UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2000
OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from ______ to ______

Commission File Number 0-25032

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

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

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

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

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

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

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

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

Yes[X] No

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

The aggregate market value of the voting stock held by non-affiliates of the registrant on March 26, 2001, based on the closing price of $7.50 per share on that date, was $19,337,055. For the purposes of this disclosure only, the registrant has assumed that its directors, executive officers, and beneficial owners of 5% or more of the registrant's Common Stock are the affiliates of the registrant.

As of March 26, 2001, there were 6,081,228 shares of the Registrant's Common Stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Annual Report to Stockholders for the year ended December 31, 2000, and definitive Proxy Statement for the Annual Meeting of Stockholders scheduled to be held May 23, 2001, are incorporated into Parts II, III and IV of this Form 10-K.

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PART I

ITEM 1. BUSINESS

General

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

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

Industry Overview

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

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

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

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

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

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

temperature alloy steel. High strength low alloy steels are manufactured for use generally in the aerospace industry.

Net sales by principal product line were as follows (dollars in thousands, for the years ended December 31, 2000):

For the years ended December 31,	2000	1999	1998
Stainless steel	$62,346	$55,255	$53,661
Tool steel	6,960	6,055	7,548
High-strength low alloy steel	2,161	1,327	2,082
High-temperature alloy steel	1,754	2,124	4,387
Conversion service	2,309	1,807	3,690
Other	355	95	1,227
Net sales on shipments	75,885	66,663	72,595
Effect of accounting change	12,462	--	--
Total net sales	$88,347	$66,663	$72,595

During 2000, the Company adopted the provisions of the Securities and Exchange Commission's (SEC) Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." The application of the SEC's guidance to the language contained in the Company's Standard Terms and Conditions of Sale existing at the time of adoption required the Company to defer revenue until cash was collected, even though risk of loss passed to the buyer at the time of shipment. This had the effect of deferring certain sale transactions previously recognized in 1999 into 2000. During the fourth quarter of 2000, the Company modified its Standard Terms and Conditions of Sale to more closely reflect the substance of its sale transactions, which resulted in revenue being recorded at the time of shipment rather than when cash was received. As a result, revenue and cost information in 2000 include amounts related to shipments made during the year as well as amounts deferred from 1999.

Raw Materials

Scrap Metal

The Company's major raw material is ferrous and non-ferrous scrap metal, which is generated principally from industrial sources and is purchased in the open market through a number of scrap brokers and dealers. The long-term demand for domestically generated scrap metal by the domestic and foreign specialty steel industry is expected to remain strong. Higher demand may put increased pressure on the domestic supply of scrap and lead to inflated prices. The high quality of the Company's products requires close inspection and selection of scrap types and sources. The Company believes that adequate supplies of scrap metal will continue to be available in sufficient quantities for the foreseeable future.

Alloys

The Company purchases various materials for use as alloy additions during the melting process. Many alloys are bought from domestic agents and originate from South Africa, Canada, South America, and Russia. Political disruptions in countries such as these can interfere with the deliveries, potentially lead to higher prices, and could adversely affect the Company's financial results.

PRP Starting Materials

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

The cost of raw material is approximately 40% of the Company's total cost of products sold. Raw material prices vary based on numerous factors, including quality, and are subject to frequent market fluctuations and future prices cannot be predicted with any degree of certainty. Therefore, the Company does not maintain any long-term written agreements with any of its raw material suppliers. The Company has established arrangements with certain raw material suppliers that permit the Company to purchase certain raw materials at set prices for 30 days. These arrangements may protect the Company against short-term price increases in raw materials after it has agreed to manufacture products for its customers at specified prices, which reflect those set raw material prices. The Company has implemented sales price surcharges to help offset the impact of raw material price fluctuations.

Energy Agreements

The production of specialty steel requires the ready availability of substantial amounts of electricity, natural gas and certain industrial and refining gases. Electricity and natural gas is consumed within each of the Company's operations and the industrial and refining gases, including oxygen, nitrogen and argon, are primarily consumed within the melting operations.

At the Bridgeville Facility, the Company purchases electricity from Duquesne Light Company ("DLC") pursuant to a five-year supply agreement entered into in August 1999. Under that agreement, the Company has been granted significant reductions in DLC's posted base demand rates, particularly if, as the Company plans, it conducts its principal melting operations in off-peak hours, which for purposes of the DLC agreement are between 6 p.m. and 12 p.m. (18 hours) daily and up to 24 hours a day on weekends.

Air Products and Chemicals, Inc. supplies all the Company's liquid gas for industrial requirements for its Melt operations pursuant to a four-year agreement entered into in August 1999, which contains one-year renewal options.

The Company purchases it's local natural gas delivery service from Columbia Gas on a three-year agreement entered into in April 2000. The natural gas requirements are purchased from various marketers, but primarily from Ashland Energy. In 2000, the Company has experienced significant cost increases in natural gas as a result of unprecedented demand in the marketplace.

At the Titusville Facility, the Company purchases electricity from GPU Energy pursuant to a one-year supply agreement entered into in May 2000, with one-year renewal options. Belden & Blake Corporation supplies all the Company's natural gas requirements at that location pursuant to a one-year supply agreement entered into in July 2000, which is eligible for renewal thereafter.

While the Company believes that its energy agreements allow it to compete effectively within the specialty steel industry, the Company has experienced more curtailments in recent months than are typical as a result of decreased supplies and increased demand for electricity and natural gas. These interruptions not only can adversely affect the operating performance of the Company, but also can lead to increased costs for energy.

In the fourth quarter of 2000, higher rates caused the Company's natural gas costs to increase by more than $400,000, up 94% from year-earlier levels. In response to rising prices, the Company imposed a natural gas surcharge effective with all shipments made after January 31, 2001.

Customers

The Company's principal customers are rerollers, forgers, service centers and original equipment manufacturers, which primarily include the power generation and aerospace industries. The Company maintains a supply contract agreement with Talley Metals Technology, Inc., a subsidiary of Carpenter Technology Corporation, which is currently effective through June 2001. Under terms of the agreement, the Company will supply Talley Metals with an average of 1,750 tons of stainless reroll billet products per month. For the year ended December 31, 2000, Talley Metals and its affiliates accounted for 39% of the Company's net sales on shipments. No other customer accounted for more than 10% of the Company's net sales on shipments for the year ended December 31, 2000.

The Company's five largest customers in the aggregate accounted for approximately 56% of net sales on shipments. A principal element of the Company's business strategy is to seek new customers so that over time it will reduce its dependence on one or a small number of customers. The Company's customer base increased from 235 at December 31, 1999 to 250 at December 31, 2000.

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

Backlog

The Company primarily manufactures products to meet specific customer orders, generally fulfilling orders in eight weeks or less for its semi-finished products and in 16 weeks or less for its finished products. The Company's backlog of orders on hand as of December 31, 2000, was approximately $21.4

million as compared to $14.5 million at the same time in 1999. The increase in backlog of orders on hand as of December 31, 2000 as compared to December 31, 1999 primarily resulted from higher demand for products required by the power generation, aerospace and petrochemical industries. Customer orders are generally subject to cancellation with the payment of a penalty charge prior to delivery. The Company's backlog may not be indicative of actual sales and therefore should not be used as a measure of future revenue.

Competition

The Company believes itself to be one of approximately 18 domestic manufacturers that produce specialty steel and one of approximately five domestic specialty steel manufacturers that produce special shapes. Of that number of firms that produce specialty steel, the Company believes five companies currently compete within the Company's selected markets, although other specialty steel mills have the capability of producing, and hence competing with, some of or all the Company's specialty steel products.

Major domestic competitors of the Company in the specialty steel market include fully integrated specialty steel producers such as Allegheny Technologies, Inc.; Carpenter Technology Corporation; Empire Specialty Steel Inc. (formerly AL Tech Specialty Steel Corporation); Fort Wayne Specialty Alloys, a division of Slater Steel, Inc.; and The Timken Company. Additionally, there are several smaller electric arc furnace melt shops that also produce specialty steel. While these facilities generally produce only stainless steel ingots, they can also compete with the Company by utilizing outside conversion services. The major competitors of the Company in the special shapes market served by PRP include Rathbone Precision Metals, Inc., a subsidiary of Carpenter Technology Corporation; Precision Shapes, Inc.; and J.T. Slocomb Company.

Competition in the Company's markets is based upon product quality, delivery capability, customer service and price. Maintaining high standards of product quality while keeping production costs at competitive levels is essential to the Company's ability to compete in its markets. The ability of a manufacturer to respond quickly to customer

orders is currently, and is expected to remain, important in the specialty steel market. The Company believes its universal rolling mill provides it with a competitive advantage as the only domestic mill that can produce both long product and flat rolled product. The Company believes it has the ability to fill customers' orders in a shorter lead time for delivery than a fully-integrated specialty steel mill currently can achieve, which provides it with another competitive advantage. The short lead-time may also enable the Company to avoid maintaining a high level of inventory of raw materials, thereby reducing the Company's cost of production.

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

Employee Relations

The Company considers the maintenance of good relations with its employees to be important to the successful conduct of its business. The Company has profit-sharing plans for certain salaried employees and all of its United Steel Workers of America (USWA) employees and has equity ownership programs for all of its eligible employees, in an effort to forge an alliance between its employee's interests and those of the Company's stockholders. At December 31, 2000, the Company had 230 employees at its Bridgeville facility and 50 employees at its Titusville facility, of whom 179 and 43 were USWA members, respectively.

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

In February 2000, the Company and the USWA completed negotiation of a new sixty-

seven (67) month comprehensive collective bargaining agreement (the "Titusville CBA"). The Titusville CBA is similar to the original five-year agreement.

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

Armco Agreement

Armco, which merged with and into AK Steel in 1999 ("Armco"), the former owner of certain assets of the Company, retained responsibility for any employee benefit obligations existing prior to August 15, 1994 with respect to persons previously employed at the Bridgeville facility. In addition, Armco agreed to retain responsibility for liabilities asserted against it under environmental laws with respect to environmental conditions existing at the Bridgeville facility prior to commencement of the Bridgeville Lease on August 15, 1994, and to indemnify the Company up to $6.0 million in the aggregate over 10 years. Such indemnification expires on August 15, 2004.

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

Employee Stock Purchase Plan

Under the 1996 Employee Stock Purchase Plan (the "Plan"), the Company is authorized to issue up to 90,000 shares of Common Stock to its full-time employees, nearly all of whom are eligible to participate. Under the terms of the Plan, employees can choose as of January 1 and July 1 of each year to have up to 10% of their total earnings withheld to purchase up to 100 shares of the Company's Common Stock each six-month period. The purchase price of the stock is 85% of the lower of its beginning-of-the-period or end-of-the-period market prices. At December 31, 2000, the Company has issued 37,495 shares of Common Stock since the plans inception.

Safety

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

Executive Officers

The following table sets forth, as of December 31, 2000, certain information with respect to the executive officers of the Company:

NAME (AGE)	EXECUTIVE OFFICER SINCE	POSITION
Clarence M. McAninch (65)	1994	President and Chief Executive Officer
A. Bruce Kennedy (42)	1998	Vice President, Operations
Paul McGrath (49)	1996	Director of Employee Relations, General Counsel and Secretary
Richard M. Ubinger (41)	1994	Chief Financial Officer and Treasurer

Clarence M. McAninch, 65, has been President and Chief Executive Officer and a Director of the Company since July 1994. Mr. McAninch served as Vice President, Sales and Marketing, of the Stainless and Alloy Products Division of Armco from 1992 to 1994.

A. Bruce Kennedy, 42, has been Vice President, Operations since August 1998. Mr. Kennedy was employed by Kurtz Steel Company for the previous 17 years, most recently as President and Chief Executive Officer from January 1991 to May 1998. Mr. Kennedy resigned his position with the Company in March 2001.

Paul A. McGrath, 49, has been General Counsel and Director of Employee Relations

since January 1995 and was appointed Secretary in May 1996. Prior thereto, he was employed by Westinghouse Electric Corporation for approximately 24 years in various management positions.

Richard M. Ubinger, 41, has been Chief Financial Officer and Principal Accounting Officer of the Company since August 1994, and was appointed Assistant Secretary in November 1995 and Treasurer in May 1996. From 1981 to 1994, Mr. Ubinger was employed by Price Waterhouse LLP (currently known as PricewaterhouseCoopers LLP) in its audit department, and he served in the capacity of Senior Manager for Price Waterhouse LLP from 1990 to 1994. Mr. Ubinger is a Certified Public Accountant.

Patents and Trademarks

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

Risk Factors

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

Significant Customer and Concentrated Customer Base
For the year ended December 31, 2000, the Company's largest customer, Talley Metals Technology, Inc., a subsidiary of Carpenter Technology Corporation, and its affiliates accounted for approximately 39% of the Company's net sales on shipments. The Company's five largest customers in the aggregate accounted for approximately 56% of net sales on shipments. An adverse change in, or termination of, the Company's relationship with one or more of its major customers or one or more of its market segments could have a material adverse effect upon the Company. In addition, a number of the Company's customers are also competitors of the Company. See "Business--Customers" and "Business--Competition".

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

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

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

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

Supply of Raw Materials and Cost of Raw Materials

The Company relies on a limited number of suppliers, some of which are foreign owned, for its raw material needs which currently account for approximately 40% of the Company's total cost of products sold. Raw material prices are affected by cyclical, seasonal and other market factors. In addition, the supply of premium grades of scrap metal

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

Reliance on Energy Agreements

The manufacturing of specialty steels is an energy intensive industry. While the Company believes that its energy agreements allow it to compete effectively within the specialty steel industry, the Company is subjected to curtailments as a result of decreased supplies and increased demand for electricity and natural gas. These interruptions not only can adversely affect the operating performance of the Company, but also can lead to increased costs for energy. See "Business - Energy Agreements."

ITEM 2. Properties

The Company leases its Bridgeville facility from Armco (the "Bridgeville Lease"). The Bridgeville Lease is for 10 years commencing on August 15, 1994, which includes the payment by the Company of real and personal property taxes, water and sewage charges, special assessment and insurance premiums associated therewith. The Bridgeville Lease also provides for three five-year options to renew on the same terms at the sole discretion of the Company. In addition, the Bridgeville Lease provides the Company with an option to purchase substantially all of the leased premises for $1 any time during the term of the Bridgeville Lease prior to August 15, 2015. The building that houses the electro-slag remelting equipment, which is nearby, but not contiguously located, to the other facilities, is included in the ten-year initial lease term only. The Company anticipates relocating the equipment it owns in that facility in close proximity to the melt shop complex in an existing building prior to the expiration of that initial ten-year term. The Bridgeville Lease is assignable with the written consent of Armco, which consent cannot be unreasonably withheld. The Company is responsible for compliance with all environmental laws related to the property subsequent to August 15, 1994, subject to liabilities Armco retained and indemnification obligations under the asset agreement related to the Bridgeville facility (the "Asset Agreement").

The Bridgeville facility consists of approximately 600,000 square feet of floor space on approximately 50 acres. The Bridgeville facility contains melting, electro-slag remelting, conditioning, rolling, annealing and various other processing equipment. Substantially all products shipped from the Bridgeville facility are processed through its melt shop and universal rolling mill operations. In early 1999, the Company successfully completed the round-bar finishing facility at the Bridgeville location. The facility includes heat-treating and processing equipment that enables the Company to produce completely finished 1.75-inch to 6-inch round bar products.

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

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

Environmental Compliance

The Company is subject to Environmental Laws, including those governing discharges of pollutants into the air and water, the generation, handling and disposal of hazardous and non-hazardous substances. The Company may be liable for the remediation of contamination associated with generation, handling and disposal activities. The Company is subject periodically to environmental compliance reviews by various regulatory offices. The Company monitors its compliance with Environmental Laws applicable to it and, accordingly, believes that it is currently in compliance with all laws and regulations in all material respects. During 2000, the Company made capital expenditures for a grinder area dust control system and a dust containment silo. Previously, the Company did not make any significant expenditure for environmental control facilities. Environmental costs could be incurred which may be significant, related to environmental compliance at any time or from time to time in the future.

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

Titusville Facility
The Company operates its production and processing equipment that was acquired from Armco on real property the Company owns. Armco has agreed to indemnify the Company to the extent of $3.0 million in the aggregate against liability for environmental matters that pertain to environmental conditions existing on or under the Titusville facility prior to June 2, 1995. In addition, Armco has agreed to indemnify the Company for any liabilities arising out of environmental conditions existing offsite as of June 2, 1995, and that indemnification is not subject to the $3.0 million limitation. In connection with the acquisition of the Titusville facility, the Company conducted a Phase I and Phase II environmental study (the "Study") of the parcel of real estate acquired. The Company believes the amount and terms of Armco's indemnity are sufficient to protect the Company against environmental liabilities arising at the Titusville facility from environmental conditions existing as of June 2, 1995. The Study noted that as is typical of the Titusville, Pennsylvania area generally, there is regional soil and groundwater hydrocarbon contamination present at above applicable cleanup standards, reflecting the fact that this area contains natural petroleum deposits and that petroleum-refining operations had been conducted nearby. To date, no environmental governmental authority has contacted the Company concerning this matter. The Company believes it unlikely that it or Armco will be required to provide cleanup at the Titusville facility for the local hydrocarbon contamination. If the Company accelerates the timing or increases the cost of any environmental obligation retained by Armco, except as required by law or for the protection of public health or for the safety of its employees, the Company shall bear such accelerated or increased cost. Any accelerated or increased cost of an environmental obligation retained by Armco resulting from the Company seeking financing or from the sale of less than a controlling interest in the voting stock of the Company shall be borne equally by Armco and the Company.

The Company's primary remedies for reimbursement from Armco for losses stemming from pre-closing environmental conditions at each of the Bridgeville facility

and the Titusville facility are the indemnities agreed to with respect to each of the facilities. The Company believes the amount and terms of the Armco indemnities are sufficient to protect the Company against environmental

liabilities arising from environmental conditions prior to August 15, 1994, with respect to the Bridgeville facility, and prior to June 2, 1995, with respect to the Titusville facility. There can be no assurance, however, that those indemnities will fully cover all environmental liabilities incurred by the Company and there can be no assurance that the Company will have the financial resources to discharge those liabilities if legally compelled to do so. See "Risk Factors--Environmental Issues."

ITEM 3. LEGAL PROCEEDINGS

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

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

No matters were submitted to a vote of security holders during the fourth quarter of 2000.

PART II

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

At December 31, 2000, a total of 6,339,128 shares of the Company's Common Stock, par value $.001 per share, were issued and held by approximately 206 holders of record. 257,900 shares of the issued Common Stock of the Company were held in treasury at December 31, 2000.

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

Price Range of Common Stock

The information called for by this item is set forth on page 30 of the Annual Report to Stockholders for the year ended December 31, 2000, which is incorporated herein.

Preferred Stock

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

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

Dividends

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

ITEM 6. SELECTED FINANCIAL DATA

The information called for by this item is set forth on page 31 of the Annual Report to Stockholders for the year ended December 31, 2000, which is incorporated herein.

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

The information called for by this item is set forth on pages 14 through 17 of the Annual Report to Stockholders for the year ended December 31, 2000, which are incorporated herein.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Prices for the Company's raw materials and natural gas requirements are subject to frequent market fluctuations. The Company does not maintain long-term supply, fixed cost agreements for its major raw material and natural gas requirements. Price increases are normally offset by selling price increases and surcharges.

The Company is exposed to market risk from changes in interest rates related to its long-term debt. At December 31, 2000, the Company's total long-term debt, including the current portion was $10,007,000. Of that amount, $2,107,000 has fixed rates and $7,900,000 bears a variable rate. Assuming a 10% increase in interest rates on the Company's variable rate (an increase from the December 31, 2000 interest rate of 8.4% to an interest rate of 9.2%), annual interest expense would be approximately $63,000 higher based on the December 31, 2000 balance of variable rate debt.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by this item is set forth on pages 18 through 29 of the Annual Report to Stockholders for the year ended December 31, 2000, which are incorporated herein.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The information concerning the directors of the Company is set forth in the Proxy Statement (the "Proxy Statement") to be sent to stockholders in connection with the Company's Annual Meeting of Stockholders to be held on May 23, 2001, under the heading "Proposal No. 1--Election of Directors," which information is incorporated by reference. With the exception of the information specifically incorporated herein by reference, the Company's Proxy Statement is not to be deemed filed as part of this report for the purposes of this Item.

ITEM 11. EXECUTIVE COMPENSATION

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

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

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

K:

1) Consolidated Financial Statements:

The consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP, appearing on pages 18 through 29 of the accompanying Annual Report, are incorporated in this Form 10-K Annual Report.

2) Consolidated Financial Statement Schedules:

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

3) Exhibits:

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

EXHIBIT NUMBER	DESCRIPTION
10.3	Lease Agreement, dated August 15, 1994, by and between Armco Inc. and the Company (incorporated herein by reference to Exhibit 10.3 to Registration No. 33-85310).
10.4	Security Agreement, dated August 15, 1994, by and between the Company and Armco Inc (incorporated herein by reference to Exhibit 10.4 to Registration No. 33-85310).
10.5	Employment Agreement, dated November 20, 1998 by and between the Company and Clarence M. McAninch (incorporated herein by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).

10.7	Employment Agreement, dated August 1, 1998, by and between the Company and A. Bruce Kennedy (incorporated herein by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
10.8	Employment Agreement dated January 1, 1998 between the Company and Paul McGrath (incorporated herein by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
10.9	Employment Agreement dated January 1, 1998 between the Company and Richard M. Ubinger (incorporated herein by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
10.10	1994 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.10 to Registration No. 33-85310).
10.13	Second Amended and Restated Credit Agreement, dated as of January 30, 1998, between the Company and PNC Bank, National Association, with Exhibits and Schedules (incorporated herein by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
10.14	Security Agreement and Collateral Assignment, dated as of January 30, 1998, by and between the Company and PNC Bank, National Association (incorporated herein by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
10.15	Note, dated as of January 30, 1998, by and between the Company and PNC Bank, National Association (incorporated herein by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
10.16	Landlord's Waiver, dated as of January 30, 1998, by Armco Inc (incorporated herein by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
10.17	Open-End Leasehold Mortgage, Collateral Assignment and Security Agreement dated as of January 30, 1998, by the Company in favor of PNC Bank, National Association (incorporated herein by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
10.18	First Amendment to Second Amended and Restated Credit Agreement, dated as of December 31, 1998, between the Company and PNC Bank, National Association (incorporated herein by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).

EXHIBIT NUMBER	DESCRIPTION
10.19	Supply Contract Agreement, dated as of January 1, 1999, between the Company and Talley Metals Technology, Inc. a subsidiary of Carpenter Technologies Corporation as amended as of December 15, 1999 by and between the Company and Talley Metals Technology, Inc. (incorporated herein by reference to Exhibit 10.19 to Registration No. 33-97896).
10.20	Loan Agreement, dated October 3, 1995, by and between the Company and Commonwealth of Pennsylvania (incorporated herein by reference to Exhibit 10.20 to Registration No. 33-97896).
10.21	Note, dated October 3, 1995, for the principal sum of $500,000, by the Company, in favor of the Commonwealth of Pennsylvania (incorporated herein by reference to Exhibit 10.21 to Registration No. 33-97896).
10.22	Security Agreement, dated October 3, 1995, by and between the Company and the Commonwealth of Pennsylvania (incorporated herein by reference to Exhibit 10.22 to Registration No. 33-97896).
10.27	Second Amendment to Second Amended and Restated Credit Agreement, dated as of May 25, 2000, between the Company and PNC Bank, National Association (filed herein).

13.01	Selected pages of the Company's 2000 Annual Report to Stockholders incorporated in Parts II and IV of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.
23.01	Consent of PricewaterhouseCoopers LLP.
24.01	Powers of Attorney (included on the signature page herein).

(b) The following reports on Form 8-K were filed during the fourth quarter of 2000:

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on March 28, 2001.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

/s/ Clarence M. McAninch
By:___________________________________
Clarence M. McAninch
President and Chief Executive Officer

POWER OF ATTORNEY

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

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

SIGNATURE	TITLE	DATE
/s/ Clarence M. McAninch Clarence M. McAninch	President, Chief Executive Officer And Director (Principal Executive Officer)	March 28, 2001
/s/ Richard M. Ubinger Richard M. Ubinger	Chief Financial Officer and Treasurer, (Principal Financial and Accounting Officer)	March 28, 2001
/s/ Douglas M. Dunn Douglas M. Dunn	Director	March 28, 2001
/s/ George F. Keane George F. Keane	Director	March 28, 2001
/s/ Udi Toledano Udi Toledano	Director	March 28, 2001
/s/ D. Leonard Wise D. Leonard Wise	Director	March 28, 2001

Exhibit 24.01

Exhibit No. 10.27

Second Amendment To Second Amended And Restated Credit Agreement

This SECOND AMENDMENT TO SECOND AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT (this "Second Amendment") is made as of May 25, 2000 and entered into by and between UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC., a corporation organized and existing under the laws of Delaware (the "Borrower") and PNC BANK, NATIONAL ASSOCIATION (the "Bank") and amends that certain Second Amended and Restated Credit Agreement dated as of January 30, 1998 by and between the Borrower and the Bank (the Second Amended and Restated Credit Agreement, as amended prior to the date hereof, is hereinafter referred to as the "Original Credit Agreement").

W I T N E S S E T H :

WHEREAS, the Borrower and the Bank entered into the Original Credit Agreement; and

WHEREAS, upon the request of the Borrower, the Bank has agreed to modify the Original Credit Agreement, all as more particularly set forth herein.

NOW THEREFORE, in consideration of the foregoing premises, the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and with the intent to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I
AMENDMENTS TO ORIGINAL CREDIT AGREEMENT

Section 1.01 No Other Amendments or Waivers. (a) The following defined terms and the definitions therefor are hereby added to Section 1.1 of the Original Credit Agreement and inserted in correct alphabetical order:

Second Amendment: The Second Amendment to Second Amended and Restated Credit Agreement entered into by and between the Borrower and the Bank and dated as of May 25, 2000.

Second Amendment Effective Date: May 25, 2000, or such later date as all of the conditions set forth in the Second Amendment have either been satisfied by the Borrower or waived in writing by the Bank.

(b) The definition for the following defined term contained in the Original Credit Agreement is hereby amended and restated in its entirety as follows:

Revolving Credit Termination Date: April 30, 2002, as such date may be extended upon the terms and conditions set forth in Section 2.1f, or if any such day is not a Business Day, the Business Day next preceding such date.

Section 1.02 No Other Amendments. The amendments to the Original Credit Agreement set forth herein do not either implicitly or explicitly alter, waive or amend, except as expressly provided in this Second Amendment, the provisions of the Original Credit Agreement. The amendments set forth herein do not waive, now or in the future, compliance with any other covenant, term or condition to be performed or complied with nor do they impair any rights or remedies of the Bank under the Original Credit Agreement with respect to any such violation. Nothing in this Second Amendment shall be deemed or construed to be a waiver or release of, or a limitation upon, the Bank's exercise of any of its rights and remedies under the Original Credit Agreement or any other document or instrument delivered in connection therewith, whether arising as a consequence of any

Events of Default which may now exist or otherwise, and all such rights and remedies are hereby expressly reserved.

ARTICLE II
BORROWER'S SUPPLEMENTAL REPRESENTATIONS

Section 2.01 Incorporation by Reference. As an inducement to the Bank to enter into this Second Amendment, the Borrower hereby repeats herein for the benefit of the Bank each of the representations and warranties made by the Borrower in the Original Credit Agreement, as amended hereby, except that for purposes hereof such representations and warranties shall be deemed to extend to and cover this Second Amendment.

ARTICLE III
CONDITIONS PRECEDENT

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

(a) The Bank shall have received, on or before the Second Amendment Effective Date, the following items, each, unless otherwise indicated, dated on or before the Second Amendment Effective Date and in form and substance satisfactory to the Bank:

(i) A duly executed counterpart original of this Second Amendment;

(ii) A certificate from the Secretary of the Borrower certifying that the Articles of Incorporation and Bylaws of the Borrower previously delivered to the Bank are true, complete, and correct; and

(iii) Such other instruments, documents and opinions of counsel as the Bank shall reasonably require, all of which shall be satisfactory in form and content to the Bank

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

(i) the representations and warranties made pursuant to this Second Amendment and in the other Loan Documents, as amended hereby. are true and correct on and as of the Second Amendment Effective Date as though made on and as of such date;

(ii) no petition by or against the Borrower has at any time been filed under the United States Bankruptcy Code or under any similar act;

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

(iv) no material adverse change in the properties, business, operations, financial condition or prospects of the Borrower has occurred which has not been disclosed in writing to the Bank; and

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

ARTICLE IV
GENERAL PROVISIONS

Section 4.01 Ratification of Terms. Except as expressly amended by this Second Amendment, the Original Credit Agreement and each and every representation, warranty, covenant, term and condition contained therein is specifically ratified and confirmed. The Borrower hereby confirms that any collateral for the Obligations, including but not limited to liens, Encumbrances, security interests, mortgages and pledges granted by the Borrower or third parties, shall continue unimpaired and in full force and effect. The Borrower expressly ratifies and confirms the confession of judgment and waiver of jury trial provisions contained in the Original Credit Agreement and the other Loan Documents.

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

Section 4.03 Incorporation Into Original Credit Agreement. This Second Amendment is deemed incorporated into the Original Credit Agreement. To the extent that any term or provision of this Second Amendment is or may be deemed expressly inconsistent with any term or provision of the Original Credit Agreement, the terms and provisions hereof shall control.

Section 4.04 Counterparts. This Second Amendment may be executed in different counterparts, each of which when executed by the Borrower and the Bank shall be regarded as an original, and all such counterparts shall constitute one Second Amendment.

Section 4.05 Capitalized Terms. Except for proper nouns and as otherwise defined herein, capitalized terms used herein as defined terms shall have the same meanings herein as are ascribed to them in the Original Credit Agreement, as amended hereby.

Section 4.06 Taxes. The Borrower shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Second Amendment and such other documents and instruments as are delivered in connection herewith and agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

Section 4.07 Costs and Expenses. The Borrower will pay all costs and expenses of the Bank (including, without limitation, the reasonable fees and the disbursements of the Bank's counsel, Tucker Arensberg, P.C.) in connection with the preparation, execution and delivery of this Second Amendment and the other documents, instruments and certificates delivered in connection herewith.

Section 4.08 GOVERNING LAW. THIS SECOND AMENDMENT AND THE RIGHTS AND OBLIGATIONS HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA WITHOUT REGARD TO THE PROVISIONS THEREOF REGARDING CONFLICTS OF LAW.

Section 4.09 Headings. The headings of the sections in this Second Amendment

are for purposes of reference only and shall not be deemed to be a part hereof.

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IN WITNESS WHEREOF, the parties hereto, with the intent to be legally bound hereby, have caused this Second Amendment to Second Amended and Restated Credit Agreement to be duly executed by their respective proper and duly authorized officers as a document under seal, as of the day and year first above written.

Attest: Universal Stainless & Alloy Products, Inc.

/s/ Paul a. McGrath

Name: Paul A. McGrath
Title: Secretary

By: /s/ Richard M. Ubinger (Seal)

Name: Richard M. Ubinger
Title: Chief Financial Officer

PNC Bank, National Association

By: /s/ Troy Brown (Seal)

Name: Troy Brown
Title: Assistant Vice President

Exhibit 13.01

2000 Financial Review

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

Results of Operations

During 2000, the Company adopted the provisions of the Securities and Exchange Commission's (SEC) Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." The application of the SEC's guidance to the language contained in the Company's Standard Terms and Conditions of Sale existing at the time of adoption required the Company to defer revenue until cash was collected, even though risk of loss passed to the buyer at the time of shipment. This had the effect of deferring certain sale transactions previously recognized in 1999 into 2000. During the fourth quarter of 2000, the Company modified its Standard Terms and Conditions of Sale to more closely reflect the substance of its sale transactions, which resulted in revenue being recorded at the time of shipment rather than when cash was received. As a result, revenue and cost information in 2000 include amounts related to shipments made during the year as well as amounts deferred from 1999. In order to facilitate analysis of the Company's results of operations, amounts in the tables below summarize revenue and cost information based on shipments made by the Company in the respective years. Such amounts are then reconciled to reported amounts as necessary.

An analysis of the Company's operations is as follows:

	2000		1999		1998	
	Amount	%	Amount	%	Amount	%
Dollars in thousands						
Net sales						
Stainless steel	$62,346	70.6%	$55,255	82.9%	$53,661	73.9%
Tool steel	6,960	7.9	6,055	9.1	7,548	10.4
High-strength low alloy steel	2,161	2.4	1,327	2.0	2,082	2.9
High-temperature alloy steel	1,754	2.0	2,124	3.2	4,387	6.0
Conversion services	2,309	2.6	1,807	2.7	3,690	5.1
Other	355	0.4	95	0.1	1,227	1.7
Net sales on shipments	75,885	85.9	66,663	100.0	72,595	100.0
Effect of accounting change	12,462	14.1	--	--	--	--
Total net sales	88,347	100.0	66,663	100.0	72,595	100.0
Cost of products sold						
Raw materials	26,290	29.7	24,732	37.1	26,839	37.0
Other	35,583	40.3	33,901	50.9	33,256	45.8
Total cost of products shipped	61,873	70.0	58,633	88.0	60,095	82.8
Effect of accounting change	9,988	11.3	--	--	--	--
Total cost of products sold	71,861	81.3	58,633	88.0	60,095	82.8
Selling and administrative expenses	4,998	5.7	4,299	6.4	4,934	6.8
Operating income from shipments	9,014	10.2	3,731	5.6	7,566	10.4

Effect of accounting change	2,474	2.8	--	--	--	--
Operating income	$11,488	13.0%	$ 3,731	5.6%	$ 7,566	10.4%

Net sales on shipments by market segment are as follows:

	2000		1999		1998	
	Amount	%	Amount	%	Amount	%
Dollars in thousands						
Rerollers	$33,549	44.2%	$36,522	54.8%	$32,990	45.4%
Service centers	16,137	21.3	11,130	16.7	12,809	17.6
Forgers	14,288	18.8	9,185	13.8	17,144	23.6
Original equipment manufacturers	9,321	12.3	7,761	11.6	5,840	8.1
Conversion services	2,309	3.0	1,807	2.7	3,690	5.1
Miscellaneous	281	0.4	258	0.4	122	0.2
Total	$75,885	100.0%	$66,663	100.0%	$72,595	100.0%

2000 Results as Compared to 1999   The increase in net sales on shipments in 2000 reflects an improved sales mix of products and price increases to cover higher material and energy costs partially offset by lower shipment volumes. The Company shipped approximately 41,800 tons in 2000, compared to shipments of 44,800 tons in 1999. The improved sales mix was primarily due to increased shipments of power generation, aerospace and petrochemical products to the Company's reroller, forging nd OEM market customers, and tool steel and bar mill products to the Company's ervice center customers. These increases were partially offset by the impact of lower sales of commodity products due to increased imports.

Cost of products sold, as a percent of net sales, decreased in 2000 as compared to 1999. This decrease was primarily due to the impact of the change in the mix of products shipped, improved operating results at the bar mill and higher sales prices.

Selling and administrative expenses increased by $699,000 in 2000 as compared to 1999. This increase reflects higher employment and insurance costs.

Interest expense and other financing costs increased from $736,000 in 1999 to $905,000 in 2000 primarily due to a reduction in capitalized interest and higher interest rates on the PNC Term Loan.

The 2000 effective income tax rate was 37.5% compared to 30.5% in 1999. The increase in the effective income tax rate is primarily attributable to the reduced impact of the Company's permanent state tax deductions resulting from higher income levels in 2000.

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

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

Selling and administrative expenses decreased by $635,000 in 1999 as compared to

1998. This primarily reflected the Company's actions to lower its costs as a result of market conditions.

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

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

Liquidity and Capital Resources

The Company generated cash flow from operations in 2000 and 1999 of $6.3 million and $5.0 million, respectively. The increase in cash flow is primarily due to the increase in net income and the impact of changes in deferred taxes, partially offset by an increase in working capital.

At December 31, 2000, working capital approximated $23.6 million, as compared to $20.8 million at December 31, 1999. The ratio of current assets to current liabilities at December 31, 2000 and 1999, was 3.2:1. The debt to capitalization ratio was 17% at December 31, 2000, and 21% at December 31, 1999. The increase in working capital was primarily attributable to increases in accounts receivable and inventory partially offset by increases in accounts payable, outstanding checks in excess of bank balance and accrued employment costs.

Capital Expenditures and Investments   The Company's capital expenditures were approximately $4.6 million and $3.4 million in 2000 and 1999, respectively, which primarily reflect the installation of a new billet grinder, overhead crane and building improvements at the Bridgeville facility. Capital expenditures in 2001 are expected to approximate $9.0 million and will be used primarily to add a new electro-slag remelt furnace to support the production needs for the aerospace and power generation markets. In addition, the Company will complete current projects and replace various pieces of equipment included in the original acquisitions of the Bridgeville and Titusville facilities. These expenditures are expected to be funded substantially from internally generated funds and additional borrowings.

PNC Credit Agreement   On May 25, 2000, the Company entered into a second amendment to the second amended and restated credit agreement with PNC Bank which extended the term of the $6.5 million revolving credit facility ("PNC Line") to April 30, 2002. This credit agreement also includes a term loan ("PNC Term Loan") scheduled to mature in June 2006. Interest incurred from borrowings under the PNC Line and the PNC Term Loan is based on short-term market rates, which may be further adjusted based upon the Company maintaining certain financial ratios. As a condition of the PNC Line and the PNC Term Loan, the Company is required to maintain certain levels of net worth, working capital and other financial ratios; to limit the amount of capital expenditures it may incur without PNC Bank's approval; and to restrict the payment of dividends. As of December 31, 2000, the Company was in compliance with all financial ratios and restrictive covenants.

Stock Repurchase Program   On October 19, 1998, the Company initiated a stock repurchase program to repurchase up to 315,000 shares of its outstanding common stock in open market transactions at market prices. There were no shares of Common Stock repurchased by the Company during 2000. The Company is authorized to repurchase an additional 57,100 shares of common stock as of December 31, 2000.

Supply Contract   The Company maintains a supply contract agreement with Talley Metals Technology, Inc., a subsidiary of Carpenter Technology Corporation, which is currently effective through June 2001. Under terms of the agreement, the Company will supply Talley Metals with an average of 1,750 tons of stainless reroll billet products per month. The value of the contract on a monthly basis will depend on product mix and key raw material prices.

Environmental Matters The Company, as well as other steel companies, is subject to demanding environmental standards imposed by federal, state and local environmental laws and regulations. In connection with the 1994 acquisition of the Bridgeville facility assets from Armco, which merged with and into AK Steel in 1999 ("Armco"), Armco agreed to retain responsibility for liabilities asserted against it under environmental laws with respect to environmental conditions existing at the Bridgeville facility prior to commencement of the long-term net lease of that facility on August 15, 1994, and to indemnify the Company up to $6.0 million in the aggregate over 10 years. Such indemnification expires on August 15, 2004.

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

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

New Accounting Pronouncements Financial Accounting Standards Board ("FASB") Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" was issued in June 1998, and amended in June 1999 and in June 2000, pursuant to FASB Statement No. 137, "Accounting for Derivative Instruments and Hedging Activities: Deferral of the Effective Date of FASB Statement No. 133" and FASB Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities: an amendment of FASB No. 133", respectively. These statements require that an entity recognize certain derivative instruments as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The adoption of these statements, beginning January 1, 2001, is not expected to impact the Company's results of operations or financial condition.

Short- and Long-Term Liquidity The Company expects to meet substantially all of its short-term liquidity requirements with internally generated funds and borrowings under the PNC Credit Agreement. At December 31, 2000, the Company had $6.5 million available under the PNC Line.

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

General Actual results will be affected by a wide range of factors including receipt, pricing and timing of future customer orders; changes in product mix; the concentrated nature of the Company's customer base to date and the Company's dependence on its significant customers; the Company's reliance on certain critical manufacturing equipment; the limited number of raw material and energy suppliers and significant fluctuations that may occur in raw material and energy prices; and the Company's ongoing requirement for continued compliance with environmental laws. Any unfavorable change in the foregoing or other factors could have a material adverse effect on the Company's business, financial condition and results of operations. Many of these factors are not within the Company's control, and there can be no assurances regarding the Company's future sales or earnings. For a discussion of these and other matters, refer to the Company's Annual Report on Form-10K for the year ended December 31, 2000 and other reports on file with the Securities and Exchange Commission.

Report of Independent Accountants
To the Board of Directors and Stockholders of
Universal Stainless & Alloy Products, Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations and of cash flows present fairly, in all material respects, the financial position of Universal Stainless & Alloy

Products, Inc., and its subsidiary at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the Company adopted the provisions of the Securities and Exchange Commission's Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," in 2000.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania

January 19, 2001

Consolidated Statement of Operations

For the years ended December 31,	2000	1999	1998
Dollars in thousands, except per share information			
Net sales	$88,347	$66,663	$72,595
Cost of products sold	71,861	58,633	60,095
Selling and administrative expenses	4,998	4,299	4,934
Operating income	11,488	3,731	7,566
Insurance settlement	--	--	750
Interest expense and other financing costs	(905)	(736)	(361)
Other income (expense), net	(3)	30	(93)
Income before taxes	10,580	3,025	7,862
Provision for income taxes	3,970	922	2,858
Income before cumulative effect of accounting change	6,610	2,103	5,004
Cumulative effect of accounting change, net of tax	(1,546)	--	--
Net income	$ 5,064	$ 2,103	$ 5,004
Earnings per Common Share			
Basic			
Income before cumulative effect of accounting change	$ 1.09	$ 0.34	$ 0.79
Cumulative effect of accounting change, net of tax	(0.26)	--	--
Net income	$ 0.83	$ 0.34	$ 0.79
Diluted			
Income before cumulative effect of accounting change	$ 1.09	$ 0.34	$ 0.79
Cumulative effect of accounting change, net of tax	(0.26)	--	--
Net income	$ 0.83	$ 0.34	$ 0.79

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

Consolidated Balance Sheet

December 31,	2000	1999
Dollars in thousands		
Assets		
Current Assets		
Cash and cash equivalents	$ 1,109	$ 868
Accounts receivable (less allowance for doubtful accounts of $192 and $418)	12,819	12,113
Inventory	18,788	15,730
Deferred taxes	958	1,232
Other current assets	389	332
Total current assets	34,063	30,275
Property, plant and equipment, net	39,090	36,989
Other assets	594	915
Total assets	$73,747	$68,179
Liabilities and Stockholders' Equity		
Current Liabilities		
Trade accounts payable	$ 5,624	$ 5,477
Outstanding checks in excess of bank balance	1,445	1,107
Current portion of long-term debt	1,808	1,836
Accrued employment costs	1,297	727
Other current liabilities	331	328
Total current liabilities	10,505	9,475
Long-term debt	8,199	10,005
Deferred taxes	6,276	5,046
Total liabilities	24,980	24,526
Commitments and Contingencies		
Stockholders' Equity		
Senior Preferred Stock, par value $.001 per share; liquidation value $100 per share; 2,000,000 shares authorized; 0 shares issued and outstanding	--	--
Common Stock, par value $.001 per share; 10,000,000 shares authorized; 6,339,128 and 6,330,416 shares issued	6	6
Additional paid-in capital	25,888	25,838
Retained earnings	24,417	19,353
Treasury Stock at cost; 257,900 common shares held	(1,544)	(1,544)
Total stockholders' equity	48,767	43,653
Total liabilities and stockholders' equity	$73,747	$68,179

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

Consolidated Statement of Cash Flows

For the years ended December 31,	2000	1999	1998
Dollars in thousands			
Cash Flows from Operating Activities			
Net income	$ 5,064	$ 2,103	$ 5,004
Adjustments to reconcile to net cash and cash equivalents provided by operating activities:			
Depreciation and amortization	2,466	2,101	1,516
Deferred taxes	1,509	354	1,566
Changes in assets and liabilities:			
Accounts receivable, net	(706)	(3,270)	5,660
Inventory	(3,058)	452	(711)
Accounts payable	147	2,311	(1,539)
Accrued employment costs	570	(230)	(747)
Other, net	293	1,146	(1,742)
Net cash provided by operating activities	6,285	4,967	9,007
Cash Flows from Investing Activities			
Capital expenditures	(4,598)	(3,366)	(12,146)
Net cash used in investing activities	(4,598)	(3,366)	(12,146)
Cash Flows from Financing Activities			
Proceeds from long-term debt	--	--	10,000
Long-term debt repayment	(1,834)	(1,117)	(382)
Borrowings under revolving line of credit	14,107	22,310	24,855
Repayments under revolving line of credit	(14,107)	(22,310)	(27,640)
Increase (decrease) in outstanding checks in excess of bank balance	338	(38)	(2,151)
Deferred financing costs	--	--	(49)
Proceeds from issuance of Common Stock	50	51	244
Purchase of Treasury Stock	--	(1,066)	(478)
Net cash provided by (used in) financing activities	(1,446)	(2,170)	4,399
Net increase (decrease) in cash	241	(569)	1,260
Cash and cash equivalents at beginning of period	868	1,437	177
Cash and cash equivalents at end of period	$ 1,109	$ 868	$ 1,437

Supplemental Disclosure of Cash Flow Information

Interest paid (net of amount capitalized)	$ 827	$ 774	$ 298
Income taxes paid	$ 1,593	$ 388	$ 2,698

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

Notes to the Consolidated Financial Statements

Note 1: Significant Accounting Policies

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

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

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

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

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

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

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

Included in inventory are operating materials consisting of production molds and rolls that will normally be consumed within one year.

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

Depreciation and amortization are computed using the straight-line method based on the estimated useful lives of the related assets. The estimated useful lives of plant and equipment range from three to 20 years.

The Company's manufacturing processes are dependent upon certain pieces of specialty steelmaking equipment, such as the Company's electric arc furnace and universal rolling mill. In the event a critical piece of equipment should become inoperative as a result of an unexpected equipment failure, there can be no assurance that the Company's operations would not be substantially curtailed.

Capitalization of Software Costs   Direct costs incurred in the development and implementation of internal-use software is capitalized and amortized on a straight-line basis over its anticipated useful life, which generally does not exceed three years.

Revenue Recognition   Revenue from the sale of products is recognized when both risk of loss and title has transferred to the customer, which in most cases coincides with shipment of the related products. Revenue from conversion services is recognized when the performance of the service is complete.

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

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

Accounting Change   In 2000, the Company changed its method of accounting for revenue recognition in accordance with the provisions of the Securities and Exchange Commission's (SEC) Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognition in Financial Statements." SAB 101, required to be adopted retroactive to January 1, 2000, outlines certain criteria that must be met to recognize revenue. As a result of the adoption of SAB 101, the Company determined that the application of the SEC's guidance to the language that existed in the Company's Standard Terms and Conditions of Sale required the Company to defer revenue recognition until cash was collected, even though risk of loss transferred to the buyer at time of shipment. This had the effect of deferring certain 1999 sale transactions aggregating $12,462,000 into 2000. The cumulative effect of this change in accounting principle was a charge of $1,546,000, net of tax benefits of $928,000. Pro forma net income and earnings per share information for the years ended December 31, 1999 and 1998, assuming SAB 101 had been applied retroactively, are as follows:

December 31,	1999	1998
Dollars in thousands, except per share information		
Net income:		
As reported	$ 2,103	$ 5,004
Pro forma under SAB 101	1,854	5,558
Basic earnings per share:		
As reported	$ 0.34	$ 0.79
Pro forma under SAB 101	0.30	0.88
Diluted earnings per share:		
As reported	$ 0.34	$ 0.79
Pro forma under SAB 101	0.30	0.87

Reclassifications Certain prior year amounts have been reclassified to conform with the 2000 presentation.

Note 2: Inventory

The major classes of inventories are as follows:

December 31,	2000	1999
Dollars in thousands		
Raw materials and supplies	$ 1,695	$ 2,427
Semi-finished and finished steel products	13,916	10,208
Operating materials	3,177	3,095
Total inventory	$18,788	$15,730

Note 3: Property, Plant and Equipment

Property, plant and equipment consists of the following:

December 31,	2000	1999
Dollars in thousands		
Land and land improvements	$ 822	$ 822
Buildings	3,889	3,337
Machinery and equipment	39,838	37,329
Construction in progress	2,311	835
	46,860	42,323
Accumulated depreciation	(7,770)	(5,334)
Property, plant and equipment, net	$39,090	$36,989

Property, plant and equipment includes a capital lease with Armco, which merged with and into AK Steel in 1999 ("Armco"), for the land and certain buildings and structures located in Bridgeville (the "Bridgeville Lease"). The Bridgeville Lease is for a 10-year term which commenced on August 15, 1994, with three 5-year options to renew on the same terms at the Company's discretion at a rental of $1 per year plus payment of real and personal property taxes and other charges associated with the property. The Company also has an option under the lease to buy substantially all of the leased premises for $1 at any time during the term of the Bridgeville Lease prior to August 15, 2015.

Interest costs capitalized by the Company for the years ended December 31, 2000 and 1999 was $0 and $104,000, respectively.

Note 4: Long-Term Debt and Other Financing

Long-term debt consists of the following:

December 31,	2000	1999
Dollars in thousands		
PNC Term Loan	$ 7,900	$ 9,300
Government debt	1,922	2,227
Capital lease obligations	185	314
	10,007	11,841
Less amounts due within one year	(1,808)	(1,836)
Total long-term debt	$ 8,199	$10,005

On May 25, 2000, the Company entered into a second amendment to the second amended and restated credit agreement with PNC Bank which extended the term of the $6.5 million revolving credit facility ("PNC Line") to April 30, 2002. This credit agreement, which also includes a term loan ("PNC Term Loan") scheduled to mature in June 2006, is secured by substantially all of the Company's assets.

Interest incurred from borrowings under the PNC Line and the PNC Term Loan is based on short-term market rates, which may be further adjusted based upon the Company maintaining certain financial ratios. The PNC Term Loan currently bears interest at a rate equal to the Euro-dollar rate plus an interest rate spread not to exceed 175 basis points. As a condition of the PNC Line and the PNC Term Loan, the Company is required to maintain certain levels of net worth, working capital and other financial ratios; to limit the amount of capital expenditures it may incur without PNC Bank's approval; and to restrict the payment of dividends.

The Company has entered into several separate loan agreements with the Commonwealth of Pennsylvania's Department of Commerce aggregating $1,600,000 with terms ranging from seven to 20 years. In 1996, the Company entered into a 10-year loan agreement with the Redevelopment Authority of Allegheny County Economic Development Fund in the amount of $1,514,000. The loans bear interest at rates ranging from 5% to 6% per annum.

Scheduled maturities of long-term obligations for the next five years are as follows:

Dollars in thousands	
2001	$1,808
2002	1,807
2003	1,696
2004	1,633
2005	1,716
Thereafter	1,347

Note 5: Retirement Plans

The Company has defined contribution retirement plans that cover substantially all employees. The Company's contributions to the hourly employee plan are based on time worked while contributions to the salaried plan are established as a fixed amount per month. Company contributions to both plans are funded at six-month intervals. The total expense for the years ended December 31, 2000, 1999 and 1998 was $320,000, $284,000 and $286,000, respectively.

No other post-retirement benefit plans exist.

Note 6: Income Taxes

Components of the provision for income taxes are as follows:

For the years ended December 31,	2000	1999	1998
Dollars in thousands			
Current provision			
Federal	$2,461	$ 512	$1,245
State	--	56	47
	2,461	568	1,292
Deferred provision (benefit)			
Federal	1,238	457	1,416
State	271	(103)	150
	1,509	354	1,566
Provision for income taxes	$3,970	$ 922	$2,858

The income tax benefit resulting from recording the cumulative effect on prior years due to the accounting change was $928,000.

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

For the years ended December 31,	2000	1999	1998
Federal statutory tax	34.0%	34.0%	34.0%
State income taxes,			
net of federal benefit	3.3	(2.2)	2.3
Other, net	0.2	(1.3)	0.0
Effective tax rate	37.5%	30.5%	36.3%

Deferred taxes result from the following:

December 31,	2000	1999
Dollars in thousands		
Deferred tax assets		
Receivables	$ 77	$ 173
Inventory	736	540
Net operating loss carry forwards	281	1,007
Accrued liabilities	145	132
	$1,239	$1,852
Deferred tax liabilities		
Property, plant and equipment	$6,276	$5,046

Note 7: Stockholders' Equity

	Common Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Shares	Treasury Stock
Dollars in thousands						
Balance at December 31, 1997	6,290,823	$ 6	$25,516	$ 12,246	--	$ --
Common Stock issuance under						
Employee Stock Purchase Plan	8,880		63			
Exercise of Common Stock Options	20,333		208			
Purchase of Treasury Stock					75,000	(478)
Net income				5,004		
Balance at December 31, 1998	6,320,036	6	25,787	17,250	75,000	(478)
Common Stock issuance under						
Employee Stock Purchase Plan	10,380		51			
Purchase of Treasury Stock					182,900	(1,066)
Net income				2,103		
Balance at December 31, 1999	6,330,416	6	25,838	19,353	257,900	(1,544)
Common Stock issuance under						
Employee Stock Purchase Plan	8,712		50			
Net income				5,064		
Balance at December 31, 2000	6,339,128	$ 6	$25,888	$ 24,417	257,900	$(1,544)

On October 19, 1998, the Company's Board of Directors implemented a stock repurchase program. Under the program, the Company may repurchase up to 315,000 shares, or approximately 5%, of the Company's Common Stock in open market transactions at market prices. At December 31, 2000, the Company is authorized to repurchase 57,100 additional shares of the Company's Common Stock.

The Company has 2,000,000 authorized shares of Senior Preferred Stock. At December 31, 2000 and 1999, there were no shares issued or outstanding.

Note 8: Stock Compensation Plans

At December 31, 2000, the Company has two stock-based compensation plans that are described below:

Incentive Compensation Plan On September 23, 1994, the Company's Board of Directors adopted the Company's 1994 Stock Incentive Plan as amended (the "1994 Plan") for the purpose of issuing stock options to non-employee directors, other than those directors owning more than 5% of the Company's outstanding Common Stock, officers and other key employees of the Company who are expected to contribute to the Company's future growth and success. Under the 1994 Plan, the Company may grant options up to a maximum of 650,000 shares of Common Stock. Options granted to non-employee directors vest over a three-year period, and

options granted to employees vest over a four-year period. All options under the 1994 Plan will expire no later than 10 years after the grant date.

A summary of the 1994 Plan activity as of and for the years ended December 31, 2000, 1999 and 1998 is presented below:

	2000		1999		1998	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Fixed options						
Outstanding at beginning of year	482,500	$9.79	488,500	$ 10.10	498,667	$ 9.97
Granted	40,000	7.13	40,000	6.06	70,000	9.94
Exercised	--	--	--	--	(20,333)	8.85
Forfeited	--	--	(46,000)	9.90	(59,834)	9.21
Outstanding at end of year	522,500	$9.58	482,500	$ 9.79	488,500	$10.10
Options exercisable at year-end	414,287		364,165		281,232	
Weighted-average fair value of options granted during the year		$3.63		$ 2.89		$ 6.52

The following table summarizes information about stock options outstanding at December 31, 2000:

	Options Outstanding				Options Exercisable	
	Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
	$6.06 to $12.25	522,500	6.2	$ 9.58	414,287	$ 10.02

Employee Stock Purchase Plan   Under the 1996 Employee Stock Purchase Plan, the Company is authorized to issue up to 90,000 shares of Common Stock to its full-time employees, nearly all of whom are eligible to participate. Under the terms of the plan, employees can choose as of January 1 and July 1 of each year to have up to 10% of their total earnings withheld to purchase shares of the Company's Common Stock. The purchase price of the stock is 85% of the lower of its beginning-of-the-period or end-of-the-period market prices. At December 31, 2000, the Company has issued 37,495 shares of Common Stock since the plan's inception.

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

For the years ended December 31,	2000	1999	1998
Dollars in thousands, except per share information			
Net income			
As reported	$5,064	$2,103	$5,004
Pro forma	$4,714	$1,704	$4,673
Basic earnings per share			
As reported	$ 0.83	$ 0.34	$ 0.79
Pro forma	$ 0.78	$ 0.28	$ 0.74

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average

assumptions used for grants issued in 2000, 1999 and 1998, respectively; dividend yield of 0.0% for each year; interest rate of 6.0% for each year; expected volatility of 50.0%, 45.0% and 75.0%; and expected lives for options of five years.

Cash-Incentive Plans The Company has a management cash-incentive plan covering certain key executives and employees and profit-sharing plans that cover the remaining employees. The profit-sharing plans provide for the sharing of pre-tax profits in excess of specified amounts. For the years ended December 31, 2000, 1999 and 1998, the Company expensed $1,328,000, $445,000 and $1,246,000, respectively, under these plans.

Note 9: Basic and Diluted Earnings Per Share

The computation of basic and diluted earnings per share for the years ended December 31, 2000, 1999 and 1998 is performed as follows:

	2000		1999		1998	
	Income	Shares	Income	Shares	Income	Shares
Dollars in thousands, except per share information						
Income available to common Stockholders	$5,064	6,074,701	$2,103	6,110,911	$5,004	6,304,524
Effect of dilutive securities		5,057		--		50,707
Income available to common Stockholders plus assumed conversion	$5,064	6,079,758	$2,103	6,110,911	$5,004	6,355,231
Basic earnings per share:						
Income before cumulative effect of accounting change	$ 1.09		$ 0.34		$ 0.79	
Net income	$ 0.83		$ 0.34		$ 0.79	
Diluted earnings per share:						
Income before cumulative effect of accounting change	$ 1.09		$ 0.34		$ 0.79	
Net income	$ 0.83		$ 0.34		$ 0.79	

Note 10: Commitments and Contingencies

The Company, as well as other steel companies, is subject to demanding environmental standards imposed by federal, state and local environmental laws and regulations. In connection with the 1994 acquisition of the Bridgeville facility assets from Armco, they agreed to retain responsibility for liabilities asserted against it under environmental laws with respect to environmental conditions existing at the Bridgeville facility prior to commencement of the long-term net lease of that facility on August 15, 1994, and to indemnify the Company up to $6.0 million in the aggregate over 10 years. Such indemnification expires on August 15, 2004.

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

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

The Company maintains insurance for both property damage and business interruption applicable to its production facilities, including the universal rolling mill.

Note 11: Segment And Related Information

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

The following table presents net sales by product line:

For the years ended December 31,	2000	1999	1998
Dollars in thousands			
Stainless steel	$62,346	$55,255	$53,661
Tool steel	6,960	6,055	7,548
High-strength low alloy steel	2,161	1,327	2,082
High-temperature alloy steel	1,754	2,124	4,387
Conversion services	2,309	1,807	3,690
Other	355	95	1,227
Net sales on shipments	75,885	66,663	72,595
Effect of accounting change	12,462	--	--
Total net sales	$88,347	$66,663	$72,595

Net sales on shipments from the Company's largest customer and its affiliates, which were generated primarily from the Bridgeville Operations, approximated 39%, 48% and 35% of total 2000, 1999 and 1998 sales, respectively. The accounts receivable balances from the same customer comprised approximately 27% and 41% of total accounts receivable at December 31, 2000 and 1999, respectively.

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

Note 12: Quarterly Financial Data (unaudited)

In 2000, the Company adopted the provisions of SAB 101 retroactive to January 1, 2000. Accordingly, the 2000 data and the 1999 pro forma data have been restated to conform with SAB 101. Previously reported net sales and net income for the first quarter, second quarter and third quarter of 2000 were $18,089,000 and $896,000, $19,012,000 and $1,366,000, and $20,809,000 and $1,438,000, respectively.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Dollars in thousands, except per share information				
2000 Data				
Net sales	$17,770	$18,522	$18,587	$33,468
Gross profit	3,044	2,640	3,676	7,126
Operating income	1,941	1,207	2,406	5,934
Income before cumulative effect of accounting change	1,128	622	1,273	3,587
Net income (loss)	(418)	622	1,273	3,587
Earnings per common share				
Basic:				
Income before cumulative effect of accounting change	$ 0.19	$ 0.10	$ 0.21	$ 0.59
Net income (loss)	$ (0.07)	$ 0.10	$ 0.21	$ 0.59
Diluted:				
Income before cumulative effect of accounting change	$ 0.19	$ 0.10	$ 0.21	$ 0.59
Net income (loss)	$ (0.07)	$ 0.10	$ 0.21	$ 0.59
1999 Data as Reported				
Net sales	$14,488	$15,485	$16,110	$20,580
Gross profit	1,527	1,545	1,900	3,058
Operating income	513	575	893	1,750
Net income	231	249	455	1,168
Earnings per common share				
Basic	$ 0.04	$ 0.04	$ 0.07	$ 0.19
Diluted	$ 0.04	$ 0.04	$ 0.07	$ 0.19
1999 Pro Forma Data under SAB 101				
Net sales	$12,856	$15,037	$15,628	$19,809
Gross profit	2,306	1,278	1,561	2,527
Operating income	1,292	308	554	1,219
Net income	721	81	242	810
Earnings per common share				
Basic	$ 0.12	$ 0.01	$ 0.04	$ 0.13
Diluted	$ 0.12	$ 0.01	$ 0.04	$ 0.13

Price Range of Common Stock

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

	High	Low
Year 2000		
First quarter	$7-9/16	$5-11/16
Second quarter	$7-3/4	$5-5/8
Third quarter	$7-3/16	$6-3/8
Fourth quarter	$8-1/4	$6-11/16
Year 1999		
First quarter	$7-3/8	$5-3/4
Second quarter	$6-1/4	$5-3/8
Third quarter	$6-1/4	$4-3/4
Fourth quarter	$6-3/4	$3-1/4

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

Forward-Looking Information
Safe Harbor

This Annual Report contains historical information and forward-looking statements. Statements looking forward in time, including statements regarding future growth, cost savings, expanded production capacity, broader product lines, greater capacity to meet customer quality reliability, price and delivery needs, enhanced competitive posture and the effect of adopting FASB Statement No. 133, as amended, are included in this Annual Report pursuant to the "safe harbor" provision of the Private Securities Litigation Reform Act of 1995. They involve known and unknown risks and uncertainties that may cause the Company's actual results in future periods to be materially different from any future performance suggested herein. Further, the Company operates in an industry sector where securities values may be volatile and may be influenced by economic and other factors beyond the Company's control. In the context of the forward-looking information provided in this Annual Report, please refer to the discussions of risk factors detailed in, as well as the other information contained in, this Annual Report and the Company's filings with the Securities and Exchange Commission during the past 12 months.

Five-Year Summary

For the years ended December 31,	2000/A/	1999	1998	1997	1996
Dollars in thousands, except per share information					
Summary of Operations					
Net sales	$88,347	$66,663	$72,595	$81,301	$60,258
Operating income	11,488	3,731	7,566	11,574	7,531
Net income	5,064	2,103	5,004	7,206	4,793
Pro Forma Summary of Operations/B/					
Net sales	$88,347	$63,330	$78,170	$76,229	$58,578
Operating income	11,488	3,373	8,437	11,049	6,563
Net income	6,610	1,854	5,558	6,875	4,183
Financial Position at Year-End					
Working capital	$23,558	$20,800	$21,829	$20,086	$15,981
Total assets	73,747	68,179	64,450	56,151	42,098
Total debt	10,007	11,841	12,958	5,779	2,794
Stockholders' equity	48,767	43,653	42,565	37,768	30,497
Common Share Data					
Basic earnings per share:					
As reported	$ 0.83	$ 0.34	$ 0.79	$ 1.15	$ 0.76
Pro Forma under SAB 101/B/	1.09	0.30	0.88	1.09	0.67
Diluted earnings per share:					
As reported	0.83	0.34	0.79	1.12	0.76
Pro Forma under SAB 101/B/	1.09	0.30	0.87	1.07	0.66
Stockholders' equity	8.03	7.19	6.82	6.00	4.85

Other Data					
EBITDA/C/	$11,459	$ 5,844	$ 8,960	$12,741	$ 8,226
Capital expenditures	4,598	3,366	12,146	8,145	11,409
Depreciation and amortization	2,466	2,101	1,516	1,109	541
Return on stockholders' equity	10.4%	4.8%	11.8%	19.1%	15.7%
Debt to total capitalization	17.0	21.3	23.3	13.3	8.4
Employees	280	277	280	270	208
Customers	250	235	200	167	136
Average Shares Outstanding (in thousands)					
Basic	6,075	6,111	6,305	6,286	6,271
Diluted	6,080	6,111	6,355	6,417	6,293

/A/ Includes $12,462,000 of net sales and $9,988,000 of costs of sales associated with revenues recognized in 1999 but deferred until 2000 as a result of implementing Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements. The 2000 results of operations also include the impact of changing the Company's Standard Terms and Conditions to more closely reflect the substance of its sales transactions.

/B/ Represents the retroactive effect of applying Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements.

/C/ Represents earnings before special charges, interest expense, income taxes and depreciation and amortization.

Directors, Officers and Management

Directors

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

George F. Keane
President Emeritus
Common Fund Group

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

Udi Toledano
President
Millennium 3 Capital, Inc.

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

Officers

Clarence M. McAninch
President and Chief Executive Officer

A. Bruce Kennedy
Vice President, Operations

Richard M. Ubinger
Chief Financial Officer and Treasurer

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

Management

Bruce A. Kramer
Director, Purchasing and Production Planning

Keith A. Engleka
Director, Technology

David M. Blanchard
Manager, PRP Division

Corporate Information

Executive Offices
Universal Stainless & Alloy Products, Inc.
600 Mayer Street
Bridgeville, PA 15017
(412) 257-7600

Annual Meeting
The Annual Meeting of Stockholders will be held at 10 a.m. on Wednesday, May 23, 2001, at the Southpointe Golf Club, Canonsburg, PA.

Stockholder Information
Universal Stainless & Alloy Products, Inc.'s Annual Report, Form 10-K and other reports filed with the Securities and Exchange Commission can be obtained, without charge, by writing to the Chief Financial Officer at the Executive Offices.

Transfer Agent and Registrar
Continental Stock Transfer & Trust Company
2 Broadway
New York, NY 10004

Stock Listing
NASDAQ Symbol: USAP

Web Site Address
www.univstainless.com

Exhibit 23.01

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statement on Form S-3 (No. 33-98534) and the Registration Statements on Forms S-8 (No. 333-13599, No. 333-13509 and No. 333-13511) of Universal Stainless & Alloy Products, Inc. of our report dated January 19, 2001 relating to the financial statements, which appears in the Annual Report to Stockholders, which is incorporated in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
March 28, 2001