UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2013

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from to

Commission File Number 000-25032

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

DELAWARE (State or other jurisdiction of incorporation or organization)	**25-1724540** (IRS Employer Identification No.)

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

(412) 257-7600
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 31, 2013, there were 6,964,676 shares of the Registrant's Common Stock outstanding.

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

Item 1. FINANCIAL STATEMENTS

Universal Stainless & Alloy Products, Inc.

Consolidated Statements of Operations
(Dollars in Thousands, Except Per Share Information)
(Unaudited)

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Net sales	$ 48,460	$ 61,360	$ 140,482	$ 203,840
Cost of products sold	46,022	52,023	128,090	168,658
Gross margin	2,438	9,337	12,392	35,182
Selling, general and administrative expenses	4,467	4,422	13,459	13,150
Severance expense	—	263	356	381
Operating (loss) income	(2,029)	4,652	(1,423)	21,651
Interest expense	(752)	(602)	(2,278)	(1,924)
Other income	418	28	481	89
(Loss) income before income taxes	(2,363)	4,078	(3,220)	19,816
(Benefit) provision for income taxes	(652)	1,333	(2,027)	6,280
Net (loss) income	$ (1,711)	$ 2,745	$ (1,193)	$ 13,536
Net (loss) income per common share – Basic	$ (0.25)	$ 0.40	$ (0.17)	$ 1.97
Net (loss) income per common share – Diluted	$ (0.25)	$ 0.38	$ (0.17)	$ 1.86
Weighted average shares of common stock outstanding				
Basic	6,960,967	6,877,915	6,943,208	6,863,564
Diluted	6,960,967	7,433,922	6,943,208	7,446,836

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

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Universal Stainless & Alloy Products, Inc.

Consolidated Balance Sheets
(Dollars in Thousands)

	September 30, 2013 (Unaudited)	December 31, 2012 (Derived from audited statements)
ASSETS		
Current assets:		
Cash	$ 80	$ 321
Accounts receivable (less allowance for doubtful accounts of $86 and $1,837, respectively)	29,493	24,781
Inventory, net	82,670	95,749
Deferred income taxes	7,397	22,739
Refundable income taxes	1,565	1,594
Other current assets	1,466	2,246
Total current assets	122,671	147,430
Property, plant and equipment, net	205,704	206,150
Goodwill	20,268	20,268
Other long-term assets	2,293	2,418
Total assets	$ 350,936	$ 376,266
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 12,045	$ 10,610
Accrued employment costs	3,293	4,671
Current portion of long-term debt	3,000	1,500
Other current liabilities	4,077	735
Total current liabilities	22,415	17,516
Long-term debt	91,600	105,242
Deferred income taxes	37,148	55,227
Other long-term liabilities	397	—
Total liabilities	151,560	177,985
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Common stock, par value $0.001 per share; 20,000,000 and 10,000,000 shares authorized, respectively; 7,291,732 and 7,246,933 shares issued, respectively	7	7
Additional paid-in capital	49,638	47,312
Retained earnings	151,922	153,115
Treasury stock at cost; 289,806 and 288,681 common shares held, respectively	(2,191)	(2,153)
Total stockholders' equity	199,376	198,281
Total liabilities and stockholders' equity	$ 350,936	$ 376,266

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

Universal Stainless & Alloy Products, Inc.

Consolidated Statements of Cash Flows
(Dollars in Thousands)
(Unaudited)

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Operating Activities:		
Net (loss) income	$ (1,193)	$ 13,536
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	12,174	10,356
Deferred income tax	(2,737)	12,236
Share-based compensation expense, net of tax benefit	1,210	979
Changes in assets and liabilities:		
Accounts receivable, net	(4,712)	838
Inventory, net	12,212	(17,536)
Accounts payable	760	(14,661)
Accrued employment costs	(1,378)	(1,601)
Income taxes	552	3,378
Other, net	4,252	571
Net cash provided by operating activities	21,140	8,096
Investing Activity:		
Purchase of property, plant and equipment, net of amount included in accounts payable	(9,676)	(27,517)
Net cash used in investing activity	(9,676)	(27,517)
Financing Activities:		
Borrowings under revolving credit facility	63,328	100,752
Payments on revolving credit facility	(74,720)	(61,961)
Payment on term loan facility	(750)	(20,000)
Proceeds from stock options exercised	809	960
Payment of financing costs	(487)	(348)
Purchase of treasury stock	(38)	(234)
Tax benefit from share-based compensation expense	153	228
Net cash (used in) provided by financing activities	(11,705)	19,397
Net decrease in cash	(241)	(24)
Cash at beginning of period	321	274
Cash at end of period	$ 80	$ 250
Supplemental Non-Cash Investing Activity:		
Purchase of property, plant and equipment included in accounts payable	$ 675	$ 3,222

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

Notes to the Unaudited Consolidated Financial Statements

1. Nature of Business and Basis of Presentation

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

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

As a result of our North Jackson acquisition, our operating facilities have become more integrated, resulting in our chief operating decision maker ("CODM") viewing the Company as one business unit. Our CODM sets performance goals, assesses performance and makes decisions about resource allocations on a consolidated basis. As a result of these factors, as well as the nature of the financial information available which is reviewed by our CODM, we commenced reporting as one reportable segment beginning with the three months ended March 31, 2013.

Certain prior period amounts have been reclassified to conform to the 2013 presentation.

Recently Issued Accounting Pronouncement

On July 18, 2013, the Financial Accounting Standards Board issued an Accounting Standard Update ("ASU") that changes how certain unrecognized tax benefits are to be presented on the consolidated balance sheet. This ASU clarifies current guidance to require that an unrecognized tax benefit or a portion thereof be presented in the consolidated balance sheet as a reduction to a deferred tax asset for a net operating loss ("NOL") carryforward, similar tax loss, or a tax credit carryforward except when an NOL carryforward, similar tax loss, or tax credit carryforward is not available under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position. In such a case, the unrecognized tax benefit would be presented in the consolidated balance sheet as a liability. This new standard is effective for the first interim or annual period beginning after December 15, 2013. This standard is to be applied prospectively to all unrecognized tax benefits that exist at the effective date. Early adoption and retrospective application are permitted. We are currently evaluating the new requirements.

2. Goodwill

The following is a summary of the changes in the carrying value of goodwill from December 31, 2012 through September 30, 2013 (dollars in thousands):

Balance, December 31, 2012	$20,268
Change in goodwill	—
Balance, September 30, 2013	$20,268

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Notes to the Unaudited Consolidated Financial Statements

3. Net (Loss) Income per Common Share

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

(dollars in thousands, except per share amounts)	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Numerator:				
Net (loss) income	$ (1,711)	$ 2,745	$ (1,193)	$ 13,536
Adjustment for interest expense on convertible notes	—	96	—	304
Net (loss) income, as adjusted	$ (1,711)	$ 2,841	$ (1,193)	$ 13,840
Denominator:				
Weighted average number of shares of common stock outstanding	6,960,967	6,877,915	6,943,208	6,863,564
Weighted average effect of assumed conversion of convertible notes	—	427,396	—	427,912
Weighted average effect of dilutive stock options and other stock compensation	—	128,611	—	155,360
Weighted average number of shares of common stock outstanding, as adjusted	6,960,967	7,433,922	6,943,208	7,446,836
Net (loss) income per common share:				
Net (loss) income per common share – Basic	$ (0.25)	$ 0.40	$ (0.17)	$ 1.97
Net (loss) income per common share – Diluted	$ (0.25)	$ 0.38	$ (0.17)	$ 1.86

We had granted options to purchase 345,300 and 105,150 shares of common stock at an average price of $35.46 and $40.57 for the three months ended September 30, 2013 and 2012, respectively, which were excluded in the computation of diluted net (loss) income per common share. For the nine months ended September 30, 2013 and 2012, we had granted options to purchase 273,800 and 20,000 shares of common stock at an average price of $36.22 and $41.75, respectively, which were excluded from the computation of diluted net (loss) income per common share. These outstanding options were not included in the computation of diluted net (loss) income per common share because their respective exercise prices were greater than the average market price of our common stock. In addition, the calculation of diluted earnings per share for the three and nine months ended September 30, 2013 would have included 99,380 and 124,964 shares, respectively, for the assumed exercise of options and restricted stock under our share incentive plans and 427,396 and 427,914 shares for the three and nine months ended September 30, 2013, respectively, for the assumed conversion of convertible notes, except that we were in a net loss position and no anti-dilution is permitted.

4. Inventory

Our inventory consists of raw materials, primarily comprised of ferrous and non-ferrous scrap metal and alloys such as nickel, chrome, molybdenum, manganese and copper. Our semi-finished and finished steel products are work-in-process in various stages of production before the end product or is finished product waiting to be shipped to our customers. Inventory is stated at the lower of cost or market with cost principally determined on a weighted average cost method. Such costs include the acquisition cost for raw materials and supplies, direct labor and applied manufacturing overhead. We assess market based upon actual and estimated transactions at or around the balance sheet date. Provisions are made for slow-moving inventory based upon the age of the stock material. Operating supplies are primarily comprised of forge dies and production molds and rolls that are consumed over their useful lives. Inventories consisted of the following:

(in thousands)	September 30, 2013	December 31, 2012
Raw materials and starting stock	$ 7,419	$ 8,292
Semi-finished and finished steel products	66,729	79,870
Operating supplies	8,522	7,587
Total inventory, net	$ 82,670	$ 95,749

Notes to the Unaudited Consolidated Financial Statements

5. Long-Term Debt

Our long-term debt consisted of the following:

(in thousands)	September 30, 2013	December 31, 2012
Revolving credit facility	$ 55,350	$ 64,350
Term loan	19,250	20,000
Convertible notes	20,000	20,000
Swing loan credit facility	—	2,392
	94,600	106,742
Less: current portion of long-term debt	3,000	1,500
Long-term debt	$ 91,600	$ 105,242

Credit Facility

On August 18, 2011, we entered into a Credit Agreement (the "Credit Agreement") with a syndication of banks which provides for a senior secured revolving credit facility (the "Revolver") and a senior secured term loan facility (the "Term Loan" and together with the Revolver, the "Facilities"). PNC Bank, National Association serves as Administrative Agent with respect to the Facilities. On March 19, 2012, we entered into the First Amendment to Credit Agreement and on March 29, 2013, we entered into the Second Amendment to Credit Agreement (together with the Credit Agreement, the First Amendment to Credit Agreement, the "Amended Credit Agreement"). The Amended Credit Agreement provides for a $105.0 million Revolver and a $20.0 million Term Loan. The First Amendment to Credit Agreement extended the expiration date from August 2016 to March 2017, provided additional availability under the Facilities and reduced our fees and interest rates. The Second Amendment to Credit Agreement provided additional flexibility under the Credit Agreement's financial covenants. On November 7, 2013 we entered into the Third Amendment to Credit Agreement (the "Third Amendment"), which provides additional flexibility under the Amended Credit Agreement's financial covenants as well as institutes a borrowing base under the Revolver. The changes to our financial covenants were effective as of September 30, 2013. Under the Third Amendment, our loan availability under the Revolver is calculated monthly based upon our accounts receivable and inventory balances, with advance rates of 80% on Qualified Accounts (as defined in the Third Amendment) and 60% on Qualified Inventory (as defined in the Third Amendment). The Facilities are collateralized by substantially all of the assets of the Company and its subsidiaries, except that no real property other than the North Jackson facility is collateral under the Facilities. Universal Stainless & Alloy Products, Inc., Dunkirk Specialty Steel, LLC and North Jackson Specialty Steel, LLC are co-borrowers under the Facilities. The co-borrowers' obligations under the Facilities have been guaranteed by USAP Holdings, Inc. In conjunction with the first and second amendments to the Credit Agreement, we incurred additional financing costs of $487,000 and $348,000 during the nine months ended September 30, 2013 and 2012, respectively. These financing costs are included on the consolidated balance sheets as a component of other long-term assets and are being amortized over the life of the related financial instrument using the straight-line method, which approximates the effective interest method.

At any time prior to August 18, 2015, we may make up to two requests to increase the maximum aggregate principal amount of borrowings under the Revolver by at least $10.0 million, with the maximum aggregate principal amount of borrowings under the Revolver not to exceed $130.0 million. We are required to pay a commitment fee of 0.25% based on the daily unused portion of the Revolver. The Revolver also provides for up to $7.0 million of swing loans so long as the sum of the outstanding swing loans and the outstanding borrowings under the Revolver do not exceed the borrowing base of Qualified Accounts and Qualified Inventory at any given time. The Term Loan is payable in quarterly installments in the principal amount of $750,000 beginning on July 1, 2013, with the balance of the Term Loan payable in full on March 19, 2017.

Amounts outstanding under the Facilities, at our option, will bear interest at either a base rate or a LIBOR-based rate (the "LIBOR Option"), in either case calculated in accordance with the terms of the Amended Credit Agreement. We elected to use the LIBOR Option during the nine months ended September 30, 2013, which was 2.4% at September 30, 2013. Interest on the Facilities is payable monthly.

Notes to the Unaudited Consolidated Financial Statements

The Third Amendment added a minimum trailing twelve month EBITDA covenant, as defined within the Third Amendment. We are required to maintain a trailing twelve month EBITDA under the Third Amendment of $18.0 million for the quarter ended September 30, 2013, $12.0 million for the fourth quarter of 2013 through the second quarter of 2014 and $14.0 million for the third quarter of 2014. The Third Amendment delayed the requirement to comply with the leverage covenant until the fourth quarter of 2014. Beginning with the fourth quarter of 2014, we will be required to maintain a leverage ratio not exceeding a ratio decreasing from 3.75 to 1.00 for the period December 31, 2014 to March 31, 2015, 3.50 to 1.00 for the period June 30, 2015 to September 30, 2015, 3.25 to 1.00 at December 31, 2015 and 3.00 to 1.00 from March 31, 2016 through maturity. Additionally, we were required to maintain a fixed charge coverage ratio not less than a ratio of 1.0 to 1.0 at September 30, 2013. Our fixed charge coverage ratio will not be tested during the fourth quarter of 2013 and the first quarter of 2014. However, we will be required to maintain a fixed charge coverage ratio increasing from 1.0 to 1.0 for the second and third quarter of 2014 to 1.1 to 1.0 from the fourth quarter of 2014 to maturity. We were in compliance with our covenants at September 30, 2013.

Convertible Notes

In connection with our acquisition of the North Jackson facility on August 18, 2011, the Company issued $20.0 million in convertible notes (the "Notes") to the sellers of the North Jackson facility as partial consideration of the transaction. The Notes are subordinated obligations of the Company and rank junior to the Facilities. The Notes bear interest at a fixed rate of 4.0% per annum, payable in cash semi-annually in arrears on each June 18 and December 18, beginning on December 18, 2011. Unless earlier converted, the Notes mature and the unpaid principal balance is due on August 17, 2017. The Notes and any accrued and unpaid interest are convertible into shares of the Company's common stock at the option of the holder at an initial conversion price of $47.1675 per share of common stock. The conversion price associated with the Notes may be adjusted in certain circumstances. We may prepay any outstanding Notes, in whole or in part, on any date after August 17, 2014 during a fiscal quarter if our share price is greater than 140% of the then current conversion price for at least twenty of the trading days in the thirty consecutive trading day period ending on the last trading day of the immediately preceding quarter.

6. Fair Value Measurements

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

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

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

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

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

Financial instruments include cash, accounts receivable, other current assets, accounts payable, short-term debt and other current liabilities. The carrying amounts of these financial instruments approximated fair value at September 30, 2013 and December 31, 2012 due to their short-term maturities. The fair value of the Term Loan, Revolver and swing loans at September 30, 2013 and December 31, 2012 approximated the carrying amount as the interest rate is based upon floating short-term interest rates (Level 2). At September 30, 2013 and December 31, 2012, the fair value of the Notes (Level 2) approximated the carrying amount.

7. Commitments and Contingencies

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

Notes to the Unaudited Consolidated Financial Statements

8. Income Taxes

We estimate the annual effective income tax rate quarterly based on current annual forecasts. Items unrelated to current year ordinary income are recognized entirely in the period identified as a discrete item of tax. The quarterly income tax provision is comprised of tax on ordinary income (loss) provided at the most recent estimated annual effective tax rate increased or decreased for the tax effect of discrete items.

For the three months ended September 30, 2013 and 2012, our effective tax rate applied to ordinary income was 27.6% and 32.7%, respectively. For the nine months ended September 30, 2013 and 2012, the estimated annual effective tax rate applied to ordinary income was 47.0% and 36.3%, respectively. Our effective tax rate for the three and nine months ended September 30, 2013 benefited from a reduced state apportionment factor based upon year-to-date sales and 2012 and 2013 research and development ("R&D") tax credits. The effective tax rate for the nine months ended September 30, 2013, which reflects federal and state taxable income also includes a net discrete tax benefit of $0.5 million for 2012 R&D tax credits. The effective tax rate for the nine months ended September 30, 2012 was positively affected by a net discrete tax benefit of $0.9 million for state income taxes and R&D tax credits, partially offset by a net operating loss carryback. Including the effect of the discrete tax items, our effective tax rate for the nine months ended September 30, 2013 and 2012 was 63.0% and 31.7%, respectively.

9. Escrow Agreement

On August 18, 2011, we entered into an escrow agreement with the sellers of the North Jackson facility, pursuant to which $2.5 million of the purchase price of the North Jackson facility was placed in escrow until certain claims under the purchase agreement were resolved. During the quarter ended September 30, 2013, we entered into a settlement agreement with the seller, whereby we will receive $425,000 as a final settlement of certain claims under the escrow agreement. At September 30, 2013, the settlement amount is included as a component of accounts receivable on the consolidated balance sheet. As a result of the settlement, we recognized a gain of $0.4 million during the quarter ended September 30, 2013, which is included as a component of other income on the consolidated statements of operations. We received the settlement payment in October 2013.

10. Subsequent Event

On November 7, 2013, we entered into the Third Amendment to Credit Agreement. The major components of the amendment are disclosed further in Note 5.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains or incorporates forward looking statements within the meaning of the Private Securities Reform Act of 1995, which involves risks and uncertainties. The following information should be read in conjunction with the unaudited consolidated financial information and the notes thereto included in this Quarterly Report on Form 10-Q. You should not place undue reliance on these forward looking statements. Actual events or results may differ materially due to competitive factors and other factors referred to in Part 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012, our other filings with the Securities and Exchange Commission and elsewhere in this Quarterly Report. These factors may cause our actual results to differ materially from any forward looking statement. These forward looking statements are based on current expectations, estimates, forecasts, and projections about the industry and markets in which we operate, and management's beliefs and assumptions. In addition, other written or oral statements that constitute forward looking statements may be made by us or on our behalf. Words such as "expect," "anticipate," "intend," "plan," "believe," "could," "estimate," "may," "target," "project," or variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties, and assumptions that are difficult to predict.

Business Overview

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

During the first nine months of 2013, we have experienced a lower demand for our products compared to the similar period in the prior year as our shipments are being negatively impacted by unfavorable market conditions as customers continue to destock their inventory levels. We believe this business condition, as well as lower raw material prices and shorter lead times, are causing our customers to delay orders. Over the first nine months of 2013, we shipped 28.0 million tons compared to 38.9 million tons over the same nine month period last year, a decrease of 28%. Correspondingly, our sales revenue was down $63.4 million, or 31.1%, on the lower volume of tons shipped. Although we saw our revenues increase in the third quarter of 2013 to $48.5 million from $42.9 million in the second quarter of 2013, our gross margin decreased to 5.0% of sales in the third quarter of 2013 compared to 12.4% of sales in the second quarter of 2013. The primary factors negatively impacting our gross margin in the third quarter of 2013 were as follows:

1. The mix of products sold was such that we sold more of our lower margin products such as re-rolled billets and less of our higher margin products. This unfavorable mix negatively impacted our gross margin by approximately $0.9 million during the current quarter when compared to the quarter ended June 30, 2013;
2. Our margins were negatively impacted by unfavorable operating rates as a result of our reduced operating activity and reduced raw material surcharges due to continued falling raw material prices, which were not aligned with the higher raw material cost due to longer manufacturing cycles and current inventory turns;
3. Although we flexed our production levels downwards at all of our operating facilities, we were unable to absorb all of our fixed costs throughout our organization which increased our operating costs;
4. Although sales of our premium alloy products increased $1.4 million in the third quarter of 2013 compared to the same prior year period, the costs of products sold were relatively high as we continue to evaluate potential improvements in operational efficiencies. In addition, we have made a conscious decision to maintain our newly trained workforce at our North Jackson facility to position ourselves for what we believe will be improving business conditions in 2014, as we continue to gain more customer acceptances of our newer products being produced at this location.

During the third quarter of 2013, we made positive strides to reduce our inventory levels and overall bank debt levels. Our total inventory at the end of September 2013 was approximately $82.7 million, a decrease of $12.4 million, or 13%, from June 30, 2013 when our inventory level was approximately $95.1 million. During the third quarter, we generated cash from operations of $11.5 million, primarily as the result of our reduced inventory levels and in turn reduced our total long-term borrowings from $100.4 million at June 30, 2013 to $91.6 million as of September 30, 2013, a decrease of $8.8 million. In addition, we entered into a new credit agreement amendment with our banks that provides us with additional flexibility under our covenants.

On July 1, 2013, we reached a new five-year collective bargaining agreement (the "CBA") with the United Steelworkers, representing the hourly employees at our Bridgeville facility. The CBA has been ratified by the bargaining unit and was effective September 1, 2013.

Although we have seen a slight uptick in our bookings in the last part of the third quarter and early in the fourth quarter, we project our sales and operating profit for the fourth quarter being lower than the third quarter as the fourth quarter is normally slower due to holidays and customers managing their year-end inventory to lower levels. In addition, we were notified by a customer that accounted for approximately 10% of our sales for the year ended December 31, 2012 that the customer will begin to internalize the production of certain lower margin products that it had previously been purchasing from us. We do not believe this will have a material impact on our overall business because the products that they plan to internalize are among our lower gross margin products. We anticipate adjusting our production activity and cost structure to partially offset any reduction in our gross margin as a result of this development.

During October, we achieved our final Nadcap (National Aerospace and Defense Contractors Accreditation Program) and ISO 17025 lab testing certification at our Dunkirk facility. These critically important steps are instrumental in our strategic move towards premium alloys and more technologically advanced products for our targeted markets, including aerospace, oil & gas and power generation. We believe we are now in a stronger position to capitalize on improving market conditions with these certifications now achieved and by investing in our people, particularly at our North Jackson facility, where we expect higher margins on premium produced alloys.

As a result of the North Jackson acquisition, our operating facilities have become more integrated, resulting in our chief operating decision maker ("CODM") viewing the Company as one unit. Our CODM sets performance goals, assesses performance and makes decisions about resource allocations on a consolidated basis. As a result of these factors, as well as the nature of the financial information available which is reviewed by the CODM, we commenced reporting as one reportable segment beginning with the three months ended March 31, 2013.

Results of Operations

Three months ended September 30, 2013 as compared to the three months ended September 30, 2012

(in thousands, except per shipped ton information)	Three months ended September 30, 2013	2012	Dollar/ton variance	Percentage variance
Net sales:				
Stainless steel	$38,133	$48,432	$(10,299)	(21.3)%
High-strength low alloy steel	4,373	4,880	(507)	(10.4)
Tool steel	3,849	4,768	(919)	(19.3)
High-temperature alloy steel	1,168	1,930	(762)	(39.5)
Conversion services and other sales	937	1,350	(413)	(30.6)
Total net sales	48,460	61,360	(12,900)	(21.0)
Cost of products sold:				
Material cost of products sold	25,589	30,988	(5,399)	(17.4)
Operating cost of products sold	17,004	18,036	(1,032)	(5.7)
Depreciation expense	3,429	2,999	430	14.3
Total cost of products sold	46,022	52,023	(6,001)	(11.5)
Gross margin	2,438	9,337	(6,899)	(73.9)
Gross margin as a percentage of net sales	5.0%	15.2%	N/A	N/A
Selling, general and administrative expenses:				
Selling, general and administrative expenses	4,467	4,422	45	1.0
Severance expenses	—	263	(263)	(100.0)
Total selling, general and administrative expenses	4,467	4,685	(218)	(4.7)
Operating (loss) income	$ (2,029)	$ 4,652	$ (6,681)	(143.6)
Tons shipped	9,843	11,614	(1,771)	(15.2)
Sales dollars per shipped ton	$ 4,923	$ 5,283	$ (360)	(6.8)%

Market Segment Information

(in thousands)	Three months ended September 30, 2013	2012	Dollar variance	Percentage variance
Net sales:				
Service centers	$30,748	$36,631	$ (5,883)	(16.1)%
Rerollers	8,577	10,429	(1,852)	(17.8)
Forgers	4,688	8,056	(3,368)	(41.8)
Original equipment manufacturers	3,510	4,894	(1,384)	(28.3)
Conversion services and other sales	937	1,350	(413)	(30.6)
Total net sales	$48,460	$61,360	$(12,900)	(21.0)%

Melt Type Information

(in thousands)	Three months ended September 30, 2013	2012	Dollar variance	Percentage variance
Net sales:				
Specialty alloys	$43,808	$57,675	$(13,867)	(24.0)%
Premium alloys (A)	3,715	2,335	1,380	59.1
Conversion services and other sales	937	1,350	(413)	(30.6)
Total net sales	$48,460	$61,360	$(12,900)	(21.0)%

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

We do not sell the majority of our products directly to end markets. The end market information in this Quarterly Report is our estimate based upon our customers and the grade of material sold that they will in-turn sell to the ultimate end market customer.

End Market Information

(in thousands)	Three months ended September 30, 2013	2012	Dollar variance	Percentage variance
Net sales:				
Aerospace	$28,723	$32,615	$ (3,892)	(11.9)%
Power generation	6,378	8,294	(1,916)	(23.1)
Oil & gas	5,045	11,854	(6,809)	(57.4)
Heavy equipment	4,167	4,768	(601)	(12.6)
General industrial, conversion services and other sales	4,147	3,829	318	8.3
Total net sales	$48,460	$61,360	$(12,900)	(21.0)%

Net sales:

Net sales for the three months ended September 30, 2013 decreased $12.9 million, or 21.0%, as compared to the same prior year period in 2012. This sales decrease primarily reflects a 15.2% decrease in consolidated shipments for the quarter ended September 30, 2013 compared to the same prior year period. In addition, our sales dollars per shipped ton decreased by 6.8% from the third quarter of 2012 to the current quarter. This reduction is primarily the result of a lower product mix as well as lower overall selling prices in the current quarter. For the most part, our raw material costs have decreased over last year, which has resulted in lower raw material surcharges in the current quarter compared to the same quarter last year. These unfavorable variances are partially offset by a higher percentage of premium alloy sales recognized in the current quarter. Our premium alloy sales increased from 3.8% of total sales for the quarter ended September 30, 2012 to 7.7% in the current quarter. We believe that the decrease in our sales for the third quarter of 2013 is primarily a result of inventory adjustments being made by our customers as well as declining raw material prices and shortened lead times that we believe are encouraging our customers to delay orders.

Gross margin:

Our gross margin, as a percentage of sales, was 5.0% and 15.2% for the quarters ended September 30, 2013 and 2012, respectively. Our gross margin decline in the current quarter is primarily the result of the 21.0% decrease in net sales and the increase in our operating cost of sales and depreciation expense when compared to the third quarter of 2012. Our operations costs as a percentage of sales increased from 29.4% for the third quarter of 2012 to 35.1% for the current quarter. We have flexed our production levels down as a result of the lower demand for our products; however, we have been unable to absorb all of our fixed costs. Going forward into the fourth quarter and early 2014, we believe our margins will continue to be negatively impacted until normal production levels return. The decrease in our gross margin is also due to increased depreciation expense as a percentage of sales incurred in the current quarter as compared to the prior year third quarter. On a percentage of sales basis, depreciation expense increased from 4.9% for the quarter ended September 30, 2012 to 7.1% in the current quarter. This increase is primarily a result of the significant amount of fixed assets that have been placed in service over the last two years at our North Jackson facility, coupled with the aforementioned reduction in production and sales levels.

Selling, general and administrative expenses:

Our selling, general and administrative ("SG&A") expenses consist primarily of employee costs, which include salaries, payroll taxes and benefit related costs, legal and accounting services, stock compensation and insurance costs. Our total SG&A expenses decreased by $0.2 million for the three months ended September 30, 2013 as compared to the similar period in 2012. The decrease in total SG&A expense in the current quarter is a result of the $0.3 million reduction in severance expense when compared to the prior year third quarter. However, our total SG&A expenses as a percentage of net sales increased to 9.2% for the quarter ended September 30, 2013 from 7.6% for the third quarter of 2012. This increase is primarily due to maintaining comparable SG&A expenses and headcount between periods despite the aforementioned 21.0% decrease in sales in order to achieve our strategic objectives of certifying all our plants and continuing to obtain customer approvals of our newer products.

Interest expense:

Interest expense increased from $0.6 million for the three months ended September 30, 2012 to $0.8 million in the same period of 2013. This increase is primarily due to higher interest rates incurred on our debt in 2013 when compared to 2012. Our interest rates are determined by a LIBOR-based rate plus an applicable margin based upon achieving certain covenant levels.

Other income:

On August 18, 2011, we entered into an escrow agreement with the sellers of the North Jackson facility, pursuant to which $2.5 million of the purchase price of the North Jackson facility was placed in escrow until certain claims under the purchase agreement were resolved. During the quarter ended September 30, 2013, we entered into a settlement agreement with the sellers of the North Jackson facility, whereby we will receive $0.4 million as a final settlement of certain claims under the escrow agreement. At September 30, 2013, the settlement amount is included as a component of accounts receivable on the consolidated balance sheet. As a result of the settlement, we recognized a gain of $0.4 million during the quarter ended September 30, 2013, which is included as a component of other income on the consolidated statement of operations. We received the settlement payment in October 2013.

Income tax (benefit) provision:

Our effective tax rate for the quarters ended September 30, 2013 and 2012 was 27.6% and 32.7%, respectively. Our estimated annual effective tax rate on ordinary income for 2013 is 47.0%.

Net (loss) income:

Our net (loss) income decreased from $2.7 million, or $0.38 per diluted share, for the quarter ended September 30, 2012 to $(1.7) million, or $(0.25) per diluted share, for the third quarter of 2013 for the reasons stated above.

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Nine months ended September 30, 2013 as compared to the nine months ended September 30, 2012

(in thousands, except per shipped ton information)	Nine months ended September 30, 2013	2012	Dollar/ton variance	Percentage variance
Net sales:				
Stainless steel	$105,803	$160,844	$(55,041)	(34.2)%
High-strength low alloy steel	14,831	16,959	(2,128)	(12.5)
Tool steel	13,951	15,638	(1,687)	(10.8)
High-temperature alloy steel	3,243	6,099	(2,856)	(46.8)
Conversion services and other sales	2,654	4,300	(1,646)	(38.3)
Total net sales	140,482	203,840	(63,358)	(31.1)
Cost of products sold:				
Material cost of products sold	74,769	102,016	(27,247)	(26.7)
Operating cost of products sold	42,740	57,966	(15,226)	(26.3)
Depreciation expense	10,581	8,676	1,905	22.0
Total cost of products sold	128,090	168,658	(40,568)	(24.1)
Gross margin	12,392	35,182	(22,790)	(64.8)
Gross margin as a percentage of net sales	8.8%	17.3%	N/A	N/A
Selling, general and administrative expenses:				
Selling, general and administrative expenses	13,459	13,150	309	2.3
Severance expenses	356	381	(25)	(6.6)
Total selling, general and administrative expenses	13,815	13,531	284	2.1
Operating (loss) income	$ (1,423)	$ 21,651	$(23,074)	(106.6)
Tons shipped	28,027	38,925	(10,898)	(28.0)
Sales dollars per shipped ton	$ 5,012	$ 5,237	$ (225)	(4.3)%

Market Segment Information

(in thousands)	Nine months ended September 30, 2013	2012	Dollar variance	Percentage variance
Net sales:				
Service centers	$ 92,360	$120,091	$(27,731)	(23.1)%
Rerollers	19,657	31,851	(12,194)	(38.3)
Forgers	15,750	30,924	(15,174)	(49.1)
Original equipment manufacturers	10,061	16,674	(6,613)	(39.7)
Conversion services and other sales	2,654	4,300	(1,646)	(38.3)
Total net sales	$140,482	$203,840	$(63,358)	(31.1)%

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Melt Type Information

(in thousands)	Nine months ended September 30, 2013	2012	Dollar variance	Percentage variance
Net sales:				
Specialty alloys	$130,027	$191,840	$(61,813)	(32.2)%
Premium alloys	7,801	7,700	101	1.3
Conversion services and other sales	2,654	4,300	(1,646)	(38.3)
Total net sales	$140,482	$203,840	$(63,358)	(31.1)%

End Market Information

(in thousands)	Nine months ended September 30, 2013	2012	Dollar variance	Percentage variance
Net sales:				
Aerospace	$ 79,448	$103,507	$(24,059)	(23.2)%
Power generation	16,668	27,678	(11,010)	(39.8)
Oil & gas	15,821	41,546	(25,725)	(61.9)
Heavy equipment	15,201	15,638	(437)	(2.8)
General industrial, conversion services and other sales	13,344	15,471	(2,127)	(13.7)
Total net sales	$140,482	$203,840	$(63,358)	(31.1)%

Net sales:

Net sales for the nine months ended September 30, 2013 decreased $63.4 million, or 31.1%, as compared to the similar period in 2012. The decrease in sales primarily reflects a 28.0% decrease in consolidated shipments over the first nine months of 2013 compared to the same prior year period. Product sales to all of our end markets decreased as noted in the above table.

Gross margin:

Gross margin, as a percentage of net sales, was 8.8% and 17.3% for the nine months ended September 30, 2013 and 2012, respectively. The decrease in gross margin is primarily due to the 31.1% decrease in net sales, the increase in our material cost of sales and depreciation expense as a percent of sales. Our material cost of sales increased from 50.0% of sales for the nine months ended September 30, 2012 to 53.2% for the nine months ended September 30, 2013. We believe that the increase in material cost of sales is largely the result of reduced raw material surcharges due to continued falling raw material prices, which were not aligned with the higher raw material cost due to longer manufacturing lead times and current inventory turns. Depreciation expense as a percentage of sales increased from 4.3% for the nine months ended September 30, 2012 to 7.5% for the first nine months of 2013. This increase is a result of the significant amount of fixed assets that have been placed in service over the last two years, primarily at our North Jackson facility, coupled with the aforementioned decline in sales.

Selling, general and administrative expenses:

Our total SG&A expense increased by $0.3 million for the nine months ended September 30, 2013 as compared to the same period in 2012. Total SG&A expenses as a percentage of net sales increased to 9.8% for the nine months ended September 30, 2013 from 6.6% for the same prior year period. There are no significant individual expense increases in our SG&A costs when comparing the first nine months of 2013 to 2012; however, as mentioned previously, we have maintained our headcount for strategic reasons throughout 2013 rather than reducing these costs.

Interest expense:

Interest expense increased from $1.9 million for the nine months ended September 30, 2012 to $2.3 million in the same period of 2013. This increase is primarily due to higher interest rates incurred on our debt in 2013 when compared to 2012. Our interest rates are determined by the LIBOR rate plus an applicable margin based upon achieving certain covenant levels.

Other income:

On August 18, 2011, we entered into an escrow agreement with the sellers of the North Jackson facility, pursuant to which $2.5 million of the purchase price of the North Jackson facility was placed in escrow until certain claims under the purchase agreement were resolved. During the nine months ended September 30, 2013, we entered into a settlement agreement with the sellers of the North Jackson facility, whereby we will receive $0.4 million as a final settlement of certain claims under the escrow agreement. At September 30, 2013, the settlement amount is included as a component of accounts receivable on the consolidated balance sheet. As a result of the settlement, we recognized a gain of $0.4 million during the nine months ended September 30, 2013, which is included as a component of other income on the consolidated statement of operations. We received the settlement payment in October 2013.

Income tax (benefit) provision:

Our effective tax rates for the nine months ended September 30, 2013 and 2012 were 63.0% and 31.7%, respectively. Our effective tax rate for the nine months ended September 30, 2013 reflects a benefit from a reduced state apportionment factor based upon year–to-date sales and 2013 research and development ("R&D") tax credits. Our effective tax rate for the nine months ended September 30, 2013, reflects federal and state taxable income and also includes a net discrete tax benefit of $0.5 million for 2012 R&D tax credits. The effective tax rate for the nine months ended September 30, 2012 was positively affected by a net discrete tax benefit of $0.9 million for state income taxes and R&D tax credits, partially offset by a net operating loss carryback. Our estimated annual effective tax rate on ordinary income for the first nine months of 2013 is 47.0%.

Net (loss) income:

Our net (loss) income decreased from $13.5 million, or $1.86 per diluted share, for the nine months ended September 30, 2012 to $(1.2) million, or $(0.17) per diluted share, for the first nine months of 2013 for the reasons stated above.

Liquidity and Capital Resources

We have financed our operating activities primarily through cash provided by operations and borrowings under our credit facilities. Our managed working capital, which we define as accounts receivable and inventory less accounts payable, decreased $9.8 million to $100.1 million at September 30, 2013 compared to $109.9 million at December 31, 2012. The decline in our managed working capital is primarily the result of a lower inventory balance, partially offset by a higher accounts receivable balance at September 30, 2013 when compared to December 31, 2012. As a result of our lower sales activity, we have focused during 2013 on reducing our inventory levels. From December 31, 2012 to September 30, 2013, we reduced our inventory balance by $13.1 million. Net accounts receivable increased $4.7 million, mainly as a result of increased sales for the quarter ended September 30, 2013 in comparison to the quarter ended December 31, 2012. During the quarter ended September 30, 2013, we received our final distribution of approximately $40,000 from a customer bankruptcy. As a result of the final distribution, we have removed the $1.8 million balance from our accounts receivable and allowance for doubtful accounts balances at September 30, 2013. At September 30, 2013, our backlog (without surcharges) was $39.9 million compared to $49.2 million at June 30, 2013 and $51.7 million at December 31, 2012.

Cash received from sales of $45.0 million and $68.5 million for the three months ended September 30, 2013 and 2012, respectively, represents the primary source of cash from operations. The primary uses of cash for the quarter ended September 30, 2013 were raw material purchases of $11.2 million, employment costs of $11.8 million, capital expenditures of $3.4 million and utilities of $2.7 million. For the same period in 2012, primary uses of cash were raw material purchases of $26.7 million, employment costs of $13.3 million, capital expenditures of $11.3 million and utilities of $2.6 million. Our other uses of cash, the largest of which is cash for production supplies, plant maintenance, outside conversion services, insurance, taxes and freight, typically increase or decrease in relation to production volume.

Cash received from sales of $137.6 million and $204.6 million for the nine months ended September 30, 2013 and 2012, respectively, represents the primary source of cash from operations. The primary uses of cash for the nine months ended September 30, 2013 were raw material purchases of $38.5 million, employment costs of $37.6 million, capital expenditures of $10.4 million and utilities of $8.8 million. For the same period in 2012, primary uses of cash were raw material purchases of $91.6 million, employment costs of $43.9 million, capital expenditures of $27.5 million and utilities of $9.4 million. During the nine months ended September 30, 2012, we received a federal tax refund of $4.5 million.

Cash used for raw material purchases and employment costs decreased for both the quarter and nine months ended September 30, 2013 in comparison to the comparable period in 2012 primarily due to having a lower backlog of orders at the beginning of 2013 of $51.7 million compared with $102.6 million at the beginning of 2012, which led to the decrease in the quantity of purchased materials and employment costs.

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We continuously monitor market price fluctuations of key raw materials. The following table reflects the average market values per pound for selected months during the last 21-month period.

	September 2013	December 2012	September 2012	December 2011
Nickel	$ 6.25	$ 7.90	$ 7.81	$ 8.23
Chrome	$ 1.00	$ 0.98	$ 1.04	$ 1.10
Molybdenum	$ 9.55	$ 11.38	$ 11.80	$ 13.42
Carbon scrap	$ 0.17	$ 0.17	$ 0.16	$ 0.21

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

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

The average costs per pound of nickel, chrome, molybdenum, and carbon scrap for the periods presented was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Nickel	$ 6.32	$ 7.41	$ 6.98	$ 8.04
Chrome	$ 0.99	$ 1.07	$ 1.00	$ 1.14
Molybdenum	$ 9.50	$ 11.84	$ 10.59	$ 13.29
Carbon scrap	$ 0.17	$ 0.16	$ 0.17	$ 0.19

We had capital expenditures for the nine months ended September 30, 2013 of $10.4 million, of which $0.7 million were included in accounts payable at the end of the period, compared with $30.7 million in capital expenditures, of which $3.2 million were included in accounts payable, for the same period in 2012. The most significant capital expenditures incurred during the nine months ended September 30, 2013 and 2012 related to the continued build out of the North Jackson facility, which totaled $5.0 million and $21.4 million, respectively.

On August 18, 2011, we entered into a Credit Agreement (the "Credit Agreement") with a syndication of banks which provides for a senior secured revolving credit facility (the "Revolver") and a senior secured term loan facility (the "Term Loan" and together with the Revolver, the "Facilities"). PNC Bank, National Association serves as Administrative Agent with respect to the Facilities. On March 19, 2012, we entered into the First Amendment to Credit Agreement and on March 29, 2013, we entered into the Second Amendment to Credit Agreement (together with the Credit Agreement, the First Amendment to Credit Agreement, the "Amended Credit Agreement"). The Amended Credit Agreement provides for a $105.0 million Revolver and a $20.0 million Term Loan. The First Amendment to Credit Agreement extended the expiration date from August 2016 to March 2017, provided additional availability under the Facilities and reduced our fees and interest rates. The Second Amendment to Credit Agreement provided additional flexibility under the Credit Agreement's financial covenants. On November 7, 2013 we entered into the Third Amendment to Credit Agreement (the "Third Amendment"), which provides additional flexibility under the Amended Credit Agreement's financial covenants as well as institutes a borrowing base under the Revolver. The changes to our financial covenants were effective as of September 30, 2013. Under the Third Amendment, our loan availability under the Revolver is calculated monthly based upon our accounts receivable and inventory balances, with advance rates of 80% on Qualified Accounts (as defined in the Third Amendment) and 60% on Qualified Inventory (as defined in the Third Amendment). The Facilities are collateralized by substantially all of the assets of the Company and its subsidiaries, except that no real property other than the North Jackson facility is collateral under the Facilities. Universal Stainless & Alloy Products, Inc., Dunkirk Specialty Steel, LLC and North Jackson Specialty Steel, LLC are co-borrowers under the Facilities. The co-borrowers' obligations under the Facilities have been guaranteed by USAP Holdings, Inc. In conjunction with the first and second amendments to the Credit Agreement, we incurred additional financing costs of $487,000 and $348,000 during the nine months ended September 30, 2013 and 2012, respectively. These financing costs are included on the consolidated balance sheets as a component of other long-term assets and are being amortized over the life of the related financial instrument using the straight-line method, which approximates the effective interest method. Under the Third Amendment, we anticipate our financing costs to be in the range of $600,000 to $700,000 and these costs will begin to amortize in November 2013 until the maturity of the Facilities.

At any time prior to August 18, 2015, we may make up to two requests to increase the maximum aggregate principal amount of borrowings under the Revolver by at least $10.0 million, with the maximum aggregate principal amount of borrowings under the Revolver not to exceed $130.0 million. We are required to pay a commitment fee of 0.25% based on the daily unused portion of the Revolver. The Revolver also provides for up to $7.0 million of swing loans so long as the sum of the outstanding swing loans and the outstanding borrowings under the Revolver do not exceed the borrowing base of Qualified Accounts and Qualified Inventory at any given time. The Term Loan is payable in quarterly installments in the principal amount of $750,000 beginning on July 1, 2013, with the balance of the Term Loan payable in full on March 19, 2017.

Amounts outstanding under the Facilities, at our option, will bear interest at either a base rate or a LIBOR-based rate (the "LIBOR Option"), in either case calculated in accordance with the terms of the Amended Credit Agreement. We elected to use the LIBOR Option during the nine months ended September 30, 2013, which was 2.4% at September 30, 2013. Interest on the Facilities is payable monthly.

The Third Amendment added a minimum trailing twelve month EBITDA covenant, as defined within the Third Amendment. We are required to maintain a trailing twelve month EBITDA under the Third Amendment of $18.0 million for the quarter ended September 30, 2013, $12.0 million for the fourth quarter of 2013 through the second quarter of 2014 and $14.0 million for the third quarter of 2014. The Third Amendment delayed the requirement to comply with the leverage covenant until the fourth quarter of 2014. Beginning with the fourth quarter of 2014, we will be required to maintain a leverage ratio not exceeding a ratio decreasing from 3.75 to 1.00 for the period December 31, 2014 to March 31, 2015, 3.50 to 1.00 for the period June 30, 2015 to September 30, 2015, 3.25 to 1.00 at December 31, 2015 and 3.00 to 1.00 from March 31, 2016 through maturity. Additionally, we were required to maintain a fixed charge coverage ratio not less than a ratio of 1.0 to 1.0 at September 30, 2013. Our fixed charge coverage ratio will not be tested during the fourth quarter of 2013 and the first quarter of 2014; however, we will be required to maintain a fixed charge coverage ratio increasing from 1.0 to 1.0 for the second and third quarter of 2014 to 1.1 to 1.0 from the fourth quarter of 2014 to maturity. We were in compliance with our covenants at September 30, 2013.

In connection with our acquisition of the North Jackson facility on August 18, 2011, we issued $20.0 million in convertible notes (the "Notes") to the sellers of the North Jackson facility as partial consideration of the transaction. The Notes are subordinated obligations and rank junior to the Facilities. The Notes bear interest at a fixed rate of 4.0% per annum, payable in cash semi-annually in arrears on each September 18 and December 18, beginning on December 18, 2011. Unless earlier converted, the Notes mature and the unpaid principal balance is due on August 17, 2017. The Notes and any accrued and unpaid interest are convertible into shares of our common stock at the option of the holder at an initial conversion price of $47.1675 per share of common stock. The conversion price associated with the Notes may be adjusted in certain circumstances. We may prepay any outstanding Notes, in whole or in part, on any date after August 17, 2014 during a fiscal quarter if our share price is greater than 140% of the then current conversion price for at least twenty of the trading days in the thirty consecutive trading day period ending on the last trading day of the immediately preceding quarter.

We expect to meet all of our short-term liquidity requirements resulting from operations and current capital investment plans with internally generated funds and borrowings under the Revolver.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have reviewed the status of our market risk and believe there are no significant changes from that disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012, except as provided in this Form 10-Q in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 4. CONTROLS AND PROCEDURES

The Company's management, including the Company's President and Chief Executive Officer and its Vice President of Finance, Chief Financial Officer and Treasurer, performed an evaluation of the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Company's Chief Executive Officer and its Vice President of Finance, Chief Financial Officer and Treasurer concluded that, as of the end of the fiscal period covered by this quarterly report, the Company's disclosure controls and procedures were effective. There were no changes in the Company's internal control over financial reporting identified in connection with the evaluation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the fiscal quarter ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

There are no material changes from the legal proceedings disclosed in Item 3. of the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Item 1A. RISK FACTORS

There are no material changes from the risk factors disclosed in Item 1A. of the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

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

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not Applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

Exhibit Number	Exhibit
10.1	Third Amendment to Credit Agreement and First Amendment to Guaranty and Suretyship Agreement, dated as of November 7, 2013, by and among Universal Stainless & Alloy Products, Inc., the other borrowers party thereto, the guarantor party thereto and PNC Bank National Association, as Administrative Agent (filed herewith).
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101	The following financial information from this Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2013, formatted in XBRL (Extensible Business Reporting Language) and filed electronically herewith: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Cash Flows; and (iv) the Notes to the Consolidated Financial Statements (filed herewith).

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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.

November 12, 2013

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

/s/ Michael D. Bornak
Michael D. Bornak
Vice President of Finance,
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 10.1

THIRD AMENDMENT TO CREDIT AGREEMENT AND
FIRST AMENDMENT TO GUARANTY AND SURETYSHIP AGREEMENT

Third Amendment to Credit Agreement and First Amendment to Guaranty and Suretyship Agreement, dated the 7th day of November, 2013, by and among UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC., a Delaware corporation ("Universal"), DUNKIRK SPECIALTY STEEL, LLC., a Delaware limited liability company ("Dunkirk"), NORTH JACKSON SPECIALTY STEEL, LLC, a Delaware limited liability company ("North Jackson") (Universal, Dunkirk and North Jackson are, each, a "Borrower" and collectively, the "Borrowers"), USAP HOLDINGS, INC., a Delaware corporation (the "Guarantor"), PNC BANK, NATIONAL ASSOCIATION ("PNC"), and various other financial institutions from time to time (PNC and such other financial institutions are each, a "Lender" and collectively, the "Lenders") and PNC, as administrative agent for the Lenders (PNC, in such capacity, the "Administrative Agent") (the "Third Amendment").

WITNESSETH:

WHEREAS, the Borrowers, the Guarantor, the Lenders party thereto and the Administrative Agent entered into that certain Credit Agreement, dated as of August 18, 2011, as amended by that certain (i) First Amendment to Credit Agreement, dated March 19, 2012 and (ii) Second Amendment to Credit Agreement, dated March 29, 2013 (as may be further amended, modified, supplemented or restated from time to time, the "Credit Agreement"), pursuant to which, among other things, the Lenders agreed to extend credit to the Borrowers; and

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

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

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

2. Section 1.1 of the Credit Agreement is hereby amended by inserting the following defined terms in their appropriate alphabetical order:

> Account shall mean any account, contract right, general intangible, chattel paper, instrument or document representing any right to payment for goods sold or services rendered, whether or not earned by performance and whether or not evidenced by a contract, instrument or document, which is now owned or hereafter acquired by a Loan Party. All Accounts, whether Qualified Accounts or not, shall be subject to the Administrative Agent's Prior Security Interest.

Account Debtor shall mean any Person who is or who may become obligated to a Loan Party under, with respect to, or on account of, an Account.

Borrowing Base shall mean at any time the sum of (i) eighty percent (80%) of Qualified Accounts, plus (ii) the greater of (A) sixty percent (60%) of the value of Qualified Inventory or (B) eighty-five percent (85.0%) of the Net Orderly Liquidation Value of Qualified Inventory (expressed as a percentage of cost based on the most recent inventory appraisal). Notwithstanding anything to the contrary herein, the Administrative Agent may, in its Permitted Discretion, or shall at the direction of the Required Lenders in their commercially reasonable discretion, at any time hereafter, decrease the advance percentage for Qualified Accounts, Qualified Inventory and/or the Net Orderly Liquidation Value of Qualified Inventory, as applicable, or increase the level of any reserves or ineligibles, or define or maintain such other reserves or ineligibles, as the Administrative Agent may, or shall at the direction of the Required Lenders, deem necessary or appropriate. Any such change shall become effective immediately upon written notice from the Administrative Agent to the Borrowing Agent for the purpose of calculating the Borrowing Base hereunder.

Borrowing Base Certificate shall mean a certificate in substantially the form of Exhibit 8.3.4 pursuant to which the Borrowers shall compute the Borrowing Base. The Borrowers shall deliver the Borrowing Base Certificate at the time specified in Section 8.3.4 [Borrowing Base Certificates, Etc.].

CEA shall mean the Commodity Exchange Act (7 U.S.C.§1 et seq.), as amended from time to time, and any successor statute.

CFTC shall mean the Commodity Futures Trading Commission.

Covered Entity shall mean (a) each Borrower, each of Borrower's Subsidiaries, all Guarantors and all pledgors of Collateral and (b) each Person that, directly or indirectly, is in control of a Person described in clause (a) above. For purposes of this definition, control of a Person shall mean the direct or indirect (x) ownership of, or power to vote, twenty-five percent (25%) or more of the issued and outstanding equity interests having ordinary voting power for the election of directors of such Person or other Persons performing similar functions for such Person, or (y) power to direct or cause the direction of the management and policies of such Person whether by ownership of equity interests, contract or otherwise.

Effective Date means the date indicated in a document or agreement to be the date on which such document or agreement becomes effective, or, if there is no such indication, the date of execution of such document or agreement.

Eligible Contract Participant shall mean an "eligible contract participant" as defined in the CEA and regulations thereunder.

Eligibility Date shall mean, with respect to each Borrower and each Guarantor and each Swap, the date on which this Agreement or any Loan Document becomes effective with respect to such Swap (for the avoidance of doubt, the Eligibility Date shall be the Effective Date of such Swap if this Agreement or any Loan Document is then in effect with respect to such Borrower or such Guarantor, and otherwise it shall be the Effective Date of this Agreement and/or such Loan Document(s) to which such Borrower or such Guarantor is a party).

Exchange Act shall mean the Securities Exchange Act of 1934, as amended.

Excluded Hedge Liability or Liabilities shall mean, with respect to each Borrower and each Guarantor, each of its Swap Obligations if, and only to the extent that, all or any portion of this Agreement or any Loan Document that relates to such Swap Obligation is or becomes illegal under the CEA, or any rule, regulation or order of the CFTC, solely by virtue of such Borrower's and/or Guarantor's failure to qualify as an Eligible Contract Participant on the Eligibility Date for such Swap. Notwithstanding anything to the contrary contained in the foregoing or in any other provision of this Agreement or any Loan Document, the foregoing is subject to the following provisos: (a) if a Swap Obligation arises under a master agreement governing more than one Swap, this definition shall apply only to the portion of such Swap Obligation that is attributable to Swaps for which such guaranty or security interest is or becomes illegal under the CEA, or any rule, regulations or order of the CFTC, solely as a result of the failure by such Borrower or Guarantor for any reason to qualify as an Eligible Contract Participant on the Eligibility Date for such Swap; (b) if a guarantee of a Swap Obligation would cause such obligation to be an Excluded Hedge Liability but the grant of a security interest would not cause such obligation to be an Excluded Hedge Liability, such Swap Obligation shall constitute an Excluded Hedge Liability for purposes of the guaranty but not for purposes of the grant of the security interest; and (c) if there is more than one Borrower or Guarantor executing this Agreement or the Loan Documents and a Swap Obligation would be an Excluded Hedge Liability with respect to one or more of such Persons, but not all of them, this definition of Excluded Hedge Liability or Liabilities with respect to each such Person shall only be deemed applicable to (i) the particular Swap Obligations that constitute Excluded Hedge Liabilities with respect to such Person, and (ii) the particular Person with respect to which such Swap Obligations constitute Excluded Hedge Liabilities.

Inventory shall mean any and all goods, merchandise and other personal property, including, without limitation, goods in transit, wheresoever located and whether now owned or hereafter acquired by any Loan Party which are or may at any time be held as raw materials, finished goods, work-in-process, supplies or materials used or consumed in the such Loan Party's business or held for sale or lease, including, without limitation, (a) all such property the sale or other disposition of which has given rise to Accounts and which has been returned to or repossessed or stopped in transit by such Loan Party, and (b) all packing, shipping and advertising materials relating to all or any such property. All Inventory, whether Qualified Inventory or not, shall be subject to the Lenders' Prior Security Interest.

Net Orderly Liquidation Value shall mean, on any date of determination, with regard to any Inventory, the net proceeds that could be expected from an orderly liquidation sale of such Inventory, after all expenses, professionally managed, with the seller obligated to sell over a defined period not to exceed one hundred twenty (120) days from the commencement of such sale, assuming that (a) the Borrowers' facilities are in limited operation, utilizing select current employees of the Borrowers, for the purpose of liquidating the Inventory, (b) the Inventory would be disposed of on a piecemeal basis or through appropriate groupings, under a scenario whereby the purchasers are buying "as is, where is" for cash or cash equivalent, (c) the terms are sold on a Free On Board ("FOB") warehouse basis, and (d) taking into consideration current economic trends, condition, location and marketability.

Non-Qualifying Party shall mean any Borrower or any Guarantor that on the applicable Eligibility Date fails for any reason to qualify as an Eligible Contract Participant.

Qualified ECP Loan Party shall mean each Borrower or each Guarantor that on the Eligibility Date is (a) a corporation, partnership, proprietorship, organization, trust, or other entity other than a "commodity pool" as defined in Section 1a(10) of the CEA and CFTC regulations thereunder that has total assets exceeding Ten Million and 00/100 Dollars ($10,000,000.00) or (b) an Eligible Contract Participant that can cause another person to qualify as an Eligible Contract Participant on the Eligibility Date under Section 1a(18)(A)(v)(II) of the CEA by entering into or otherwise providing a "letter of credit or keepwell, support, or other agreement" for purposes of Section 1a(18)(A)(v)(II) of the CEA.

Qualified Accounts shall mean any Accounts which the Administrative Agent in its Permitted Discretion determines to have met all of the minimum requirements set forth on Schedule 1.1(D).

Qualified Inventory shall mean any Inventory which the Administrative Agent in its Permitted Discretion determines to have met all of the minimum requirements set forth on Schedule 1.1(E).

Reportable Compliance Event shall mean that any Covered Entity becomes a Sanctioned Person, or is charged by indictment, criminal complaint or similar charging instrument, arraigned, or custodially detained in connection with any Anti-Terrorism Law or any predicate crime to any Anti-Terrorism Law, or has knowledge of facts or circumstances to the effect that it is reasonably likely that any aspect of its operations is in actual or probable violation of any Anti-Terrorism Law.

Sanctioned Country shall mean a country subject to a sanctions program maintained under any Anti-Terrorism Law.

Sanctioned Person shall mean any individual person, group, regime, entity or thing listed or otherwise recognized as a specially designated, prohibited, sanctioned or debarred person, group, regime, entity or thing, or subject to any limitations or prohibitions (including but not limited to the blocking of property or rejection of transactions), under any Anti-Terrorism Law.

Schedule of Accounts shall mean a detailed aged trial balance of all then existing Accounts in form and substance satisfactory to Administrative Agent, specifying in each case the names, addresses, face amount and dates of invoice(s) for each Account Debtor obligated on an Account so listed and, if requested by the Administrative Agent, copies of proof of delivery and customer statements and the original copy of all documents, including, without limitation, repayment histories and present status reports, and such other matters and information relating to the status of the Accounts and/or the Account Debtors so scheduled as the Administrative Agent may from time to time reasonably request.

Schedule of Inventory shall mean a current schedule of Inventory in form and substance satisfactory to the Administrative Agent on an average cost value basis, itemizing and describing the kind, type, quality and quantity of Inventory, as determined by physical counts, the Borrowers' costs therefor and selling price thereof, and the daily withdrawals therefrom and additions thereto.

Schedule of Payables shall mean a detailed listing of the Borrowers' existing accounts payable, specifying the names of each creditor and the amount owed to such creditor and such matters and information relating to the status of the Borrowers' accounts payable so scheduled as the Administrative Agent may from time to time reasonably request.

Swap shall mean any "swap" as defined in Section 1a(47) of the CEA and regulations thereunder, other than (a) a swap entered into, or subject to the rules of, a board of trade designated as a contract market under Section 5 of the CEA, or (b) a commodity option entered into pursuant to CFTC Regulation 32.3(a).

Swap Obligation means any obligation to pay or perform under any agreement, contract or transaction that constitutes a Swap.

Third Amendment shall mean that certain Third Amendment to Credit Agreement and First Amendment to Guaranty and Suretyship Agreement, dated the 7th day of November, 2013, by and among the Borrowers, the Guarantor, the Lenders and the Administrative Agent.

3. Section 1.1 of the Credit Agreement is hereby amended by deleting the following definitions in their entirety and in their stead inserting the following:

Anti-Terrorism Laws shall mean any Laws relating to terrorism, trade sanctions programs and embargoes, import/export licensing, money laundering or bribery, and any regulation, order, or directive promulgated, issued or enforced pursuant to such Laws, all as amended, supplemented or replaced from time to time.

Consolidated EBITDA for any period of determination shall mean (i) the sum of net income, depreciation, amortization, non-cash impairment charges and other non-cash charges to net income, interest expense, income tax expense, Transaction

Expenses paid during the fiscal quarter ended December 31, 2010 in an amount not to exceed Six Hundred Sixty Nine Thousand and 00/100 Dollars ($669,000.00), Transaction Expenses paid during the fiscal quarter ended March 31, 2011 in an amount not to exceed Two Hundred Nineteen Thousand and 00/100 Dollars ($219,000.00), Transaction Expenses paid during the fiscal quarter ended June 30, 2011 in an amount not to exceed Four Hundred Ninety-Six Thousand and 00/100 Dollars ($496,000.00), non-recurring Transaction Expenses incurred after June 30, 2011 which are expensed and not capitalized in an amount not to exceed Three Million and 00/100 Dollars ($3,000,000.00), and severance expenses not to exceed Six Hundred Fifty Thousand and 00/100 Dollars ($650,000.00) minus (ii) non-cash credits to net income, in each case of Universal and its Subsidiaries for such period determined and consolidated in accordance with GAAP. For purposes of calculating Consolidated EBITDA, (a) with respect to any Permitted Acquisition, Consolidated EBITDA shall be calculated on a pro forma basis, using historical numbers, in accordance with GAAP as if such Permitted Acquisition had been consummated at the beginning of such period, and (b) with respect to a business liquidated, sold or disposed of by the Loan Parties in accordance with and as permitted by the terms and provisions of the final loan documentation, Consolidated EBITDA shall be calculated on a pro forma basis, using historical numbers, in accordance with GAAP as if such liquidation, sale or disposition had been consummated at the beginning of such period.

Fixed Charges shall mean for any period of determination the sum of cash interest expense, cash income taxes, scheduled principal installments on Indebtedness (without giving effect to any voluntary prepayments of such Indebtedness), capital expenditures (excluding Specified North Jackson Capital Expenditures) and payments under capitalized leases, in each case of Universal and its Subsidiaries for such period determined and consolidated in accordance with GAAP.

Interest Rate Hedge shall mean foreign exchange agreements, currency swap agreements, interest rate exchange, collar, cap, swap (including, but not limited to, a Swap), adjustable strike cap, adjustable strike corridor agreements or similar hedging agreements entered into by the Loan Parties or their Subsidiaries in the ordinary course of business and not for speculative purposes.

Law shall mean any law(s) (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, issued guidance, release, ruling, order, executive order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award of or settlement agreement, by agreement, consent or otherwise, with any Official Body.

Obligation shall mean any obligation or liability of any of the Loan Parties, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due, under or in connection with (i) this Agreement, the Notes, the Letters of Credit, the Administrative Agent's Letter or any other Loan Document whether to the Administrative Agent, any of the Lenders or their Affiliates or other persons provided for under such Loan Documents, (ii) any Lender Provided Interest Rate Hedge and (iii) any Other Lender Provided Financial Service Product; provided, however, notwithstanding anything to the contrary contained herein, the Obligations shall not include any Excluded Hedge Liabilities.

4. Section 2.1 of the Credit Agreement is hereby deleted in its entirety and in its stead is inserted the following:

2.1 Revolving Credit Commitments.

2.1.1. Revolving Credit Loans. Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, each Lender severally agrees to make Revolving Credit Loans to the Borrowers at any time or from time to time on or after the date hereof to the Expiration Date; provided that after giving effect to each such Loan (i) the aggregate amount of Revolving Credit Loans from such Lender shall not exceed such Lender's Revolving Credit Commitment minus such Lender's Ratable Share of the Letter of Credit Obligations and (ii) the Revolving Facility Usage shall not exceed the lesser of (a) the Revolving Credit Commitments and (b) the Borrowing Base. Within such limits of time and amount and subject to the other provisions of this Agreement, the Borrowers may borrow, repay and reborrow pursuant to this Section 2.1.

2.1.2 Swing Loan Commitment. Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, and in order to facilitate loans and repayments between Settlement Dates, PNC may, at its option, cancelable at any time for any reason whatsoever, make swing loans (the "**Swing Loans**") to the Borrowers at any time or from time to time after the date hereof to, but not including, the Expiration Date, in an aggregate principal amount up to but not in excess of Seven Million and 00/100 Dollars ($7,000,000.00), provided that after giving effect to such Loan, the Revolving Facility Usage shall not exceed the lesser of (a) the Revolving

Credit Commitments and (b) the Borrowing Base. Within such limits of time and amount and subject to the other provisions of this Agreement, the Borrowers may borrow, repay and reborrow pursuant to this Section 2.1.2.

5. The fourth (4th) complete sentence of Section 2.8.1 of the Credit Agreement is hereby deleted in its entirety and in its stead is inserted the following:

Unless the Issuing Lender has received notice from any Lender, Administrative Agent or any Loan Party, at least one day prior to the requested date of issuance, amendment or extension of the applicable Letter of Credit, that one or more applicable conditions in Section 7 [Conditions of Lending and Issuance of Letters of Credit] is not satisfied, then, subject to the terms and conditions hereof and in reliance on the agreements of the other Lenders set forth in this Section 2.8, the Issuing Lender or any of the Issuing Lender's Affiliates will issue a Letter of Credit or agree to such amendment or extension, provided that each Letter of Credit shall (A) have a maximum maturity of twelve (12) months from the date of issuance (provided that, subject to the following clause (B), the expiration date thereof may be subject to automatic extension), and (B) in no event expire later than the Expiration Date and provided further that in no event shall (i) the Letter of Credit Obligations exceed, at any one time, Ten Million and 00/100 Dollars ($10,000,000.00) (the "**Letter of Credit Sublimit**") or (ii) the Revolving Facility Usage exceed, at any one time, the lesser of (x) the Revolving Credit Commitments and (y) the Borrowing Base.

6. Section 5.7.1 of the Credit Agreement is hereby deleted in its entirety and in its stead is inserted the following:

5.7.1. Borrowing Base Exceeded. Whenever the Revolving Facility Usage exceeds the Borrowing Base, the Borrowers shall make, within one (1) Business Day after the Borrowers learn of such excess and whether or not the Administrative Agent has given notice to such effect, a mandatory prepayment of principal equal to the excess of the Revolving Facility Usage over the Borrowing Base, together with accrued interest on such principal amount.

7. Section 5.12 of the Credit Agreement is hereby deleted in its entirety and in its stead is inserted the following:

5.12 Collections; Administrative Agent's Right to Notify Account Debtors. The Borrowers hereby authorize the Administrative Agent, now and at any time or times hereafter during the continuance of an Event of Default, to (i) notify any or all Account Debtors that the Accounts have been assigned to the Lenders and that the Lenders have a security interest therein, and (ii) direct such Account Debtors to make all payments due from them to the Borrowers upon the Accounts directly to the Administrative Agent or to a lockbox designated by the Administrative Agent. The Administrative Agent shall promptly furnish the Borrowing Agent with a copy of any such notice sent. Any such notice, in the Administrative Agent's sole discretion, may be sent on any Borrower's stationery, in which event the applicable Borrower shall co-sign such notice with the Administrative Agent. To the extent that any Law or custom or any contract or agreement with any Account Debtor requires notice to or the approval of the Account Debtor in order to perfect such assignment of a security interest in Accounts, the Borrowers agree to give such notice or obtain such approval.

8. Section 6.1 of the Credit Agreement is hereby amended by inserting a new Section 6.1.18 as follows:

6.1.18 Anti-Terrorism Laws.

(a) Each Loan Party represents and warrants that (i) no Covered Entity is a Sanctioned Person and (ii) no Covered Entity, either in its own right or through any third party, (A) has any of its assets in a Sanctioned Country or in the possession, custody or control of a Sanctioned Person in violation of any Anti-Terrorism Law; (B) does business in or with, or derives any of its income from investments in or transactions with, any Sanctioned Country or Sanctioned Person in violation of any Anti-Terrorism Law; or (C) engages in any dealings or transactions prohibited by any Anti-Terrorism Law.

(b) Each Loan Party covenants and agrees that (i) no Covered Entity will become a Sanctioned Person, (ii) no Covered Entity, either in its own right or through any third party, will (B) have any of its assets in a Sanctioned Country or in the possession, custody or control of a Sanctioned Person in violation of any Anti-Terrorism Law; (B) do business in or with, or derive any of its income from investments in or transactions with, any Sanctioned Country or Sanctioned Person in violation of any Anti-Terrorism Law; (C) engage in any dealings or transactions prohibited by any Anti-Terrorism Law or (D) use the Advances to fund any operations in, finance any investments or activities in, or, make any payments to, a Sanctioned Country or Sanctioned Person in violation of any Anti-Terrorism Law, (iii)the funds used to repay the Obligations will not be derived from any unlawful activity, (iv) each Covered Entity shall comply with all Anti-Terrorism Laws and (v) the Borrowers shall promptly notify the Agent in writing upon the occurrence of a Reportable Compliance Event.

9. Section 8.1.5 of the Credit Agreement is hereby deleted in its entirety and in its stead is inserted the following:

8.1.5 Visitation Rights. Each Loan Party shall, and shall cause each of its Subsidiaries to, permit any of the officers or authorized employees or representatives of the Administrative Agent or any of the Lenders to visit and inspect any of its properties, including to conduct audits, appraisals and field examinations of the Collateral, and to examine and make excerpts from its books and records and discuss its business affairs, finances and accounts with its officers, all in such detail and at such times and as often as the Administrative Agent or any of the Lenders may reasonably request, provided that so long as an Event of Default has not occurred, (i) the Administrative Agent, in its sole discretion, shall conduct, at the Borrowers' expense, audits, appraisals and field examinations of the Collateral no more frequently than two (2) times per fiscal year and (ii) each Lender shall provide the Borrowing Agent and the Administrative Agent with reasonable notice prior to any visit or inspection, which visit or inspection shall be at such Lender's expense. In the event any Lender desires to conduct an audit, appraisal or field examination of the Collateral of any Loan Party, such Lender shall make a reasonable effort to conduct such visit contemporaneously with any visit to be performed by the Administrative Agent.

10. Effective September 30, 2013, Section 8.2.17 of the Credit Agreement is hereby deleted in its entirety and in its stead is inserted the following:

8.2.17 Minimum Fixed Charge Coverage Ratio. The Loan Parties shall not permit the Fixed Charge Coverage Ratio to be less than (i) 1.10 to 1.00, calculated as of March 31, 2013 and the end of each fiscal quarter thereafter through and including June 30, 2013, in each case for the four (4) fiscal quarters then ended, (ii) 1.00 to 1.00, calculated as of (a) September 30, 2013 for the four (4) fiscal quarters then ended, (b) June 30, 2014 for the two (2) fiscal quarters then ended and (c) September 30, 2014 for the three (3) fiscal quarters then ended and (iii) 1.10 to 1.00, calculated as of December 31, 2014 and the end of each fiscal quarter thereafter, in each case for the four (4) fiscal quarters then ended.

11. Effective September 30, 2013, Section 8.2.18 of the Credit Agreement is hereby deleted in its entirety and in its stead is inserted the following:

8.2.18 Maximum Leverage Ratio. The Loan Parties shall not permit the Leverage Ratio to exceed (i) 3.75 to 1.00, calculated as of March 31, 2013, June 30, 2013, December 31, 2014 and March 31, 2015, in each case for the four (4) fiscal quarters then ended, (ii) 3.50 to 1.00, calculated as of June 30, 2015 and September 30, 2015, in each case for the four (4) fiscal quarters then ended, (iii) 3.25 to 1.00, calculated as of December 31, 2015 for the four (4) fiscal quarters then ended, and (iv) 3.00 to 1.00, calculated as of March 31, 2016 and the end of each fiscal quarter thereafter, in each case for the four (4) fiscal quarters then ended.

12. Effective September 30, 2013, Section 8.2 of the Credit Agreement is hereby amended by inserting a new Section 8.2.19 as follows:

8.2.19 Minimum Consolidated EBITDA. The Loan Parties shall not permit Consolidated EBITDA to be less than (i) Eighteen Million and 00/100 Dollars ($18,000,000.00), calculated as of September 30, 2013, for the four (4) fiscal quarters then ended, (ii) Twelve Million and 00/100 Dollars ($12,000,000.00), calculated as of December 31, 2013, for the four (4) fiscal quarters then ended, (iii) Twelve Million and 00/100 Dollars ($12,000,000.00), calculated as of March 31, 2014 and June 30, 2014, in each case for the four (4) fiscal quarters then ended, and (iv) Fourteen Million and 00/100 Dollars ($14,000,000.00), calculated as of September 30, 2014, for the four (4) fiscal quarters then ended.

13. Section 8.2 of the Credit Agreement is hereby amended by inserting a new Section 8.2.20 as follows:

8.2.20 Anti-Terrorism Laws. No Loan Party shall, until satisfaction in full of the Obligations and termination of this Agreement, nor shall it permit any Owner, Affiliate, Subsidiary or agent to:

8.2.20.1 Maintain any of its assets in a Sanctioned Country or in the possession, custody or control of a Sanctioned Person.

8.2.20.2 Conduct any business or engage in any transaction or dealing with any Sanctioned Country or Sanctioned Person in violations of any law, regulation, order or directive enforced by any Compliance Authority.

8.2.20.3 Use the proceeds of the Loans to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Country or Sanctioned Person in violation of any law, regulation, order or directive enforced by any Compliance Authority.

8.2.20.4 Engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

Each Loan Party shall deliver to Administrative Agent any certification or other evidence reasonably requested from time to time by the Administrative Agent or any Lender in its sole discretion, confirming such Loan Party's compliance with this Section 8.2.20 [Anti-Terrorism Laws].

14. Section 8.3.4 of the Credit Agreement is hereby deleted in its entirety and in its stead is inserted the following:

8.3.4 Borrowing Base Certificates, Schedules of Accounts, Inventory and Payables. As soon as available and in any event within twenty (20) calendar days after the end of each calendar month, in each case calculated as of the last day of the immediately preceding calendar month, (i) a Borrowing Base Certificate in the form of Exhibit 8.3.4 hereto, appropriately completed, executed and delivered by an Authorized Officer of the Borrowers, (ii) a Schedule of Accounts and Schedule of Inventory; and (iii) a Schedule of Payables; provided, however, notwithstanding the foregoing, the Loan Parties shall furnish or cause to be furnished to the Administrative Agent and each of the Lenders any of such items (i) through (iii) above for any applicable reporting period as the Administrative Agent or any of the Lenders shall reasonably request.

15. Section 9.1.3 of the Credit Agreement is hereby deleted in its entirety and in its stead is inserted the following:

9.1.3 Breach of Negative Covenants, Anti-Terrorism Laws or Visitation Rights. Any of the Loan Parties shall default in the observance or performance of any covenant contained in Section 8.1.5 [Visitation Rights], Section 8.1.9 [Anti-Terrorism Laws] or Section 8.2 [Negative Covenants];

16. Section 9.1.11 of the Credit Agreement is hereby deleted in its entirety and in its stead is inserted the following:

9.1.11 Anti-Money Laundering/International Trade Law Compliance. Any representation or warranty contained in Section 6.1.18 [Anti-Terrorism Laws] is or becomes false or misleading at any time.

17. Section 9.2.4 of the Credit Agreement is hereby amended by inserting a new paragraph at the end thereof as follows:

Notwithstanding anything to the contrary contained herein, no Swap Obligations of any Non-Qualifying Party shall be paid with amounts received from such Non-Qualifying Party under its guaranty (including sums received as a result of the exercise of remedies with respect to such guaranty) or from the proceeds of such Non-Qualifying Party's Collateral if such Swap Obligations would constitute Excluded Hedge Liabilities, provided, however, that to the extent possible appropriate adjustments shall be made with respect to payments and/or the proceeds of Collateral from the Borrowers and/or any Guarantors that are Eligible Contract Participants with respect to such Swap Obligations to preserve the allocation to Obligations otherwise set forth herein.

18. Section 11.3.1 of the Credit Agreement is hereby deleted in its entirety and in its stead is inserted the following:

11.3.1 Costs and Expenses. The Borrowers shall pay (i) all out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent) in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all out-of-pocket expenses incurred by the Issuing Lender in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder, (iii) all out-of-pocket expenses incurred by the Administrative Agent, any Lender or the Issuing Lender (including the fees, charges and disbursements of any counsel for the Administrative Agent, any Lender or the Issuing Lender), and shall pay all fees and time charges for attorneys who may be employees of the Administrative Agent, any Lender or the Issuing Lender, in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit, and (iv) all reasonable out-of-pocket expenses of the Administrative Agent's regular employees and agents engaged periodically to perform audits, appraisals and field examinations of the Loan Parties' Collateral, books, records and business properties.

19. The first (1^{st}) complete sentence of Section 11.16 of the Credit Agreement is hereby deleted in its entirety and in its stead is inserted the following:

Any Subsidiary of any Loan Party which is required to join this Agreement pursuant to Section 8.2.9 [Subsidiaries, Partnerships and Joint Ventures] or Section 8.2.6(ii) [Liquidations, Mergers, Consolidations, Acquisitions] shall execute and deliver to the Administrative Agent (i) a Borrower Joinder or a Guarantor Joinder, as determined by the Administrative Agent, and (ii) documents in the forms described in Section 7.1 [First Loans and Letters of Credit] that the Administrative Agent may reasonably require, modified as appropriate to relate to such Subsidiary, including, without limitation, organizational documents, legal opinions and documents necessary to grant and perfect Prior Security Interests to the Administrative Agent (for its benefit and for the benefit of the Lenders) in all Collateral held by such Subsidiary; provided, however, to the extent such Subsidiary becomes a Borrower, none of such assets which become Collateral shall be included in the Borrowing Base in accordance with the terms of this Agreement until such time as the Administrative Agent makes such a determination in its sole discretion.

20. Article XI of the Credit Agreement is hereby amended by inserting a new Section 11.17 as follows:

11.17 <u>Keepwell</u>. Each Loan Party, if it is a Qualified ECP Loan Party, jointly and severally, hereby absolutely unconditionally and irrevocably (a) guarantees the prompt payment and performance of all Swap Obligations owing by each Non-Qualifying Party (it being understood and agreed that this guarantee is a guaranty of payment and not of collection), and (b) undertakes to provide such funds or other support as may be needed from time to time by any Non-Qualifying Party to honor all of such Non-Qualifying Party's obligations under this Agreement or any Loan Document in respect of Swap Obligations (provided, however, that each Qualified ECP Loan Party shall only be liable under this Section 10.16 for the maximum amount of such liability that can be hereby incurred without rendering its obligations under this Section 10.16, or otherwise under this Agreement or any Loan Document, voidable under applicable law, including applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations of each Qualified ECP Loan Party under this Section 10.16 shall remain in full force and effect until payment in full of the Obligations and termination of this Agreement and the Loan Documents. Each Qualified ECP Loan Party intends that this Section 10.16 constitute, and this Section 10.16 shall be deemed to constitute, a guarantee of the obligations of, and a "keepwell, support, or other agreement" for the benefit of each other Borrower and Guarantor for all purposes of Section 1a(18(A)(v)(II) of the CEA.

21. Exhibit 8.3.3 of the Credit Agreement is hereby deleted in its entirety and in its stead is inserted the Exhibit 8.3.3 attached hereto.

22. The Credit Agreement is hereby amended by adding a new Exhibit 8.3.4 in the form of Exhibit 8.3.4 attached hereto.

23. Schedule 1.1(A) of the Credit Agreement is hereby deleted in its entirety and in its stead is inserted the Schedule 1.1(A) attached hereto.

24. The Credit Agreement is hereby amended by adding a new Schedule 1.1(D) in the form of Schedule 1.1(D) attached hereto.

25. The Credit Agreement is hereby amended by adding a new Schedule 1.1(E) in the form of Schedule 1.1(E) attached hereto.

26. The Guaranty Agreement made by the Guarantor in favor of the Administrative Agent, is hereby amended by adding the following paragraph at the end thereof, as follows:

EXCLUDED HEDGE OBLIGATIONS. Notwithstanding anything to the contrary contained herein, the Debtor Liabilities shall not include any Excluded Hedge Liabilities.

27. The provisions of Sections 2 through 26 of this Third Amendment shall not become effective until the Administrative Agent has received the following, each in form and substance acceptable to the Administrative Agent:

(a) this Third Amendment, duly executed by the Borrowers, the Guarantor, the Lenders and the Administrative Agent;

(b) the documents and conditions listed in the Preliminary Closing Agenda set forth on Exhibit A attached hereto and made a part hereof;

(c) payment of all fees and expenses owed to the Agent and its counsel in connection with this Third Amendment; and

(d) such other documents as may be reasonably requested by the Administrative Agent.

28. The Loan Parties hereby reconfirm and reaffirm all representations and warranties, agreements and covenants made by and pursuant to the terms and conditions of the Credit Agreement, except as such representations and warranties, agreements and covenants may have heretofore been amended, modified or waived in writing in accordance with the Credit Agreement or as set forth in this Third Amendment and except any such representations or warranties made as of a specific date or time, which shall have been true and correct in all material respects as of such date or time.

29. The Loan Parties acknowledge and agree that each and every document, instrument or agreement which at any time has secured payment of the Obligations including, but not limited to, the Credit Agreement, each Patent, Trademark and Copyright Security Agreement, each Pledge Agreement, the Security Agreement, the Mortgage and the Lease Assignment continue to secure prompt payment when due of the Obligations.

30. The Loan Parties hereby represent and warrant to the Lenders and the Administrative Agent that (i) the Loan Parties have the legal power and authority to execute and deliver this Third Amendment; (ii) the officers of the Loan Parties executing this Third Amendment have been duly authorized to execute and deliver the same and bind the Loan Parties with respect to the provisions hereof; (iii) the execution and delivery hereof by the Loan Parties and the performance and observance by the Loan Parties of the provisions hereof and of the Credit Agreement and all documents executed or to be executed therewith, do not violate or conflict with the organizational documents of the Loan Parties or any law applicable to the Loan Parties or result in a breach of any provision of or constitute a default under any other agreement, instrument or document binding upon or enforceable against the Loan Parties and (iv) this Third Amendment, the Credit Agreement and the documents executed or to be executed by the Loan Parties in connection herewith or therewith constitute valid and binding obligations of the Loan Parties in every respect, enforceable in accordance with their respective terms.

31. The Loan Parties represent and warrant that (i) no Event of Default exists under the Credit Agreement, nor will any occur as a result of the execution and delivery of this Third Amendment or the performance or observance of any provision hereof; and (ii) they presently have no claims or actions of any kind at law or in equity against the Lenders and/or the Administrative Agent arising out of or in any way relating to the Credit Agreement or the other Loan Documents.

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

33. The agreements contained in this Third Amendment are limited to the specific agreements contained herein. Except as amended hereby, all of the terms and conditions of the Credit Agreement and the other Loan Documents shall remain in full force and effect. This Third Amendment amends the Credit Agreement and is not a novation thereof.

34. This Third Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts each of which, when so executed, shall be deemed to be an original, but all such counterparts shall constitute but one and the same instrument.

35. This Third Amendment shall be governed by, and shall be construed and enforced in accordance with, the Laws of the Commonwealth of Pennsylvania without regard to the principles of conflicts of law thereof. The Loan Parties hereby consent to the jurisdiction and venue of any federal or state court located in the Commonwealth of Pennsylvania with respect to any suit arising out of or mentioning this Third Amendment.

[INTENTIONALLY LEFT BLANK]

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

BORROWERS:

WITNESS:	UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC., a Delaware corporation
/s/ Paul A. McGrath	By: /s/ Michael D. Bornak (SEAL) Name: Michael D. Bornak Title: Chief Financial Officer
WITNESS:	DUNKIRK SPECIALTY STEEL, LLC, a Delaware limited liability company
/s/ Paul A. McGrath	By: /s/ Michael D. Bornak (SEAL) Name: Michael D. Bornak Title: Executive Officer
WITNESS:	NORTH JACKSON SPECIALTY STEEL, LLC, a Delaware limited liability company
/s/ Paul A. McGrath	By: /s/ Michael D. Bornak (SEAL) Name: Michael D. Bornak Title: Treasurer

GUARANTOR:

WITNESS:	USAP HOLDINGS, INC., a Delaware corporation
/s/ Paul A. McGrath	By: /s/ Michael D. Bornak (SEAL) Name: Michael D. Bornak Title: Vice President

ADMINISTRATIVE AGENT AND LENDERS:

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

By: /s/ David B. Gookin
Name: David B. Gookin
Title: Executive Vice President

THE HUNTINGTON NATIONAL BANK,
as a Lender

By: /s/ Michael P. DiClemente
Name: Michael P. DiClemente
Title: Vice President

FIFTH THIRD BANK,
as a Lender

By: /s/ Victor Notaro
Name: Victor Notaro
Title: Senior Vice President

FIRST NATIONAL BANK OF PENNSYLVANIA, as a Lender

By: /s/ Diane Geisler
Name: Diane Geisler
Title: Vice President

FIRST COMMONWEALTH BANK,
as a Lender

By: /s/ Brian J. Sohocki
Name: Brian J. Sohocki
Title: Senior Vice President

EXHIBIT A

PRELIMINARY CLOSING AGENDA

This preliminary closing agenda contains the documents to be delivered in connection with a third amendment to a One Hundred Twenty-Three Million Five Hundred Thousand and 00/100 Dollar ($123,500,000.00) credit facility provided to **Universal Stainless & Alloy Products, Inc.**, a Delaware corporation ("Universal"), **Dunkirk Specialty Steel, LLC**, a Delaware limited liability company ("Dunkirk") and **North Jackson Specialty Steel, LLC**, a Delaware limited liability company ("North Jackson") (Universal, Dunkirk and North Jackson are each, a "Borrower" and collectively, the "Borrowers", by **PNC Bank, National Association** ("PNC Bank") and various other financial institutions from time to time (PNC Bank and such other financial institutions are each, a "Lender" and collectively, the "Lenders"), **PNC Bank**, as administrative and collateral agent for the Lenders (in such capacity, the "Agent") and **PNC Capital Markets LLC**, a Pennsylvania limited liability company, as the lead arranger (the "Lead Arranger").

No.		GENERAL LOAN DOCUMENTS	Responsible Party
1.		Third Amendment to Credit Agreement and First Amendment to Guaranty and Suretyship Agreement, by and among the Borrowers, USAP Holdings, Inc., a Delaware corporation (the "Guarantor") (the Borrowers and the Guarantor are each, a "Loan Party" and collectively, the "Loan Parties"), the Lenders and the Agent (the "Third Amendment").	Agent
2.		Amended schedules to Credit Agreement, as applicable and appropriate:	
	a.	Schedule 1.1(A) – Pricing Grid (Interest and Letter of Credit Fee).	Agent
	b.	Schedule 1.1(D) – Qualified Accounts.	Agent
	c.	Schedule 1.1(E) – Qualified Inventory.	Agent
	d.	Other amended schedules, if necessary and as appropriate.	Borrowers
3.		Amended exhibits to Credit Agreement:	Agent
	a.	Exhibit 8.3.3 – Quarterly Compliance Certificate.	Agent
	b.	Exhibit 8.3.4 – Borrowing Base Certificate.	Agent

TITLE DOCUMENTS

4.	Title Bring-Down with respect to the Mortgaged Premises.	Borrowers/Agent
5.	Flood Certificate with respect to the Mortgaged Premises.	Agent

ORGANIZATIONAL DOCUMENTS

Universal

6.	Good Standing Certificates of Universal from the Secretary of State of the State of Delaware (long form), and each jurisdiction in which it is registered to do business as a foreign corporation, if any.	Borrowers
7.	Certificate of the Secretary of Universal as to (i) resolutions of its Board of Directors authorizing Universal to enter into the Third Amendment and all related documents, (ii) incumbency of its officers, and (iii) no amendments to its Certificate of Incorporation or Bylaws.	Borrowers

Dunkirk

8.	Good Standing Certificates of Dunkirk from the Secretary of State of the State of Delaware (long form), and each jurisdiction in which it is registered to do business as a foreign limited liability company, if any.	Borrowers
9.	Certificate of the Secretary of Dunkirk as to (i) resolutions of the sole Member authorizing Dunkirk to enter into the Third Amendment and all related documents, (ii) incumbency of its officers, and (iii) no amendments to its Certificate of Formation or Limited Liability Company Agreement.	Borrowers

North Jackson

10.	Good Standing Certificates of North Jackson from the Secretary of State of the State of Delaware (long form), and each jurisdiction in which it is registered to do business as a foreign limited liability company, if any.	Borrowers
11.	Certificate of the Secretary of North Jackson as to (i) resolutions of sole Member authorizing North Jackson to enter into the Third Amendment and all related documents, (ii) incumbency of its officers, and (iii) no amendments to its Certificate of Formation or Limited Liability Company Agreement.	Borrowers

Guarantor

12.	Good Standing Certificates of the Guarantor from the Secretary of State of the State of Delaware (long form), and each jurisdiction in which it is registered to do business as a foreign corporation, if any.	Borrowers
13.	Certificate of the Secretary of the Guarantor as to (i) resolutions of its Board of Directors authorizing the Guarantor to enter into the Third Amendment and all related documents, (ii) incumbency of its officers, and (iii) no amendments to its Certificate of Incorporation or Bylaws.	Borrowers

RELATED DOCUMENTS

14.	UCC Lien Searches with respect to each Loan Party (at the state level only) in such party's jurisdiction of formation or incorporation, as the case may be (collectively, the "Lien Searches").	Borrowers
15.	Fully-executed copies of the UCC-3 Termination Statements and any other releases that may be necessary to satisfy any and all existing liens on the assets of the Loan Parties or the Sellers or disclosed by the Lien Searches which are not permitted pursuant to the terms of the Credit Agreement (including, payoff letters, if applicable), all in form and substance satisfactory to the Agent and the Lead Arranger.	Borrowers/ Agent
16.	Closing Date Borrowing Base Certificate of the Borrowers.	Borrowers
17.	Inventory Appraisal conducted by an appraiser selected by the Agent, with results in form and substance satisfactory to the Agent.	Agent/ Borrowers
18.	Machinery and Equipment Appraisal (fair market value) with respect to North Jackson's machinery and equipment located at the Mortgaged Premises, conducted by an appraiser selected by the Agent, with results in form and substance satisfactory to the Agent.	Agent/ Borrowers
19.	Field Audit of the Borrowers conducted by examiners selected by the Agent, with results in form and substance satisfactory to the Agent.	Agent/ Borrowers
20.	Evidence of Hazard and Liability Insurance of the Loan Parties at each of their respective locations in accordance with the terms of the Credit Agreement, the Security Agreement and the Mortgage, along with endorsements naming the Agent as additional insured, lender loss payee and mortgagee (including evidence that no part of the Mortgaged Premises is located in a flood plain or, if so, flood insurance).	Borrowers

21.	Opinions of Counsel to the Loan Parties (including local counsel opinions), in form and substance satisfactory to the Agent, the Lead Arranger and the Lenders.	Borrowers
22.	Officer's Certificate regarding no Event of Default or Potential Default, compliance with covenants, no material adverse change and the accuracy of representations and warranties, etc.	Borrowers
23.	Side Letter, by and among the Loan Parties and the Agent.	Agent

EXHIBIT 8.3.3

FORM OF
COMPLIANCE CERTIFICATE

_________, 201__

PNC Bank, National Association,
as Administrative Agent
Three PNC Plaza
255 Fifth Avenue
Pittsburgh, PA 15222

Ladies and Gentlemen:

I refer to the Credit Agreement, dated as of August 18, 2011, by and among Universal Stainless & Alloy Products, Inc., a Delaware corporation ("Universal"), Dunkirk Specialty Steel, LLC, a Delaware limited liability company ("Dunkirk"), North Jackson Specialty Steel, LLC, a Delaware limited liability company ("North Jackson") (Universal, Dunkirk, and North Jackson are each, a "Borrower" and collectively, the "Borrowers"), the Guarantors (as defined therein) party thereto, PNC Bank, National Association ("PNC Bank") and various other financial institutions from time to time (PNC Bank and such other financial institutions are each a "Lender" and collectively, the "Lenders"), and PNC Bank, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), as amended by that certain (i) First Amendment to Credit Agreement, dated March 19, 2012, by and among the Borrowers, the Guarantors party thereto, the Lenders party thereto and the Administrative Agent, (ii) Second Amendment to Credit Agreement, dated March 29, 2013, and (iii) Third Amendment to Credit Agreement, dated November 7, 2013, by and among the Borrowers, the Guarantors party thereto, the Lenders party thereto and the Administrative Agent (as may be further amended, modified, supplemented or restated from time to time, the "Credit Agreement"). Unless otherwise defined herein, terms defined in the Credit Agreement are used herein with the same meanings.

I, the [Chief Executive Officer/President/Chief Financial Officer/Treasurer or Assistant Treasurer] of each Borrower, do hereby certify on behalf of the Borrowers as of the [quarter/year] ended , 201 (the "Report Date"), as follows:

1. CHECK ONE:

☐ The annual financial statements of Universal and its Subsidiaries, consisting of an audited consolidated balance sheet and related audited consolidated statements of income, stockholders' equity and cash flows being delivered to the Administrative Agent and the Lenders with this Compliance Certificate (a) are all in reasonable detail and set forth in comparative form the financial statements as of the end of and for the preceding fiscal year, and (b) comply with the reporting requirements for such financial statements as set forth in Section 8.3.2 [Annual Financial Statements] of the Credit Agreement.

OR

☐ The quarterly unaudited financial statements of Universal and its Subsidiaries, consisting of a consolidated balance sheet and related consolidated statements of income, stockholders' equity and cash flows being delivered to the Administrative Agent and the Lenders with this Compliance Certificate (a) are all in reasonable detail and have been prepared in accordance with GAAP, consistently applied (subject to normal year-end audit adjustments), and set forth in comparative form the respective financial statements for the corresponding date and period in the previous fiscal year, and (b) comply with the reporting requirements for such financial statements as set forth in Section 8.3.1 [Quarterly Financial Statements] of the Credit Agreement.

2. The representations and warranties of the Loan Parties contained in Section 6 [Representations and Warranties] of the Credit Agreement and in each of the other Loan Documents to which they are a party are true and correct in all respects with the same effect as though such representations and warranties had been made on and as of the Report Date (except representations and warranties which relate solely to an earlier date or time, which representations and warranties were true and correct in all respects on and as of the specific dates or times referred to therein).

3. In accordance with Section 6.2 [Updates to Schedules] of the Credit Agreement, attached hereto as <u>Exhibit A</u> are updates to the schedules to the Credit Agreement (the "Updated Schedules"). Notwithstanding the foregoing, the Borrowers hereby acknowledge and agree that no schedule shall be deemed to have been amended, modified or superseded by the Updated Schedules, nor shall any breach of warranty or representation resulting from the inaccuracy or incompleteness of any such Schedule be deemed to have been cured by the Updated Schedules, unless and until the Required Lenders, in their commercially reasonable discretion, shall have accepted in writing the Updated Schedules.

4. No Event of Default or Potential Default has occurred and is continuing on the Report Date.

[NOTE: If any Event of Default or Potential Default has occurred and is continuing, set forth on an attached sheet the nature thereof and the action which the Loan Parties have taken, are taking or propose to take with respect thereto.]

5. <u>Indebtedness</u> (Section 8.2.1(iii)). Indebtedness of the Loan Parties and their Subsidiaries with respect to Purchase Money Security Interests and capitalized leases, in the aggregate, as of the Report Date is $, which does not exceed Ten Million and 00/100 Dollars ($10,000,000.00) in the aggregate for all such Indebtedness.

6. <u>Indebtedness</u> (Section 8.2.1(vii)). Unsecured Indebtedness of the Loan Parties and their Subsidiaries, in the aggregate, as of the Report Date is $, which is Indebtedness

other than the Indebtedness permitted by clauses (i) through (vi) of Section 8.2.1 of the Credit Agreement, which is not more than the permitted maximum of Five Million and 00/100 Dollars ($5,000,000.00) in the aggregate at any time outstanding.

7. Subsidiaries, Partnerships and Joint Ventures. The aggregate investment by the Loan Parties or any of them in all Joint Ventures as of the Report Date is $, which is not more than the permitted maximum of Fifteen Million and 00/100 Dollars ($15,000,000.00) at any time.

8. Minimum Fixed Charge Coverage Ratio (Section 8.2.17). The Fixed Charge Coverage Ratio for the period equal to the [select one: two (2)/three (3)/four (4)] consecutive fiscal quarters ending as of the Report Date is to 1.0, which is not less than the required ratio for such period, as follows (select one):

☐ 1.00 to 1.00, calculated as of September 30, 2013 for the four (4) consecutive fiscal quarters then ended.

OR

☐ 1.00 to 1.00, calculated as of June 30, 2014 for the two (2) consecutive fiscal quarters then ended.

OR

☐ 1.00 to 1.00, calculated as of September 30, 2014 for the three (3) consecutive fiscal quarters then ended.

OR

☐ 1.10 to 1.00, calculated as of December 31, 2014 and the end of each fiscal quarter thereafter, in each case for the four (4) consecutive fiscal quarters then ended.

(A) Consolidated EBITDA for the period equal to the four (4) consecutive fiscal quarters ending as of the Report Date equals $ (the calculation of which is set forth in the attached spreadsheet).

(B) Fixed Charges for the period equal to the four (4) consecutive fiscal quarters ending as of the Report Date equals $ (the calculation of which is set forth in the attached spreadsheet).

(C) the ratio of item 8(A) to item 8(B) equals the Fixed Charge Coverage Ratio.

9. Maximum Leverage Ratio (Section 8.2.18). The Leverage Ratio for the period equal to the four (4) consecutive fiscal quarters ending as of the Report Date is   to 1.0, which is not greater than the permitted ratio for such period, if applicable, as follows (select one):

☐ 3.75 to 1.00, calculated as of December 31, 2014 and March 31, 2015.

OR

☐ 3.50 to 1.00, calculated as of June 30, 2015 and September 30, 2015.

OR

☐ 3.25 to 1.00, calculated as of December 31, 2015.

OR

☐ 3.00 to 1.00, calculated as of March 31, 2016 and the end of each fiscal quarter thereafter.

(A) Senior Indebtedness as of the Report Date equals $ (the calculation of which is set forth in the attached spreadsheet).

(B) Consolidated EBITDA for the period equal to the four (4) consecutive fiscal quarters ending as of the Report Date equals $ (the calculation of which is set forth in the attached spreadsheet).

(C) The ratio of item 9(A) to item 9(B) equals the Leverage Ratio.

10. Minimum Consolidated EBITDA (Section 8.2.19). Consolidated EBITDA for the period equal to the four (4) consecutive fiscal quarters ending as of the Report Date is $, which is not less than the required amount, if applicable, as follows (select one).

☐ Eighteen Million and 00/100 Dollars ($18,000,000.00), calculated as of September 30, 2013.

OR

☐ Twelve Million and 00/100 Dollars ($12,000,000.00), calculated as of December 31, 2013.

OR

☐ Twelve Million and 00/100 Dollars ($12,000,000.00), calculated as of March 31, 2014 and June 30, 2014.

OR

☐ Fourteen Million and 00/100 Dollars ($14,000,000.00), calculated as of September 30, 2014.

IN WITNESS WHEREOF, and intending to be legally bound, the undersigned have executed this Compliance Certificate this ______ day of ______, 201__.

BORROWERS:

WITNESS:

By: ______________________
Name: ______________________

Universal Stainless & Alloy Products, Inc.,
a Delaware corporation

By: ______________________ (SEAL)
Name: ______________________
Title: ______________________

WITNESS:

By: ______________________
Name: ______________________

Dunkirk Specialty Steel, LLC,
a Delaware limited liability company

By: ______________________ (SEAL)
Name: ______________________
Title: ______________________

WITNESS:

By: ______________________
Name: ______________________

North Jackson Specialty Steel, LLC,
a Delaware limited liability company

By: ______________________ (SEAL)
Name: ______________________
Title: ______________________

EXHIBIT A

[see attached]

SPREADSHEET

[see attached]

EXHIBIT 8.3.4

FORM OF
BORROWING BASE CERTIFICATE

This Borrowing Base Certificate (the "Certificate") is delivered pursuant to Section 8.3.4 of the Credit Agreement, dated August 18, 2011, as amended by that certain (i) First Amendment to Credit Agreement, dated March 19, 2012, (ii) Second Amendment to Credit Agreement, dated March 29, 2013, and (iii) Third Amendment to Credit Agreement, dated November 7, 2013 (as the same may hereafter be further amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among Universal Stainless & Alloy Products, Inc., a Delaware corporation ("Universal"), Dunkirk Specialty Steel, LLC, a Delaware limited liability company ("Dunkirk"), North Jackson Specialty Steel, LLC, a Delaware limited liability company ("North Jackson") (Universal, Dunkirk, and North Jackson are each, a "Borrower" and collectively, the "Borrowers"), the Guarantors (as defined therein) party thereto, PNC Bank, National Association ("PNC Bank") and various other financial institutions from time to time (PNC Bank and such other financial institutions are each a "Lender" and collectively, the "Lenders"), and PNC Bank, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"). Unless otherwise defined herein, capitalized terms used herein have the meanings provided in the Credit Agreement.

The undersigned hereby certifies that [he/she] is the [President] [Chief Financial Officer] [Chief Executive Officer] of each Borrower and that, as such, [he/she] is authorized to execute this Certificate on behalf of each Borrower and further certifies that:

For purposes of this Certificate, the date for which the Borrowing Base is being calculated is   , 201   (the "Calculation Date").

1. The calculation of the Borrowing Base is attached hereto as <u>Exhibit A</u>.

2. As of the Calculation Date, the Revolving Facility Usage on such date does not (and, after giving effect to any Loan or Letter of Credit being requested in conjunction with the delivery of this Certificate, will not) exceed the lesser of (a) the Revolving Credit Commitments and (b) the Borrowing Base.

3. All Accounts set forth herein as Qualified Accounts meet each of the requirements of Qualified Accounts as set forth in the Credit Agreement. All Inventory set forth herein as Qualified Inventory meet each of the requirements of Qualified Inventory as set forth in the Credit Agreement.

[INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned has hereunto set [his/her] hand this ____ day of ______, 201__.

BORROWERS:

Universal Stainless & Alloy Products, Inc.,
a Delaware corporation

WITNESS:

By: ______________________________
Name: ______________________________

By: ______________________________ (SEAL)
Name: ______________________________
Title: ______________________________

Dunkirk Specialty Steel, LLC,
a Delaware limited liability company

WITNESS:

By: ______________________________
Name: ______________________________

By: ______________________________ (SEAL)
Name: ______________________________
Title: ______________________________

North Jackson Specialty Steel, LLC,
a Delaware limited liability company

WITNESS:

By: ______________________________
Name: ______________________________

By: ______________________________ (SEAL)
Name: ______________________________
Title: ______________________________

EXHIBIT A

BORROWING BASE

(see attached)

SCHEDULE 1.1(A)

PRICING GRID
VARIABLE PRICING AND LETTER OF CREDIT FEES
BASED ON LEVERAGE RATIO

Level	Leverage Ratio	Letter of Credit Fee	Revolving Credit Base Rate Spread	Term Loan Base Rate Spread	Revolving Credit LIBOR Rate Spread	Term Loan LIBOR Rate Spread
I	Less than 1.5 to 1.0	1.50%	.50%	.50%	1.50%	1.50%
II	Greater than or equal to 1.5 to 1.0 but less than 2.25 to 1.0	1.75%	.75%	.75%	1.75%	1.75%
III	Greater than or equal to 2.25 to 1.0 but less than 3.0 to 1.0	2.00%	1.00%	1.00%	2.00%	2.00%
IV	Greater than or equal to 3.0 to 1.0 but less than 3.5 to 1.0	2.25%	1.25%	1.25%	2.25%	2.25%
V	Greater than or equal to 3.5 to 1.0 but less than 4.0 to 1.0	2.50%	1.50%	1.50%	2.50%	2.50%
VI	Greater than or equal to 4.0 to 1.0 but less than 4.5 to 1.0	3.00%	2.00%	2.00%	3.00%	3.00%
VII	Greater than or equal to 4.5 to 1.0	3.50%	2.50%	2.50%	3.50%	3.50%

For purposes of determining the Applicable Margin and the Applicable Letter of Credit Fee Rate:

(a) The Applicable Margin and the Applicable Letter of Credit Fee Rate shall be determined on the Closing Date based on the Leverage Ratio computed on such date pursuant to the Closing Compliance Certificate.

(b) The Applicable Margin and the Applicable Letter of Credit Fee Rate shall be recomputed as of the end of each fiscal quarter ending after the Closing Date based on the Leverage Ratio as of such quarter end. Any increase or decrease in the Applicable Margin or the Applicable Letter of Credit Fee Rate computed as of a quarter end shall be effective on the date on which the Compliance Certificate evidencing such computation is due to be delivered under Section 8.3.3 [Certificate of Universal]. If a Compliance Certificate is not delivered when due in accordance with such Section 8.3.3, then the rates in Level VII shall apply as of the first Business Day after the date on which such Compliance Certificate was required to have been delivered and shall remain in effect until the date on which such Compliance Certificate is delivered.

(c) If, as a result of any restatement of or other adjustment to the financial statements of the Loan Parties or for any other reason, the Loan Parties or the Lenders determine that (i) the Leverage Ratio as calculated by the Loan Parties as of any applicable date was inaccurate and (ii) a proper calculation of the Leverage Ratio would have resulted in higher pricing for such period, the Borrowers shall immediately and retroactively be obligated to pay to the Administrative Agent for the account of the applicable Lenders, promptly on demand by the Administrative Agent (or, after the occurrence of an actual or deemed entry of an order for relief with respect to any Loan Party under the Bankruptcy Code of the United States, automatically and without further action by the Administrative Agent, any Lender or the Issuing Lender), an amount equal to the excess of the amount of interest and fees that should have been paid for such period over the amount of interest and fees actually paid for such period. This paragraph shall not limit the rights of the Administrative Agent, any Lender or the Issuing Lender, as the case may be, under Section 2.8 [Letter of Credit Subfacility] or 4.3 [Interest After Default] or 9 [Default]. The Borrowers' obligations under this paragraph shall survive the termination of the Commitments and the repayment of all other Obligations hereunder.

SCHEDULE 1.1(D)

QUALIFIED ACCOUNTS

Upon delivery to the Administrative Agent of each Schedule of Accounts, the Administrative Agent shall make a determination, in its Permitted Discretion, as to which Accounts listed thereon shall be deemed Qualified Accounts. An Account of any Borrower shall not be considered a Qualified Account unless the Administrative Agent determines, in its Permitted Discretion, that such Account has met the following minimum requirements:

(i) the Account represents a complete bona fide transaction for goods sold and delivered or services rendered (but excluding any amounts in the nature of a service charge added to the amount due on an invoice because the invoice has not been paid when due) which requires no further act under any circumstances on the part of such Borrower to make such Account payable by the Account Debtor; the Account arises from an arm's-length transaction in the ordinary course of such Borrower's business between such Borrower and an Account Debtor which is not an Affiliate of any Borrower or an officer, stockholder or employee of the Borrower or any Affiliate of any Borrower, or a member of the family of an officer, stockholder or employee of any Borrower or any Affiliate of any Borrower;

(ii) the Account shall not (a) be or have been unpaid more than ninety (90) days from the invoice date, (b) be delinquent more than sixty (60) days, or (c) be payable by an Account Debtor (1) more than fifty percent (50%) of whose Accounts from such Account Debtor are not deemed Qualified Accounts hereunder, or (2) whose Accounts constitute, in the Administrative Agent's Permitted Discretion, an unduly high percentage of the aggregate amount of all outstanding Accounts;

(iii) all covenants, representations and warranties contained in this Agreement with respect to such Account has been complied with;

(iv) the goods or services the sale of which gave rise to the Account were shipped or delivered or provided to the Account Debtor on an absolute sale basis and not on a bill and hold sale basis, a consignment sale basis, a guaranteed sale basis, a sale or return basis, or on the basis of any other similar understanding, and no part of such goods has been returned or rejected;

(v) the Account is not evidenced by chattel paper or an instrument of any kind;

(vi) the Account Debtor with respect to the Account (a) is Solvent, (b) is not the subject of any bankruptcy or insolvency proceedings of any kind or of any other proceeding or action, threatened or pending, which might have a materially adverse effect on its business, and (c) is not, in the Permitted Discretion of the Administrative Agent, deemed ineligible for credit for other reasons (including, without limitation, unsatisfactory past experiences of the Borrowers or any of the Lenders with the Account Debtor or unsatisfactory reputation of the Account Debtor);

(vii) (a) the Account Debtor is not located outside the continental United States of America and Canada or (b) if the Account Debtor is located outside the continental United States and Canada, the Account is supported by a letter of credit or FICA insurance deemed adequate and acceptable by the Administrative Agent; provided, however, notwithstanding the foregoing, otherwise Qualified Accounts where the Account Debtor is located outside the continental United States and Canada and is not supported by a letter of credit or FICA insurance deemed adequate and acceptable by the Administrative Agent shall only be excluded from Qualified Accounts to the extent they exceed, singularly or in the aggregate, an amount equal to Five Million and 00/100 Dollars ($5,000,000.00);

(viii) (a) the Account Debtor is not the government of the United States of America, or any state, department, agency or instrumentality thereof, or (b) if the Account Debtor is an entity mentioned in clause (vii)(a), the Federal Assignment of Claims Act (or applicable similar legislation) has been fully complied with so as to validly perfect the Administrative Agent's Prior Security Interest to the Administrative Agent's satisfaction; provided, however, notwithstanding the foregoing, otherwise Qualified Accounts where the Account Debtor is the government of the United States of America, or any state, department, agency or instrumentality thereof and the Federal Assignment of Claims Act (or applicable similar legislation) has not been fully complied with so as to validly perfect the Administrative Agent's Prior Security Interest to the Administrative Agent's satisfaction shall only be excluded from Qualified Accounts to the extent they exceed, singularly or in the aggregate, Two Million and 00/100 Dollars ($2,000,000.00);

(ix) the Account is a valid, binding and legally enforceable obligation of the Account Debtor with respect thereto and is not subject to any dispute, condition, contingency, offset, recoupment, reduction, claim for credit, allowance, adjustment, counterclaim or defense on the part of such Account Debtor, and no facts exist which may provide a basis for any of the foregoing in the present or future;

(x) the Account is subject to the Administrative Agent's Prior Security Interest and is not subject to any other Lien, claim, encumbrance or security interest whatsoever;

(xi) the Account is evidenced by an invoice or other documentation and arises from a contract which is in form and substance satisfactory to the Administrative Agent;

(xii) the Borrowers have observed and complied with all laws of the state in which the Account Debtor or the Account is located which, if not observed and complied with, would deny to the Borrowers access to the courts of such state;

(xiii) the Account is not subject to any provision prohibiting its assignment or requiring notice of or consent to such assignment;

(xiv) the goods giving rise to the Account were not, at the time of sale thereof, subject to any Lien or encumbrance except the Administrative Agent's Prior Security Interest;

(xv) the Account is payable in freely transferable Dollars; and

(xvi) the Account is not, or should not be, disqualified for any other reason generally accepted in the commercial finance business.

In addition to the foregoing requirements, Accounts of any Account Debtor which are otherwise Qualified Accounts shall be reduced to the extent of any accounts payable (including, without limitation, the Administrative Agent's estimate of any contingent liabilities) by any Borrower to such Account Debtor ("**Contras**"); provided that the Administrative Agent, in its sole discretion, may determine that none of the Accounts in respect to such Account Debtor shall be Qualified Accounts in the event that there exists an unreasonably large amount of payables owing to such Account Debtor.

Notwithstanding the qualification standards specified above, upon prior notice to the Borrowing Agent, the Administrative Agent may at any time or from time to time revise such qualification standards or, in its Permitted Discretion, determine that one or more Accounts are not eligible to be Qualified Accounts.

SCHEDULE 1.1(E)

QUALIFIED INVENTORY

Upon delivery to the Administrative Agent of each Schedule of Inventory, the Administrative Agent shall make a determination, in its Permitted Discretion, as to which Inventory listed thereon shall be deemed Qualified Inventory. Inventory held by any Borrower shall not be considered Qualified Inventory unless the Administrative Agent determines, in its Permitted Discretion, that such Inventory has met the following minimum requirements:

(i) the Inventory is either (a) finished goods; (b) raw materials other than supplies (except supplies used exclusively as part of the manufacturing process for the production of finished goods); or (c) work-in-process, in each case of a type held for sale in the ordinary course of such Borrower's business; but excluding in all cases any goods which have been shipped, delivered, sold by, purchased by or provided to such Borrower on a bill and hold, consignment sale, guaranteed sale, or sale or return basis, or any other similar basis or understanding other than an absolute sale;

(ii) the Inventory is of good and merchantable quality;

(iii) the Inventory is located on premises listed on Exhibit B to the Security Agreement and, with respect to inventory locations at facilities leased to any of the Borrowers, the Administrative Agent has received a Landlord's Waiver in form and substance acceptable to the Administrative Agent; provided that Inventory in an aggregate amount not to exceed Five Million and 00/100 Dollars ($5,000,000.00) at any time that would otherwise be excluded pursuant to this clause (iii) shall be included as Qualified Inventory, subject to the Administrative Agent's and/or Required Lenders' ability to institute rent reserves in accordance with the terms of this Agreement;

(iv) the Inventory is not stored with a bailee, warehouseman, consignee or similar party unless such Borrower has caused such bailee, warehouseman, consignee or similar party to issue and deliver to the Administrative Agent, in form and substance acceptable to the Administrative Agent, warehouse receipts or similar type documentation therefor in the Administrative Agent's name or a lien waiver agreement or similar type documentation;

(v) the Inventory is subject to the Administrative Agent's' Prior Security Interest and is not subject to any other Lien;

(vi) the Inventory has not been manufactured in violation of any federal minimum wage or overtime laws, including, without limitation, the Fair Labor Standards Act, 29 U.S.C. § 215(a)(1);

(vii) the Inventory has not been manufactured in violation of any standards imposed by any Official Body which has regulatory authority over such Inventory or the use or sale thereof;

(viii) the Inventory is not subject to a license agreement or other agreement that limits, conditions or restricts any Borrower's or the Administrative Agent's right to sell or otherwise dispose of such Inventory;

(ix) the Inventory does not breach any of the representations or warranties pertaining to Inventory of such Borrower set forth in this Agreement or in any of the other Loan Documents;

(x) the Inventory does not consist of any gross profit mark-up in connection with the sale and distribution thereof to any division of any Borrower or to any Affiliate of such Borrower;

(xi) the Inventory is covered by casualty insurance as required by terms of this Agreement reasonably acceptable to the Administrative Agent; and

(xii) the Inventory is not, and should not be, disqualified for any other reason generally accepted in the commercial finance business.

Notwithstanding the qualification standards specified above, upon prior notice to the Borrowing Agent, the Administrative Agent may at any time or from time to time revise such qualification standards or, in its Permitted Discretion, determine that certain Inventory is not eligible to be Qualified Inventory.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Dennis M. Oates, certify that:

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

Date: November 12, 2013

/s/ Dennis M. Oates

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

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael D. Bornak, certify that:

1. I have reviewed this report on Form 10-Q of Universal Stainless & Alloy Products, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2013

/s/ Michael D. Bornak
Michael D. Bornak
Vice President of Finance,
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Universal Stainless & Alloy Products, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

November 12, 2013

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

/s/ Michael D. Bornak
Michael D. Bornak
Vice President of Finance,
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)