

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Quarterly Period Ended March 31, 1997

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

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

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

25-1724540  
(IRS Employer  
Identification No.)

600 Mayer Street  
Bridgeville, PA 15017  
(Address of principal executive offices, including zip code)

(412) 257-7600  
(Telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes    /X/                                  No    /  /

As of March 31, 1997, there were 6,283,734 shares of the  
Registrant's Common Stock, \$.001 par value, outstanding.

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UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

This Quarterly Report on Form 10-Q contains historical information and forward-looking statements. Statements looking forward in time are included in this Form 10-Q pursuant to the "safe harbor" provisions 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 to differ from future performance suggested herein. In the context of forward-looking information provided in this Form 10-Q and in other reports, please refer to the discussion of risk factors detailed in, as well as the other information contained in, the Company's filings with the Securities and Exchange Commission during the past 12 months.

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Part I.	Financial Information
Item 1.	Financial Statements.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS  
(Dollars in Thousands, except per share information)  
(Unaudited)

	For the Three-month period ended March 31,	
	1997 ----	1996 ----
Net sales	\$ 18,771	\$ 12,609
Cost of products sold	15,059	10,644
	-----	-----
Gross profit	3,712	1,965
Selling and administrative expenses	1,141	1,003
	-----	-----
Operating income	2,571	962
Interest and other income	41	105
Interest and other financing costs	(55)	(24)
	-----	-----
Income before taxes	2,557	1,043
Income taxes	946	396
	-----	-----
Net income	\$ 1,611	\$ 647
	=====	=====
Net income per share of Common Stock	\$ 0.26	\$ 0.10
	=====	=====
Weighted average number of shares of Common Stock outstanding	6,283,734	6,270,000

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

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UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.  
CONSOLIDATED CONDENSED BALANCE SHEETS  
(Dollars in Thousands)

	March 31, 1997 ----	December 31, 1996 ----
ASSETS	(Unaudited)	
Current assets		
Cash and cash equivalents	\$ 1,537	\$ 4,219
Accounts receivable (less allowance for doubtful accounts of \$253 and \$238)	13,915	9,409
Inventory (Note 2)	12,765	9,784
Prepaid Expenses	584	629
	-----	-----
Total current assets	28,801	24,041
	-----	-----
Property, plant and equipment	20,021	18,545
Accumulated depreciation	(939)	(735)
	-----	-----
Net property, plant and equipment	19,082	17,810
	-----	-----
Other assets	239	247
	-----	-----
Total assets	\$ 48,122	\$ 42,098
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade accounts payable	\$ 8,072	\$ 5,415
Bank overdrafts	1,224	442
Current portion of long-term debt	264	260
Accrued employment costs	1,605	1,403
Other current liabilities	1,240	540
	-----	-----
Total current liabilities	12,405	8,060
Long-term debt	2,466	2,534
Deferred taxes	1,143	1,007
	-----	-----
Total liabilities	16,014	11,601
	-----	-----
Commitments and contingencies (Note 3)	--	--
Stockholders' equity		
Senior Preferred Stock, par value \$.001 per share; liquidation value \$100 per share; 2,000,000 shares authorized; and 0 shares issued and outstanding	--	--
Common Stock, par value \$.001 per share; 10,000,000 shares authorized; 6,283,734 shares issued and outstanding	6	6
Additional paid-in capital	25,451	25,451
Retained earnings	6,651	5,040
	-----	-----
Total stockholder's equity	32,108	30,497
	-----	-----
Total liabilities and stockholders' equity	\$ 48,122	\$ 42,098
	=====	=====

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

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UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
(Dollars in Thousands)  
(Unaudited)

For the

Three-month period ended  
March 31,  
1997                      1996  
-----                      -----

Cash flows from preoperating and operating activities:		
Net income	\$1,611	\$647
Adjustments to reconcile to net cash used by operating activities:		
Depreciation and amortization	218	103
Deferred taxes	136	-
Changes in assets and liabilities:		
Accounts receivable, net	(4,506)	(2,086)
Inventory	(2,981)	(2,770)
Accounts payable and bank overdrafts	3,439	2,503
Other, net	946	60
Net cash used by operating activities	----- (1,137)	----- (1,541)
Cash flows from investing activities:		
Capital expenditures	(1,477)	(2,072)
Net cash used by investing activities	----- (1,477)	----- (2,072)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	-	400
Long-term debt repayment	(64)	(18)
Deferred financing costs	(4)	(12)
Net cash provided by financing activities	----- (68)	----- 368
Net decrease in cash	(2,682)	(3,245)
Cash at beginning of period	4,219	10,038
Cash at end of period	=====	=====
Supplemental disclosure of cash flow information:		
Interest paid	\$42	\$9
Income taxes paid	\$737	\$313

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

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.  
NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

- 1) Universal Stainless & Alloy Products, Inc. (the "Company"), was incorporated in 1994 for the principal purpose of acquiring substantially all of the idled equipment and related assets located at the Bridgeville, Pennsylvania, production facility of Armco, Inc. in August 1994.

The accompanying unaudited, consolidated condensed financial statements as of and for the quarters ended March 31, 1997 and 1996 have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, these statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 1996. In the opinion of management, the accompanying unaudited, consolidated financial statements contain all adjustments, all of which were of a normal recurring nature, necessary to present fairly, in all material respects, the consolidated results of operations and of cash flows for the three-month period ended March 31, 1997 and 1996, and are not necessarily indicative of the results to be expected for the full year.

- 2) The major classes of inventory are as follows (dollars in thousands):

	March 31, 1997 ----	December 31, 1997 ----
Raw materials and supplies	\$2,762	\$1,715
Semi-finished steel products	8,243	6,205
Operating materials	1,760	1,864
Total Inventory	----- \$12,765 =====	----- \$9,784 =====

- 3) The Company has reviewed the status of its environmental contingencies and believes there are no material changes from that disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 1996.

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Item 2. Management's Discussion and Analysis  
of Financial Condition and Results of Operations.

Results of Operations

THREE-MONTH PERIOD ENDED MARCH 31, 1997 AS COMPARED TO THE SIMILAR PERIOD  
IN 1996

The Company had net income of \$1,611,000 or \$0.26 per share of Common Stock for the three-month period ended March 31, 1997, as compared to net income of \$894,000 or \$0.10 per share of Common Stock for the three-month period ended March 31, 1996.

Net sales by product line and cost of products sold were as follows (dollars in thousands):

	For the Three-Month Period Ended March 31			
	1997		1996	
	Amount	%	Amount	%
Net sales				
Stainless steel	\$ 14,723	78.4%	\$ 9,471	75.1%
Tool steel	2,041	10.9%	1,981	15.7%
Conversion services	1,142	6.1%	733	5.8%
Other	865	4.6%	424	3.4%
Total net sales	\$ 18,771	100.0%	\$ 12,609	100.0%
Cost of products sold				
Raw materials	7,683	40.9%	5,287	41.9%
Other	7,376	39.3%	5,357	42.5%
Total cost of products sold	15,059	80.2%	10,644	84.4%
Gross profit	\$ 3,712	19.8%	\$ 1,965	15.6%

The increase in net sales for the three-month period ended March 31, 1997 as compared to the similar period in 1996 reflects increased shipments, primarily within the reroller and forger market segments, partially offset by continued soft pricing of stainless steel products due to imports.

Cost of products sold, as a percent of net sales, was 80.2% and 84.4% for the three-month periods ended March 31, 1997 and 1996, respectively. This improvement is primarily due to improved manufacturing yields and cost savings achieved through capital improvements completed in 1996. First quarter 1996 results were adversely affected by lower than expected manufacturing yields experienced on production of both tool steel and forging billets.

Selling and administrative expenses increased from \$1,003,000 in the three-month period ended March 31, 1996 to \$1,141,000 in the three-month period ended March 31, 1997. The increase primarily relates to the addition of personnel as a result of the continued growth of the business.

Interest and other income decreased from \$105,000 in the three-month period ended March 31, 1996 to \$41,000 in the three-month period ended March 31, 1997 due to a decrease in cash available for investing purposes. The available cash is directly related to the sale of 1,700,000 shares of Common Stock in a public offering completed in November 1995. Interest and other financing costs increased from \$24,000 in the three-month period ended March 31, 1996 to \$55,000 in the same period of 1997 due to increased borrowings under several low-interest government loan programs.

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The effective income tax rate utilized in the three-month periods ended March 31, 1997 and 1996 was 37.0% and 38.0%, respectively. The lower effective income tax rate in the 1997 period reflects a lower effective state tax rate, net of the federal benefit, and is consistent with the ultimate effective income tax rate utilized for the year ended December 31, 1996.

#### Financial Condition

The Company financed its activities during the first quarter of 1997 through cash flows from operations and cash on hand at the beginning of the period. The ratio of current assets to current liabilities decreased from 3.0:1 at December 31, 1996 to 2.3:1 at March 31, 1997 primarily due to the funding of capital expenditures during the three-month period ended March 31, 1997. The debt to capitalization ratio was 8% at March 31, 1997 and at December 31, 1996. Accounts receivable, net increased by \$4.5 million for the three-month period ended March 31, 1997 as compared to an increase of \$2.1 million for the three-month period ended March 31, 1996. Inventory increased by \$3.0 million for the three-month period ended March 31, 1997 as compared to an increase of \$2.8 million for the three-month period ended March 31, 1996. Accounts payable and bank overdrafts increased by \$3.4 million for the three-month period ended March 31, 1997 as compared to an increase of \$2.5 million for the three-month period ended March 31, 1996. Each of these increases can be primarily attributed to the continued growth of the business. The Company's capital expenditures approximated \$1.5 million for the three-month period ended March 31, 1997, which primarily related to the completion of the 1995-96 capital expenditures program. At March 31, 1997, the Company has outstanding purchase commitments in addition to the expenditures incurred to date of approximately \$1.9 million. These expenditures are expected to be funded substantially from internally generated funds. In April 1997, the Company executed loan documents in connection with the issuance of a \$500,000 loan from the Commonwealth of Pennsylvania's Machinery and Equipment Loan Fund. On May 1, 1997, the Company extended its \$6.5 million Working Capital Agreement with PNC Bank to April 2000. In addition, the amendment reduced the annual interest rate charged on the unpaid principal balance from PNC Bank's prime rate plus 0.25% to PNC Bank's prime rate. The annual interest rate may be further reduced based on the Company maintaining certain financial ratios.

#### 1997 Outlook

Increased shipments in the three-month period ended March 31, 1997 are primarily attributed to increased demand from the aerospace sector and new product introductions, which are expected to continue throughout 1997. The cost savings associated with the Company's capital expenditure program has met or exceeded management's expectations to date. In light of these factors, the Company expects 1997 results to be greater than those achieved in 1996.

#### New Accounting Pronouncements

In February 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 128, "Earnings per Share", which establishes standards for computing and presenting earnings per share information for periods ending after December 15, 1997. The Company does not believe that the adoption of this statement will materially affect its earnings per share disclosures except for the required presentation of diluted earnings per share.

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## Part II. Other Information

## Item 1. Legal Proceedings.

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

## Item 2. Changes in Securities.

None.

## Item 3. Defaults upon Senior Securities.

None.

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

None.

## Item 5. Other Information.

Not applicable.

## Item 6. Exhibits and Reports on Form 8-K.

## (a) Exhibits.

## Exhibit No.

- |      |   |
|------|---|
| 10.1 | First Amendment to Amended and Restated Credit Agreement, dated as of May 1, 1997, by and between the Company and PNC Bank, National Association. |
| 10.2 | Working Cash, Line of Credit, Investment Sweep Agreement, dated as of May 1, 1997, by and between the Company and PNC Bank, National Association. |
| 10.3 | Working Cash Trust Agreement, dated as of May 1, 1997, by and between the Company and PNC Bank, National Association.                             |
| 27.1 | Financial Data Schedule.  |

## (b) The following reports on Form 8-K were filed during the first quarter of 1997:

None.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

Date: May 13, 1997

/s/ Clarence M. McAninch

-----  
Clarence M. McAninch



FIRST AMENDMENT TO  
AMENDED AND RESTATED CREDIT AGREEMENT

Between

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

as the Borrower

and

PNC BANK, NATIONAL ASSOCIATION

as the Bank

Dated as of

May 1, 1997

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FIRST AMENDMENT TO  
AMENDED AND RESTATED CREDIT AGREEMENT

THIS FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (the "First Amendment") made as of May 1, 1997 to that certain Amended and Restated Credit Agreement dated as of January 31, 1996 (the Amended and Restated Credit Agreement together with the exhibits and schedules thereto, the "Existing Agreement") by and between UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC., a corporation organized and existing under the laws of the State of Delaware (the "Borrower") and PNC BANK, NATIONAL ASSOCIATION (the "Bank").

WITNESSETH:

WHEREAS, the Borrower and the Bank entered into the Existing Agreement pursuant to which the Bank made certain financial accommodations available to the Borrower including a Revolving Credit Commitment facility in an aggregate principal amount not to exceed \$6,500,000;

WHEREAS, the Borrower has requested that the Bank, and the Bank is willing upon the following terms and conditions, to modify the Existing Agreement; and

WHEREAS, the Borrower and the Bank desire to amend the Existing Agreement as set forth herein.

NOW THEREFORE, in consideration of the mutual premises contained herein and other good and valuable consideration, the Borrower and the Bank with the intent to be legally bound hereby, agree that the Existing Agreement shall be amended as follows:

ARTICLE I

AMENDMENTS TO EXISTING AGREEMENT

Section 1.01. Additional Definitions. Section 1.1 from and

after the First Amendment Effective Date is hereby amended such that the following definition shall be added thereto in the appropriate alphabetical order:

Account: As used in each Loan Document except the Working Cash Sweep Agreement and the Trust Agreement, an account, as that term is defined in the Uniform Commercial Code, due the Borrower, whether now in existence or hereafter created or

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acquired, and as used in the Working Cash Sweep Agreement and the Trust Agreement, the account defined in this Agreement as the Parent Account.

Agreement: As used in each Loan Document except the Working Cash Sweep Agreement and the Trust Agreement, this Amended and Restated Credit Agreement, all exhibits and schedules hereto and all extensions, renewals, amendments, substitutions and replacements hereof and hereto; and when this Agreement is referred to in the Working Cash Sweep Agreement and the Trust Agreement shall be referred to as the "Line of Credit Agreement".

Applicable Margin: The percentage (expressed in basis points) determined from time to time based upon the ratio of the Borrower's Consolidated Total Liabilities to the Borrower's Consolidated Tangible Net Worth set forth under the relevant column heading below.

Ratio of Consolidated Total Liabilities to Consolidated Tangible Net Worth	Applicable Margin
Less than .5:1.0	100 basis points
Greater than or equal to .5:1.0 but less than .75:1.0	50 basis points
Greater than or equal to .75:1.0 but less than 1.0:1.0	0 basis points

Credit: A Credit as defined in the Working Cash Sweep Agreement.

Customer: The Borrower in its capacity as the customer under the Working Cash Sweep Agreement.

Customer's Trust: The trust created pursuant to the Working Cash Sweep Agreement.

DDA: Each checking account now or hereafter identified on the Schedule to the Working Cash Sweep Agreement.

Debit: As defined in the Working Cash Sweep Agreement.

Federal Funds Effective Rate: For any day shall mean the rate per annum (based on a year of 360 days and actual days elapsed and rounded upward to the nearest 1/100 of 1%) announced by the Federal Reserve Bank of New York (or any successor) on such day as being weighted average of the rates on overnight federal funds transactions

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arranged by federal funds brokers on the previous trading day, as computed and announced by such Federal Reserve Bank (or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the "Federal Funds Effective Rate" as of the date of

this Agreement; provided, if such Federal Reserve Bank (or its successor) does not announce such rate on any day, the "Federal Funds Effective Rate" for such day shall be the Federal Funds Effective Rate for the last day on which such rate was announced.

First Amendment: The First Amendment to Amended and Restated Credit Agreement dated as of May 1, 1997 by and between the Borrower and the Bank.

First Amendment Effective Date shall mean May 1, 1997.

Grantor: The Borrower in its capacity as Grantor under the Trust Agreement.

Ineligible Securities: Any security which may not be underwritten or dealt in by member banks of the Federal Reserve System under Section 16 of the Bank Act of 1933 (12 U.S.C. Section 24, Seventh), as amended.

Net Credit: As defined in the Working Cash Sweep Agreement.

Net Debit: As defined in the Working Cash Sweep Agreement.

Parent Account: The parent account as so designated in the Working Cash Sweep Agreement and referred to in the Working Cash Sweep Agreement and Trust Agreement as the Account.

Section 20 Subsidiary: The Subsidiary of the bank holding company controlling the Bank, which Subsidiary has been granted authority by the Federal Reserve Board to underwrite and deal in certain Ineligible Securities.

Target Balance: As defined in the Working Cash Sweep Agreement.

Transfer Difference: As defined in the Working Cash Sweep Agreement.

Trust Agreement: The Working Cash(R) Trust Agreement dated as of the First Amendment Effective Date by and between the Grantor and the Trustee and all extensions, renewals, amendments, substitutions and replacements thereto and thereof.

Trustee: PNC Bank, National Association in its capacity as trustee under the Trust Agreement.

Working Cash Agreements: This Agreement, the Working Cash Sweep Agreement and the Trust Agreement.

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Working Cash Sweep Agreement: The Working Cash(R), Line of Credit, Investment Sweep Agreement dated as of the First Amendment Effective Date by and between the Borrower as the Customer and the Bank and all extensions, renewals, amendments, substitutions and replacements thereto and thereof.

Section 1.02. Amended and Restated Definitions. Section 1.1 from and after the First Amendment Effective Date is hereby amended such that the following definitions shall be amended and restated in their entirety.

Base Rate: A fluctuating rate of interest per annum equal to the greater of (i) the Prime Rate or (ii) the sum of (A) the Federal Funds Effective Rate plus (B) 1/2 of one percent per annum.

Business Day: A day other than a Saturday or Sunday on which the Bank and the Trustee are open for Business.

Collateral: Collectively, all of the property (whether real, personal or mixed, and whether tangible or intangible), rights, titles and interests subject to any Encumbrance in favor of the Bank pursuant to this

Agreement or any other Loan Document, including but not limited to the cash and other assets held by the Bank in the Lockbox Account, each DDA, the Parent Account and each other bank account maintained by the Bank in order to implement the Working Cash Agreements.

Fee: Any of the fees payable or to be payable by the Borrower to the Bank or the Trustee pursuant to any of the Loan Documents including but not limited to the Commitment Fee, or any Letter of Credit Fee.

Letter of Credit: Any letter of credit issued by the Bank pursuant to any application for letter of credit and/or any Reimbursement Agreement.

Letter of Credit Fee: Any fee due the Bank for the issuance of or processing of a Letter of Credit or a draw thereunder.

Loan Document: Any of this Agreement, the Note, any Security Document, any Letter of Credit, any application for Letter of Credit, any Reimbursement Agreement, any Lockbox Agreement, the Working Cash Sweep Agreement, the Trust Agreement, any other cash management agreement and all other documents and instruments executed and delivered from time to time to govern, evidence or secure the Obligations, and the exhibits, schedules, statements, reports, certificates and other documents required by, or related to, any of the foregoing, and all extensions, renewals, amendments, substitutions and replacements thereto and thereof.

Lockbox Account: A U.S. Postal Service lockbox in the Borrower's name over which, pursuant to the Lockbox Agreement, the Bank has dominion and control to the

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exclusion of the Borrower or other Persons acting by or through the Borrower, and the related account into which the proceeds of the items received in the Lockbox Account are processed, which may be a DDA.

Obligations: Collectively, (i) all unpaid principal and accrued and unpaid interest under the Loans, (ii) all accrued and unpaid Fees hereunder or under any of the other Loan Documents, (iii) all obligations (contingent or matured) due the Bank pursuant to draws on Letters of Credit, (iv) any other amounts due hereunder or under any of the other Loan Documents, including all reimbursements, indemnities, Fees, costs, expenses, prepayment premiums, and other obligations of the Borrower or any Subsidiary to the Bank, the Trustee or any indemnified party hereunder and thereunder, (v) all other existing and future obligations of the Borrower or any Subsidiary to the Bank for the payment of money under any other agreement or instrument between the Borrower or any Subsidiary and the Bank or among the Borrower or any Subsidiary, the Bank and any other Person, and (vi) all reasonable out-of-pocket costs and reasonable expenses incurred by the Bank in connection with this Agreement and the other Loan Documents, including but not limited to the reasonable fees and expenses of the Bank's counsel.

Outstanding Revolving Credit Amount: The sum of the aggregate principal amount of outstanding Loans.

Reimbursement Agreement: Any agreement relating to a Letter of Credit issued by the Bank for the account of the Borrower or an Affiliate pursuant to which the Borrower agrees to reimburse the bank for any draw against such letter of credit.

Revolving Credit Commitment: The obligation of the Bank to make available to the Borrower an amount which does not exceed \$6,500,000 at any one time outstanding.

Revolving Credit Termination Date: Initially, April 30, 2000, as such date may be extended upon the terms and conditions set forth in Section 2.1f, or if any such day is not a Business Day, the Business Day next preceding such date.

Subsidiary: (i) Any corporation or trust of which 50% or more

(by number of shares or number of votes) of the outstanding capital stock or shares of beneficial interest normally entitled to vote for the election of one or more directors or trustees (regardless of any contingency which does or may suspend or dilute the voting rights) is at such time owned directly or indirectly by another Person or one or more of such other Person's subsidiaries, (ii) any partnership of which such other Person is a general partner or of which 50% or more of the partnership interests is at the time directly or indirectly owned by such other Person or one or more of such other Person's Subsidiaries, (iii) any limited liability company of which such Person is a member or of which 50% or more of the limited liability company interests is at the time directly or indirectly owned by such other Person or one or more of such other Person's Subsidiaries or (iv) any corporation, trust, partnership, limited

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liability company or other entity which is controlled or capable of being controlled by such other Person or one or more of such other Person's Subsidiaries.

Section 1.03. Deleted Definitions. From and after the First Amendment Effective Date Section 1.1 is amended by deleting the following defined terms and their related definitions:

- Borrowing Base
- Borrowing Base Certificate
- Cash Collateral Account
- Controlled Disbursement Account
- Controlled Disbursement Account Agreement
- Federal Funds Rate
- Qualified Account
- Qualified Inventory

Section 1.04. Revision of Revolving Credit Commitment. From and after the First Amendment Effective Date Section 2.1 is amended and restated in its entirety to read as follows:

2.1 Revolving Credit Commitment.

2.1a Loans. The Bank agrees, subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, that the Borrower shall have the right to borrow, repay and reborrow, from the date hereof until the Revolving Credit Termination Date, an aggregate principal amount shall not exceed \$6,500,000 in the aggregate at any one time outstanding.

2.1b Mandatory and Voluntary Reductions of Revolving Credit Commitment.

(i) DELETED

(ii) Asset Sales. Subject to the provisions of Section 6.8 hereof, upon the sale or disposition in one or a series of transactions of the Borrower's assets which yields Net Cash Proceeds in excess of \$250,000 per annum, the Borrower shall make a mandatory payment of the outstanding Loans in an amount equal to the Net Cash Proceeds in excess of \$250,000 relating to any such sale or disposition, and at the Bank's option, the Revolving Credit Commitment shall be permanently reduced by such amount, and, if so reduced, the portion of the Revolving Credit Commitment so terminated shall no longer be available for borrowing.

(iii) Voluntary Reductions. Upon at least ten Business Days' prior written notice to the Bank, the Borrower may from time to time permanently reduce the Revolving Credit Commitment, and, to the extent of such reduction, the portion of the Revolving Credit

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Commitment shall no longer be available for borrowing. Simultaneously with any such voluntary permanent reduction, the Borrower shall make a payment of the outstanding Loans equal to the excess, if any, of (A) the Outstanding Revolving Credit Amount over (B) the Revolving Credit Commitment, as so reduced. Each such reduction shall be in a minimum principal amount of \$500,000 or, if in excess of \$500,000, in integral multiples of \$250,000. Notice of a reduction, once given, shall be irrevocable.

(iv) Application of Payments. Any and all Revolving Credit Commitment reductions or mandatory or voluntary prepayments made pursuant to any particular item of this Section 2.1b shall be made in addition to, and not in lieu of, any and all Revolving Credit Commitment reductions and mandatory and voluntary prepayments required to be made pursuant to any other item of this Section 2.1b. All such mandatory and voluntary prepayments shall be accompanied by all accrued and unpaid interest thereon, and all amounts due pursuant to Section 2.4, if any.

2.1c Advance Procedures. In the event that the assets transferred into the Parent Account from the Customer's Trust under the Working Cash Sweep Agreement are insufficient to cover the Net Debit, the Bank shall on behalf of the Borrower advance an amount equal to the lesser of (i) the remaining amount of the Net Debit or (ii) the Revolving Credit Commitment.

2.1d Payment Terms. Any Credit in the Parent Account shall, to the extent available at the end of any Business Day, be automatically applied to the repayment of the outstanding balance of the Loans. In addition, the outstanding principal balance of the Loans and any accrued and unpaid interest thereon shall be due and payable on the Revolving Credit Termination Date. If any payment hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing interest with such payment. Borrower hereby authorizes the Bank to charge the Parent Account or any deposit account maintained by the Borrower, individually or jointly with others with the Bank for any payment when due hereunder. Payments received will be applied to charges, fees, expenses, accrued interest and principal in any order the Bank may choose in its sole discretion.

2.1e Note. The obligation of the Borrower to repay on or before the Revolving Credit Termination Date the aggregate unpaid principal amount of all Loans shall be evidenced by the Note substantially in the form of Exhibit "B" attached hereto, executed by the Borrower and delivered to the Bank.

2.1f Extension of Revolving Credit Termination Date. The provisions of Section 2.1 shall be in effect until, and all Obligations relating to the Revolving Credit Commitment shall be due and payable on, the Revolving Credit Termination Date, unless terminated earlier, as provided in Section 8.2. The Borrower in March of 1998 and in each subsequent month of March during the term of the Revolving Credit Commitment (whether the original term or any extended term as provided hereby) when the remaining term of the Revolving

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Credit Commitment is approximately twenty-six (26) months, may request, by written notice executed by an Authorized Officer and delivered to the Bank, an extension or further extension of the Revolving Credit Commitment and a corresponding alteration of the Revolving Credit Commitment. The Bank shall inform the Borrower not later than the last Business Day in April in each year the request is made whether or not such extension has been agreed to. If the Bank does not respond to any such request within the specified time period, such request, in the absence of a written agreement between the Bank and the Borrower to the contrary, shall be deemed to be denied.

2.1g Lockbox.

(i) Lockbox Account. On or prior to the Closing Date, the Bank and the Borrower shall enter into a Lockbox Agreement in the form of Exhibit "C" hereto. The Borrower shall notify all Account Debtors to make payment directly to the Lockbox Account. All notifications to Account Debtors shall contain such instructions regarding the address and account number of the Lockbox Account as

may be specified by the Bank to the Borrower from time to time, and shall otherwise be satisfactory to the Bank. The Bank may also instruct Account Debtors to make payment to the Lockbox Account at any time. The Bank, pursuant to the term of the Lockbox Agreement, shall process all items received in the lockbox and deposit the proceeds of the Lockbox Account into a DDA.

(ii) Other Bank Accounts. The Borrower agrees that it shall not maintain any other depository accounts in which cash or proceeds of Collateral could be deposited, except for those accounts meeting the requirements of this item (ii). Pursuant to an agreement satisfactory in form and substance to the Bank, each bank or other financial institution at which such an account is maintained by the Borrower shall acknowledge that the Bank has a security interest in and to such account maintained with it, and shall agree that, either on a daily basis or upon receipt of instructions from the Bank, it will cause all collected funds in such account (except for any required minimum balances) to be deposited in a DDA by wire transfer.

2.1h Termination of Working Cash Sweep Agreement. The Working Cash Sweep Agreement may be terminated by the Borrower or the Bank on thirty (30) days' prior written notice from the Person terminating the Working Cash Sweep Agreement to the other party thereto. During such thirty (30) day period the Bank and the Borrower shall attempt to agree on an alternative mechanism for funding Loans under this Agreement. Failure of the Borrower and the Bank to agree on an alternative funding mechanism shall constitute an Event of Default hereunder at the end of such thirty (30) day period.

Section 1.05. Deletion of Letter of Credit Facility. From and after the First Amendment Effective Date Section 2.2 shall be deleted in its entirety without there being a renumbering of the remaining Sections of Article II.

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Section 1.06. Revision of Interest Provisions. From and after the First Amendment Effective Date Section 2.3 shall be amended and restated in its entirety to read as follows:

2.3 Interest.

2.3a Interest Rate. During the term hereof, all amounts outstanding hereunder shall bear interest at a rate per annum equal to the sum of (i) the Base Rate less (ii) the Applicable Margin.

2.3b Adjustments to Interest Rates.

(i) Changes in Applicable Margin. The Applicable Margin shall be adjusted as of the first day of each Fiscal Quarter based upon the ratio of the Borrower's Consolidated Total Liabilities to the Borrower's Consolidated Tangible Net Worth as shown in the Compliance Certificate for the immediately preceding Fiscal Quarter.

(ii) Changes in Prime Rate or Federal Funds Effective Rate. The Base Rate shall be adjusted from time to time, without notice to the Borrower, as necessary to reflect any changes in the Prime Rate or in the Federal Effective Funds Rate, as applicable, which adjustments shall be automatically effective on the day of any such change.

(iii) Event of Default. Upon the occurrence of and during the continuance of an Event of Default, the outstanding principal amount of the Loans shall bear interest from the date of such occurrence at a rate per annum which is equal to 2% (200 basis points) in excess of the rate or rates which would then otherwise be in effect pursuant to this Section 2.3 with respect to such Loans.

2.3c Interest Payment and Dates of Payment. Interest will be due and payable on or about the last date of each month and will be charged to the Parent Account or another account created by the Bank to implement the Working Cash Agreements. In the event that there is insufficient Credit in the Parent Account or such other account to pay interest, the Bank will advance funds on

behalf of the Borrower as provided by Subsection 2.1c hereof to the extent the Borrower has availability under the Revolving Credit Commitment. If not paid by one of the two foregoing alternates interest will be immediately due and payable by the Borrower. The foregoing notwithstanding, automatic payments of interest pursuant to this Subsection 2.3c shall be based exclusively on the Prime Rate less the Applicable Margin. In the event that the sum of Federal Funds Effective Rate plus fifty (50) basis points is, for any period during any month, greater than the Prime Rate a separate billing for additional interest due shall be sent to the Borrower. Such additional interest shall be due and payable within ten (10) days.

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2.3d Method of Calculation. The interest rate shall be calculated on the basis of the actual number of days elapsed, using a year of 360 days. Interest for any period shall be calculated from and including the first day thereof to but not including the last day thereof.

Section 1.07. Payment Instruction. From and after the First Amendment Effective Date, Section 2.6 shall be amended and restated in its entirety to read as follows:

2.6 Payments. All payments of principal, interest, fees, costs and other amounts due hereunder and under the other Loan Documents not credited to the Bank directly pursuant to the terms hereof or of the Working Cash Sweep Agreement shall be made by the Borrower to the Bank at the Bank's principal office at One PNC Plaza, Fifth Avenue and Wood Street, Pittsburgh, Pennsylvania 15222, Attention: Metals Group, not later than 12:00 noon (Eastern time) on the due date. All such payments with respect to the Loans shall be immediately good funds when delivered by the Borrower to the Bank.

Section 1.08. Letter of Credit Fee Adjustment. From and after the First Amendment Effective Date Subsection 2.8a shall be amended and restated in its entirety to read as follows:

2.8a Letter of Credit Fees. The Borrower shall pay Letter of Credit Fees in accordance with the terms of the relevant application for Letter of Credit or the Reimbursement Agreement, as the case may be.

Section 1.09. Payment from Accounts. From and after the First Amendment Effective Date, Section 2.9 shall be amended and restated in its entirety to read as follows:

2.9 Payment from Accounts Maintained by Borrower. In the event that any payment of principal, interest, Commitment Fee, Letter of Credit Fee, other Fee or expense or any other amount due the Bank under any of the Loan Documents is not paid when due, the Bank is hereby authorized to effect such payment by debiting the Parent Account or any deposit account now or in the future maintained with the Bank by the Borrower, either individually or with another Person. This right of debiting accounts of the Borrower is in addition to any right of setoff accorded the Bank hereunder or by operation of law.

Section 1.10. Modification of Reporting Requirements. From and after the First Amendment Effective Date Section 5.2 shall be amended by deleting therefrom existing Subsection 5.2f through 5.2i inclusive and by redesignating Subsection 5.2j as Subsection 5.2f and Subsection 5.2k as Subsection 5.2g.

Section 1.11. Modification of Financial Covenants. From and after the First Amendment Effective Date item (iii) of Section 6.4 shall be amended and restated in its entirety to read as follows:

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(iii) Leverage. The Borrower's ratio of Consolidated Total Liabilities to Tangible Net Worth shall at no time exceed 1.00:1.00.

Section 1.12. Adjustment of Capital Expenditure Limitation. From and after the First Amendment Effective Date Section 6.5 shall be amended and restated in its entirety to read as follows:

6.5 Capital Expenditure. The Borrower shall not in any one Fiscal Year make Consolidated Capital Expenditures in excess of \$10,000,000.

Section 1.13. Limitation Upon Use of Proceeds. From and after the First Amendment Effective Date Section 6.12 shall be amended and restated in its entirety to read as follows:

6.12 Use of Proceeds. The Borrower shall not use any proceeds of the Loans or any Letter of Credit either directly or indirectly (i) for the purpose of "purchasing or carrying any margin stock" within the meaning of Regulations G, T, U or X, or (ii) (x) to knowingly purchase any Ineligible Securities from a Section 20 Subsidiary during any period in which such Section 20 Subsidiary makes a market in such Ineligible Security, (y) to knowingly purchase during the underwriting or placement period Ineligible Securities being underwritten or privately placed by a Section 20 Subsidiary or (z) to make payments of principal or interest on Ineligible Securities underwritten or privately placed by a Section 20 Subsidiary and issued by or for the benefit of the Borrower or an Affiliate of the Borrower.

Section 1.14. Modification of Advance Prerequisites. From and after the First Amendment Effective Date Section 7.1 shall be amended and restated in its entirety to read as follows:

7.1 All Loans. The obligation of the Bank to make any Loan is subject to the satisfaction of each of the following conditions precedent:

7.1a Working Cash Sweep Agreement. No advance pursuant to Section 2.1 shall occur if either the Borrower or the Bank has terminated the Working Cash Sweep Agreement.

7.1b No Default or Event of Default. The Borrower shall have performed and complied with all agreements and conditions which are required hereby or by any other Loan Document to be performed or complied with by it prior to such Loan being made and, at the time of such Loan, no Default or Event of Default has occurred and is continuing or will result from the making of such Loan.

7.1c No Material Adverse Change. At the time of making such Loan, no Material Adverse Change has occurred and is continuing.

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7.1d Representations Correct. The representations and warranties contained in Article 4 hereof and in the other Loan Documents and otherwise made in writing by or on behalf of the Borrower in connection with the transactions contemplated by this Agreement shall be (i) correct when made and (ii) correct in all material respects at the time of such Loan.

Each Loan shall be deemed to be, as of the time made, a certification by the Borrower as to the accuracy of the matters set forth in Sections 7.1b, 7.1c and 7.1d.

Section 1.15. Additional Event of Default. From and after the First Amendment Effective Date Section 8.1 shall be amended by adding thereto a new Subsection 8.11 which shall read as follows:

8.11 Termination of Working Cash Sweep Agreement. The termination upon thirty (30) days' prior written notice by either the Bank or the Borrower of the Working Cash Sweep Agreement.

Section 1.16. No Other Amendments or Waivers. The amendments

to the Existing Agreement set forth in Sections 1.01 through 1.15 inclusive above do not either implicitly or explicitly alter, waive or amend, except as expressly provided in this First Amendment, the provisions of the Existing Agreement. The amendments set forth in Sections 1.01 through 1.15 inclusive hereof do not waive, now or in the future, compliance with any other covenant, term or condition to be performed or complied with nor do they impair any rights or remedies of the Bank under the Existing Agreement with respect to any such violation. Nothing in this First Amendment shall be deemed or construed to be a waiver or release of, or a limitation upon, the Bank's exercise of any of its rights and remedies under the Existing Agreement and the other Loan Documents, whether arising as a consequence of any Events of Default which may now exist or otherwise, and all such rights and remedies are hereby expressly reserved.

## ARTICLE II

### BORROWER'S SUPPLEMENTAL REPRESENTATIONS

Section 2.01. Incorporation by Reference. As an inducement to the Bank to enter into this First Amendment, the Borrower hereby repeats herein for the benefit of the Bank the representations and warranties made by the Borrower in Sections 4.1 through 4.24, inclusive, of the Existing Agreement, as amended hereby, except that for purposes hereof such representations and warranties shall be deemed to extend to and cover this First Amendment.

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## ARTICLE III

### CONDITIONS PRECEDENT

Section 3.01. Conditions Precedent. Each of the following shall be a condition precedent to the effectiveness of this First Amendment:

(i) The Bank shall have received, as of the First Amendment Effective Date, duly executed counterpart originals of this First Amendment.

(ii) The Bank shall have received, as of the First Amendment Effective Date, duly executed counterpart originals of the Working Cash Sweep Agreement and the Trust Agreement.

(iii) The Bank shall have received resolutions of the board of directors of the Borrower authorizing execution and delivery of the First Amendment, the Working Cash Sweep Agreement and the Trust Agreement certified by the Secretary of the Borrower as being true, correct, complete and in effect as of the First Amendment Effective Date in form and substance satisfactory to the Bank.

(iv) The following statements shall be true and correct on the First Amendment Effective Date and the Bank shall have received a certificate signed by an Authorized Officer of the Borrower, dated the First Amendment Effective Date, stating that:

(A) except to the extent modified in writing by the Borrower and delivered to the Bank on or prior to the date hereof, the representations and warranties made pursuant to Section 2.01 of this First Amendment and in the other Loan Documents are true and correct in all material respects on and as of the First Amendment Effective Date as though made on and as of such date;

(B) no Event of Default or event which with the giving of notice or passage of time or both would become an Event of Default has occurred and is continuing, or would result from the execution of or performance under this First Amendment;

(C) the Borrower has in all material respects performed all agreements, covenants and conditions required to be performed on or prior to the date hereof under the Existing Agreement and the other Loan Documents; and

(D) the certificate of incorporation of the Borrower, the bylaws of the Borrower and the incumbency certificate of the Borrower delivered on the Closing Date, unless amendments are delivered at the First Amendment Effective Date, remain unchanged and are still in full force and effect.

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#### ARTICLE IV

##### GENERAL PROVISIONS

Section 4.01. Ratification of Terms. Except as expressly amended by this First Amendment, the Existing Agreement and each and every representation, warranty, covenant, term and condition contained therein is specifically ratified and confirmed in all material respects. The Borrower hereby confirms that any collateral for the Bank Indebtedness, including but not limited to liens, security interests, granted by the Borrower, shall continue unimpaired and in full force and effect.

Section 4.02. References. All notices, communications, agreements, certificates, documents or other instruments executed and delivered after the execution and delivery of this First Amendment in connection with the Agreement, any of the other Loan Documents or the transactions contemplated thereby may refer to the Existing Agreement without making specific reference to this First Amendment, but nevertheless all such references shall include this First Amendment unless the context requires otherwise. From and after the First Amendment Effective Date, all references in the Existing Agreement and each of the other Loan Documents to the "Agreement" shall be deemed to be references to the Existing Agreement as amended hereby.

Section 4.03. Counterparts. This First Amendment may be executed in different counterparts, each of which when executed by the Borrower and the Bank shall be regarded as an original, and all such counterparts shall constitute one First Amendment.

Section 4.04. Capitalized Terms. Except for proper nouns and as otherwise defined herein, capitalized terms used herein as defined terms shall have the meanings ascribed to them in the Existing Agreement, as amended hereby.

Section 4.05. Governing Law. THIS FIRST AMENDMENT AND THE RIGHTS AND OBLIGATIONS HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA WITHOUT REGARD TO THE PROVISIONS THEREOF REGARDING CONFLICTS OF LAW.

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Section 4.06. Headings. The headings of the sections in this First Amendment are for purposes of reference only and shall not be deemed to be a part hereof.

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

ATTEST:

(SEAL)

UNIVERSAL STAINLESS & ALLOY  
PRODUCTS, INC., a Delaware  
corporation

By  
Name  
Title

By  
Name  
Title

PNC BANK, NATIONAL  
ASSOCIATION

By  
Name  
Title

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President and Chief Executive Officer

Date: May 13, 1997

/s/ Richard M. Ubinger

-----  
Richard M. Ubinger  
Chief Financial Officer,  
Principal Accounting Officer and  
Treasurer

600602.1

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Exhibit 10.2

Working Cash(R), Line of Credit, Investment Sweep Agreement PNC BANK

-----

THIS WORKING CASH(R), LINE OF CREDIT, INVESTMENT SWEEP AGREEMENT ("Working Cash Sweep Agreement") is made as of May 1, 1997, between Universal Stainless & Alloy Products, Inc. ("Customer") and PNC Bank, National Association, with an office located at One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222 ("Bank").

1. TRANSFER INSTRUCTIONS. Customer has executed and delivered to PNC Bank, National Association, as Trustee (the "Trustee"), a Working Cash(R) Trust Agreement establishing a revocable trust (the "Customer's Trust") and has executed and delivered to the Bank an Amended and Restated Credit Agreement (the "Line of Credit Agreement"), each of which is incorporated by reference herein (individually and collectively, the "Working Cash Agreement(s)"). During the term of this Working Cash Sweep Agreement, the following instructions from Customer to Bank concerning transfer of assets between the Trust and the parent account (the "Account") identified on the Schedule set forth at the end of this Working Cash Sweep Agreement (the "Schedule") and between the Account and each checking account listed on the Schedule (each, a "DDA") shall apply. Pursuant to the terms of the Line of Credit Agreement, monies may be borrowed from time to time for the purposes set forth herein up to the maximum amount of the Revolving Credit Commitment upon certain terms and conditions set forth in the Line of Credit Agreement.

At the close of each day on which Bank and Trustee are both open for business ("Business Day"), Bank will review the activity in each DDA. For any Business Day in which the Final Available Balance in a DDA exceeds the Target Balance for such DDA by at least the amount of the Transfer Difference, Bank is directed to debit the DDA for that Business Day in an amount by which the Final Available Balance exceeds the Target Balance and credit those funds to the Account ("Credit"). For any Business Day in which the Final Available Balance in any DDA is less than the Target Balance by no less than the amount of the Transfer Difference, Bank shall transfer to such DDA an amount equal to the difference between the Target Balance and the Final Available Balance ("Debit") as set forth below. The minimum amount credited or debited to the Account from any DDA on any Business Day will be an amount equal to the Transfer Difference for such DDA. Accordingly, on any Business Day when the Final Available Balance in any DDA is plus or minus the Target Balance by less than the Transfer Difference, there will be no transfer of a Debit or Credit.

At the close of each Business Day, Bank will review the activity in the Account. For any Business Day when the sum of all Credits and Debits transferred to or from the Account is a positive number ("Net Credit"), Bank is directed to use the amount of the Net Credit available for that Business Day to repay amounts outstanding under the Line of Credit and to debit any amount remaining and transmit such remainder to the Customer's Trust. For any Business Day when the sum of all Credits and Debits transferred to or from the Account is a negative number ("Net Debit"), Bank shall direct Trustee to transfer to Bank assets from the Customer's Trust in an amount equal to the Net Debit for that Business Day. In no case shall the Trustee transfer assets in an amount in excess of the aggregate of the Final Available Balance in the Customer's Trust. In the event that the assets transferred to the Account from the Customer's Trust under this Working Cash Sweep Agreement are insufficient to cover the Net Debit, Bank shall, on behalf of Customer, make an advance equal to the amount of (a) the remaining amount of the Net Debit, or (b) the amount, if any, available under the Line of Credit. The amount of such advances, together with interest thereon and fees shall be charged to the Account and the payment of which shall be governed by the terms and conditions set forth in the Line of Credit Agreement.

2. CUSTOMER ACKNOWLEDGEMENTS. Customer acknowledges that Bank and Trustee are acting solely as Customer's agents in transferring funds between the Account and the Customer's Trust pursuant to the terms of this Working Cash Sweep Agreement. Customer releases Bank and Trustee from all liability in effecting these transfers. In no event shall Trustee have any liability to Bank for amounts due Bank under the Line of Credit Agreement.

3. STANDARD OF CARE AND LIMITATION OF LIABILITY. With respect to the performance

of services under this Working Cash Sweep Agreement, Bank and Trustee will be governed by a standard of ordinary care. In any event, Bank and Trustee shall only be liable for Customer's actual damages. Neither Bank nor Trustee shall be liable for any consequential, incidental, special or indirect losses, damages or expenses (including counsel fees) which Customer may incur by reason of this Working Cash Sweep Agreement or the services provided hereunder. In no event will Bank or Trustee be liable for its inability to perform its obligations hereunder when such inability arises out of causes beyond their control.

4. TERMINATION. This Working Cash Sweep Agreement may be terminated by either party upon thirty (30) days' prior written notice to the other.

5. FEES. Bank will be compensated for its services relating to the Working Cash Agreements initially in accordance with the fees set forth on the Schedule, as such fees may be modified by Bank from time to time. Trustee will be compensated for its services relating to the Working Cash Agreements in accordance with its Schedule of Fees in effect from time to time. Customer acknowledges receipt and review of the current fee arrangements for each of Bank and Trustee.

6. CHANGES IN WRITING. No modification, amendment or waiver of any provision of any of the Working Cash Agreements nor consent to any departure by Customer therefrom, will in any event be effective unless the same is in writing and signed by Bank and Trustee, where appropriate, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given.

7. ENTIRE AGREEMENT. The Working Cash Agreements and all of the documents and instruments referred to therein constitute the entire agreement and supersede all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

8. SUCCESSORS AND ASSIGNS. The Working Cash Agreements will be binding upon and inure to the benefit of the Customer, Bank and Trustee and their respective heirs, executors, administrators, successors and assigns; provided, however, that Customer may not assign any of the Working Cash Agreements in whole or in part without the prior written consent of Bank; and Bank and Trustee may, at any time, assign any of their respective rights and obligations under the Working Cash Agreements in whole or in part.

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9. DEFINITIONS. For purposes of this Working Cash Sweep Agreement, the term "Final Available Balance" shall mean the collected balance after all items have been posted to the DDA for the Business Day. All terms capitalized but undefined above shall have the meanings set forth on the Schedule.

SCHEDULE

The commercial checking accounts ("DDAs") listed below are considered related to the Parent Account (the "Account") identified below and to the Working Cash Sweep Agreement for the purpose of aggregating balances to ascertain the dollar amount to be transferred on any Business Day to or from the Customer's Trust created pursuant to the Trust Agreement between Trustee and Customer.

The DDAs listed below will be governed by Bank's policies, procedures and fee arrangements that are generally applicable to commercial demand deposit accounts from time to time.

PARENT ACCOUNT NUMBER AUTHORIZED CUSTOMER CONTACT (NAME)		
		Richard M. Ubinger
CHECKING ACCOUNT (DDA) NO.	TARGET BALANCE	TRANSFER DIFFERENCE
1001348476	\$25,000	\$1,000
FIXED CHARGE		

// Compensating Balance of \$ \_\_\_\_\_ |X| Monthly Fee of \$150

=====
=====
BALANCE REVIEW PERIOD AUTHORIZED CUSTOMER CONTACT (NAME)

Richard M. Ubinger

=====
CHECKING ACCOUNT (DDA) NO. TARGET BALANCE TRANSFER DIFFERENCE
\$ \$

=====
FIXED CHARGE
// Compensating Balance of \$ \_\_\_\_\_ // Monthly Fee of \$ \_\_\_\_\_

=====
BALANCE REVIEW PERIOD AUTHORIZED CUSTOMER CONTACT (NAME)

=====
CHECKING ACCOUNT (DDA) NO. TARGET BALANCE TRANSFER DIFFERENCE
\$ \$

=====
FIXED CHARGE
// Compensating Balance of \$ \_\_\_\_\_ // Monthly Fee of \$ \_\_\_\_\_

=====
BALANCE REVIEW PERIOD AUTHORIZED CUSTOMER CONTACT (NAME)

=====
PNC Bank, National Association Customer Name:
Universal Stainless & Alloy Products, Inc.

By: By:
Title: Title:

C/M 11834.0000 491945.1

Working Cash(R) Trust Agreement

-----PNC BANK

THIS WORKING CASH(R) TRUST AGREEMENT ("Trust Agreement") made this 1st day of May, 1997, between Universal Stainless & Alloy Products, Inc., as Grantor, and PNC Bank, National Association, as Trustee ("Trustee"):

WITNESSETH:

WHEREAS, pursuant to the terms of the Working Cash(R), Line of Credit, Investment Sweep Agreement (the "Working Cash Sweep Agreement") appended hereto and incorporated by reference herein, Grantor maintains with PNC Bank, National Association in its non-representative capacity (the "Bank") the account ("Account") indicated below:

Account Name

Account Number

, and

WHEREAS, pursuant to the terms of the Working Cash Sweep Agreement, Grantor will cause Bank, from time to time, to transfer certain sums from Grantor's Account to Trustee for the short-term investment of those sums; and

WHEREAS, pursuant to the terms of the Working Cash Sweep Agreement, Trustee will be from time to time directed to transfer certain sums from the Trust to the Account; and

WHEREAS, whenever the assets held in the Trust hereunder ("Principal") and Credits transferred to the Account are insufficient to cover the Debits to the Account, Bank shall, pursuant to the Amended and Restated Credit Agreement (the "Line of Credit Agreement") with Grantor incorporated herein by reference and subject to the limitations as set forth therein, transfer sufficient funds to the Account; and

WHEREAS, Trustee shall have no liability to repay amounts so advanced by Bank and shall be indemnified by Grantor for all claims against Trustee by Bank or any third parties in connection with amounts due under the Line of Credit Agreement.

NOW, THEREFORE, the parties agree that Trustee shall hold the Principal in trust, and invest and administer such Principal upon the following terms:

1. Trustee shall invest and reinvest the Principal of the Trust in such short-term investments, including any common trust fund maintained by Trustee for the short-term investment of funds, as Trustee, after consultation with Grantor, shall deem appropriate.
2. The Trustee may invest the Principal or the assets of any common trust fund in which the Trust is invested, in related investments, including but not limited to, securities underwritten by Bank or an affiliate of Bank, mutual funds advised or otherwise serviced by Bank or an affiliate, deposits of Bank or an affiliate, and repurchase and reverse-repurchase agreements with Bank. Grantor acknowledges that Bank may be separately and additionally compensated or may derive profit in connection with such related investments and consents to such additional compensation and/or profit.
3. Trustee shall, from time to time, transfer the net income of the Trust to the Account.
4. Trustee shall transfer such amounts of Principal to the Account as Bank may from time to time direct, pursuant to the terms of the Working Cash Sweep Agreement and Trustee shall be without liability for complying with any such direction from Bank and shall have no duty to inquire about or in any way confirm the appropriateness of such direction or of such Account.
5. Trustee shall have no liability to repay amounts advanced by Bank and Grantor shall indemnify and hold Trustee harmless for all claims made against it by Bank or any third parties in connection with amounts due Bank under the Line of Credit Agreement.
6. Except as limited by the Line of Credit Agreement, Grantor reserves the



right, by a signed instrument delivered to Trustee, to revoke this Trust Agreement. Further, this Trust Agreement may be amended by an instrument signed by Grantor and Trustee.

7. Without prejudice to Bank's rights under the Line of Credit Agreement, Trustee may resign at any time by delivering thirty days' written notice of such resignation to Grantor and Bank.

8. Trustee shall be entitled to compensation for its services in accordance with its Schedule of Fees as such may be amended from time to time.

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be executed by their respective duly authorized representatives as of the day and the year first above written.

ATTEST/WITNESS:

GRANTOR:

UNIVERSAL STAINLESS & ALLOY  
PRODUCTS, INC.

TRUSTEE: PNC BANK, NATIONAL ASSOCIATION

By:  
Name:  
Title:

By:  
Name:  
Title:

LAV/WORKCASH.TRU  
BF 55806.2: 4/29/97  
C/M 11834.0000 491947.1

APRIL 29, 1997

<ARTICLE>

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<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AS OF MARCH 31, 1997 AND THE CONDENSED CONSOLIDATED BALANCE SHEETS FOR THE QUARTER ENDED MARCH 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<SALES>	18,771
<TOTAL-REVENUES>	18,771
<CGS>	15,059
<TOTAL-COSTS>	15,059
<OTHER-EXPENSES>	1,126
<LOSS-PROVISION>	15
<INTEREST-EXPENSE>	(14)
<INCOME-PRETAX>	2,557
<INCOME-TAX>	946
<INCOME-CONTINUING>	1,611
<DISCONTINUED>	0
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<NET-INCOME>	1,611
<EPS-PRIMARY>	0.26
<EPS-DILUTED>	0.26