation of plant or product, in whole or in part by Federal or State authority and any other cause or causes, whether of like or different nature, beyond the reasonable control of such party; provided, however that notwithstanding any provisions herein to the

contrary, Talley Metals shall be entitled, in any such event, to purchase its required amounts in whole or in part from other vendors and, if necessary, to reduce its obligations hereunder in order to contract for such other supply requirements at such times that Universal cannot meet the supply requirements. Once events change allowing Universal to again supply Talley Metals, Talley Metals must do so in accordance with the terms and conditions set forth in this Agreement. Each party shall promptly notify the other of the occurrence (and the likelihoods of the occurrence) of any such event or condition and shall keep the other party fully informed of all relevant information. In the event Talley Metals purchases billets from another source under circumstances where Universal cannot or does supply the same, such purchases shall be counted for purposes of the purchase requirements and restriction set forth in this Agreement.

9. SUCCESSOR AND ASSIGNS. This Agreement shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns.

10. GOVERNING LAW. This Agreement and the rights and obligations of the parties hereunder shall be governed by and construed in accordance with the laws of Pennsylvania

11. CONFIDENTIALITY; DISCLOSURE. The parties hereby agree that they will direct, and will use their best efforts to cause their directors, officers, employees, advisors and representatives of their advisors (collectively, the "Permitted Persons") to use the information in this Agreement solely for the purpose of evaluating and/or affecting the purchase and sale of Billets and that such information will be kept confidential by the parties and their Permitted Persons (it being understood and agreed that the efforts used to keep such request for information confidential shall not be less than the efforts currently used to keep non-public information about themselves confidential); provided, however, that any disclosure of such information may be made to which both parties consent in writing prior to the disclosure of such request. Notwithstanding the foregoing, either party hereto will be permitted to make disclosures required by law.

The parties also hereby agree that all designs, drawings, patterns or customer chemistries provided by or on behalf of Talley Metals to Universal or information or material regarding or relating to Talley Metals' customers shall be deemed "Confidential Information" of Talley Metals whether or not such information is marked confidential.

12. ENTIRE AGREEMENT; NO ORAL MODIFICATION. This Agreement represents the entire agreement of the parties with respect to the subject matter hereof, and all prior agreements, whether oral or written, are revoked and superseded by this Agreement. No representation, warranty, inducement or oral agreements have been made or relied upon by either party except as expressly stated herein. This Agreement may not be changed, modified, altered or amended in any way except in writing signed by both parties. Any attempt at oral modification shall be void and of no force or effect.

13. HEADINGS; CONSTRUCTION. The Articles and Section headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement. Unless the context clearly otherwise requires, the words "hereby", "hereof", "herein", "hereto", "hereunder", and "hereinafter" and any similar term used in this Agreement refers to this Agreement as a whole and not merely the subsection or section in which such terms are used.

14. COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed an original, but both of which shall be deemed one and the same Agreement.

15. SEVERABILITY. The parties agree that should any part or portion of this Agreement be found to be unenforceable, that the remainder of this Agreement be enforced, to the extent that it is legal and practicable to do so.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

Universal Stainless & Alloy Products Inc., a Delaware Corporation

By: /s/ C.M. McAninch

Its: President & CEO

Talley Metals Technology, A Carpenter Company

By: /s/ Bruce Bogardus

Its: Vice President - Materials

Carpenter Technology Corporation

By: /s/ Andrew McElwee

Its: President Talley Metals

May 28, 1998 EXHIBIT A

TO: Bruce Bogardus
Talley Metals

FROM: Mac McAninch

Stainless billet prices for JULY delivery.

GRADE	% NICKEL	BASE	CURRENT	PRICE DEDUCT	SELLING PRICE
155-00	4.5%	1.159	1.062	0.100	0.962
17-4	4.2%	0.740	0.650	0.050	0.600
203EZ	6.0%	0.778	0.649	0.050	0.599
302	8.5%	0.768	0.585	0.050	0.535
302-02	9.0%	0.796	0.603	0.050	0.553
302-03	9.7%	0.885	0.677	0.050	0.627
302-04	8.5%	0.776	0.593	0.050	0.543
302-05	8.5%	0.787	0.604	0.050	0.554
303	8.5%	0.778	0.595	0.050	0.545
304	8.5%	0.768	0.585	0.050	0.535
304-02	8.5%	0.783	0.600	0.050	0.550
304-03	9.0%	0.798	0.605	0.050	0.555
304-04	9.2%	0.816	0.618	0.050	0.568
304-05	8.7%	0.828	0.641	0.050	0.591
304L	8.5%	0.778	0.595	0.050	0.545
304L3+CAL	8.7%	0.800	0.613	0.050	0.563
305	11.1%	0.970	0.731	0.050	0.681
316	10.5%	0.920	0.694	0.020	0.674
316L	10.5%	0.930	0.704	0.020	0.684
316L3+CAL	10.7%	0.950	0.720	0.020	0.700
321	9.5%	0.979	0.775	0.050	0.725
347	9.5%	1.069	0.865	0.050	0.815
409-00	0.0%	0.415	0.415	0.000	0.415
409-01	0.0%	0.420	0.420	0.000	0.420
409-02	0.0%	0.425	0.425	0.000	0.425
410	0.0%	0.420	0.420	0.000	0.420
416-00	0.0%	0.425	0.425	0.025	0.400
416-01	0.0%	0.450	0.450	0.025	0.425

416-02	0.0%	0.450	0.450	0.025	0.425
416-03	0.0%	0.450	0.450	0.025	0.425

Above prices are based on previous 20 day average Nickel price of $2.316/lb.

June 1, 1998 EXHIBIT A

TO: Bruce Bogardus
Talley Metals

FROM: Mac McAninch

SUBJECT: Wire rod grade pricing for July delivery

GRADE	% NICKEL	BASE	CURRENT
302-01	8.15%	0.735	.577/lb
302-06	8.25%	0.745	0.585
302-07	8.15%	0.719	0.567
302-08	8.50%	0.739	0.565
304-01	9.20%	0.777	0.589
304-06	10.00%	0.795	0.585
304-07	8.50%	0.755	0.581
304L1	9.20%	0.766	0.576
304L2	10.10%	0.810	0.612
316-01	11.00%	0.905	0.671
316L1	12.00%	0.935	0.700

Exhibit 13.01

Universal Stainless & Alloy Products, Inc. 1 9 9 9 Annual Report

1 9 9 9 financial review

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

An analysis of the Company's operations is as follows (dollars in thousands):

	1999		1998		1997	
	Amount	%	Amount	%	Amount	%
Net sales						
Stainless steel	$55,255	82.9	$53,661	73.9	$60,700	74.7
Tool steel	6,055	9.1	7,548	10.4	10,467	12.9
High-temperature alloy steel	2,124	3.2	4,387	6.0	2,636	3.2
Conversion services	1,807	2.7	3,690	5.1	4,834	5.9
Other	1,422	2.1	3,309	4.6	2,664	3.3
Total net sales	66,663	100.0	72,595	100.0	81,301	100.0
Cost of products sold						
Raw materials	24,732	37.1	26,839	37.0	32,601	40.1
Other	33,901	50.9	33,256	45.8	32,427	39.9
Total cost of products sold	58,633	88.0	60,095	82.8	65,028	80.0
Selling and administrative expenses	4,299	6.4	4,934	6.8	4,699	5.8
Operating income	$ 3,731	5.6	$ 7,566	10.4	$11,574	14.2

Net sales by market segment are as follows (dollars in thousands):

	1999	1998	1997

	Amount	%	Amount	%	Amount	%
Rerollers	$36,522	54.8	$32,990	45.4	$41,196	50.7
Service centers	11,130	16.7	12,809	17.6	11,864	14.6
Forgers	9,185	13.8	17,144	23.6	13,846	17.0
Original equipment manufacturers	7,761	11.6	5,840	8.1	9,200	11.3
Conversion services	1,807	2.7	3,690	5.1	4,834	6.0
Miscellaneous	258	0.4	122	0.2	361	0.4
Total net sales	$66,663	100.0	$72,595	100.0	$81,301	100.0

1999 RESULTS AS COMPARED TO 1998 The decrease in net sales in 1999 reflects lower sales prices on products shipped to all of the Company's market segments and reduced shipments. The Company shipped approximately 44,800 tons in 1999, compared to shipments of 45,500 tons in 1998. The increase in net sales of stainless steel was achieved through increased shipments of long products to the reroller market, of power generation products to the forging and OEM markets and of finished round bar to the service center market. Overall, lower shipments to the forging and service center markets and lower conversion services are a result of lower demand for the Company's products from the aerospace market and the lingering effect of increased import levels during the second half of 1998.

Cost of products sold, as a percent of net sales, increased in 1999 as compared to 1998. This increase was primarily due to increases in the acquisition costs for the Company's primary raw materials, higher depreciation expenses, costs associated with the increased activity of the Company's bar products and lower selling prices in the stainless steel area.

Selling and administrative expenses decreased in 1999 as compared to 1998. This primarily reflected the Company's actions to lower its costs as a result of market conditions.

Interest expense and other financing costs increased from $361,000 in 1998 to $736,000 in 1999 primarily due to a reduction in capitalized interest and higher interest rates on the PNC Term Loan. Other income (expense), net increased to income of $30,000 in 1999 from expense of $93,000 in 1998 primarily due to the costs associated with pursuing an acquisition in 1998.

The 1999 effective income tax rate was 30.5% compared to 36.3% in 1998. The decrease in the effective income tax rate is primarily attributable to the effect of the Company's permanent tax deductions against lower income levels generated in 1999.

1998 RESULTS AS COMPARED TO 1997 The decrease in 1998 net sales reflects reduced shipments to all of the Company's market segments primarily due to increased imports. The Company shipped approximately 45,500 tons in 1998, compared to 55,300 tons in 1997. The decrease in net sales of stainless steel also resulted from lower selling prices due to price competition created by increased import levels and the lower cost of nickel during 1998. Increased shipments of low-alloy and high-temperature alloy steels, introduced in 1997, and of bar mill products partially offset the decline in net sales.

Cost of products sold, as a percent of net sales, increased in 1998 as compared to 1997 despite lower acquisition costs for the Company's primary raw materials. Changes in product mix resulting from bar mill shipments as well as increases in utility, depreciation and maintenance costs more than offset the benefits received from lower raw material costs.

Selling and administrative expenses increased from $4.7 million in 1997 to $4.9 million in 1998. The increase primarily related to higher selling expenses and charges relating to certain quality issues which were partially offset by lower insurance costs.

The 1998 results benefited from the settlement of an insurance claim related to the 1995 electrical component breakdown in a drive motor at the Company's Bridgeville facility universal rolling mill. The settlement, net of costs incurred in connection with the Company's claim, was $750,000.

Interest expense and other financing costs increased $113,000 as a result of borrowings under a term loan from PNC Bank to finance capital expenditures. Other income (expense) was impacted negatively by the costs associated with pursuing the acquisition of AL Tech Specialty Steels, Inc. and the removal of buildings at the Bridgeville facility. These costs were partially offset by a government grant received in connection with the expansion of operations at the Bridgeville facility.

The 1998 effective income tax rate was 36.3% compared to 37.0% in 1997. The decrease in the effective tax rate is directly attributable to a lower effective rate for state income taxes.

Liquidity and Capital Resources

The Company generated cash flow from operations in 1999 and 1998 of $4.9 million and $6.9 million, respectively. This decrease is primarily due to the reduction in net income partially offset by a reduction in working capital.

At December 31, 1999, working capital approximated $20.8 million, as compared to $21.8 million at December 31, 1998. The ratio of current assets to current liabilities at December 31, 1999 and 1998, was 3.2:1 and 4.3:1, respectively. The debt to capitalization ratio was 21% at December 31, 1999, and 23% at December 31, 1998. The decrease in working capital was primarily attributable to decreases in cash, inventory and other current assets as well as increases in accounts payable, and the current portion of long-term debt which were partially offset by an increase in accounts receivable. The increases in accounts receivable and accounts payable are primarily due to increased sales activity during the 1999 fourth quarter.

CAPITAL EXPENDITURES AND INVESTMENTS The Company's capital expenditures were approximately $3.4 million and $12.1 million in 1999 and 1998, respectively, which reflect the completion of the round bar finishing facility located at the Bridgeville facility. Capital expenditures in 2000 are expected to approximate $4.0 million and will be used primarily to complete projects previously initiated and for the purchase and installation of a billet grinder. These expenditures are expected to be funded substantially from internally generated funds.

PNC CREDIT AGREEMENT On January 30, 1998, the Company entered into the Second Amended and Restated Credit Agreement, as subsequently amended, with PNC Bank for a $6.5 million revolving credit facility through April 2001 (the "PNC Line") and a seven-year term loan (the "PNC Term Loan"), secured by substantially all of the Company's assets. Borrowings under the PNC Term Loan aggregated $10.0 million and scheduled quarterly principal payments commenced on September 30, 1999. Interest incurred from borrowings under the PNC Line and the PNC Term Loan is based on short-term market rates, which may be further adjusted based upon the Company maintaining certain financial ratios. As a condition of the PNC Line and the PNC Term Loan, the Company is required to maintain certain levels of net worth, working capital and other financial ratios; to limit the amount of capital expenditures it may incur without PNC Bank's approval; and to restrict the payment of dividends. As of December 31, 1999, the Company was in compliance with all financial ratios and restrictive covenants.

STOCK REPURCHASE PROGRAM On October 19, 1998, the Company initiated a stock repurchase program to repurchase from time to time up to a total of 315,000 shares of its outstanding common stock in open market transactions at market prices. During 1999, the Company repurchased 182,900 shares at a cost of $1,066,000. Cash from operations financed the repurchase of common stock. The Company is authorized to repurchase an additional 57,100 shares of common stock as of December 31, 1999.

SUPPLY CONTRACT In November 1998, the Company entered into a supply contract agreement with Talley Metals Technology, Inc., a subsidiary of Carpenter Technology Corporation, covering a period of at least 18 months. Under terms of the agreement, the Company will supply Talley Metals with an average of 1,750 tons of stainless reroll billet products per month. The value of the contract on a monthly basis will depend on product mix and key raw material prices. In December 1999, the agreement was extended to cover an additional 12-month period under the same terms and conditions.

ENVIRONMENTAL MATTERS The Company, as well as other steel companies, is subject to demanding environmental standards imposed by federal, state and local environmental laws and regulations. In connection with the 1994 acquisition of the Bridgeville facility assets from Armco, which merged with and into AK Steel in 1999 ("Armco"), Armco agreed to retain

responsibility for liabilities asserted against it under environmental laws with respect to environmental conditions existing at the Bridgeville facility prior to commencement of the long-term net lease of that facility on August 15, 1994, and to indemnify the Company up to $6.0 million in the aggregate over ten years. Such indemnification expires on August 15, 2004.

In connection with the Company's June 2, 1995, agreement with Armco to purchase certain assets and a parcel of real property located at Titusville, Armco agreed to indemnify the Company up to $3.0 million in the aggregate for liabilities under environmental laws arising out of conditions on or under the Titusville property existing prior to June 2, 1995. Armco's obligation to indemnify the Company for any liabilities arising out of environmental conditions existing off-site as of June 2, 1995, is not subject to the $3.0 million limitation.

Management is not aware of any financial difficulties being experienced by AK Steel, as successor to Armco, that would prevent its performance under the acquisition agreements. In addition, management is not aware of any environmental conditions or the incurrence of other liabilities at the Bridgeville or Titusville facilities, for which Armco has agreed to indemnify the Company, nor of any material environmental condition requiring remediation and affecting the Company.

YEAR 2000 The following statements are provided pursuant to the provisions of the Year 2000 Information and Readiness Disclosure Act of 1998.

The Company encountered no problems during the rollover to the Year 2000 which had a material impact on operations. Until all processes and systems are run in production for the first time after the rollover and through leap year, there is the potential for date-related problems. The Company plans to continue monitoring its processes and systems to ensure dates and date-related information continue to be processed correctly.

SHORT- AND LONG-TERM LIQUIDITY The Company expects to meet substantially all of its short-term liquidity requirements with internally generated funds and borrowings under the PNC Credit Agreement. At December 31, 1999, the Company had $6.5 million available under the PNC Line.

The Company's long-term liquidity depends upon its ability to obtain additional orders from its customers, attract new customers and control costs during periods of low demand or pricing in the event of a downturn in general economic conditions.

GENERAL Actual results will be affected by a wide range of factors including receipt, pricing and timing of future customer orders; changes in product mix; the concentrated nature of the Company's customer base to date and the Company's dependence on its significant customers; the Company's reliance on certain critical manufacturing equipment; the significant fluctuations that may occur in raw material prices; and the Company's ongoing requirement for continued compliance with environmental laws. Any unfavorable change in the foregoing or other factors could have a material adverse effect on the Company's business, financial condition and results of operations. Many of these factors are not within the Company's control, and there can be no assurances regarding the Company's future sales or earnings. For a discussion of these and other matters, refer to the Company's Annual Report on Form-10K for the year ended December 31, 1999 and other reports on file with the Securities and Exchange Commission.

Report of Independent Accountants

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations and of cash flows present fairly, in all material respects, the financial position of Universal Stainless & Alloy Products, Inc., and its subsidiary at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania

January 21, 2000

Consolidated Statement of Operations

For the Years Ended December 31,	1999	1998	1997
(Dollars in thousands, except per share information)			
Net sales	$ 66,663	$ 72,595	$ 81,301
Cost of products sold	58,633	60,095	65,028
Selling and administrative expenses	4,299	4,934	4,699
Operating income	3,731	7,566	11,574
Insurance settlement	--	750	--
Interest expense and other financing costs	(736)	(361)	(248)
Other income (expense), net	30	(93)	112
Income before taxes	3,025	7,862	11,438
Provision for income taxes	922	2,858	4,232
Net income	$ 2,103	$ 5,004	$ 7,206
EARNINGS PER COMMON SHARE:			
Basic	$ 0.34	$ 0.79	$ 1.15
Diluted	$ 0.34	$ 0.79	$ 1.12
Weighted-average number of shares of Common Stock outstanding	6,110,911	6,304,524	6,285,531

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

Consolidated Balance Sheet

December 31,	1999	1998
(Dollars in thousands)		
Assets		
CURRENT ASSETS		

Cash and cash equivalents	$ 868	$ 1,437
Accounts receivable (less allowance for doubtful accounts of $418 and $358)	12,113	8,843
Inventory	15,730	16,182
Deferred taxes	1,232	592
Other current assets	332	1,388
Total current assets	30,275	28,442
Property, plant and equipment, net	36,989	35,710
Other assets	915	298
Total assets	$ 68,179	$64,450

Liabilities and Stockholders' Equity		
CURRENT LIABILITIES		
Trade accounts payable	$ 5,477	$ 3,166
Bank overdrafts	1,107	1,145
Current portion of long-term debt	1,836	1,117
Accrued employment costs	727	957
Other current liabilities	328	228
Total current liabilities	9,475	6,613
Long-term debt	10,005	11,841
Deferred taxes	5,046	3,431
Total liabilities	24,526	21,885
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Senior Preferred Stock, par value $.001 per share; liquidation value $100 per share; 2,000,000 shares authorized; 0 shares issued and outstanding	--	--
Common Stock, par value $.001 per share; 10,000,000 shares authorized; 6,330,416 and 6,320,036 shares issued and outstanding	6	6
Additional paid-in capital	25,838	25,787
Retained earnings	19,353	17,250
Treasury Stock at cost; 257,900 and 75,000 common shares	(1,544)	(478)
Total stockholders' equity	43,653	42,565
Total liabilities and stockholders' equity	$ 68,179	$64,450

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

Consolidated Statement of Cash Flows

For the Years Ended December 31,	1999	1998	1997
(Dollars in thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 2,103	$ 5,004	$ 7,206
Adjustments to reconcile to net cash and cash equivalents provided by operating activities:			
Depreciation and amortization	2,101	1,516	1,109
Deferred taxes	354	1,566	750
Changes in assets and liabilities:			
Accounts receivable, net	(3,270)	5,660	(5,094)
Inventory	452	(711)	(5,687)
Accounts payable and bank overdraft	2,273	(3,690)	2,144
Accrued employment costs	(230)	(747)	301
Other, net	1,146	(1,742)	336
Net cash provided by operating activities	4,929	6,856	1,065
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(3,366)	(12,146)	(8,145)
Net cash used in investing activities	(3,366)	(12,146)	(8,145)
CASH FLOWS FROM FINANCING ACTIVITIES			

Proceeds from long-term debt	--	10,000	500
Long-term debt repayment	(1,117)	(382)	(300)
Proceeds from issuance of Common Stock	51	244	65
Borrowings under revolving line of credit	22,310	24,855	24,922
Repayments under revolving line of credit	(22,310)	(27,640)	(22,137)
Deferred financing costs	--	(49)	(12)
Purchase of Treasury Stock	(1,066)	(478)	--
Net cash provided by (used in) financing activities	(2,132)	6,550	3,038
Net increase (decrease) in cash	(569)	1,260	(4,042)
Cash and cash equivalents at beginning of period	1,437	177	4,219
Cash and cash equivalents at end of period	$ 868	$ 1,437	$ 177

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest paid (net of amount capitalized)	$ 774	$ 298	$ 226
Income taxes paid	$ 388	$ 2,698	$ 3,428

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

Notes to the Consolidated Financial Statements
Note 1: Significant Accounting Policies

DESCRIPTION OF THE COMPANY Universal Stainless & Alloy Products, Inc. (the "Company") manufactures and markets semi-finished and finished specialty steel products, including stainless steel, tool steel and certain other alloyed steels. The Company's manufacturing process involves melting, remelting, treating and hot and cold rolling of semi-finished and finished specialty steels. The Company's products are sold to rerollers, forgers, service centers and original equipment manufacturers, which primarily include the power generation and aerospace industries. The Company also performs conversion services on materials supplied by customers that lack certain of the Company's production facilities or that are subject to their own capacity constraints.

USE OF ESTIMATES The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BASIS OF CONSOLIDATION The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS Cash equivalents are stated at cost plus accrued interest, which approximates market value. Cash equivalents include only securities having a maturity of three months or less at the time of purchase.

CONCENTRATION OF CREDIT RISK Financial instruments that potentially subject the Company to concentrations of credit risk are cash and cash equivalents and accounts receivable. The Company limits its credit risk associated with cash and cash equivalents by placing its investments in high-grade short-term instruments. With respect to accounts receivable, the Company limits its credit risk by performing ongoing credit evaluations and, when deemed necessary, requiring letters of credit, guarantees or collateral.

INVENTORIES Inventories are stated at the lower of cost or market with cost determined by the first-in, first-out (FIFO) method. Such costs include the acquisition cost for raw materials and supplies, direct labor and applied manufacturing overhead.

Scrap metal together with alloy additives, principally nickel, chrome and molybdenum, currently account for more than 40% of the Company's total cost of products sold. A substantial portion of the alloy additives is available only from foreign sources, some of which are located in countries that may be subject to unstable political and economic conditions. Those conditions might disrupt supplies or affect the prices of the raw materials used by the Company. The Company has implemented sales price surcharges to help offset the impact of raw material price fluctuations.

Operating materials consist of production molds and rolls that will normally be consumed within one year and are accounted for as inventory.

PROPERTY, PLANT AND EQUIPMENT Property, plant and equipment is recorded at cost. Maintenance and repairs are charged to expense as incurred, and costs of improvements and renewals are capitalized. Costs incurred in connection with the construction or major rebuild of facilities, including interest directly related to the project, are capitalized as construction in progress. No depreciation is recognized on these assets until placed in service.

Depreciation and amortization are computed using the straight-line method based on the estimated useful lives of the related assets. The estimated useful lives of plant and equipment range from three to twenty years.

The Company's manufacturing processes are dependent upon certain pieces of specialty steelmaking equipment, such as the Company's electric arc furnace and universal rolling mill. In the event a critical piece of equipment

should become inoperative as a result of an unexpected equipment failure, there can be no assurance that the Company's operations would not be substantially curtailed.

CAPITALIZATION OF SOFTWARE COSTS Direct costs incurred in the development and implementation of internal-use software is capitalized and amortized on a straight-line basis over its anticipated useful life, which generally does not exceed five years.

REVENUE RECOGNITION Revenue from the sale of products is recognized upon passage of title to the customer, which in most cases coincides with shipment of the related products or the performance of conversion services.

INCOME TAXES Deferred income taxes are provided for the tax effect of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. The Company uses the liability method to account for income taxes, which requires deferred taxes to be recorded at the statutory rate expected to be in effect when the taxes are paid. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that the asset will not be realized.

EARNINGS PER COMMON SHARE Basic earnings per common share is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding plus all dilutive potential common shares outstanding during the period. Dilutive common shares are determined using the treasury stock method. Under the treasury stock method, exercise of options and warrants are assumed at the beginning of the period when the average stock price during the period exceeds the exercise price of outstanding options and warrants and, common shares are assumed issued. The proceeds from exercise are assumed to be used to purchase common stock at the average market price during the period. The incremental shares to be issued are considered to be the dilutive potential common shares outstanding.

SEGMENT INFORMATION In 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosure about Segments of an Enterprise and Related Information" utilizing the "management approach." The management approach is based on the way the chief operating decision maker organizes segments within the Company for making operating decisions and assessing performance.

RECLASSIFICATIONS Certain prior year amounts have been reclassified to conform with the 1999 presentation.

Note 2: Inventory
The major classes of inventories are as follows (dollars in thousands):

December 31,	1999	1998

Raw materials and supplies	$ 2,427	$ 2,358
Semi-finished and finished steel products	10,208	11,152
Operating materials	3,095	2,672
Total inventory	$15,730	$16,182

Note 3: Property, Plant and Equipment
Property, plant and equipment consists of the following (dollars in thousands):

December 31,	1999	1998
Land and land improvements	$ 822	$ 822
Buildings	3,337	2,591
Machinery and equipment	37,329	31,903
Construction in progress	835	3,655
	42,323	38,971
Accumulated depreciation	(5,334)	(3,261)
Property, plant and equipment, net	$36,989	$35,710

Property, plant and equipment includes a capital lease with Armco, which merged with and into AK Steel in 1999 ("Armco") for the land and certain buildings and structures located in Bridgeville (the "Bridgeville Lease"). The Bridgeville Lease is for a ten-year term commencing on August 15, 1994, with three five-year options to renew on the same terms at the Company's discretion at a rental of $1 per year plus payment of real and personal property taxes and other charges

associated with the property. The Company also has an option under the lease to buy substantially all of the leased premises for $1 at any time during the term of the Bridgeville Lease prior to August 15, 2015.

In 1998, the Company entered into two new capital leases with unrelated third parties for machinery and equipment at the Bridgeville facility. Under the terms of both of the leases, the Company has the option to purchase the leased machinery and equipment for $1 at the end of the five-year term. The total value of the leased machinery and equipment is $346,000.

The Company capitalized $104,000 and $421,000 of its interest costs associated with the PNC Line and the PNC Term Loan in 1999 and 1998, respectively.

Note 4: Long-Term Debt and Other Financing
Long-term debt consists of the following (dollars in thousands):

December 31,	1999	1998
PNC Term Loan	$ 9,300	$10,000
Government debt	2,227	2,516
Capital lease obligations	314	442
	11,841	12,958
Less amounts due within one year	(1,836)	(1,117)
Total long-term debt	$10,005	$11,841

On January 30, 1998, the Company entered into the Second Amended and Restated Credit Agreement, as subsequently amended, with PNC Bank, the "PNC Credit Agreement", for a $6,500,000 revolving credit facility through April 2001 (the "PNC Line") and a $15,000,000 seven-year term loan (the "PNC Term Loan"), secured by substantially all of the Company's assets. Borrowings under the PNC Term Loan were $10,000,000 through June 30, 1999 and scheduled quarterly principal payments commenced on September 30, 1999. Interest incurred from borrowings under the PNC Line and the PNC Term Loan is based on short-term market rates, which may be further adjusted based upon the Company maintaining certain financial ratios. The PNC Term Loan currently bears interest at a rate equal to the Euro-dollar rate plus 175 basis points. As a condition of the PNC Line and the PNC Term Loan, the Company is required to maintain certain levels of net worth, working capital and other financial ratios; to limit the amount of capital expenditures it may incur without PNC Bank's approval; and to restrict the payment of dividends.

The Company has several separate loan agreements with the Commonwealth of Pennsylvania's Department of Commerce aggregating $1,600,000 with terms ranging from seven to twenty years. In 1996 the Company entered into a ten-year loan agreement with the Redevelopment Authority of Allegheny County Economic Development Fund in the amount of $1,514,000. The loans bear interest at rates ranging from 5% to 6% per annum.

Scheduled maturities of long-term obligations for the next five years are as follows (dollars in thousands):

2000	1,836
2001	1,808
2002	1,807
2003	1,696
2004	1,633
Thereafter	3,061

Note 5: Retirement Plans

The Company has defined contribution retirement plans that cover substantially all employees. The Company's contributions to the hourly employee plan are based on time worked while contributions to the salaried plan are established as a fixed amount per month. Company contributions to both plans are funded at six-month intervals. The total expense for the years ended December 31, 1999, 1998 and 1997, was $284,000, $286,000 and $251,000, respectively.

No other post-retirement benefit plans exist.

Note 6: Income Taxes
Components of the provision for income taxes are as follows (dollars in thousands):

For the Years Ended December 31,	1999	1998	1997
Current provision:			
Federal	$ 512	$1,245	$3,113
State	56	47	369
	568	1,292	3,482
Deferred provision (benefit):			
Federal	457	1,416	682

State	(103)	150	68
	354	1,566	750
Provision for income taxes	$ 922	$2,858	$4,232

A reconciliation of the federal statutory tax rate and the Company's effective tax rate is as follows:

For the Years Ended December 31,	1999	1998	1997
Federal statutory tax	34.0%	34.0%	34.0%
State income taxes, net of federal benefit	(2.2)	2.3	2.7
Other, net	(1.3)	0.0	0.3
Effective tax rate	30.5%	36.3%	37.0%

Deferred taxes result from the following (dollars in thousands):

December 31,	1999	1998
Deferred tax assets:		
Receivables	$ 173	$ 173
Inventory	540	238
Organizational expenses	--	36
Net operating loss carry forwards	1,007	--
Accrued liabilities	132	145
	$1,852	$ 592
Deferred tax liabilities:		
Property, plant and equipment	$5,046	$3,431

Note 7: Stockholders' Equity

(Dollars in thousands)	Common Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Shares	Treasury Stock
Balance at December 31, 1996	6,283,734	$6	$25,451	$ 5,040	--	$ --
Common Stock Issuance under Employee Stock Purchase Plan	7,089		65			
Net income				7,206		
Balance at December 31, 1997	6,290,823	6	25,516	12,246	--	--
Common Stock Issuance under Employee Stock Purchase Plan	8,880		63			
Exercise of Stock Options	20,333		208			
Purchase of Treasury stock					75,000	(478)
Net income				5,004		
Balance at December 31, 1998	6,320,036	6	25,787	17,250	75,000	(478)
Common Stock Issuance under Employee Stock Purchase Plan	10,380		51			
Purchase of Treasury stock					182,900	(1,066)
Net income				2,103		
Balance at December 31, 1999	6,330,416	$6	$25,838	$19,353	257,900	$(1,544)

In connection with the 1994 initial public offering, the underwriters received warrants, which expired on December 14, 1999, to purchase 162,500 shares of the Company's Common Stock at an exercise price of $10.80 per share.

On October 19, 1998, the Company's Board of Directors implemented a stock repurchase program. Under the program, the Company may repurchase up to 315,000 shares, or approximately 5%, of the Company's Common Stock in open market transactions at market prices. At December 31, 1999, the Company is authorized to repurchase 57,100 shares of the Company's Common Stock.

The Company has 2,000,000 authorized shares of Senior Preferred Stock. At December 31, 1999 and 1998, there were no shares issued or outstanding.

Note 8: Basic and Diluted Earnings Per Share

The computation of basic and diluted earnings per share for the years ended December 31, 1999, 1998 and 1997 is performed as follows (dollars in thousands, except share amounts and per share amounts):

	1999		1998		1997	
	Income	Shares	Income	Shares	Income	Shares
Income available to common Stockholders	$2,103	6,110,911	$5,004	6,304,524	$7,206	6,285,531
Effect of dilutive securities		--		50,707		131,544
Income available to common Stockholders plus assumed conversion	$2,103	6,110,911	$5,004	6,355,231	$7,206	6,417,075
Basic earnings per share	$ 0.34		$ 0.79		$ 1.15	
Diluted earnings per share	$ 0.34		$ 0.79		$ 1.12	

Note 9: Stock Compensation Plans
At December 31, 1999, the Company has two stock-based compensation plans that are described below:

INCENTIVE COMPENSATION PLAN On September 23, 1994, the Company's Board of Directors adopted the Company's 1994 Stock Incentive Plan as amended (the "1994 Plan") for the purpose of issuing stock options to non-employee directors, other than those directors owning more than 5% of the Company's outstanding Common Stock, officers and other key employees of the Company who are expected to contribute to the Company's future growth and success. Under the 1994 Plan, the Company may grant options up to a maximum of 650,000 shares of Common Stock. Options granted to non-employee directors vest over a three-year period, and options granted to employees vest over a four-year period. All options under the 1994 Plan will expire no later than ten years after the grant date.

A summary of the 1994 Plan activity as of and for the years ended December 31, 1999, 1998 and 1997 is presented below:

	1999		1998		1997	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Fixed options						
Outstanding at beginning of year	488,500	$10.10	498,667	$ 9.97	335,500	$ 9.20
Granted	40,000	6.06	70,000	9.94	215,500	11.03
Exercised	--	--	(20,333)	8.85	--	--
Forfeited	(46,000)	9.90	(59,834)	9.21	(52,333)	9.36
Outstanding at end of year	482,500	$ 9.79	488,500	$10.10	498,667	$ 9.97
Options exercisable at year-end	364,165		281,232		177,751	
Weighted-average fair value of						

options granted during the year	$ 2.89	$ 6.52	$ 6.62

The following table summarizes information about stock options outstanding at December 31, 1999.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$6.06 to $12.25	482,500	7.0	$9.79	364,165	$10.17

EMPLOYEE STOCK PURCHASE PLAN Under the 1996 Employee Stock Purchase Plan, the Company is authorized to issue up to 90,000 shares of Common Stock to its full-time employees, nearly all of whom are eligible to participate. Under the terms of the plan, employees can choose as of January 1 and July 1 of each year to have up to 10% of their total earnings withheld to purchase shares of the Company's Common Stock. The purchase price of the stock is 85% of the lower of its beginning-of-the-period or end-of-the-period market prices. At December 31, 1999, the Company has issued 28,783 shares of Common Stock since the plan's inception.

The Company applies Accounting Principles Board Opinion 25 and related Interpretations in accounting for its stock-based compensation plans. Accordingly, no compensation cost has been recognized for its fixed stock option plan and its stock purchase plan. Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value of the awards at the grant dates in accordance with Financial Accounting Standards Board Statement 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (dollars in thousands, except per share amounts):

For the Years Ended December 31,	1999	1998	1997
Net income			
As reported	$2,103	$5,004	$7,206
Pro forma	$1,704	$4,673	$6,874
Basic earnings per share			
As reported	$ 0.34	$ 0.79	$ 1.15
Pro forma	$ 0.28	$ 0.74	$ 1.09

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants issued in 1999, 1998 and 1997 respectively; dividend yield of 0.0% for each year; interest rate of 6.0% for each year; expected volatility of 45.0%, 75.0% and 65.0%; and expected lives for options of five years.

CASH-INCENTIVE PLANS The Company has a management cash-incentive plan covering certain key executives and employees and profit-sharing plans that cover the remaining employees. The profit-sharing plans provide for the sharing of pre-tax profits in excess of specified amounts. For the years ended December 31, 1999, 1998 and 1997, the Company expensed $445,000, $1,246,000 and $1,679,000, respectively, under these plans.

Note 10: Commitments and Contingencies

The Company, as well as other steel companies, is subject to demanding environmental standards imposed by federal, state and local environmental laws and regulations. In connection with the 1994 acquisition of the Bridgeville facility assets from Armco, Armco agreed to retain responsibility for liabilities asserted against it under environmental laws with respect to environmental conditions existing at the Bridgeville facility prior to commencement of the Bridgeville Lease on August 15, 1994, and to indemnify the Company up to $6.0 million in the aggregate over ten years. Such indemnification expires on August 15, 2004.

In connection with the Company's June 2, 1995, agreement with Armco to purchase certain assets and a parcel of real property located at Titusville, Armco agreed to indemnify the Company up to $3.0 million in the aggregate for liabilities under environmental laws arising out of conditions on or under the Titusville property existing prior to June 2, 1995. Armco's obligation to indemnify the Company for any liabilities arising out of environmental conditions existing off-site as of June 2, 1995, is not subject to the $3.0 million limitation.

Management is not aware of any financial difficulties being experienced by AK Steel, as successor to Armco, that would prevent its performance under the acquisition agreements. In addition, management is not aware of any environmental conditions or the incurrence of other liabilities at the Bridgeville or Titusville facilities, for which Armco has agreed to indemnify the Company, nor of any material environmental condition requiring remediation and affecting the Company.

The Company maintains insurance for both property damage and business interruption applicable to its production facilities, including the universal rolling mill. In 1998, the Company settled its claim under its Boiler and Machinery policy related to the drive motor at the Bridgeville facility's universal rolling mill, which caused an approximately six-week production halt in 1995. After deducting all costs associated with the settlement, the Company received $750,000.

Note 11: Segment And Related Information

The Company is comprised of two operating locations, the Bridgeville facility and the Titusville facility, and one corporate headquarters. The nature of the products and services, production processes, customer type and distribution methods are generally similar for both operating locations. In addition, the assessment of performance and allocation of resources is performed by the chief operating decision maker at the corporate level rather than by operating location. As such, the Company operates as a single segment.

The following table presents net sales by product line (dollars in thousands):

	1999	1998	1997
Stainless steel	$55,255	$53,661	$60,700
Tool steel	6,055	7,548	10,467
High-temperature alloy steel	2,124	4,387	2,636
Conversion services	1,807	3,690	4,834
Other	1,422	3,309	2,664
Total net sales	$66,663	$72,595	$81,301

Net sales from the Company's largest customer and its affiliates, which were generated from the Bridgeville Operations, approximated 48%, 35% and 44% of total 1999, 1998 and 1997 sales, respectively. The accounts receivable balances from the same customer comprised approximately 41% and 9% of total accounts receivable at December 31, 1999 and 1998, respectively.

The Company derives less than 10% of its revenues from markets outside of the United States and the Company has no assets located outside the United States.

Note 12: Quarterly Financial Data (unaudited)
(Dollars in thousands, except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1999 Data				
Net sales	$14,488	$15,485	$16,110	$20,580
Gross profit	1,527	1,545	1,900	3,058
Operating income	513	575	893	1,750
Net income	231	249	455	1,168
Earnings per common share				
Basic	$ 0.04	$ 0.04	$ 0.07	$ 0.19
Diluted	$ 0.04	$ 0.04	$ 0.07	$ 0.19
1998 Data				
Net sales	$22,349	$21,163	$15,977	$13,106
Gross profit	3,882	3,831	2,836	1,951
Operating income	2,742	2,495	1,687	642
Net income	1,811	1,535	982	676
Earnings per common share				
Basic (a)	$ 0.29	$ 0.24	$ 0.16	$ 0.11
Diluted	$ 0.28	$ 0.24	$ 0.16	$ 0.11

(a) Earnings per share for the year is less than the sum of the quarterly earnings per share due to the change in shares each quarter.

Price Range of Common Stock

The Common Stock is listed on the Nasdaq National Market under the symbol "USAP." The following table sets forth the range of high and low sale prices per share of Common Stock, for the periods indicated below:

	High	Low
Year 1999		
First quarter	$ 7 3/8	$ 5 3/4
Second quarter	$ 6 1/4	$ 5 3/8
Third quarter	$ 6 1/4	$ 4 3/4
Fourth quarter	$ 6 3/4	$ 3 1/4
Year 1998		
First quarter	$14 3/8	$11 7/16
Second quarter	$14	$ 9
Third quarter	$10 1/2	$ 5 3/16
Fourth quarter	$ 7 1/2	$ 4 1/4

The Company has never paid a cash dividend on its Common Stock and currently has no plans to pay dividends in the foreseeable future. The PNC Credit Agreement contains restrictions on the Company's ability to pay dividends on Common Stock.

Five-Year Summary

For the Years Ended December 31,	1999	1998	1997	1996	1995
(Dollars in thousands, except per share amounts)					
Summary of Operations					
Net sales	$ 66,663	$ 72,595	$ 81,301	$ 60,258	$ 46,992
Operating income	3,731	7,566	11,574	7,531	3,202
Net income	2,103	5,004	7,206	4,793	2,723
Financial Position at Year-End					
Working capital	$ 20,800	$ 21,829	$ 20,086	$ 15,981	$ 19,283
Total assets	68,179	64,450	56,151	42,098	32,437
Total debt	11,841	12,958	5,779	2,794	535
Stockholders' equity	43,653	42,565	37,768	30,497	25,591
Common Share Data					
Net income--basic	$ 0.34	$ 0.79	$ 1.15	$ 0.76	$ 0.57
Net income--diluted	0.34	0.79	1.12	0.76	0.57
Stockholders' equity	7.19	6.82	6.00	4.85	4.08
Other Data					
EBITDA (a)	$ 5,844	$ 8,960	$ 12,741	$ 8,226	$ 3,601
Capital expenditures	3,366	12,146	8,145	11,409	3,039
Depreciation and amortization	2,101	1,516	1,109	541	304
Return on stockholders' equity	4.8%	11.8%	19.1%	15.7%	10.6%
Debt to total capitalization	21.3	23.3	13.3	8.4	2.1
Employees	277	280	270	208	172
Customers	235	200	167	136	77
Average Shares Outstanding (in thousands)					
Basic	6,111	6,305	6,286	6,271	4,745
Diluted	6,111	6,355	6,417	6,293	4,780

(a) Represents earnings before special charges, interest expense, income taxes and depreciation and amortization.

Forward-Looking Information Safe Harbor

This Annual Report contains historical information and forward-looking statements. Statements looking forward in time, including statements regarding future growth, cost savings, expanded production capacity, broader product lines, greater capacity to meet customer quality reliability, price and delivery needs, enhanced competitive posture, and Year 2000 compliance, are included in this Annual Report pursuant to the "safe harbor" provision of the Private Securities Litigation Reform Act of 1995. They involve known and unknown risks and uncertainties that may cause the Company's actual results in future periods to be materially different from any future performance suggested herein. Further, the Company operates in an industry sector where securities values may be volatile and may be influenced by economic and other factors beyond the Company's control. In the context of the forward-looking information provided in this Annual Report, please refer to the discussions of risk factors detailed in, as well as the other information contained in, this Annual Report and the Company's filings with the Securities and Exchange Commission during the past 12 months.

Directors, Officers and Management

DIRECTORS

Douglas M. Dunn
Dean of Graduate School
of Industrial Administration
Carnegie Mellon University

George F. Keane
Chairman of the Board
Trigen Energy Corporation

Clarence M. McAninch
President and
Chief Executive Officer
Universal Stainless &
Alloy Products, Inc.

Udi Toledano

President
Andromeda Enterprises, Inc.

D. Leonard Wise
Former President and
Chief Executive Officer
Carolina Steel Corporation

OFFICERS

Clarence M. McAninch
President and
Chief Executive Officer

A. Bruce Kennedy
Vice President, Operations

Richard M. Ubinger
Chief Financial Officer and Treasurer

Paul A. McGrath
Director, Employee Relations,
General Counsel and Secretary

MANAGEMENT

Richard A. Dragoo
Director, Purchasing

Keith A. Engleka
Director, Technology

David M. Blanchard
Manager, PRP Division

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statement on Form S-3 (No. 33-98534) and the Registration Statements on Forms S-8 (No. 333-13599, No. 333-13509 and No. 333-13511) of Universal Stainless & Alloy Products, Inc. of our report dated January 21, 2000, relating to the financial statements, which appears in the Annual Report to Stockholders, which is incorporated in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
March 30, 2000

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