

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 1997
OR

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

Commission File Number 0-25032

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

DELAWARE
(State or other jurisdiction of
incorporation or organization)

25-1724540
(IRS Employer
Identification No.)

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

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

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 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 24, 1998, based on the closing price of these shares of \$14 on that date, was \$47,387,354. 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 24, 1998, there were 6,304,156 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, 1997, and definitive Proxy Statement for the Annual Meeting of Stockholders scheduled to be held May 20, 1998, are incorporated by reference into Parts II and III of this Form 10-K.

TABLE OF CONTENTS

PART I

Item 1.	Business.....	1
Item 2.	Properties.....	8
Item 3.	Legal Proceedings.....	10
Item 4.	Submission of Matters to a Vote of Security Holders.....	11

PART II

Item 5.	Market for the Registrant's Common Stock and Related Stockholder Matters..	11
Item 6.	Selected Financial Data.....	11
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	12
Item 7A.	Quantitative and Qualitative Disclosures About Market Risks.....	12
Item 8.	Financial Statements and Supplementary Data.....	12
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.....	12

PART III

Item 10.	Directors and Executive Officers of the Registrant.....	12
Item 11.	Executive Compensation.....	12

Item 12.	Security Ownership of Certain Beneficial Owners and Management.....	13
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Item 13.	Certain Relationships and Related Transactions.....	13
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PART IV

Item 14.	Exhibits, Financial Statement Schedules, and Reports on Form 8-K.....	14
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PART I

ITEM 1. BUSINESS

General

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 products are sold to rerollers, forgers, service centers and original equipment manufacturers. The Company's products are further processed by its customers for use primarily in the heavy equipment manufacturing, power generation and aerospace industries. The Company also provides 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. The Company is capable of producing specialty steel products that include both long products (ingots, blooms, billets and bars), which are primarily used by customers to produce bar, rod and wire, and flat rolled products (slabs and plates), which are used by customers to produce fine-gauge plate, sheet and strip products. The Company also produces customized shapes that are cold rolled from purchased coiled strip, flat bar or extruded bar.

The Company was incorporated in 1994 for the principal purpose of acquiring substantially all of the idled equipment and related assets (the "Assets") located at the Bridgeville, Pennsylvania production facility (the "Bridgeville Facility") of Armco, Inc. ("Armco"). In June 1995, the Company acquired the precision rolled products business (the "PRP Business") and five vacuum-arc remelting furnaces and certain ancillary equipment (the "VAR Assets") from the Cytemp division of Armco, located in Titusville, Pennsylvania (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 stainless steel, tool steel and certain other alloyed steels:

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

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

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 such steels as nickel, chrome and molybdenum typically exceed the alloy element of carbon steel but not that of high temperature alloy steel.

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.

Net sales by principal product line were as follows:

Year ended December 31,	1997	1996	1995
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Stainless steel	\$60,700,000	\$46,903,000	\$38,292,000
Tool steel	10,467,000	8,019,000	4,080,000
Conversion services	4,834,000	3,804,000	3,272,000
Other	5,300,000	1,532,000	1,348,000
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	\$81,301,000	\$60,258,000	\$46,922,000
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Raw Materials

Scrap Metal

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

Alloys

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

PRP Business

The PRP Business' principal starting materials consist of metallic flat bar, extruded "near shaped" bar and coiled strip, which the Company cold rolls to customer specification 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 the PRP Business will continue to be available in sufficient quantities for the foreseeable future.

The cost of raw material is more than 50% 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

2

raw materials at set prices for up to 30 days, which 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.

Energy Agreements

The production of steel requires the ready availability of substantial amounts of energy. Electricity is the major energy source consumed in the Company's operations. The Company believes that its energy arrangements allow it to compete effectively within its industry. The Company also uses natural gas in certain of its furnaces, and certain industrial and refining gases, including oxygen, nitrogen and argon, in connection with its melting operations. A curtailment or interruption in energy supplies could adversely affect the performance of the Company, as could an increase in energy-related costs.

At the Bridgeville Facility, the Company purchases electricity from Duquesne Light Company ("DLC") pursuant to a five-year supply agreement entered into in July 1994, with one-year renewal options. 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 10 a.m. (16 hours) daily and up to 24 hours a day on weekends. The Company purchases natural gas from Columbia Energy Services Corporation pursuant to a supply agreement which expires July 1999.

At the Titusville Facility, the Company purchases electricity from Pennsylvania Electric Company pursuant to a one-year supply agreement entered into in September 1997, with one-year renewal options. Belden and Blake Corporation supplies all the Company's natural gas requirements at that location pursuant to a one-year supply agreement entered into in June 1997, which is eligible for renewal thereafter.

Air Products and Chemicals, Inc. supplies all the Company's liquid gas for industrial requirements for its melting operations pursuant to a five-year agreement entered into in July 1994, which contains one-year renewal options.

Customers

The Company's principal customers are rerollers, forgers, service centers and original equipment manufacturers, which primarily include the power generation and aerospace industries. For the year ended December 31, 1997, Talley Metals Technology, Inc., a subsidiary of Carpenter Technology Corporation, and its affiliates accounted for 44% of the Company's net sales. The Company's five largest customers in the aggregate accounted for approximately 66% of net sales. A principal element of the Company's business strategy is to seek new customers so that over time it will reduce its dependence on one or a small number of customers. The Company's customer base increased from 136 at December 31, 1996 to 167 at December 31, 1997.

The Company's products are marketed directly to its customers by Company personnel, including the Company's President and Chief Executive Officer, its PRP Division General Manager, five full-time sales persons and two independent sales representatives. In view of the relatively small number of prospective

customers for the Company's customized products, the strong business relationships with its customers and the thorough product knowledge and substantial experience with actual and prospective customers of those management and marketing persons, the Company believes its sales force is adequate for its current and immediately foreseeable needs.

Backlog

The Company manufactures products to meet specific customer orders, generally fulfilling orders in eight weeks or less, and consequently does not manufacture for inventory purposes. The Company's backlog of orders on hand as of December 31, 1997, was approximately \$20.9 million as compared to \$11.1 million at the same time in 1996. The Company does not have any long-term written agreements with any of its customers, and customer orders are generally subject to cancellation with the payment of a penalty charge prior to delivery. The Company's backlog may not be indicative of actual sales and therefore should not be used as a measure of future revenue.

Competition

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

Major competitors of the Company in the specialty steel market include fully integrated specialty steel producers such as Allegheny-Teledyne, Inc.; Carpenter Technology Corporation; AL Tech Specialty Steel Corporation; Republic Engineered Steels, Inc.; Slater Steels Corporation; and The Timken Company. Although Electralloy, a subsidiary of G.O. Carlson Inc., and First Mississippi Steels, Inc. generally produce only stainless steel ingots, they can also compete with the Company by utilizing outside conversion services. Additionally, there are several smaller electric arc furnace melt shops that also produce specialty steel. The major competitors of the Company in the special shapes market served by the PRP Business 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 currently is, 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 of those products 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, that compete with steel in many markets. 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 factor that adversely affects the market for finished products manufactured by the Company's customers could indirectly adversely affect the demand for the Company's specialty steel products.

Employee Relations

The Company considers the maintenance of good relations with its employees to be important to the successful conduct of its business. The Company has instituted profit sharing for all of its USWA Employees and has, instituted, equity ownership programs for all of its employees, in an effort to forge an alliance

between its employees' interests and those of the Company's stockholders. At December 31, 1997, the Company had 211 employees at the Bridgeville Facility and 59 employees at the Titusville Facility, of whom 166 and 50 were USWA members located in Bridgeville and Titusville, respectively.

4

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 connection with the June 1995 acquisition of the PRP Business and the VAR Assets (the "PRP/VAR Agreement"), the Company entered into a five-year collective bargaining agreement with the USWA covering employees at the Titusville Facility (the "Titusville CBA"). The Titusville CBA contains substantially similar terms to those included in the Bridgeville CBA, but each of the agreements is separate and neither agreement is conditioned on the renewal of or compliance with the other 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 semi-annual 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 retained responsibility for any employee benefit obligations existing prior to August 15, 1994 with respect to persons previously employed at the Bridgeville Facility. In addition, Armco agreed to indemnify the Company up to \$3.0 million in the aggregate with respect to any such liabilities that may arise prior to August 15, 2004.

Employee Stock Purchase Plan

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

Safety

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

5

Executive Officers

The following table sets forth, as of December 31, 1997, certain information with respect to the executive officers of the Company:

NAME (AGE)	EXECUTIVE OFFICER SINCE	POSITION
Clarence M. McAninch (62)	1994	President and Chief Executive Officer
Daniel J. DeCola, Sr. (45)	1994	Vice President, Operations
Paul McGrath (46)	1997	Director of Employee Relations, General Counsel and Secretary
Richard M. Ubinger (38)	1994	Chief Financial Officer, Principal Accounting Officer and Treasurer

Clarence M. McAninch, 62, 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 Inc. from 1992 to 1994.

Daniel J. DeCola, Sr., 45, has been Vice President, Operations, since July 1994 and a Director of the Company from July 1994 to May 1997. Mr. DeCola held management positions at the Armco Stainless and Alloy Products Division, including serving as plant superintendent, from 1992 to 1994.

Paul A. McGrath, 46, 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, 38, 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 in its audit department, and he served in the capacity of Senior Manager for Price Waterhouse LLP since 1990. 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, 1997, the Company's largest customer, Talley Metals Technology, Inc., a subsidiary of Carpenter Technology Corporation, and its affiliates accounted for approximately 44% of the Company's net sales. The Company's five largest customers in the aggregate accounted for approximately 66% of net sales. An adverse change in, or termination of, the Company's relationship with one or more of its major customers or one or more of its market segment could have a material adverse effect upon the Company. See "Business--Customers."

Reliance on Critical Manufacturing Equipment

The Company's manufacturing processes are dependent upon certain critical pieces of specialty steelmaking equipment, such as the Company's melt shop 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 factor 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. Also, a number of the Company's competitors are also customers for certain of the Company's products and services. 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 (the "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 Company's acquisitions, Armco agreed to retain responsibility for certain liabilities asserted against Armco under the Environmental Laws. Because the indemnification is the Company's exclusive 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 liability with respect to violations of the Environmental Laws or the existence of environmental conditions stemming from any changes, modifications or amendments to the Environmental Laws effective after August 15, 1994, with respect to the Bridgeville Facility, or effective after June 2, 1995, with respect to the Titusville Facility, and there is no assurance that the Company will not incur any such liability. See "Business--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 more than 50% 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

7

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."

Capital Investment Commitments.

Specialty steel production is a capital intensive industry. The Company has made, and believes it will continue to make, certain capital investments in plant and equipment to be competitive on an ongoing basis and to ensure that it can continue to manufacture quality products to serve new niche-markets. The Company has initiated an \$11 million capital investment program to install a round-bar finishing facility in Bridgeville, Pennsylvania. The Company anticipates completion of the scheduled work involved with this program by the end of 1998. There can be no assurance that the Company will complete this program in the anticipated time frame or within current cost estimates, or at

all, or, if completed, that the capital investments will deliver the anticipated benefits to the Company. Failure to complete, or a substantial delay in completing, any material part of the capital expenditures program, or the inability of the Company to realize the anticipated benefits therefrom, may have a material adverse effect on the Company's results of operations and competitive position. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources" and "Properties."

Year 2000

The Company is engaged in a program to modernize and replace its computerized production control and management information systems. Although not the primary purpose of the program, the new systems will be designed to avoid any Year 2000 problems. The Company is also inquiring of its suppliers and others as to their own Year 2000 compliance. There can be no assurance that the Company will successfully avoid any Year 2000 problems. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources."

ITEM 2. PROPERTIES

The Company leases its Bridgeville Facility from Armco (the "Armco Lease") and owns the Titusville Facility. The Bridgeville Facility is leased pursuant to a long-term lease from Armco for ten years from 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, with three five-year options to renew on the same terms at the sole discretion of the Company. The Armco Lease provides the Company with an option to purchase substantially all of the leased premises for \$1 any time during the term of the Armco 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 Armco 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.

The Titusville Facility consists 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.

8

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. In this regard, the Company initiated an \$11 million capital investment program to install a round-bar finishing facility to complement the bar mill commissioned in 1997. The new facility will include heat treating and processing equipment that will enable the company to produce completely finished 2-inch to 6-inch round-bar product.

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 solid and hazardous substances and the remediation of contamination associated with generation, handling and disposal activities. The Company is subject periodically to environmental compliance reviews by various regulatory offices. Additionally, the Company monitors its compliance with Environmental

Laws applicable to it and, accordingly, believes that it is currently in compliance with all laws and regulations in all material respects. The Company has not made to date and does not anticipate making any significant expenditures for environmental control facilities, but could incur costs, 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 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 as a result of any of those matters with respect to the Bridgeville Facility to the extent of \$6.0 million in the aggregate until 2004 and has further agreed (subject to the indemnity limits) to pay up to \$250,000 for each 30-day period and up to \$1.0 million in reimbursement for certain non-recoverable operating costs should the Company's business be interrupted by reason of matters arising under Environmental Laws 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. Prior to entering into the Asset Agreement, Armco and the Company identified certain environmental conditions existing at the Bridgeville Facility, including asbestos in various structures, oils and electrical devices containing PCBs, that Armco or the Company has remediated at Armco's expense. The Company's Bridgeville Facility includes an overhead and rooftop system (the "bag house") to remove waste gases generated by its melting operations. The bag house facility associated with that system collects oxides and non-metallic residue for reclaiming purposes. An independent reclaiming contractor purchases the oxides and non-metallic residue, removes the residue and converts it into metallic form for sale back to the Company as scrap metal. This reclaiming process enables the Company to dispose of the unwanted residue, while at the same time recovering some raw materials for the manufacture of specialty steel.

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, including compliance with laws governing the removal of hazardous materials and the elimination of hazardous conditions, which 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 PRP/VAR Agreement, the Company conducted a Phase I and Phase II environmental study (the "Study") of the parcel of real estate acquired by the Company, and 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 revealed asbestos in certain areas adjacent to the Titusville Facility, which Armco has remediated at its expense, and some electrical equipment containing PCBs that the Company is remediating at its expense, which is not material. Additionally, 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. Any contamination of this type on the Company's property flows from outside its boundaries, to the extent it is not indigenous to the underlying ground. The Company believes it

unlikely that it or Armco will be required to provide cleanup at the Titusville Facility for the local hydrocarbon contamination or, if it were, the Company believes this action would be part of a large program addressing the entire area. To date, the Company has not been contacted by any environmental governmental authority concerning this matter. Notwithstanding Armco's indemnification obligations, with respect to the Titusville Facility, 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 the safety of its employees, the Company shall bear such accelerated or increased cost. If the Company accelerates the timing or increases the cost of any environmental obligation retained by Armco with respect to the Titusville Facility as a result of seeking financing or the sale of less than a controlling interest in the voting stock of the Company, such accelerated or increased cost shall be borne equally by Armco and the Company. Certain processes that were employed by Armco, and certain facilities used by Armco that may have involved or been the site of activities that could have caused environmental pollution at the Titusville Facility, are not employed or used by the Company. There may be other environmental conditions that have not been identified by regulatory authorities but which may later be determined to require remediation.

The Company's exclusive 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. There can be no assurance that those indemnities will fully cover all environmental liabilities, especially if the relevant regulatory authorities or others were to proceed solely against the Company with respect to those liabilities at the Bridgeville Facility that arise out of conditions existing prior to the commencement of the Armco Lease on August 15, 1994 (an event the Company believes is unlikely), 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."

Based on the foregoing and the experience of its senior executives with respect to both Armco's and the Company's facilities and the equipment and processes employed at the Bridgeville Facility, and the results of the Phase I and Phase II environmental study of the Titusville Facility, 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.

ITEM 3. LEGAL PROCEEDINGS

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

10

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 1997.

PART II

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

At December 31, 1997, a total of 6,290,823 shares of the Company's Common Stock, par value \$.001 per share, were issued and outstanding, and held by approximately 218 holders of record.

Certain holders of Common Stock and the Company are party to a stockholder's 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 35 of the Annual

Report to Stockholders for the year ended December 31, 1997, which is incorporated herein by reference.

Preferred Stock

The Company's Certificate of Incorporation provides that the Company may, by vote of its Board of Directors, issue the Preferred Stock in one or more series having the 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.

ITEM 6. SELECTED FINANCIAL DATA

The information called for by this item is set forth on page 36 of the Annual Report to Stockholders for the year ended December 31, 1997, which is incorporated herein by reference.

11

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 15 through 19 of the Annual Report to Stockholders for the year ended December 31, 1997, which are incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by this item is set forth on Pages 20 through 34 of the Annual Report to Stockholders for the year ended December 31, 1997, which are incorporated herein by reference.

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

There were 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 20, 1998, under the heading "Proposal No. -- Election of Directors," which information is incorporated herein by reference.

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.

12

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 to report.

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

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 Price Waterhouse LLP, appearing on Pages 20 through 34 of the accompanying Annual Report, are incorporated by reference in this Form 10-K Annual Report.

2) Consolidated Financial Statement Schedules:

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

3) Exhibits:

EXHIBIT NUMBER -----	DESCRIPTION -----	PAGE NO. -----
2.1*	Certificate of Merger, dated July 29, 1994, between Universal Stainless & Alloy Products, Inc., a Pennsylvania corporation, and the Company.	
2.2*	Agreement and Plan of Merger, dated July 28, 1994, among Universal Stainless & Alloy Products, Inc., a Pennsylvania corporation, and the Company.	
2.3**	Asset and Real Property Purchase Agreement, dated as of June 2, 1995, by and between Armco Inc. and the Company.	
3.1*	Amended and Restated Certificate of Incorporation.	
3.2*	By-laws of the Company.	
4.1*	Specimen Copy of Stock Certificate for shares of Common Stock.	
4.2*	Form of Representative's Warrant Agreement (including Form of Representative's Warrant Certificate).	
10.1*	Base Contract for Sale of Natural Gas, dated July 1, 1993, by and between the Company and Columbia Energy Services Corporation.	
10.2*	Electric Service Contract, dated July 27, 1994, by and between the Company and Duquesne Light Company, with Schedule of Rates.	
10.3*	Product Supply Agreement, dated August 16, 1994, by and between Air Products and Chemicals, Inc., and the Company.	
10.4*	Stockholders Agreement, dated as of August 1, 1994, by and among the Company and its existing stockholders.	
10.5*	Lease Agreement, dated August 15, 1994, by and between Armco Inc. and the Company.	
10.6*	Employment Agreement, dated August 15, 1994, by and between the Company and Daniel J. DeCola, Sr.	
10.7*	Employment Agreement, dated August 15, 1994, by and between the Company and Clarence M. McAninch.	
10.8*	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.	
10.9*	Security Agreement, dated August 15, 1994, by and between the Company and Armco Inc.	

EXHIBIT NUMBER -----	DESCRIPTION -----	PAGE NO. -----
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- 10.11* Letter Agreement, dated July 15, 1994, by and between the Company and Tradition (North America), Inc.
- 10.12 Amended and Restated Subordination and Standby Agreement, dated as of January 30, 1998, by and between the Company and PNC Bank, National Association.
- 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.
- 10.14 Second Amended and Restated Security Agreement and Collateral Assignment, dated as of January 30, 1998, by and between the Company and PNC Bank, National Association.
- 10.15 Term Note, dated as of January 30, 1998, by and between the Company and PNC Bank, National Association.
- 10.16 Landlord's Waiver, dated as of January 30, 1998, by Armco Inc.
- 10.17 Second Amended and Restated 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.
- 10.18 Second Amended and Restated Revolving Credit Note, dated as of January 30, 1998, by and between the Company and PNC Bank, National Association.
- 10.19** Collective Bargaining Agreement, dated May 3, 1995, by and between the Company and United Steelworkers of America.
- 10.20** Loan Agreement, dated October 3, 1995, by and between the Company and Commonwealth of Pennsylvania.
- 10.21** Note, dated October 3, 1995, for the principal sum of \$500,000, by the Company, in favor of the Commonwealth of Pennsylvania.
- 10.22** Security Agreement, dated October 3, 1995, by and between the Company and the Commonwealth of Pennsylvania.
- 10.23* Underwriting Agreement, dated December 14, 1994, among the Company and Keane Securities Co., Inc., as representatives of the several underwriters.
- 10.24** Form of Underwriting Agreement among the Company and Oppenheimer & Co., Inc., and Furman Selz Incorporated, as representatives of the several underwriters.
- 10.25 Employment Agreement dated January 1, 1998 between the Company and Paul McGrath.
- 10.26 Employment Agreement dated January 1, 1998 between the Company and Richard M. Ubinger.
- 10.27 Equipment Purchase Agreement dated as of November 6, 1997 between the Company and Hetran, Inc. for the purchase of certain bar finishing equipment.
- 10.28 Collective Bargaining Agreement, dated September 1, 1997, by and between the Company and United Steelworkers of America.
- 13.01 Selected pages of the Company's 1997 Annual Report to Shareholders incorporated by reference into Parts II and III of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.
- 23.01 Consent of Price Waterhouse, LLP.
- 24.01 Powers of Attorney (included on the signature page hereto).
- 27.01 Financial Data Schedule

- * Incorporated herein by reference to the exhibits filed with the Company's Registration Statement on Form S-1 (Registration No. 33-85310).
- ** Incorporated herein by reference to the exhibits filed with the Company's Registration Statement on Form S-1 (Registration No. 33-97896).

15

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on March 30, 1998.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

BY: /s/ C. M. McAninch

 Clarence M. McAninch
 President and Chief Executive Officer

POWER OF ATTORNEY

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

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

SIGNATURE -----	TITLE -----	DATE -----
/s/ C. M. McAninch ----- Clarence M. McAninch	President, Chief Executive Officer and Director	March 30, 1998
/s/ Richard M. Ubinger ----- Richard M. Ubinger	Chief Financial Officer and Treasurer (Principal Accounting Officer)	March 30, 1998
/s/ Douglas M. Dunn ----- Douglas M. Dunn	Director	March 26, 1998
/s/ George F. Keane ----- George F. Keane	Director	March 30, 1998
/s/ Udi Toledano ----- Udi Toledano	Director	March 30, 1998
/s/ D. Leonard Wise ----- D. Leonard Wise	Director	March 30, 1998

AMENDED AND RESTATED
SUBORDINATION AND STAND-BY AGREEMENT

THIS AMENDED AND RESTATED SUBORDINATION AND STAND-BY AGREEMENT (together with all amendments, supplements, renewals, replacements or other modifications thereto or thereof is hereinafter referred to as this "Subordination Agreement") made as of January 30, 1998, by and among PNC BANK, NATIONAL ASSOCIATION, a national banking association (the "Bank"), UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC., a Delaware corporation (the "Debtor") and USAP HOLDINGS, INC., a Delaware corporation (the "Creditor") and amends and restates in its entirety that certain Subordination and Stand-By Agreement dated as of January 31, 1996 and entered into by and among the Bank, the Debtor and the Creditor (the Subordination and Stand-By Agreement dated as of January 31, 1996 is hereinafter referred to as the "Original Subordination Agreement").

RECITALS

WHEREAS, the Original Subordination Agreement was entered into as an inducement for an in consideration of the various credit facilities made available to the Borrower by the Bank pursuant to the Amended and Restated Credit Agreement between the Borrower and the Bank dated January 31, 1996, as amended by that certain First Amendment to Amended and Restated Credit Agreement dated May 1, 1997 (the "First Amendment") (the Amended and Restated Credit Agreement, as amended by the First Amendment, and together with all exhibits and schedules thereto, is hereinafter referred to as the "Amended and Restated Credit Agreement"); which amended and restated in its entirety that certain credit agreement between the Borrower and the Bank dated November 18, 1994, as amended by the first amendment thereto dated March 30, 1995, the second amendment thereto dated June 2, 1995, the third amendment thereto dated August 25, 1995, the fourth amendment thereto dated October 3, 1995, and the fifth amendment thereto dated October 9, 1995; and

WHEREAS, the Borrower and the Bank have agreed to amend and restate the Amended and Restated Credit Agreement in its entirety and have done so pursuant to the terms of that certain Second Amended and Restated Credit Agreement dated as of even date herewith (the Second Amended and Restated Credit Agreement, together with all exhibits and schedules thereto and all extensions, modifications, renewals, amendments, substitutions and replacements thereof, is hereinafter referred to as the "Second Amended and Restated Credit Agreement"), as well as the Notes and other Loan Documents provided in connection with the Second Amended and Restated Credit Agreement (the Obligations and Indebtedness evidenced by the Notes and other Loan Documents, including the Second Amended and Restated Credit Agreement, are hereinafter referred to as the "Senior Obligations"); and

EXHIBIT I

WHEREAS, pursuant to the terms of the Second Amended and Restated Credit Agreement, the Bank has expanded the credit facilities made available to the Borrower under the Amended and Restated Credit Agreement by making available to the Borrower, in addition to the \$6,500,000.00 Revolving Credit Commitment, a Term Loan Commitment in the amount of \$415,000,000.00; and

WHEREAS, to secure the extension of the credit facility, as set forth in the Second Amended and Restated Credit Agreement, the Bank has requested that the Borrower execute and deliver or cause to be executed and delivered to the Bank amendments to or restatements of the Security Documents previously executed in connection with the Credit Agreement and the Amended and Restated Credit Agreement and the Borrower has agreed to do so, including, but not limited to, this Subordination Agreement.

NOW THEREFORE, in consideration of the premises (each of which are hereby

incorporated by reference and made a material part hereof), the mutual covenants and agreements contained herein and other valuable consideration, the receipt and adequacy of which are hereby acknowledged, and with the intent to be legally bound hereby, the parties hereto agree as follows:

1. Subordination. Except as set forth in Section 2 hereof, until all the

Senior Obligations have been fully paid, (a) the Creditor shall not demand or receive from the Debtor any part of the loans, advances, debts, liabilities and obligations of any kind or nature now owing by the Debtor to the Creditor or that may hereafter be due and payable to the Creditor by the Debtor as evidenced by that certain Note of the Debtor in the original principal amount of \$20,000,000 or any replacement thereof or substitute therefor (the "Subordinated Note") and (b) the Debtor shall not make payment on the Subordinated Note. The Debtor shall not grant or give a security interest in any of the Debtor's property to the Creditor to secure its obligations under the Subordinated Note. The Creditor waives all notice of the acceptance of this Subordination Agreement by the Bank, or of the creation, renewal, extension, or accrual of the Senior Obligations, or of the reliance of the Bank upon this Subordination Agreement.

2. Payments on Subordinated Note.

a. Interest. The Debtor may make scheduled payments of interest, when

due, on the Subordinated Note in accordance with the terms of the Subordinated Note and the Creditor may receive such interest payments so long as no Event of Default as that term is defined in the Second Amended and Restated Credit Agreement (a "Senior Event of Default") or condition, event, omission or act, which with the giving of notice, the passage of time or both, would constitute an Event of Default (a "Potential Default") exists at the time of such payment or would result from such payment.

b. Principal. The Debtor may not make any payment of principal on the

Subordinated Note without the express prior written consent to the Bank, unless the

Senior Obligations are indefeasibly paid in full and the Revolving Credit Commitment and Term Loan Commitment are terminated.

Notwithstanding the foregoing, if the Debtor shall make any payment to the Creditor prohibited by the foregoing provisions of this Section 2, then in such event such payment shall be received and held in trust for the Bank and shall be paid over and delivered forthwith to the Bank, to the extent necessary to pay all such Senior Obligations in full.

3. Standby Limitation. Notwithstanding any breach or default by the

Debtor under the Subordinated Note, the Creditor shall not at any time or in any manner accelerate the Subordinated Note or proceed in any way to enforce any claims it has or may have against the Debtor without the express prior written consent of the Bank unless or until the Senior Obligations are indefeasibly paid in full and the Revolving Credit Commitment and Term Loan Commitment are terminated.

4. Subordinated Note. The Creditor shall cause a conspicuous legend to be

placed on the Subordinated Note to the following effect:

"This note and the indebtedness evidenced thereby is subordinate and junior to the Senior Obligations, to the extent and in the manner set forth in that certain Amended and Restated Subordination and Stand-By Agreement dated as of January 8, 1998 by Universal Stainless & Alloy Products, Inc. and the payee of this note in favor of PNC Bank, National Association."

The Creditor shall deliver to the Bank a photocopy of the original executed Subordinated Note as marked with the above legend at the Closing.

5. Payment Over of Proceeds Upon Dissolution. In the event of (i) any

insolvency or bankruptcy case or proceeding, or any receivership, liquidation,

reorganization or other similar case or proceeding in connection therewith, relative to the Debtor or to its assets, (ii) any liquidation, dissolution or other winding up of the Debtor, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy or (iii) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of the Debtor, then and in any such event:

(x) the holder of Senior Obligations shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all Senior Obligations, before the Creditor is entitled to receive any payment on account of the Subordinated Note; and

(y) any payment or distribution of assets of the Debtor of any kind or character, whether in cash, property or securities, by set-off or otherwise, to which the Bank would be entitled, including any such payment or distribution which may be payable or deliverable by reason of the payment of any other

-3-

Indebtedness of the Debtor being subordinated to the payment of the Senior Obligations shall be paid by the liquidating trustee or agent or other Person making such payment or distribution, whether a trustee in bankruptcy, a receiver or liquidating trustee or otherwise, directly to the holder of Senior Obligations to the extent necessary to pay all such Senior Obligations in full, after giving effect to any concurrent payment or distribution to the Bank; and

(z) in the event that, notwithstanding the foregoing, the Creditor shall have received any such payment or distribution of assets of the Debtor of any kind or character, whether in cash, property or securities, including any such payment or distribution which may be payable or deliverable by reason of the payment of any other Indebtedness of the Debtor being subordinated to the payment of the Senior Obligations before all Senior Obligations are paid in full, then and in such event such payment or distribution shall be received and held in trust for the Bank and shall be paid over or delivered forthwith to the Bank to the extent necessary to pay all such Senior Obligations in full after giving effect to any concurrent payment or distribution to the Bank.

The Bank may, in its discretion, file a proof of claim for or collect the Creditor's claim to the extent of the unpaid Senior Obligations first for the benefit of the Bank and then for the benefit of the Creditor (but without creating any duty or liability to the Creditor other than to remit to the Creditor distributions, if any, actually received in such proceedings after the Senior Obligations have been satisfied in full) directly from the receiver, trustee, liquidation or representative of the Debtor's estate in such proceeding.

Upon any payment or distribution of assets of the Debtor referred to in this Section 5, the Bank shall be entitled to rely upon any order or decree entered by any court of competent jurisdiction in which such insolvency, bankruptcy, receivership, liquidation, reorganization, dissolution, winding up or similar case or proceeding is pending, or a certificate of the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee for the benefit of creditors, agent or other Person making such payment or distribution, delivered to the Bank for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of Senior Obligations and other Indebtedness of the Debtor, the amount thereof or payable thereon and the amount or amounts paid or distributed thereon.

6. Modifications. Without notice to or further assent by the Creditor,

the liability of the Debtor or any other party, the Senior Obligations may from time to time, in whole or in part, be renewed, extended, modified, waived, accelerated, altered, compromised, or released by the Bank, and collateral or liens for any such Senior Obligations may be increased, released, substituted, exchanged, sold, or surrendered by the Bank, and the Bank may exercise or refrain from exercising any of its other rights under the Senior Obligations all without affecting the obligations of the Creditor and Debtor under this Subordination Agreement. The Borrower and the Creditor shall not amend or otherwise modify the Subordinated Note without the express prior written consent of the Bank.

7. Representations and Covenants. The Creditor and the Debtor represent

and covenant that there is no defense, offset or counterclaim to any amount now due to the Creditor from the Debtor as evidenced by any of the Subordinated Note and that, at no time until all the Senior Obligations incurred under and pursuant to the Second Amended and Restated Credit Agreement have been fully paid, will there be any defense, offset or counterclaim to any amount owing to the Creditor from the Debtor as evidenced by any of the Subordinated Note. The Creditor shall not, without the written consent of the Bank, dispose of any claims or demands of the Creditor against the Debtor with respect to any of the Subordinated Obligations. Any such disposition, if made, shall be subject to the terms of this Subordination Agreement.

8. Books. The Debtor will tender to the Bank upon demand and from time to

time a statement of the account of the Creditor with the Debtor, and will give the Bank access from time to time to the books of the Debtor in order that the Bank may make a full examination of the state of accounts of the Creditor with the Debtor.

9. Default. In the event of a breach by either the Creditor or the Debtor

of any of the terms of this Subordination Agreement, all of the Senior Obligations, at the Bank's option, without notice to or demand upon either the Creditor or the Debtor, may become immediately due and payable.

10. Waiver. No waiver shall be deemed to have been made by the Bank of

any of its rights hereunder unless such waiver is in writing, signed by the Bank, and then only with respect to the specific instance involved, and shall in no way impair or offset the rights of the Bank, or the obligations of the Debtor and of the Creditor, in any other respect or at any other time. No executory agreement shall be effective to modify this Subordination Agreement unless such executory agreement is in writing and signed by the Bank.

11. Successors. The terms Debtor and Creditor as used in this Agreement

shall include the entities named herein, and any successor person, association, partnership, or corporation to which all or substantially all of the business or assets of the Debtor or Creditor shall be transferred.

12. Benefit. This Subordination Agreement shall be binding upon the

Debtor and the Creditor, and their respective legal representatives, successors, and assigns, and shall inure to the benefit of the Bank and its successors and assigns. The Creditor agrees that it will not make any assertion, claim or argument in any action, suit or proceeding of any nature whatsoever in any way challenging the priority, validity or effectiveness of the liens and security interests granted to the Bank.

13. Notices. Any notice or other thing required or desired to be served,

given or delivered hereunder shall be in writing and shall be sent to the following address by hand delivery, telex, telegram, telecopier or other means of electronic data communication or by United States Mail first class postage prepaid:

(a) If to the Bank:

PNC Bank, National Association
One PNC Plaza
249 Fifth Avenue
Pittsburgh, Pennsylvania 15222
Attention: Mark W. Rutherford, Vice President
Telecopier: (412) 762-6484

(b) If to the Debtor at:

Universal Stainless & Alloy Products, Inc.

600 Mayer Street
Bridgeville, Pennsylvania 15107
Attention: Richard M. Ubinger
Telecopier: (412) 257-7640

(c) If to the Creditor at:

USAP Holdings, Inc.
300 Delaware Avenue
Suite 520
Wilmington, Delaware 19801
Attention: Vice President
Telecopier: (302) 477-0245

or to such other address as any party may hereafter designate for itself by written notice to the other parties in the manner herein prescribed. Any notice sent pursuant hereto shall be effective three (3) days after mailing or when received, whichever is earlier.

14. Further Assurances. The parties hereto agree to execute and deliver

all such other instruments and take all such other action as any party hereto may reasonably request from time to time in order to effectuate the provisions and purposes of this Subordination Agreement.

15. Severability. Whenever possible each provision of this Subordination

Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Subordination Agreement shall be prohibited by or be invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidly, without invalidating the remainder of such provision or the remaining provisions of this Subordination Agreement.

16. Indemnification of Bank. The Creditor agrees to indemnify and to hold

the Bank and its officers, directors, agents and employees harmless for any and all losses,

-6-

damages, liabilities, expenses and obligations, including attorneys' fees and expenses, as they arise, relating to the action of the Creditor taken contrary to this Subordination Agreement.

17. Governing Law. This Subordination Agreement shall be a contract made

under and governed by the laws of the Commonwealth of Pennsylvania, excluding its conflict of law rules. Each of the Debtor and the Creditor hereby irrevocably consents to the exclusive jurisdiction of any state or federal court for the county or judicial district where the Bank's office indicated above is located, and consents that all service of process be sent by nationally recognized overnight courier service directed to it at its address set forth herein and service so made will be deemed to be completed on the Business Day after deposit with such courier; provided that nothing contained in this Subordination Agreement will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Debtor or the Creditor individually, against any security or against any property of the Debtor within any other county, state or other foreign or domestic jurisdiction. The parties hereto agree that the venue provided above is the most convenient forum for each of the parties. Each of the Debtor and the Creditor waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Agreement.

18. Definitions. All terms used herein which are not defined herein but

which are defined in the Second Amended and Restated Credit Agreement shall have the same meanings herein as are ascribed to them in the Second Amended and Restated Credit Agreement.

19. Section Headings. The section headings herein are for convenience

only and shall not affect the interpretation of any of the provisions hereof.

20. Counterparts. This Subordination Agreement may be executed in several counterparts and by each party on a separate counterpart, each of which, when so executed and delivered, shall be regarded as an original, and all such counterparts shall constitute but one and the same instrument.

21. Waiver of Jury Trial. EACH OF THE DEBTOR, THE CREDITOR AND THE BANK IRREVOCABLY WAIVES ANY AND ALL RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS SUBORDINATION AGREEMENT, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS SUBORDINATION AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY. THE DEBTOR, THE CREDITOR AND THE BANK ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

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-7-

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have caused this Subordination Agreement to be executed by their respective duly authorized officers as of the date first written above.

PNC BANK, NATIONAL ASSOCIATION

/s/ Mark W. Rutherford
By _____

Mark W. Rutherford
Name: _____

Vice President
Title: _____

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

/s/ Richard M. Ubinger
By _____

Richard M. Ubinger
Name: _____

CFO/Treasurer
Title: _____

USAP HOLDINGS, INC.

/s/ C. M. McAninch
By _____

C. M. McAninch
Name: _____

President & CEO
Title: _____

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-8-

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SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Between

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.,
as the Borrower

and

PNC BANK, NATIONAL ASSOCIATION,
as the Bank

Dated as of January 30, 1998

=====

TABLE OF CONTENTS

	Page

LIST OF EXHIBITS.....	iv
LIST OF SCHEDULES.....	v
ARTICLE 1. DEFINITIONS.....	1
1.1 Defined Terms.....	1
1.2 Other Definitional Provisions.....	19
ARTICLE 2. THE LOANS.....	20
2.1 Revolving Credit Commitment.....	20
2.2 Term Loan Facility.....	22
2.3 Interest.....	24
2.4 Yield Protection; Indemnity.....	28
2.5 Capital Adequacy.....	28
2.6 Payments.....	29
2.7 Loan Account.....	29
2.8 Fees.....	29
2.9 Payment From Accounts Maintained by Borrower.....	30
ARTICLE 3. SET-OFF AND SECURITY INTERESTS.....	30
3.1 Set-Off.....	30
3.2 Personal Property.....	30
3.3 Security Agreement.....	31
3.4 Real Property Interests.....	31
3.5 Landlord's Waivers.....	31
ARTICLE 4. REPRESENTATIONS AND WARRANTIES.....	31
4.1 Existence.....	31
4.2 Capitalization; Ownership; Title to Shares.....	31
4.3 Subsidiaries and Other Investments.....	32
4.4 Power and Authority.....	32
4.5 Validity and Binding Effect.....	32
4.6 No Conflict.....	32
4.7 Financial Matters.....	32
4.8 Material Adverse Change.....	33
4.9 Solvency.....	33
4.10 Litigation.....	33

4.11	Compliance with Laws.....	33
4.12	Labor Matters.....	33
4.13	Title to Properties.....	34
4.14	Tax Returns and Payments.....	

35

4.15	Intellectual Property.....	35
4.16	Insurance.....	36
4.17	Consents and Approvals.....	36
4.18	No Defaults.....	36
4.19	Plans and Benefit Arrangements.....	36
4.20	Environmental Matters.....	38
4.21	Margin Stock.....	39
4.22	Holdings Business.....	39
4.23	Full Disclosure.....	40

ARTICLE 5. AFFIRMATIVE COVENANTS..... 40

5.1	Use of Proceeds.....	40
5.2	Delivery of Financial Statements and Other Information.....	40
5.3	Preservation of Existence; Qualification.....	44
5.4	Compliance with Laws and Contracts.....	44
5.5	Accounting System; Books and Records.....	44
5.6	Payment of Taxes and Other Liabilities.....	44
5.7	Insurance.....	45
5.8	Maintenance of Properties.....	45
5.9	Maintenance of Leases.....	45
5.10	Maintenance of Patents, Trademarks, Permits, Etc.....	46
5.11	Bank Accounts.....	46
5.12	Plans and Benefit Arrangements.....	46
5.13	Environmental Matters and Indemnification.....	46
5.14	Key Management.....	47
5.15	Further Assurances; Power of Attorney.....	47

ARTICLE 6. NEGATIVE COVENANTS..... 48

6.1	Indebtedness.....	48
6.2	Guarantees.....	48
6.3	Encumbrances.....	49
6.4	Financial Covenants.....	49
6.5	Capital Expenditures.....	50
6.6	Limitation on Dividends.....	50
6.7	Liquidations, Mergers, Consolidations, Acquisitions, Etc... ..	50
6.8	Dispositions of Assets.....	51
6.9	Loans and Other Advances.....	51
6.10	Investments.....	51
6.11	Affiliate Transactions.....	52
6.12	Use of Proceeds.....	52
6.13	Change of Business.....	53
6.14	Change of Fiscal Year.....	53
6.15	ERISA.....	53

6.16	Amendments to Certain Documents.....	53
------	--------------------------------------	----

ARTICLE 7. CONDITIONS TO MAKING EXTENSIONS OF CREDIT..... 53

7.1	All Loans.....	53
7.2	Initial Extension of Credit.....	54

ARTICLE 8. EVENTS OF DEFAULT; REMEDIES..... 56

8.1	Events of Default.....	56
8.2	Remedies.....	59

ARTICLE 9.	GENERAL PROVISIONS.....	60
9.1	Amendments and Waivers.....	60
9.2	Taxes.....	60
9.3	Expenses.....	60
9.4	Notices.....	61
9.5	Participations.....	62
9.6	Successors and Assigns.....	63
9.7	Confidentiality.....	63
9.8	Severability.....	63
9.9	Interest Limitation.....	63
9.10	Survival.....	64
9.11	GOVERNING LAW.....	64
9.12	FORUM.....	64
9.13	Non-Business Days.....	65
9.14	Integration.....	65
9.15	Headings.....	65
9.16	Counterparts; Effectiveness.....	65
9.17	WAIVER OF JURY TRIAL.....	65

- iii -

LIST OF EXHIBITS

Exhibit Designation -----	Exhibit -----	Principal Section Reference -----
A	Revolving Credit Note	2.1e
B	Lockbox Agreement	2.1g
C	Term Note	2.2c
D	Security Agreement	3.3
F-1	Mortgage	3.4
F-2	First Amendment to Mortgage	3.4
F-3	Second Amendment to Mortgage	3.4
G	Landlord's Waiver	3.5
H	Compliance Certificate	5.2c
I	Subordination Agreement	7.2(i)

- iv -

LIST OF SCHEDULES*

Schedule Designation and Principal Section Reference -----	Schedule -----
4.2	Options, Warrants, Etc.

4.10	Litigation
4.12	Labor Matters
4.13	Real Estate Matters
4.15	Intellectual Property
4.16	Insurance
4.19	Plans and Benefit Arrangements
4.20	Environmental Matters
6.1	Permitted Indebtedness
6.3	Permitted Encumbrances

*Exhibits as listed herein are not included with the SEC filings, however, copies are readily available upon request.

- v -

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

THIS SECOND AMENDED AND RESTATED CREDIT AGREEMENT, dated as of January 30, 1998 (as more fully defined below the "Agreement"), entered into by and between UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC., a Delaware corporation (as more fully defined below the "Borrower") and PNC BANK, NATIONAL ASSOCIATION, a national banking association (as more fully defined below the "Bank").

RECITALS:

WHEREAS, the Borrower entered into an Amended and Restated Credit Agreement with the Bank dated as of January 31, 1996 as amended by the First Amendment to Amended and Restated Credit Agreement dated as of May 1, 1997 (the "First Amendment") (the Amended and Restated Credit Agreement as amended by the First Amendment together with all exhibits and schedules thereto, the "Original Agreement").

WHEREAS, the Borrower and the Bank have agreed on additional modifications to the Original Agreement.

WHEREAS, the Borrower and the Bank have agreed to amend and restate the Original Agreement in its entirety.

WHEREAS, the Borrower desires to borrow, and the Bank desires to make available to the Borrower from time to time the loans and other extensions of credit hereinafter set forth, under and subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises (each of which is incorporated herein by reference) and the mutual promises contained herein and other valuable consideration, the receipt and adequacy of which are hereby acknowledged, and with the intent to be legally bound hereby, the parties hereto agree as follows:

ARTICLE 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, including the preamble and recitals hereto, the following terms shall have the respective meanings set forth below or in the Section of this Agreement referred to, unless the context otherwise requires:

Account: As used (i) in each Loan Document except the Working Cash Sweep

Agreement and the Trust Agreement, an account, as that term is defined in the Uniform Commercial Code, due the Borrower, whether now in existence or hereafter created or acquired, and (ii) in the Working Cash Sweep Agreement and the Trust Agreement, the account defined in this Agreement as the Parent Account.

Account Debtor: Any Person who is or may become obligated under or with

 respect to an Account as defined in item (i) of the definition of Account above.

Additional Equity Infusion: Receipt by the Borrower on and after March 31,

 1995 of the Net Proceeds of a public offering or private placement of Borrower's equity securities.

Affiliate: As to any Person, any other Person (i) which directly or

 indirectly through one or more intermediaries controls, is controlled by, or is under common control with, such Person, or (ii) which beneficially owns or holds 25 percent or more of any class of the voting securities of the Borrower or 25 percent or more of the voting stock (or in the case of a Person which is not a corporation, 25 percent or more of the equity interest) of which is beneficially owned or held, directly or indirectly, by the Borrower or a Subsidiary. For purposes of this definition, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise, including the power to elect a majority of the directors of a corporation or trustees of a trust, as the case may be.

Agreement: On and after the Closing Date, as used in each Loan Document

 except the Working Cash Sweep Agreement and the Trust Agreement, this Second Amended and Restated Credit Agreement, all exhibits and schedules hereto and all extensions, renewals, amendments, substitutions and replacements hereof and hereto; and on and after the Closing Date when this Agreement is referred to in the Working Cash Sweep Agreement and the Trust Agreement it shall be referred to as the "Line of Credit Agreement".

Applicable Margin: The percentage (expressed in basis points) determined from

 time to time based upon the ratio of the Borrower's Consolidated Total Indebtedness to the Borrower's Consolidated EBITDA set forth under the relevant column heading below.

	Ratio of Consolidated Total Indebtedness to Consolidated EBITDA	Revolving Credit Loans	TERM LOAN	
			Euro-Rate	Base Rate
LEVEL I	Less than 1:0 to 1:00	100	100	0
LEVEL II	Equal to or greater than 1.0 to 1.0 but less than 1.5 to 1.0	100	125	0
LEVEL III	Equal to or greater than 1.5 to 1.0 but less than 2.0 to 1.0	75	150	0
LEVEL IV	Equal to or greater than 2.0	75	175	0

Armco Lease: That certain Lease Agreement and all schedules and exhibits

 thereto by and between the Borrower and Armco Inc. dated as of August 15, 1994.

Asset Purchase Agreement: That certain Asset Purchase Agreement and all

schedules and exhibits thereto by and between the Borrower and Armco Inc. dated as of August 15, 1994, as amended by that certain letter dated October 5, 1994 and accepted October 10, 1994.

Authorized Officer: The Chairman of the Board, the President, the Chief

Executive Officer, the Chief Operating Officer, the Chief Financial Officer, any Vice President or the Treasurer of the Borrower. The Bank shall be entitled to rely on the incumbency certificate delivered pursuant to Section 7.2 for the initial designation of each Authorized Officer. Additions or deletions to the list of Authorized Officers may be made by the Borrower at any time by delivering to the Bank a revised, fully-executed incumbency certificate.

Bank: PNC Bank, National Association, a national banking association, and its

successors and assigns.

Base Rate: A fluctuating rate of interest per annum equal to the greater of

(i) the Prime Rate or (ii) the sum of (A) the Federal Funds Effective Rate plus (B) 1/2 of one percent per annum.

Base Rate Option: The ability of the Borrower to elect to have all or any

portion of the Term Loan bear interest at the Interest Rate Option set forth in Subsection 2.3a(ii)(A).

Benefit Arrangement: An "employee benefit plan", within the meaning of

Section 3(3) of ERISA, which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by the Borrower or any ERISA Affiliate for the benefit of employees of the Borrower or any ERISA Affiliate.

BIDP: The Business Infrastructure Development Program established by the

Commonwealth of Pennsylvania.

BIDP Loan: A term loan from the BIDP or the County of Allegheny through BIDP

which shall have a final maturity not exceeding 15 years after the date on which such loan is advanced.

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

and its successors and permitted assigns.

- 3 -

Borrowing Tranche: Each portion of the Term Loan bearing interest at a

discrete Euro-Rate Option and that portion of the Term Loan bearing interest at the Base Rate Option.

Business Day: A day other than a Saturday or a Sunday on which the Bank and

the Trustee are open for business.

Capital Adequacy Event: This term shall have the meaning given it in Section

2.5.

Capital Compensation Amount: This term shall have the meaning given it in

Section 2.5.

Capital Expenditure: Any expenditure which would be classified as a capital

expenditure in accordance with GAAP.

Capitalized Lease: Any lease of property by the Borrower as lessee which

would be capitalized on a balance sheet of the Borrower prepared in accordance with GAAP.

Capitalized Lease Obligations: The amount of the obligations of the Borrower

under Capitalized Leases which would be shown as a liability on a balance sheet
of the Borrower prepared in accordance with GAAP.

Chattel Paper: Any chattel paper, as that term is defined in the Uniform

Commercial Code, of the Borrower, whether now owned or hereafter created or
acquired.

Closing Date: January 30, 1998 or such other date as is mutually agreeable to

the parties hereto.

Closing Fee: A fee equal to the greater of (i) 1/4 of 1% of the Term Loan

Commitment, or (ii) \$25,000.

Collateral: Collectively, all of the property (whether real, personal or

mixed, and whether tangible or intangible), rights, titles and interests subject
to any Encumbrance in favor of the Bank pursuant to this Agreement or any other
Loan Document, including but not limited to the cash and other assets held by
the Bank in the Lockbox Account, each DDA, the Parent Account and each other
bank account maintained by the Bank in order to implement the Working Cash
Agreements.

Commitment Fee: The fee described in Section 2.8b.

Compliance Certificate: A certificate substantially in the form of Exhibit

"H" which has been executed by an Authorized Officer and delivered to the Bank.
- ---

- 4 -

Consolidated: The consolidation in accordance with GAAP of the items as to

which such term applies.

Consolidated Current Assets: All assets of the Borrower and its Subsidiaries

which may properly be classified as current assets in accordance with GAAP.

Consolidated Current Liabilities: All liabilities of the Borrower and its

Subsidiaries which may properly be classified as current liabilities in
accordance with GAAP.

Consolidated Debt Service: The Borrower's Consolidated scheduled payments of

principal and interest on Indebtedness during the relevant fiscal period.

Consolidated Excess Cash Flow: The amount by which, as the end of the

relevant fiscal period, the Borrower's EBITDA for such period exceeds the
Borrower's Consolidated Fixed Charges for such period.

Consolidated Fixed Charges: Without duplication, the sum of the Borrower's

and its Subsidiaries' Consolidated interest expense, Consolidated tax expense
less any deferred portion of such tax expense, scheduled payments of principal
of Consolidated Indebtedness, payments due under Capitalized Leases and Capital
Expenditures which are not Funded Capital Expenditures during the relevant
fiscal period.

Consolidated Net Income: The net income of the Borrower and its Subsidiaries

for the period in question, after deducting all operating expenses, provisions
for all taxes and all other proper deductions, all determined in accordance with
GAAP.

Consolidated Tangible Net Worth: The Borrower's Consolidated stockholders' equity, after subtracting all items properly classified as intangible, as determined in accordance with GAAP consistently applied.

Contamination: The presence of any Hazardous Substance at any real property owned or leased by the Borrower which requires investigation, clean-up or remediation under any Environmental Law.

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

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

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

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

- 5 -

Debit: As defined in the Working Cash Sweep Agreement.

Default: Any condition, event, omission or act which, with the giving of notice, the passage of time or both, would constitute an Event of Default.

Default Rate: The rate of interest charged pursuant to Section 2.3b(iv) hereof.

Document: Any document, as that term is defined in the Uniform Commercial Code, of the Borrower whether now owned or in existence or hereafter created or acquired.

Dollars or \$: The legal tender of the United States of America.

EBITDA: For each Fiscal Quarter of the Borrower, Consolidated Net Income for such Fiscal Quarter, as determined in accordance with GAAP, plus the sum of (i) Consolidated income tax expense, (ii) Consolidated interest expense, (iii) Consolidated depreciation expense and (iv) Consolidated amortization expense, each for such Fiscal Quarter and each determined in accordance with GAAP, excluding (A) any non-recurring or extraordinary income or losses for such Fiscal Quarter determined in accordance with GAAP and (B) the Net Income of any other Person acquired by the Borrower in a transaction accounted for as a pooling of interests for any period prior to the date of such acquisition.

EDF: The Allegheny County Department of Development, Economic Development Fund Business Loan Program.

EDF Loan: Any term loan from EDF which shall have a term of at least fifteen years.

EDS: The Economic Development Set Aside Program established by the Commonwealth of Pennsylvania.

EDS Loan: Any grant from EDS the proceeds of which will be lent to the Borrower as a term loan by the County of Allegheny, which loan shall have a final maturity of 15 years after the date on which the loan is issued.

Encumbrance: Any security interest, mortgage, charge, pledge, hypothecation,

assignment, deposit arrangement, encumbrance, lien (statutory or other),
preference, priority or other security agreement or preferential arrangement of
any kind or nature whatsoever (including, without limitation, any conditional
sale or other title retention agreement, any Capitalized Lease having
substantially the same economic effect as any of the foregoing, and the filing
of any financing statement under the Uniform Commercial Code) in, upon, or
against any asset of the Borrower or any Subsidiary, whether or not voluntarily
given.

- 6 -

Environmental Claim: Any written claim, suit notice or order made by a Person

(including without limitation a Governmental Authority) or any written demand
made by a Governmental Authority with respect to the Borrower or any of its
properties, whether owned or leased, that: (i) asserts a violation of an
Environmental Law; (ii) asserts a liability under an Environmental Law; (iii)
orders investigations, corrective action, remediation or other response under an
Environmental Law; (iv) demands information under an Environmental Law; (v)
alleges personal injury or property damage resulting from Hazardous Substances;
or (vi) alleges that there is or may be Contamination.

Environmental Law: Any Governmental Rule concerning protection or regulation

of the discharge of substances into the environment, including but not limited
to those concerning air emissions, water discharges and treatment, storage
tanks, and the handling, generation, treatment, storage and disposal of waste
materials, chemical substances, pollutants, contaminants, toxic substances,
pathogens, radioactive materials or hazardous substances of any kind, whether
solid, liquid or gaseous.

Equipment: Any equipment, as that term is defined in the Uniform Commercial

Code, owned by the Borrower, whether now owned or hereafter acquired and
wherever located.

ERISA: The Employee Retirement Income Security Act of 1974 or any successor

legislation thereto, and the rules and regulations promulgated thereunder,
including any amendments to any of the foregoing.

ERISA Affiliate: Any member of a controlled group of corporations under

Section 414(b) of the Internal Revenue Code of which the Borrower is a member,
and any trade or business (whether or not incorporated) under common control
with the Borrower under Section 414(c) of the Internal Revenue Code, and all
other entities which, together with the Borrower, are or were treated as a
single employer under Sections 414(m) or 414(o) of the Internal Revenue Code.

Euro-Rate: With respect to portions of the Term Loan to which the Euro-Rate

Option applies for any Euro-Rate Interest Period, the interest rate per annum
determined by the Bank by dividing (the resulting quotient rounded upward to the
nearest 1/100th of 1% per annum) (i) the rate of interest determined by the Bank
in accordance with its usual procedures (which determination shall be
conclusive, absent manifest error) to be the "offered" eurodollar rate as quoted
by Exco-Noonan Incorporated (or appropriate successor or, if Exco-Noonan or its
successor ceases to provide such quotes, a comparable replacement determined by
the Bank) as evidenced on Dow Jones Markets Service (formerly known as Telerate)
display page 4756 (or such other display page on the Dow Jones Markets System as
may replace Dow Jones Markets Service display page 4756), two (2) Business Days
prior to the first day of such Euro-Rate Interest Period for an amount
comparable to such Borrowing Tranche and having a borrowing date and a maturity
comparable to such Euro-Rate Interest Period by (ii) a number

- 7 -

equal to 1.00 minus the Euro-Rate Reserve Percentage. The Euro-Rate may also be
expressed by the following formula:

Dow Jones Markets Service display page 4756

Euro-Rate = as quoted by Exco-Noonan or appropriate successor

1.00 - Euro-Rate Reserve Percentage

Euro-Rate Interest Period: Any individual period of one, two or three months

commencing on the date a Euro-Rate Option is exercised; provided, however, that

(i) any Euro-Rate Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next Business Day unless such Business Day falls in the succeeding calendar month, in which case such Euro-Rate Interest Period shall end on the next preceding Business Day, (ii) any Euro-Rate Interest Period which begins on the last day of a calendar month or on a day for which there is no numerically corresponding day in the subsequent calendar month during which such Euro-Rate Interest Period is to end shall end on the last Business Day of such subsequent month, and (iii) no Euro-Rate Interest Period for the Term Loan may end after the Term Loan Maturity Date.

Euro-Rate Loan: All or any portion of the Term Loan bearing interest under

the Euro-Rate Option, as set forth in Subsection 2.3(a)(ii).

Euro-Rate Option: The ability of the Borrower to elect Euro-Rate Loans, as

set forth in Subsection 2.3(a)(ii).

Euro-Rate Reserve Percentage: The maximum percentage (expressed as a decimal

rounded upward to the nearest 1/100th of 1%), as determined by the Bank which is in effect during any relevant period, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirements (including supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as "Eurocurrency Liabilities") of a member bank in such System.

Event of Default: Any of the events specified in Section 8.1.

FDIC: The Federal Deposit Insurance Corporation or any entity succeeding to

its functions.

Federal Funds Effective Rate: For any day shall mean the rate per annum

(based on a year of 360 days and actual days elapsed and rounded upward to the nearest 1/100 of 1%) announced by the Federal Reserve Bank of New York (or any successor) on such day as being weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on the previous trading day, as computed and announced by such Federal Reserve Bank (or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the "Federal Funds

- 8 -

Effective Rate" as of the date of this Agreement; provided, if such Federal

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

Fee: Any of the fees payable or to be payable by the Borrower to the Bank or

the Trustee pursuant to any of the Loan Documents including but not limited to the Commitment Fee, the Term Loan Commitment Fee any Letter of Credit Fee and the Closing Fee.

Fiscal Quarter: Each three-month fiscal period of the Borrower beginning

respectively on each successive January 1, April 1, July 1 and October 1 during the term hereof and ending on the immediately succeeding March 31, June 30, September 30 and December 31.

Fiscal Year: Each 12-month fiscal period of the Borrower, currently January 1

to December 31.

Fixture: Any fixture, as that term is defined in the Uniform Commercial Code,

owned by the Borrower, whether now owned or hereafter acquired and wherever
located.

Funded Acquisition: The purchase, lease or other acquisition of all or

substantially all of the assets of any Person or the purchase or other
acquisition of all or substantially all of the capital stock or other equity
interests of any Person, any of which is funded entirely by (A) Indebtedness
permitted by item (vi) of Section 6.1, (B) an Additional Equity Infusion or (C)
a combination thereof.

Funded Capital Expenditure: That portion of any Capital Expenditure which is

funded by (w) a Government Loan, (x) an Additional Equity Infusion, (y) the Term
Loan or (z) Indebtedness permitted by item (iv) of Section 6.1 hereof.

Funding Date: The date on which the first extension of credit is made

hereunder which date may not be the same as the Closing Date.

GAAP: Generally accepted accounting principles which are consistent with the

principles promulgated or adopted by the Financial Accounting Standards Board,
its predecessors and its successors, including any official interpretations
thereof.

General Intangible: Any general intangible, as that term is defined in the

Uniform Commercial Code, of the Borrower, whether now owned or in existence or
hereafter created or acquired, including without limitation any chose in action,
cause of action, business records, deposit account, invention, design, patent,
patent application, trademark, trademark application, service mark, service mark
application, trade name, trade name application, trade secret, goodwill,
copyright, copyright application, registration, license, franchise, customer

- 9 -

list, tax refund claim, computer program, claims under guaranties, security
interests, rights to indemnification or any other intangible property of any
kind or nature (other than an Account).

Goods: All goods, as that term is defined in the Uniform Commercial Code, of

the Borrower, whether now owned or hereafter acquired and wherever located.

Governmental Authority: Any (i) nation, state, government, jurisdiction or

jurisdictional authority (domestic, foreign or international), any political
subdivision thereof, and any governmental, quasi-governmental, judicial, public,
statutory, administrative or regulatory body, agency, department, bureau,
authority, court, commission, board, office, instrumentality, administrative
tribunal or other entity of any of the foregoing and any official thereof and
(ii) any arbitrator, arbitration tribunal or other non-governmental entity which
has jurisdiction over the Borrower or a Subsidiary as a result of (A) the
written consent of the Borrower or (B) being vested with such jurisdiction by
any Governmental Authority.

Governmental Loan: Any BIDP Loan, EDF Loan, EDS Loan, MELF Loan or

Redevelopment Authority Loan.

Governmental Rule: Any constitutional provision, law, statute, code, act,

rule, regulation, permit, license, treaty, ordinance, order, writ, injunction,
decree, judgment, award, standard, directive, decision, determination or holding
of any Governmental Authority, whether in existence on the Closing Date or
whether issued, enacted or adopted after the Closing Date, and any change
therein or in the interpretation or application thereof following the Closing
Date.

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

Guaranty: As to any Person, any obligation, direct or indirect, by which such

Person undertakes to guaranty, assume or remain liable for the payment of a second Person's obligations, including but not limited to (i) endorsements of negotiable instruments, (ii) discounts with recourse, (iii) agreements to pay or perform upon a second Person's failure to pay or perform, (iv) agreements to remain liable on obligations assumed by a second Person (other than pursuant to Letters of Credit permitted hereunder), (v) agreements to maintain the capital, working capital, solvency or general financial condition of a second Person and (vi) agreements for the purchase or other acquisition of products, materials, supplies or services, if in any case payment therefor is to be made regardless of the nondelivery of such products, materials or supplies or the nonfurnishing of such services.

Hazardous Substance: Any (i) substance which is defined as such or regulated

in any manner by any Environmental Law and (ii) petroleum products, including crude oil.

Holdings: USAP Holdings, Inc., a Delaware corporation 100% of the outstanding

capital stock of which is owned legally and beneficially by the Borrower.

- 10 -

Holdings Credit Agreement: The credit agreement between the Borrower, as

borrower, and Holdings as lender dated as of November 1, 1995, as the same may be amended from time to time with the Bank's prior written consent.

Indebtedness: All of the Borrower's and each Subsidiary's (i) obligations and

indebtedness for borrowed money, (ii) obligations evidenced by bonds, debentures, notes or similar instruments, (iii) obligations under conditional sale or other title retention agreements relating to property purchased, (iv) obligations issued or assumed as the deferred purchase price of property or services, (v) Capitalized Lease Obligations, (vi) obligations (contingent or matured) with respect to letters of credit, including but not limited to Letters of Credit whether matured or contingent, (vii) obligations of others secured by any Encumbrance on property or assets owned or acquired by the Borrower or any Subsidiary, whether or not the obligations secured thereby have been assumed exclusive however of any Indebtedness of Armco, Inc. which Indebtedness is secured by encumbrance on the real property leased to the Borrower under the Armco Lease, provided such encumbrance is subordinate both to (A) the Borrower's

interest as lessee under the Armco Lease and (B) the Bank's interest as the mortgagee under the Mortgage), and (viii) Guarantees and all other contingent liabilities; provided, however, that Indebtedness shall not include the

Borrower's or any Subsidiary's accounts payable and accrued liabilities incurred in the ordinary course of business if those accounts payable and accrued liabilities do not constitute obligations to repay borrowed money.

Ineligible Securities: Any security which may not be underwritten or dealt in

by member banks of the Federal Reserve System under Section 16 of the Bank Act of 1933 (12 U.S.C. Section 24, Seventh), as amended.

Instrument: Any instrument, as that term is defined in the Uniform Commercial

Code, owned or held by the Borrower, whether now owned or in existence or hereafter created or acquired.

Intercreditor Agreement: The Intercreditor Agreement dated as of October 3,

1995 as amended to the date hereof by and among the Bank, MELF, BIDP, the County of Allegheny acting by and through the EDF and the Redevelopment Authority and consented to by the Borrower as the same may hereafter be amended, restated or replaced.

Interest Hedge Agreement: Any interest rate swap agreement, interest rate cap

agreement, interest rate collar agreement, interest rate insurance or any other agreement or arrangement designed to provide protection against fluctuations in interest rates, together with all extensions, renewals, amendments, substitutions and replacements to and of any of the foregoing.

Interest Rate Option: Either the Base Rate Option or the Euro Rate Option as it

applies to the Term Loan.

- 11 -

Internal Revenue Code: The Internal Revenue Code of 1986 or any successor

legislation thereto, and the rules and regulations issued or promulgated thereunder, including any amendments to any of the foregoing.

Inventory: All inventory, as that term is defined in the Uniform Commercial

Code, including but not limited to any and all new or used goods, merchandise and other personal property, including but not limited to goods in transit, of the Borrower and which is or may at any time be held as finished goods, raw materials, work-in-process, supplies or materials used or consumed in the Borrower's business or held for sale or lease or furnished under a contract of service in the ordinary course of the Borrower's business, including but not limited to ingot molds, universal rolling mill rolls, all returned and repossessed goods and all supplementary items, packing and shipping supplies and advertising materials, all of the foregoing whether now owned or hereafter acquired and wherever located.

Landlord's Waiver: A landlord's waiver substantially in the form of Exhibit

"G".
- - -

Letter of Credit: Any letter of credit issued by the Bank pursuant to any

application for Letter of Credit and/or any Reimbursement Agreement.

Letter of Credit Fee: Any fee due to the Bank for the issuance of or

processing of a Letter of Credit or a draw thereunder.

Loan: A Revolving Credit Loan or the Term Loan.

Loan Account: The loan account referred to in Section 2.7.

Loan Document: Any of this Agreement, any Note, any Security Document, any

Letter of Credit, any application for Letter of Credit, any Reimbursement Agreement, any Lockbox Agreement, the Working Cash Sweep Agreement, the Trust Agreement, any other cash management agreement, any Interest Hedge Agreement to which the Borrower is a party thereto and the Bank or an Affiliate of the Bank is the counterparty, any Subordination Agreement to which the Borrower is a party as a borrower and the Bank is party as a senior lender and all other documents and instruments executed and delivered from time to time to govern, evidence or secure the Obligations, and the exhibits, schedules, statements, reports, certificates and other documents required by, or related to, any of the foregoing, and all extensions, renewals, amendments, substitutions and replacements thereto and thereof.

Lockbox Account: A U.S. Postal Service lockbox in the Borrower's name over

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

- 12 -

Lockbox Agreement: That lockbox agreement substantially in the form of

Exhibit "B" hereto, together with all extensions, renewals, amendments,

substitutions and replacements thereto and thereof.

Material Adverse Change: Any circumstance or event which (i) has or could

reasonably be expected to have a material adverse effect upon the validity or
enforceability of this Agreement or any of the other Loan Documents, (ii) is
material and adverse to the business, properties, assets, financial condition,
results of operations or prospects of the Borrower, (iii) impairs materially the
ability of the Borrower to duly and punctually pay or perform the Obligations,
or (iv) impairs materially the ability of the Bank, to the extent permitted, to
enforce the Bank's legal remedies pursuant to this Agreement and the other Loan
Documents.

MELF: The Machinery and Equipment Fund established by the Commonwealth of

Pennsylvania.

MELF Loan: A term loan by MELF to the Borrower which shall have a maturity

date of seven (7) years after the date of the check by which the MELF loan funds
are advanced.

Money: Any money, as that term is defined in the Uniform Commercial Code, of

the Borrower, whether now owned or hereafter acquired.

Money Purchase Plan: Any Benefit Arrangement subject to the minimum funding

standards under Section 302 of ERISA and Section 412 of the Internal Revenue
Code.

Mortgage: Any mortgage and security agreement substantially in the form of

Exhibit "F-1", together with all extensions, renewals, amendments, substitutions

and replacements thereto and thereof including without limitation Exhibit "F-2"

and Exhibit "F-3".

Multiemployer Plan: A "multiemployer plan" as defined in Section 4001(a)(3)

of ERISA to which the Borrower or any ERISA Affiliate of the Borrower is making
or accruing an obligation to make contributions or has within any of the
preceding five plan years made or accrued an obligation to make contributions.

Net Cash Proceeds: The cash proceeds to the Borrower of any disposition of

assets permitted by items (ii) and (iii) of Section 6.8, less the sum of (i)
reasonable costs associated with such disposition of assets, (ii) all Federal,
state and local taxes assessed against or paid by the Borrower in connection
therewith and (iii) the principal amount of any Indebtedness which is secured by
any asset disposed of and which is required to be repaid in connection
therewith.

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

- 13 -

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

Note: A Revolving Credit Note or a Term Note.

Obligations: Collectively, (i) all unpaid principal and accrued and unpaid

interest under the Loans, (ii) all accrued and unpaid Fees hereunder or under
any of the other Loan Documents, (iii) all obligations (contingent or matured)
due the Bank pursuant to draws on Letters of Credit, (iv) any other amounts due

hereunder or under any of the other Loan Documents, including all reimbursements, indemnities, Fees, costs, expenses, prepayment premiums, and other obligations of the Borrower or any Subsidiary to the Bank or any indemnified party hereunder and thereunder, (v) all other existing and future obligations of the Borrower or any Subsidiary to the Bank for the payment of money under any other agreement or instrument between the Borrower or any Subsidiary and the Bank or among the Borrower or any Subsidiary, the Bank and any other Person, including without limitation any Interest Hedge Agreement, and (vi) all reasonable out-of-pocket costs and reasonable expenses incurred by the Bank in connection with this Agreement and the other Loan Documents, including but not limited to the reasonable fees and expenses of the Bank's counsel.

Original Agreement: The Amended and Restated Credit Agreement dated as of

January 31, 1996, as amended, as more fully defined in the recitals hereto.

Outstanding Revolving Credit Amount: The sum of the aggregate principal

amount of outstanding Revolving Credit Loans.

Parent Account: The parent account as so designated in the Working Cash Sweep

Agreement and referred to in the Working Cash Sweep Agreement and Trust Agreement as the Account.

Participant: Any bank or financial institution which acquires from the Bank

an undivided interest in the Bank's Revolving Credit Commitment, the Loans or in the Letters of Credit, pursuant to Section 9.5.

Participation: The sale, made in accordance with the provisions of Section

9.5, by the Bank to any Participant of an undivided interest in the Bank's Revolving Credit Commitment, the Loans or in the Letters of Credit.

PBGC: The Pension Benefit Guaranty Corporation established pursuant to ERISA,

or any entity succeeding to any or all of its functions under ERISA.

Permitted Encumbrance: Any of the following:

(i) The security interests in the Collateral granted to the Bank;

- 14 -

(ii) Liens for taxes, assessments, governmental charges or levies on any of the Borrower's properties, taxes, assessments, governmental charges or levies which are at the time due and payable or if they can thereafter be paid without penalty or are being contested in good faith by appropriate proceedings diligently conducted and with respect to which the Borrower has created adequate reserves;

(iii) Pledges or deposits to secure payment of workers' compensation obligations, unemployment insurance, deposits or indemnities to secure public or statutory obligations or for similar purposes;

(iv) Liens arising out of judgments or awards against the Borrower with respect to which enforcement has been stayed and such Person at the time shall currently be prosecuting an appeal or proceeding for review in good faith by appropriate proceedings diligently conducted and with respect to which the Borrower has created adequate reserves or has adequate insurance protection; provided, however, that at no time may the aggregate Dollar amount of such

liens exceed \$100,000;

(v) Mechanics', carriers', workmen's, repairmen's and other similar statutory liens incurred in the ordinary course of the Borrower's business, so long as the obligation secured is not overdue or, if overdue, is being contested in good faith by appropriate actions or proceedings diligently conducted;

(vi) Security interests in favor of lessors of personal property, which property is the subject of a true lease between such lessor and the Borrower;

(vii) Encumbrances existing on the Closing Date and listed on Schedule 6.3; provided, however, that the Dollar amount of the obligation ----- secured by an such Encumbrance shall not exceed the amount shown opposite such Encumbrance on Schedule 6.3; and -----

(viii) Security interests in favor of lenders whose loans to the Borrower are permitted pursuant to Section 6.1.

Person: Any individual, partnership, corporation, association, trust, ----- business trust, joint venture, joint stock company, limited liability company, unincorporated organization or enterprise or Governmental Authority.

Plan: Any employee pension benefit plan other than a Multiemployer Plan which ----- is covered by Title IV of ERISA and which either (i) is maintained by the Borrower and/or any ERISA Affiliate of the Borrower for employees of the Borrower and/or any ERISA Affiliate or (ii) has at any time within the preceding five years been maintained by the Borrower and/or any entity which was an ERISA Affiliate at such time for their respective employees.

- 15 -

Prime Rate: For any day, a fluctuating interest rate per annum equal to the ----- rate of interest which the Bank announces from time to time as its prime lending rate, which rate may not be the lowest rate then being charged by the Bank to certain commercial borrowers.

Prohibited Transaction: A "prohibited transaction" as defined under Section ----- 406 of ERISA or Section 4975 of the Internal Revenue Code.

Qualified Bank: A bank or trust company organized under the laws of the ----- United States of America or any state thereof, having either (i) capital, surplus and undivided profits aggregating at least \$250,000,000 or (ii) total assets in excess of \$1,000,000,000 and whose long-term certificates of deposit are rated "AA" or better by Standard and Poor's Rating Group, a division of McGraw Hill, Inc. or "Aa" or better by Moody's Investors Service, Inc.

Redevelopment Authority: The Redevelopment Authority of Allegheny County. -----

Redevelopment Authority Loan: A term loan issued by the Redevelopment ----- Authority.

Regulation D, G, T, U and X: Regulation D, Regulation G, Regulation T, ----- Regulation U and Regulation X promulgated by the Board of Governors of the Federal Reserve System (12 C.F.R. Part 204 et seq., Part 207 et seq., Part 220 ----- et seq., Part 221 et seq., and Part 224 et seq., respectively), as such ----- regulations are now in effect and as may hereafter be amended.

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

Reportable Event: A "reportable event" described in Section 4043(b) of ERISA ----- and in 29 C.F.R. Part 2615.

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

Revolving Credit Loan: An individual borrowing under the Revolving Credit

Commitment.

Revolving Credit Note: The Revolving Credit Note, in substantially the form

of Exhibit "A" duly executed by the Borrower and delivered to the Bank together

with all extensions, renewals, amendments, substitutions and replacements
thereto and thereof.

- 16 -

Revolving Credit Termination Date: Initially, April 30, 2001, as such date

may be extended upon the terms and condition set forth in Section 2.1f, or if
any such day is not a Business Day, the Business Day next preceding such date.

SEC: The Securities and Exchange Commission and any entity succeeding to its

functions.

Security Agreement: The security agreement and collateral assignment executed

by the Borrower substantially in the form of Exhibit "D", together with all

extensions, renewals, amendments, substitutions and replacements thereto and
thereof.

Section 20 Subsidiary: The Subsidiary of the bank holding company controlling

the Bank, which Subsidiary has been granted authority by the Federal Reserve
Board to underwrite and deal in certain Ineligible Securities.

Security Document: Any (i) Security Agreement, (ii) Mortgage, (iii)

Landlord's Waiver, (iv) additional documents and instruments entered into from
time to time for the purpose of securing the Obligations, (v) ancillary
documents and instruments relating to any of the foregoing, such as Uniform
Commercial Code financing statements and stock powers and (vi) extensions,
renewals, amendments, substitutions and replacements to and of any of the
foregoing.

Shared Collateral: Shall have the meaning ascribed to it in an Intercreditor

Agreement.

Solvent: As to any Person, the condition which exists when such Person (i)

owns assets whose value (both at fair market value and present fair saleable
value) is, on the date of determination, greater than the amount of such
Person's liabilities (including without limitation contingent and unliquidated
liabilities), (ii) is able to pay all of its Indebtedness as such Indebtedness
matures and (iii) has capital sufficient to carry on its business and
transactions and all business and transactions in which it is about to engage.

Stated Amount: As to any Letter of Credit, the lower of (i) the face amount

thereof or (ii) the remaining available undrawn amount thereof (regardless of
whether any conditions for drawing could then be met).

Subordination Agreement: A Subordination Agreement substantially in the form

of Exhibit "I" together with all extensions, renewals, amendments,

substitutions and replacements thereto and thereof.

Subordinated Indebtedness: Indebtedness subordinated to the Obligations in

a manner satisfactory to the Agent, including without limitation as set forth in
any Subordination Agreement.

- 17 -

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

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

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

Termination Event: (i) A Reportable Event with respect to a Plan or an event

described in Section 4062(e) of ERISA with respect to a Plan, (ii) the
withdrawal of the Borrower or any ERISA Affiliate from a Plan during a Plan year
in which the Borrower or such ERISA Affiliate was a "substantial employer", as
such term is defined in Section 4001(a)(2) of ERISA, (iii) the incurrence of
liability by the Borrower or such ERISA Affiliate under Section 4064 of ERISA
upon the termination of a Plan, (iv) the distribution of a notice of intent to
terminate a Plan pursuant to Section 4041(c) of ERISA or the treatment of a Plan
amendment as a termination under Section 4041 of ERISA, (v) the institution of
proceedings to terminate a Plan by the PBGC under Section 4042 of ERISA, or (vi)
any other event or condition which might reasonably constitute grounds under
Section 4042 of ERISA for the termination of, or the appointment of a trustee to
administer, any Plan.

Term Loan: The Term Loan described in Section 2.2 hereof.

Term Loan Commitment: The obligation of the Bank to make available to the

Borrower, pursuant to the terms hereof, the Term Loan.

Term Loan Commitment Fee: The fee described in Section 2.8.c.

Term Loan Maturity Date: December 31, 2005.

Term Note: The Term Note substantially in the form of Exhibit "C", duly

executed by the Borrower and delivered to the Bank together with all extensions,
renewals, amendments, substitutions, and replacements thereto and thereof.

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

- 18 -

Trust Agreement: The Working Cash(R) Trust Agreement dated as of the First

Amendment Effective Date by and between the Grantor and the Trustee and all
extensions, renewals, amendments, substitutions and replacements thereto and
thereof.

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

Trust Agreement.

Unfunded Benefit Liabilities: With respect to any Plan, the amounts described

in Section 4001(a)(18) of ERISA.

Uniform Commercial Code: The Uniform Commercial Code as enacted in the

Commonwealth of Pennsylvania or any other jurisdiction which controls the perfection of a security interest in the Collateral in favor of the Bank, in effect on the Closing Date and as amended from time to time.

USWA Agreement: Each of the several Collective Bargaining Agreements between

the Borrower and the United Steelworkers of America and all appendices in effect as of the Closing Date.

Value: When used in the context of the Borrower's Qualified Inventory shall

mean the lower of cost (determined on a first-in-first-out basis) or market.

Withdrawal Liability: "Withdrawal liability" as defined by the provisions of

Part 1 of Subtitle E to Title IV of ERISA.

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

the Trust Agreement.

Working Cash Sweep Agreement: The Working Cash(R), Line of Credit, Investment

Sweep Agreement dated as of May 1, 1997 by and between the Borrower as the Customer and the Bank and all extensions, renewals, amendments, substitutions and replacements thereto and thereof.

1.2 Other Definitional Provisions. (i) Except as otherwise

specified herein, all references in any Loan Document (A) to any Person shall be deemed to include such Person's successors and assigns, (B) to any applicable law or Governmental Rule defined or referred to herein shall be deemed references to such applicable law or Governmental Rule as the same may have been or may be amended, supplemented or replaced from time to time and (C) to any Loan Document defined or referred to herein shall be deemed references to such Loan Document (and, in the case of the Note or other instrument, any instrument issued in substitution therefor) as the terms thereof may have been or may be amended, supplemented, waived or otherwise modified from time to time.

- 19 -

(ii) When used in any Loan Document, the words "herein", "hereof" and "hereunder" and words of similar import shall refer to such Loan Document as a whole and not to any particular provision of such Loan Document, and the words "Article", "Section", "Subsection", "Schedule", "Exhibit" and "Annex" shall refer to Articles, Sections and Subsections of, and Schedules, Exhibits and Annexes to, such Loan Document unless otherwise specified.

(iii) Whenever the context so requires, in all Loan Documents the use of or reference to any gender includes the masculine, feminine, and neuter genders, and all terms used in the singular shall have comparable meanings when used in the plural and vice versa.

(iv) All accounting terms used in any Loan Document which are not specifically defined therein shall be construed in accordance with GAAP consistently applied, except as otherwise expressly stated therein.

ARTICLE 2. THE LOANS

2.1 Revolving Credit Commitment.

2.1a Revolving Credit Loans. The Bank agrees, subject to the terms

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

2.1b Voluntary Reductions of Revolving Credit Commitment.

(i) Voluntary Reductions. Upon at least ten Business Days' prior written

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

(ii) Application of Payments. Any and all Revolving Credit Commitment

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

- 20 -

2.1c Advance Procedures. In the event that the assets transferred

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

2.1d Payment Terms. Any Credit in the Parent Account shall, to the

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

2.1e Revolving Credit Note. The obligation of the Borrower to repay

on or before the Revolving Credit Termination Date the aggregate unpaid principal amount of all Revolving Credit Loans shall be evidenced by the Revolving Credit Note substantially in the form of Exhibit "A" attached hereto,

executed by the Borrower and delivered to the Bank.

2.1f Extension of Revolving Credit Termination Date. The provisions

of Section 2.1 shall be in effect until, and all Obligations relating to the Revolving Credit Commitment shall be due and payable on, the Revolving Credit Termination Date, unless terminated earlier, as provided in Section 8.2. The Borrower in March of 1999 and in each subsequent month of March during the term of the Revolving Credit Commitment (whether the original term or any extended term as provided hereby) when the remaining term of the Revolving Credit Commitment is approximately twenty-six (26) months, may request, by written notice executed by an Authorized Officer and delivered to the Bank, an extension or further extension of the Revolving Credit Commitment and a corresponding alteration of the Revolving Credit Commitment. The Bank shall inform the Borrower not later than the last Business Day in April in each year the request is made whether or not such extension has been agreed to. If the Bank does not respond to any such request within the specified time period, such request, in the absence of a written agreement between the Bank and the Borrower to the contrary, shall be deemed to be denied.

2.1g Lockbox.

(i) Lockbox Account. On or prior to the Closing Date, the Bank and the

Borrower shall enter into a Lockbox Agreement in the form of Exhibit "B"

hereto. The

- 21 -

Borrower shall notify all Account Debtors to make payment directly to the Lockbox Account. All notifications to Account Debtors shall contain such instructions regarding the address and account number of the Lockbox Account as may be specified by the Bank to the Borrower from time to time, and shall otherwise be satisfactory to the Bank. The Bank may also instruct Account Debtors to make payment to the Lockbox Account at any time. The Bank, pursuant to the term of the Lockbox Agreement, shall process all items received in the lockbox and deposit the proceeds of the Lockbox Account into a DDA.

(ii) Other Bank Accounts. The Borrower agrees that it shall not maintain any

other depository accounts in which cash or proceeds of Collateral could be deposited, except for those accounts meeting the requirements of this item (ii). Pursuant to an agreement satisfactory in form and substance to the Bank, each bank or other financial institution at which such an account is maintained by the Borrower shall acknowledge that the Bank has a security interest in and to such account maintained with it, and shall agree that, either on a daily basis or upon receipt of instructions from the Bank, it will cause all collected funds in such account (except for any required minimum balances) to be deposited in a DDA by wire transfer.

2.1h Termination of Working Cash Sweep Agreement. The Working Cash

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

2.2 Term Loan Facility.

2.2a Term Loan Commitment. The Bank agrees, subject to the terms

hereof and relying on the representations and warranties herein set forth, that the Borrower shall have the right to borrow in one or more disbursements from the Closing Date to and including December 3, 1998 an aggregate a principal amount not to exceed \$15,000,000.

2.2b Requests for Term Loan Disbursements. Each request for a Term

Loan disbursement or conversion of an existing Interest Rate Option shall be made to the Bank orally or in writing, by an Authorized Officer, (i) by 10:00 a.m. (Pittsburgh, Pennsylvania time) on the Business Day of the proposed Term Loan disbursement or conversion to bear interest at the Base Rate Option and (ii) by 12:00 noon (Pittsburgh, Pennsylvania time) at least two Business Days prior to the proposed Term Loan disbursement or conversion to bear interest at the Euro-Rate Option. Each request shall specify the date on which such disbursement or conversion of an existing Interest Rate Option is to be made, the amount thereof and, if applicable, the Euro-Rate Interest Period therefor. Any oral request for a disbursement or conversion of an existing Interest Rate Option shall be followed immediately by the Borrower's written request therefor. A request from the Borrower pursuant to this

- 22 -

Section 2.2b, with respect to the Term Loan or any portion thereof which is to bear interest at the Euro-Rate Option, shall irrevocably commit the Borrower to accept such Revolving Credit Loan on the date specified in such request.

2.2c Borrowings. The obligation of the Borrower to repay on or

before the Term Loan Maturity Date, the aggregate unpaid principal amount of all disbursements made by the Bank under the Term Loan Commitment the Term Loan shall be evidenced by the Term Note substantially in the form of Exhibit "C"

hereto, which shall be executed and delivered to the Bank on the Closing Date. The principal amount actually due and owing the Bank under the Term Note shall be the aggregate unpaid amount of all disbursements made by the Bank under the Term Loan Commitment, all as shown on the Loan Account established pursuant to Section 2.7 hereof. Each Term Loan disbursement or conversion of an Interest Rate Option shall be in the minimum principal amount of \$1,000,000 or if in excess of \$1,000,000 in integral multiples of \$500,000.

2.2d Principal Payments on the Term Loan.

(i) Scheduled Principal Payments. Principal of the Term Loan shall be repaid

in twenty-eight (28) consecutive quarterly installments beginning March 31, 1999 and continuing thereafter on the last day of each June, September, December and March to and including the Term Loan Maturity Date. Each of the first twenty four quarterly installments will be in an amount equal to three and one half percent (3.5%) of the principal balance of the Term Loan at the opening of business on January 1, 1999. Each of the twenty-fifth through twenty-eighth quarterly installments will be in an amount equal to four percent (4%) of the principal balance of the Term Loan at the opening of business on January 1, 1999.

(ii) Voluntary Prepayments. The Borrower, subject to the terms hereof, shall

have the right, at its option, to prepay the Term Loan in whole at any time or in part from time to time. Each partial voluntary prepayment of the Term Loan shall be in the minimum amount of \$1,000,000 or, if in excess of \$1,000,000, in integral multiples of \$500,000. The Borrower shall give the Bank not less than two (2) Business Days' prior written notice of each prepayment specifying the aggregate principal amount to be prepaid and the date of prepayment. Notice of prepayment having been given as aforesaid, the principal amount specified in such notice shall be due and payable on the prepayment date.

(iii) Mandatory Principal Prepayments. In addition to the payments required

pursuant to Subsection 2.2(c) (i) above, the Borrower shall make the following prepayments:

(A) Asset Sales. The Borrower shall pay to the Bank, as a mandatory

prepayment of principal on the Term Loan, the Net Cash Proceeds of any disposition of assets permitted by items (ii) and (iii) of Section 6.8, provided, however no such mandatory prepayment of such Net Cash Proceeds need

be made if (I) the Net Cash Proceeds do not exceed in the aggregate \$2,500,000 during the term hereof and (II) such Net Cash Proceeds

aggregating not more than \$2,500,000 are used within one hundred and eighty days of receipt to acquire other Equipment in which the Bank is granted a first and prior Encumbrance.

(B) Excess Cash Flow. On March 31, 1999 and on March 31 of each year

thereafter during the term hereof when the outstanding principal balance of the Term Loan is equal to or greater than \$7,500,000, the Borrower shall make a payment on the outstanding principal balance of the Term Loan, in an amount equal to (i) twenty-five percent (25%) of the Consolidated Excess Cash Flow for Fiscal Year 1998 for the payment due March 31, 1999 and (ii) fifty percent (50%) of Consolidated Excess Cash Flow for the immediately preceding Fiscal Year for payments due on and after March 31, 2000. To the extent that the Borrower, in such immediately preceding Fiscal Year, has made voluntary prepayments of principal of the Term Loan, the amount of the mandatory prepayment then due hereunder shall be reduced by the aggregate amount of such voluntary prepayments made in such immediately preceding Fiscal Year.

(iv) Application of Payment. Each prepayment of principal of the Term Loan, whether voluntary or mandatory shall be applied against the unpaid principal installments of the Term Loan in the inverse order of their normal maturity.

2.3 Interest.

2.3a Interest Rate.

(i) Revolving Credit Loans. During the term hereof, all Revolving Credit Loans outstanding hereunder shall bear interest as a rate per annum equal to the sum of (i) the Base Rate minus the Applicable Margin.

(ii) Term Loan. During the term hereof, the Borrower, in accordance with the provisions of this Section 2.3 shall have the option of electing from time to time one or more Interest Rate Options set forth below to be applied by the Bank to all or a portion of the Term Loan.

(A) Base Rate Option. Under the Base Rate Option the Borrowing Tranche of the Term Loan bearing interest as such Option shall bear interest at the Base Rate plus the Applicable Margin.

(B) Euro-Rate Option. Under the Euro-Rate Option the Borrowing Tranches of the Term Loan bearing interest at such Option shall bear interest at a rate per annum equal to the sum of the Euro Rate plus the Applicable Margin.

2.3b Adjustments to Interest Rates.

(i) Changes in Applicable Margin. The Applicable Margin shall be adjusted as of the first day of each Fiscal Quarter based upon the ratio of the Borrower's

- 24 -

Consolidated Total Indebtedness to EBITDA Ratio as shown in the Compliance Certificate for the immediately preceding Fiscal Quarter.

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

(iii) Changes in Euro-Rate Reserve Percentage. The Euro-Rate Option shall be adjusted from time to time, without notice to the Borrower, as necessary to reflect any changes in the Euro-Rate Reserve Percentage, which adjustments shall be automatically effective on the day of such change.

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

2.3c Interest Payment Dates

(i) Revolving Credit Interest Payment Dates. Interest on the Revolving Credit Loans will be due and payable on or about the last date of each month and will be charged to the Parent Account or another account created by the Bank to implement the Working Cash Agreements. In the event that there is insufficient

Credit in the Parent Account or such other account to pay interest, the Bank will advance funds on behalf of the Borrower as provided by Subsection 2.1c hereof to the extent the Borrower has availability under the Revolving Credit Commitment. If not paid by one of the two foregoing alternates interest will be immediately due and payable by the Borrower. The foregoing notwithstanding, automatic payments of interest pursuant to this Subsection 2.3c shall be based exclusively on the Prime Rate less the Applicable Margin. In the event that the sum, of Federal Funds Effective Rate plus fifty (50) basis points is, for any

period during any month, greater than the Prime Rate a separate billing for additional interest due shall be sent to the Borrower. Such additional interest shall be due and payable within ten (10) days.

(ii) Term Loan Interest Payment Dates. Interest due on the outstanding Base

Rate Borrowing Tranche shall be payable monthly in arrears on the last day of each month for the period just ended, with the first such payment due on February 28, 1998. Interest due on each outstanding Borrowing Tranche of the Term Loan bearing interest under the Euro-Rate Option shall be payable on the last day of the relevant Euro-Rate Interest Period. All accrued and unpaid interest on the Term Loan shall be due and payable on the Term Loan Maturity Date. After any maturity of any Note or the Obligations, whether on a scheduled maturity date, by acceleration or otherwise, all accrued and unpaid interest shall be due and payable on demand until all amounts due hereunder are paid in full.

- 25 -

2.3d Method of Calculation. The interest rate shall be calculated

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

2.3e Interest Rate Option Elections, Renewals and Conversions.

Subject to the remaining provisions of this Agreement, the Borrower shall have the option to elect to have all or any Borrowing Tranches bear interest at either of the Interest Rate Options and shall have the right to renew elections of Interest Rate Options and convert Borrowing Tranches to other Interest Rate Options. Notice of the Borrower's election shall be made in accordance with Section 2.2b. Elections of, conversions to or renewals of the Base Rate Option shall continue in effect until converted to the Euro-Rate Option. Elections of, conversions to or renewals of the Euro-Rate Option shall expire as to each such Euro-Rate Option at the expiration of the applicable Euro-Rate Interest Period. Any Borrowing Tranches outstanding for which no elections have been made shall bear interest under the Base Rate Option.

2.3f Limitation on Election of Euro-Rate Options. Each election of the

Euro-Rate Option or the prepayment of all or any Euro-Rate Loans shall be in the minimum principal amount of \$1,000,000 or, if in excess of \$1,000,000, in integral multiples of \$500,000. At no time during the term hereof may there be more than a total of five (5) separate Term Loan Borrowing Tranches in effect, no more than four (4) of which may bear interest at the Euro-Rate Option. Upon the occurrence and during the continuance of an Event of Default, the Borrower's right to elect, renew or convert to Euro-Rate Loans shall be suspended.

2.3g Special Provisions Relating to Euro-Rate Option.

(i) Euro-Rate Unascertainable. In the event that on any date on which a

Euro-Rate would otherwise be set the Bank shall have determined in good faith (which determination shall be final and conclusive) that, by reason of circumstances affecting the London interbank market, adequate and reasonable means do not exist for ascertaining the Euro-Rate, the Bank shall give prompt notice of such determination to the Borrower and the other Lenders, and until the Bank notifies the Borrower that the circumstances giving rise to such determination no longer exist, the right of the Borrower to borrow under, renew or convert to the Euro-Rate Option shall be treated as a request to borrow under, renew or convert to the Base Rate Option.

(ii) Illegality of Offering Euro-Rate. If the Bank shall determine in

good faith, which determination shall be final and conclusive, that compliance by the Bank with any applicable Governmental Rule (whether or not having the force of law), or the interpretation or application thereof by any Governmental Authority has made it unlawful for the Bank to make or maintain Euro-Rate Loans, the Bank shall give notice of such determination to the Borrower. Notwithstanding any provision of this Agreement to the contrary, unless and until the Bank shall give notice to the Borrower that the circumstances giving rise to such determination no longer apply:

- 26 -

(A) with respect to any Euro-Rate Interest Periods thereafter commencing, interest on the corresponding Euro-Rate Loans shall be computed and payable under the Base Rate Option; and

(B) on such date, if any, as shall be required by law, any Euro-Rate Loans then outstanding shall be automatically renewed at the Base Rate Option; and the Borrower shall pay to the Bank the accrued and unpaid interest on such Euro-Rate Loans to (but not including) such renewal date.

The Borrower shall pay the Bank any additional amounts reasonably necessary to compensate the Lenders for any out-of-pocket costs incurred by the Bank as a result of any renewal pursuant to item (B) above on a day other than the last day of the relevant Euro-Rate Interest Period, including, but not limited to, any interest or fees payable by the Bank to lenders of funds obtained by it to loan or maintain the Loans so converted. The Bank shall furnish to the Borrower a certificate showing the calculation of the amount necessary to compensate the Bank for such costs (which certificate, in the absence of manifest error, shall be conclusive), and the Borrower shall pay such amount to the Bank, as additional consideration hereunder, within ten (10) days of the Borrower's receipt of such certificate.

(iii) Inability to Offer Euro-Rate. In the event that the Bank shall

determine, in its sole discretion, that it is unable to obtain deposits in the London interbank market in sufficient amounts and with maturities related to the Euro-Rate Loans which would enable the Bank to fund such Euro-Rate Loans, then the Bank shall immediately notify the Borrower that the right of the Borrower to borrow under, convert to or renew the Euro-Rate Option shall be suspended. Following notification of the suspension of the Euro-Rate Option, the Borrower agrees to negotiate with the Bank for a modified Euro-Rate which will allow the Bank to realize its anticipated and bargained-for yield. In the event that the Borrower and the Bank cannot agree on a modified Euro-Rate, any notice of borrowing under, conversion to or renewal of the Euro-Rate Option which was to become effective during the period of suspension shall be treated as a request to borrow under, convert to or renew the Base Rate Option with respect to the principal amount specified therein.

(iv) Indemnity. In addition to the other provisions of this Section 2.3g,

the Borrower hereby agrees to indemnify the Bank against any loss or expense which the Bank may sustain or incur as a consequence of any default by the Borrower in failing to make any borrowing, conversion or renewal hereunder to bear interest at the Euro-Rate Option on the scheduled date, in failing to make when due (whether by declaration, acceleration or otherwise) any payment of any Euro-Rate Loan or in making any payment or prepayment of any Euro-Rate Loan or any part thereof on any day other than the last day of the relevant Euro-Rate Interest Period, including but not limited to any loss of profit, premium or penalty incurred by the Bank in respect of funds borrowed by it for the purpose of making or maintaining any Euro-Rate Loan as determined in good faith by the Bank in the exercise of its sole but reasonable discretion. The Bank shall furnish to the Borrower a certificate showing

- 27 -

the calculation of the amount of any such loss or expense (which certificate, absent manifest error, shall be conclusive), and the Borrower shall pay such amount to the affected Bank within ten days of the Borrower's receipt of such certificate.

2.4 Yield Protection; Indemnity.

2.4a Yield Protection. If any Governmental Rule or the

interpretation or application thereof by any court or any Governmental Authority charged with the administration thereof, or the compliance with any guideline or request from any central bank or other Governmental Authority, whether or not having the force of law:

(i) subjects the Bank to any tax, levy, impost, charge, fee, duty, deduction or withholding of any kind hereunder (other than any tax imposed or based upon the income of the Bank and payable to any Governmental Authority or taxing authority of the United States of America or any state thereof) or changes the basis of taxation of the Bank with respect to payments by the Borrower of principal, interest or other amounts due from the Borrower hereunder (other than any change which affects, and to the extent that it affects, the taxation by the United States of America or any state thereof of the total net income of the Bank), or

(ii) imposes, modifies or deems applicable any reserve, special deposit, special assessment or similar requirements against assets held by, deposits with or for the account of or credit extended by the Bank, or

(iii) imposes upon the Bank any other condition with respect to this Agreement,

and the result of any of the foregoing is to increase the cost to the Bank, reduce the income receivable by the Bank, reduce the rate of return on the Bank's capital or impose any expense upon the Bank by an amount which the Bank in its sole but reasonable discretion deems to be material, the Bank shall from time to time notify the Borrower of the amount determined by the Bank (which determination, absent manifest error, shall be conclusive) to be reasonably necessary to compensate the Bank (on an after-tax basis) for such increase in cost, reduction in income, reduction in rate of return or additional expense, setting forth the calculations therefor, and the Borrower shall pay such amount to the Bank, as additional consideration hereunder, within 10 days of the Borrower's receipt of such notice.

2.4b Method of Calculation. In determining the amount due the Bank

hereunder by reason of the application of this Section 2.4, the Bank may use any reasonable averaging or attribution method; provided, however, that the Bank

must use reasonable efforts to minimize such losses and costs.

2.5 Capital Adequacy. If (i) any adoption of, change in or

interpretation of any Governmental Rule, or (ii) compliance with any guideline, request or directive of any central bank or other Governmental Authority or quasi-Governmental Authority exercising control

over banks or financial institutions generally, including but not limited to regulations set forth at 12 C.F.R. Part 3 (Appendix A), 12 C.F.R. Part 208 (Appendix A), 12 C.F.R. Part 225 (Appendix A) and 12 C.F.R. Part 325 (Appendix A) or any court requires that the commitments of the Bank hereunder be treated as an asset or otherwise be included for purposes of calculating the appropriate amount of capital to be maintained by the Bank or any corporation controlling the Bank (a "Capital Adequacy Event"), the result of which is to reduce the rate of return on the Bank's capital as a consequence of such commitments to a level below that which the Bank could have achieved but for such Capital Adequacy Event, taking into consideration the Bank's policies with respect to capital adequacy, by an amount which the Bank reasonably deems to be material, the Bank shall promptly deliver to the Borrower a statement of the amount necessary to compensate the Bank for the reduction in the rate of return on its capital attributable to such commitments (the "Capital Compensation Amount"). The Bank shall determine the Capital Compensation Amount in good faith, using reasonable attribution and averaging methods. The Bank shall from time to time notify the Borrower of the amount so determined (which determination, absent manifest error, shall be conclusive). Such amount shall be due and payable by the Borrower to the Bank 10 Business Days after such notice is given.

2.6 Payments. All payments of principal, interest, fees, costs

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

2.7 Loan Account. The Bank shall open and maintain on its books

a Loan Account in the Borrower's name with respect to Loans made, repayments, prepayments, the computation and payment of interest and other amounts due and sums paid to the Bank hereunder and under the other Loan Documents. Such Loan Account shall be conclusive and binding on the Borrower as to the amount at any time due to the Bank from the Borrower except in the case of manifest error in computation.

2.8 Fees.

2.8a Letter of Credit Fees. The Borrower shall pay all Letter of

Credit Fees in accordance with the terms of the relevant application for Letter of Credit or the Reimbursement Agreement, as the case may be.

2.8b Commitment Fee. The Borrower shall pay to the Bank, on the

last day of each March, June, September and December during the term of the Revolving Credit Commitment and on the Revolving Credit Termination Date, a Commitment Fee calculated on the basis of the actual number of days elapsed, using a year of 360 days, at the rate of 1/2 of 1% per annum on the average daily (computed at the opening of business) unused amount of the

- 29 -

Revolving Credit Commitment (i.e., the Revolving Credit Commitment less the Outstanding Revolving Credit Amount) for the Fiscal Quarter then ended. The first payment of the Commitment Fee under this Agreement shall be due on March 31, 1998, shall be for the period beginning January 1, 1998 and include the commitment fee due and unpaid under the Original Agreement and the Commitment Fee hereunder. The Commitment Fee shall no longer accrue with respect to portions of the Revolving Credit Commitment which became permanently unavailable to the Borrower as a result of permanent reductions to the Revolving Credit Commitment made pursuant to Section 2.1b.

2.8c Term Loan Commitment Fee. The Borrower shall pay to the Bank

on the last day of March, June and September 1998 a Term Loan Commitment Fee calculated on the basis of the actual number of days elapsed, using a year of 360 days at a rate of 1/2 of 1% per annum on the average daily (computed at the opening of business) unused amount of the Term Loan Commitment (i.e., the Term Loan Commitment less the outstanding principal amount of the Term Loan) for the period or Fiscal Quarter then ended.

2.8d Closing Fee. The Borrower shall pay the Closing Fee on the

Closing Date.

2.9 Payment From Accounts Maintained by Borrower. In the event

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

3.1 Set-Off. To secure the repayment and performance of the

Obligations, the Borrower hereby gives to the Bank and any Participant a lien and security interest upon and in any of the Borrower's property, credits, securities or Money which may at any time be delivered to, or be in the possession of, or owed by the Bank and any Participant in any capacity whatever, including the balance of any deposit account, maintained by the Borrower with the Bank or the Participant, as the case may be. The Borrower hereby authorizes the Bank and any Participant, at any time and from time to time upon the occurrence and during the continuance of an Event of Default, at the Bank's or the Participant's option, to apply, at the discretion of the Bank or the Participant, to the payment of the Obligations, any and all such property, credits, securities or Money now or hereafter in the hands of the Bank or the Participant or belonging or owed to the Borrower.

3.2 Personal Property. To secure the repayment of the

Obligations, the Borrower hereby grants to the Bank a first and prior lien and security interest, junior only to Permitted

- 30 -

Encumbrances, in all of its Equipment, Fixtures, Goods, Inventory, Accounts, Chattel Paper, Documents, General Intangibles and Instruments, all as more fully described in the Security Documents.

3.3 Security Agreement. To further evidence the grant of the

first and prior liens and security interests set forth in Section 3.2, the Borrower, on or prior to the Closing Date, shall execute and deliver to the Bank (A) a Security Agreement substantially in the form of Exhibit "D", and (B) any

Uniform Commercial Code financing statements requested by the Bank.

3.4 Real Property Interests. As additional security for the

Obligations, the Borrower, on or prior to the Closing Date, shall grant to the Bank a first and prior mortgage lien and security interest on certain real property owned or leased by it, as such property is described in Schedule 4.14,

and shall evidence the grant of such mortgage lien and security interest by executing and delivering to the Bank a Mortgage substantially in the form of

Exhibit "F-1" as amended including, without limitation, by amendments

substantially in the form of Exhibit "F-2" and Exhibit "F-3", together with all

Uniform Commercial Code financing statements reasonably requested by the Bank.

3.5 Landlord's Waivers. The Borrower shall deliver to the Bank,

on or prior to the Closing Date, and from time to time during the term hereof, a fully-executed Landlord's Waiver substantially in the form of Exhibit "G", for

each of the real property locations leased by the Borrower as lessee from time to time where any Collateral is located.

ARTICLE 4. REPRESENTATIONS AND WARRANTIES

To induce the Bank to enter into this Agreement and to make the Loans and the other extensions of credit herein provided for, the Borrower makes the following representations and warranties to the Bank:

4.1 Existence. The Borrower is a corporation duly organized,

validly existing and in good standing under the laws of the State of Delaware and the Borrower is duly qualified or licensed and in good standing as a foreign corporation authorized to do business in each jurisdiction where the nature of its activities or the ownership of its properties makes such qualification or licensing necessary. Holdings is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and Holdings is duly qualified or licensed and in good standing as a foreign corporation authorized to do business in each jurisdiction where the nature of its

activities or the ownership of its properties makes such qualification or licensing necessary.

4.2 Capitalization; Ownership; Title to Shares. The authorized

capital stock of the Borrower consists of 10,000,000 shares of common stock and 2,000,000 shares of preferred stock, of which, as of December 31, 1997, [6,290,832] shares of common stock

- 31 -

were issued and outstanding and no shares of preferred stock were issued and outstanding. All of the issued and outstanding shares of capital stock of the Borrower are fully paid and nonassessable. There are no options, warrants or other rights outstanding to purchase any shares of the Borrower, nor are any securities of the Borrower convertible into or exchangeable for its capital stock, except as shown on Schedule 4.2.

4.3 Subsidiaries and Other Investments. The Borrower has no

Subsidiaries except Holdings, and it has no other ownership interests in any other Person.

4.4 Power and Authority. The Borrower and Holdings each has the

lawful power to own or lease its properties and to engage in the business it now conducts or proposes to conduct. The Borrower is duly authorized to enter into, execute, deliver and perform all of the terms and provisions of this Agreement, the Notes and the other Loan Documents to which it is a party, to incur the obligations and to perform its obligations under the Loan Documents to which it is a party. All necessary corporate action required to authorize the execution, delivery and performance of this Agreement, the Notes and the other Loan Documents has been properly taken by the Borrower.

4.5 Validity and Binding Effect. This Agreement has been, and

each other Loan Document will be, duly executed and delivered by the Borrower. This Agreement and the other Loan Documents, when delivered by the Borrower pursuant to the provisions hereof, will constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and except as such enforceability may be limited by the availability of equitable remedies.

4.6 No Conflict. The execution and delivery of this Agreement

and the other Loan Documents by the Borrower and the consummation of the transactions herein or therein contemplated or compliance with the terms and provisions hereof or thereof by it will not conflict with, constitute a default under or result in any breach of (i) the terms and conditions of the Borrower's certificate of incorporation, by-laws, or other organizational documents, (ii) any Governmental Rule or (iii) any material agreement, instrument, order, writ, judgment, injunction or decree to which the Borrower is a party or by which it is bound or to which it is subject, or will result in the creation or enforcement of any Encumbrance whatsoever upon any property, whether now owned or hereafter acquired, of the Borrower, except for Permitted Encumbrances.

4.7 Financial Matters.

4.7a Historical Financial Statements. The Borrower has delivered to

the Bank its audited financial statements for the Fiscal Year ended December 31, 1996 and its unaudited financial statements for the nine-month period ended September 30, 1997. Such financial statements are complete and correct in all material respects, subject to ordinary and usual year-

- 32 -

end adjustments, and fairly present the financial condition of the Borrower in all material respects and the results of its operations as of the dates and for

the periods referred to, and have been prepared in accordance with GAAP consistently applied throughout the periods involved. The Borrower has no material liabilities, whether direct or indirect, fixed or contingent, and no liability for taxes, long-term leases or unusual forward or long-term commitments as of the date of such financial statements which are not reflected in such financial statements or in the notes thereto.

4.7b Financial Projections. The Borrower has delivered to the Bank

financial projections of the Borrower the Fiscal Year ending December 31, 1998. Such projections set forth a reasonable range of possible results in light of the history of the Borrower's business, present and foreseeable conditions and the intentions of the Borrower's management. Such projections accurately reflect the liabilities of the Borrower upon consummation of the transactions contemplated hereby as of the Closing Date. No material events have occurred since the preparation of the projections which would cause the projections taken as a whole, not to be reasonably attainable.

4.8 Material Adverse Change. Since September 30, 1997, no

Material Adverse Change has occurred.

4.9 Solvency. The Borrower is, and after giving effect to the

transactions contemplated pursuant to this Agreement and the other Loan Documents will be, Solvent.

4.10 Litigation. There are no actions, suits, proceedings or

investigations pending or, to the Borrower's knowledge, threatened against the Borrower's or Holdings' business, operations, properties, prospects, profits or condition (financial or otherwise), at law or in equity, before any Governmental Authority, court or arbitrator which, individually or in the aggregate, if adversely determined, could reasonably be expected to be material or which purport to affect the rights and remedies of the Bank pursuant to this Agreement and the other Loan Documents or which purport to restrain or enjoin (either temporarily, preliminarily or permanently) the performance by either the Borrower or Holdings of any action contemplated by any of the Loan Documents. All pending and, to the Borrower's knowledge, threatened actions, suits, proceedings and investigations affecting the Borrower and Holdings are set forth on Schedule 4.10.

4.11 Compliance with Laws. Each of the Borrower and Holdings

has duly complied in all material respects with, and all of their respective properties, business operations and leaseholds are in compliance in all material respects with, the provisions of all Governmental Rules applicable to either Borrower or Holdings, their respective properties and the conduct of their respective businesses. Neither the Borrower nor Holdings is in material violation of any Governmental Rule.

4.12 Labor Matters. Except as described in Schedule 4.12, the

Borrower is not a party to any labor contract or collective bargaining agreement, and there are no strikes, work

stoppages, material grievances, disputes or controversies with any union or any other organization of the Borrower's employees, or threats of strikes, work stoppages or any asserted pending demands for collective bargaining by any union or organization. Each collective bargaining agreement and labor contract listed on Schedule 4.12 is in full force and effect as of the date hereof. The

Borrower has not, within the two-year period preceding the date hereof, taken any action which would have constituted or resulted in a "plant closing" or "mass layoff" within the meaning of the Federal Worker Adjustment and Retraining Notification Act of 1988 or any similar applicable Federal, state or local law. The procedures by which the Borrower has hired or will hire its employees have complied and will comply in all respects with each collective bargaining agreement to which the Borrower is a party and all applicable Governmental Rules.

4.13 Title to Properties. (i) The Borrower has good and

indefeasible title to, or valid leasehold interests in, all properties and assets purported to be owned or leased by the Borrower, and none of such properties and assets, including, without limitation any such property and assets in which the Bank has been granted a lien and security interest pursuant to the Loan Documents, is subject to any Encumbrance, except for Permitted Encumbrances in existence on the Closing Date. Except as set forth on Schedule

4.13, the Borrower has received all deeds, assignments, waivers, consents, non-

disturbance and recognition or similar agreements, bills of sale and other documents and instruments, and have duly effected all recordings, filings and other actions necessary to establish, protect and perfect the Borrower's right, title and interest in and to all such property.

(ii) All real property leased as of the Closing Date by the Borrower (as lessee or lessor) is listed in Schedule 4.13, which sets forth information

regarding the commencement date, termination date, renewal options (if any) and annual base rents for the years 1998, 1999 and 2000. Each of such leases is valid and enforceable in accordance with its terms and is in full force and effect. The Borrower has delivered to the Bank true and complete copies of each of such leases shown on Schedule 4.13 and all documents

affecting the rights or obligations of the Borrower, including, without limitation, any non-disturbance and recognition agreements, subordination agreements, attornment agreements and agreements regarding the term or rental of any of the leases. The Borrower is not, and to the best of the Borrower's knowledge no other party is in default of its obligations thereunder or has delivered or received any notice of default under any such lease, nor has any event occurred which, with the giving of notice, the passage of time or both, would cause a default under any such lease, except for defaults which individually or in the aggregate are not material.

(iii) The Borrower does not own or hold, and is not obligated under or a party to, any option, right of first refusal or other contractual right to purchase, acquire, sell, assign or dispose of any real estate owned or leased by the Borrower, except as set forth on Schedule 4.13.

(iv) All permits, licenses and authorizations required to have been issued or appropriate to enable all real property owned or leased by the Borrower to be lawfully

- 34 -

occupied and used for all of the purposes for which they are currently occupied and used have been lawfully issued and are in full force and effect, other than those which in the aggregate are not material.

(v) The Borrower has not received any notice, or has any knowledge, of any pending, threatened or contemplated condemnation proceeding affecting any real property owned or leased by the Borrower or any part thereof except those which, in the aggregate, are not material.

(vi) No portion of any real property owned or leased by the Borrower has suffered any material damage by fire or other casualty loss which has not heretofore been completely repaired and restored to its original condition.

(vii) The exercise by the Bank of its remedies under any of the Security Documents will not result in a default under any of the leases for real property on which any Inventory of the Borrower is located.

(viii) Holdings has good and in defeasible title to all properties and assets purported to be owned by Holdings and none of such properties and assets, including without limitation any such property and assets in which the Bank has been granted a lien and security interest pursuant to the Loan Documents is subject to any Encumbrance, except for Permitted Encumbrances.

4.14 Tax Returns and Payments. Each of the Borrower and

Holdings has filed all Federal, state, local and other tax returns required by

law to be filed. Each of the Borrower and Holdings has paid all taxes, assessments and other governmental charges levied upon the Borrower or Holdings or any of their respective properties, assets, income or franchises which are due and payable, other than (i) those presently payable without penalty or interest, (ii) those which are being contested in good faith by appropriate proceedings which are being diligently conducted and (iii) those which, if not paid, would not, in the aggregate, result in a Material Adverse Change and as to each of items (i), (ii) and (iii) the Borrower has set aside on its books reserves for such taxes, assessments or other governmental charges as are determined to be adequate by application of GAAP consistently applied. The charges, accruals, and reserves on the books of the Borrower and Holdings in respect of Federal, state and local taxes for all fiscal periods to date are adequate, and the Borrower knows of no unpaid assessments for additional Federal, state, local or other taxes which are now due and payable for any such fiscal period or any basis therefor.

4.15 Intellectual Property. The Borrower owns or licenses all

the material patents, patent applications, trademarks, trademark applications, permits, service marks, trade names, copyrights, copyright applications, licenses, franchises, authorizations and other intellectual property rights that are necessary for the operations of its businesses, without infringement upon or conflict with the rights of any other Person with respect thereto. To the best knowledge of the Borrower, no slogan or other advertising, device, product, process, method,

- 35 -

substance, part or component or other material now employed, or now contemplated to be employed, by the Borrower infringes upon or conflicts with any rights owned by any other Person, and no claim or litigation regarding any of the foregoing is pending or threatened. All of the Borrower's material patents, trademarks, permits, service marks, trade names, copyrights, licenses, franchises and authorizations are listed on Schedule 4.15.

4.16 Insurance. The Borrower currently maintains insurance

which meets or exceeds the requirements of Section 5.7 hereof and the applicable insurance requirements set forth in the other Loan Documents, and such insurance is provided by reputable and financially sound insurers and is of such types and at least in such amounts as are customarily carried by, and insures against such risks as are customarily insured against by similar businesses similarly situated and owning, leasing and operating similar properties to those owned, leased and operated by the Borrower. All of such insurance policies are valid and in full force and effect. No notice has been given or claim made, and, to the Borrower's knowledge, no grounds exist to cancel or avoid any of such policies or to reduce the coverage provided thereby. All of the Borrower's existing insurance coverage is described on Schedule 4.16.

4.17 Consents and Approvals. Except for the filing of Security

Documents with the appropriate Governmental Authority, no order, authorization, consent, license, validation or approval of, or notice to, filing, recording, or registration with any Governmental Authority, or the exemption by any such Governmental Authority, is required to authorize, or is required in connection with, (i) the execution, delivery and performance of any of the Loan Documents or (ii) the legality, binding effect or enforceability of any such Loan Document.

4.18 No Defaults. No event has occurred and is continuing and

no condition exists which constitutes a Default or an Event of Default. The Borrower is not in violation of (i) any term or provision its certificate of incorporation, by-laws or other organizational documents or (ii) any material agreement or instrument to which it is a party or by which it or any of its properties may be bound or subject.

4.19 Plans and Benefit Arrangements . (i) All Plans and Benefit

Arrangements maintained by the Borrower or any ERISA Affiliate for employees are set forth on Schedule 4.19. Neither the Borrower nor any ERISA Affiliate has

made any promises of retirement or other benefits to employees or former employees (A) except as set forth in any Plan or Benefit Arrangement, (B) except for such promises under unfunded plans maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, which in the aggregate are not material in amount and (C) except for any other promises which in the aggregate are not material in amount.

(ii) Each Plan and Benefit Arrangement has been maintained and administered in all material respects in compliance with ERISA and the Internal Revenue Code and all rules, orders and regulations issued thereunder.

- 36 -

(iii) Except as set forth on Schedule 4.19, the Internal Revenue Service

has determined that each Plan and Benefit Arrangement which constitutes an employee pension benefit plan as defined in Section 3(2) of ERISA and which is intended to qualify under Section 401(a) of the Internal Revenue Code so qualifies under Section 401(a) of the Internal Revenue Code, and that the trusts related thereto are exempt from tax under the provisions of Section 501(a) of the Internal Revenue Code. Nothing has occurred with respect to any such Plan or Benefit Arrangement or to the related trusts since the date of the most recent favorable determination letter issued by the Internal Revenue Service which has affected or may reasonably be expected to affect adversely such qualification or exemption.

(iv) The Borrower and each ERISA Affiliate have complied fully in all material respects with their respective obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and Money Purchase Plan. Neither the Borrower nor any ERISA Affiliate has sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code or has applied for an extension of any amortization period under Section 412 of the Code with respect to any Plan or Money Purchase Plan. Neither the Borrower nor any ERISA Affiliate has failed to make any contribution or payment to any Plan which has resulted or may reasonably be expected to result in the imposition of a lien under ERISA or the Internal Revenue Code against the property or rights to property of the Borrower or any ERISA Affiliate.

(v) No Unfunded Benefit Liabilities exist with respect to any Plans, and no Unfunded Benefit Liabilities would exist with respect to any Plan if such Plan were terminated immediately.

(vi) No Reportable Event (other than a Reportable Event described in Section 4043(b) of ERISA or in PBGC Regulation Section 2615.23) has occurred with respect to any Plan.

(vii) No Termination Event has occurred or is reasonably anticipated to occur with respect to any Plan which has resulted in or which will result in the incurrence by the Borrower or any ERISA Affiliate of any liability to the PBGC under Title IV of ERISA which has not been discharged or satisfied. No such Termination Event is reasonably anticipated to occur which will result in an Encumbrance in favor of the PBGC against the property or rights to property of the Borrower or any ERISA Affiliate.

(viii) Neither the Borrower nor any ERISA Affiliate which is a "party in interest" (as that term is defined in Section 3(14) of ERISA) or a "disqualified person" (as that term is defined in Section 4975 of the Internal Revenue Code) with respect to any "employee benefit plan" (as defined in Section 3(3) of ERISA), has engaged in a "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Internal Revenue Code) involving any such employee benefit plan which will subject the Borrower or such ERISA Affiliate to the tax or penalty imposed under Section 502(i) of ERISA and Section 4975 of the Internal Revenue Code.

- 37 -

(ix) Neither the Borrower nor any ERISA Affiliate currently contributes to, or is obligated to contribute to, or is a member of, any Multiemployer Plan. Neither the Borrower nor any ERISA Affiliate has incurred, or is reasonably expected to incur, any Withdrawal Liability to any Multiemployer Plan.

(x) The Borrower and each ERISA Affiliate has complied in all material

respects with all requirements of Sections 10001 and 10002 of the Consolidated Omnibus Budget Reconciliation Act of 1985 (Public Law No. 99-272); Title I, Subtitle B, Part 6 of ERISA; and Section 4980B of the Internal Revenue Code.

(xi) Neither the Borrower nor any ERISA Affiliate has entered into any transaction described in Section 4069(a) of ERISA.

(xii) No Benefit Arrangement provides postretirement welfare benefits of any type which will have a material adverse effect on the financial condition of the Borrower and the ERISA Affiliates taken as a whole and which will required to be accounted for in the income statement, balance sheet and footnotes of the financial report of the Borrower or any ERISA Affiliate in the manner described in the Financial Accounting Standards Board, Proposed Statement of Financial Accounting Standards, Employer's Accounting for Postretirement Benefits Other Than Pensions, if the same were effective for the current Fiscal Year of the Borrower or any ERISA Affiliate.

4.20 Environmental Matters. (i) Except as set forth on
Schedule 4.20:

(A) the Borrower is in material compliance with all applicable Environmental Laws;

(B) there has been no Contamination or material release of Hazardous Substances, at, upon, under or within any property owned or leased by the Borrower since August 15, 1994, and, to the best of the Borrower's knowledge based exclusively on the Phase I and Phase II environmental site assessments (the Phase II environmental site assets relates only to the Borrower's Titusville property) by Chester Engineers, Inc. and Ground Water Technology, Inc., copies of which have been delivered to the Bank, there has been no Contamination or release of Hazardous Substances on any other property that has migrated or threatens to migrate to any property owned or leased by the Borrower except as may be set forth in the Phase II environmental site assessment;

(C) to the best of the Borrower's knowledge there are no above ground storage tanks at any property owned or leased by the Borrower;

(D) there are no transformers, capacitors or other items of Equipment containing PCBs at levels in excess of 49 parts per million, violative of applicable Environmental Law, at any property owned or leased by the Borrower;

- 38 -

(E) other than materials used or produced, held, transported and disposed of in accordance with all Environmental Laws, the Borrower has not used in its operations, nor stored on properties owned or leased by it Hazardous Substances;

(F) no Hazardous Substances are present at any property owned or leased by the Borrower in any material amount, except those which are transported, used, stored, disposed of and otherwise handled in accordance with all Environmental Laws, in proper storage containers; and

(G) All permits and authorizations required under Environmental Laws for all operations of the Borrower have been duly issued and are in full force and effect, including but not limited to those for air emissions, water discharges and treatment, storage tanks and the generation, treatment, storage and disposal of Hazardous Substances.

(ii) Except as set forth in Schedule 4.20, (A) there are no pending or, to the best of the Borrower's knowledge, threatened Environmental Claims against the Borrower or any property owned or leased by the Borrower; and (B) there is no condition or occurrence on any property owned or leased by the Borrower that to the best of the Borrower's knowledge could reasonably be anticipated (1) to form the basis of an Environmental Claim against the Borrower or its properties or (2) to cause any property owned or leased by the Borrower to be subject to any restrictions on its ownership, occupancy or transferability under any Environmental Law.

(iii) Except as set forth in Schedule 4.20, no notice relating

to Hazardous Substances is contained in any deed relating to any property owned or leased by the Borrower and the Borrower is aware of no facts or conditions on any such property that would require that such a notice be placed in the deed to any such property.

(iv) Except as set forth in Schedule 4.20, no portion of any property owned or

leased by the Borrower contains asbestos-containing material that is or threatens to become friable.

(v) The representations and warranties set forth in this Section 4.20 shall survive repayment of the Obligations and the termination of this Agreement and the other Loan Documents.

4.21 Margin Stock. Neither the Borrower nor Holdings is engaged

principally or as one of its important activities in the business of extending credit for the purpose, immediately, incidentally or ultimately, of purchasing or carrying margin stock (within the meaning of Regulation U).

4.22 Holdings Business. Holdings is a Delaware corporation and

has as its sole business purpose the purchase of, holding of and sale or other disposition of investments

- 39 -

permitted pursuant to Section 6.10, the advance of funds to the Borrower pursuant to the Holdings Credit Agreement and the holding of intangible assets.

4.23 Full Disclosure. Neither this Agreement nor any other

document, certificate or statement furnished to the Bank by or on behalf of the Borrower pursuant to this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein, in light of the circumstances under which they were made, not misleading. There is no fact known to the Borrower which materially and adversely affects the business, property, assets, financial condition, results of operations or prospects of the Borrower or Holdings which has not been set forth in this Agreement or in the other documents, certificates and statements (financial or otherwise) furnished to the Bank by or on behalf of the Borrower or Holdings prior to or on the date hereof in connection with the transactions contemplated hereby.

ARTICLE 5. AFFIRMATIVE COVENANTS

From the date hereof and thereafter until the last to occur of (i) the termination of the Revolving Credit Commitment and (ii) the payment in full of the Notes and the other Obligations of the Borrower hereunder, the Borrower agrees, for the benefit of the Bank, that it will comply with each of the following affirmative covenants:

5.1 Use of Proceeds. Proceeds of the Revolving Credit Loans

shall be used by the Borrower only for general working capital purposes and proceeds of the Term Loan shall be used to acquire and install a bar finishing facility and for general corporate purposes.

5.2 Delivery of Financial Statements and Other Information.

During the term hereof, the Borrower shall deliver or cause to be delivered to the Bank the following financial statements and other information:

5.2a Annual Reports. As soon as available and in any event within

90 days after the end of each Fiscal Year of the Borrower, the Borrower shall deliver to the Bank an audited Consolidated balance sheet as of the end of such Fiscal Year and the related audited Consolidated statements of operations and cash flows for such Fiscal Year, each of which shall be prepared in accordance with GAAP consistently applied and setting forth in each case in comparative

form the figures for the previous Fiscal Year, when available, all presenting fairly the financial condition of the Borrower in such reasonable detail as the Bank may request from time to time, and all to be accompanied by an unqualified opinion of Price Waterhouse LLP or other certified public accountants acceptable to the Bank.

5.2b Quarterly Reports. As soon as available and in any event

within 30 days after the end of each Fiscal Quarter of each Fiscal Year of the Borrower, the Borrower shall deliver to the Bank (i) an unaudited Consolidated balance sheet as of the end of such month and (ii) the related unaudited Consolidated statements of operations and cash flows for such month and

- 40 -

for the period beginning on the first day of the current Fiscal Year through the last day of the Fiscal Quarter for which such financial statements are being delivered, each of which shall be prepared in accordance with GAAP consistently applied and setting forth in each case in comparative form the figures for the month in the prior Fiscal Year, when available, which corresponds to the month for which the statements are being delivered, all presenting fairly the financial condition of the Borrower in such reasonable detail as the Bank may request from time to time and certified (subject to normal year-end adjustments) as to fairness of presentation, GAAP and consistency by the chief financial officer of the Borrower.

5.2c Compliance Certificate. Simultaneously with the delivery of

each set of financial statements referred to in Sections 5.2a and 5.2b, the Borrower shall deliver to the Bank a completed Compliance Certificate substantially in the form of Exhibit "H", executed by an Authorized Officer, and

containing such additional information as the Bank may request from time to time, (i) stating that the financial statements being delivered with such Compliance Certificate are true, complete and correct, (ii) setting forth in reasonable detail the calculations required to establish whether the Borrower was in compliance with the requirements of Sections 6.4 and 6.5 for the fiscal period in question, (iii) stating (A) whether any Default or Event of Default exists on the date of such certificate, (B) whether any Material Adverse Change has occurred since the date of the previously delivered Compliance Certificate, (C) whether any event has occurred since the date of the previously delivered Compliance Certificate which may result in a Material Adverse Change; and (D) if any Default or Event of Default, or any Material Adverse Change has occurred during the Fiscal Quarter or Fiscal Year to which the Compliance Certificate relates or is in existence, setting forth the details thereof and the action which the Borrower has taken, is taking or proposes to take with respect thereto.

5.2d Accountant's Certificate. Simultaneously with the delivery of

each set of annual financial statements referred to in Section 5.2a, the Borrower shall deliver to the Bank a certificate of the certified public accountant preparing such statements stating either that his examination has not disclosed the occurrence or continuance of a Default or an Event of Default or, if his examination has disclosed a Default or an Event of Default, a description of such occurrence.

5.2e Business Plan. As soon as available and in any event not more

than 30 days after the end of each Fiscal Year, the Borrower shall deliver to the Bank its annual business plan for the then current Fiscal Year, containing additional information as the Bank may reasonably request from time to time.

5.2f Other Reports, Information and Notices. The Borrower will

deliver or cause to be delivered to the Bank, within the time periods set forth below, the following other reports, information and notices:

(i) Auditor's Reports. As soon as practicable after they have become

available, copies of all other reports and management letters submitted to the Borrower by its

- 41 -

accountants in connection with any annual or interim audit of the books of the Borrower made by such accountants.

(ii) Reports to Shareholders. As soon as practicable after they have become

available, all reports, notices and proxy statements sent by the Borrower to its shareholders.

(iii) Securities Reports. As soon as practicable after they have become

available, all regular and periodic reports, if any, filed by the Borrower with the SEC or any other Governmental Authority succeeding to any of the functions of the SEC or any similar or corresponding board, bureau or agency, or to any state securities commission.

(iv) Notice of Defaults and Material Adverse Changes. Promptly after any

officer of the Borrower has learned of the occurrence or existence of a Default or Event of Default, or of an event or set of circumstances which has caused or which may cause a Material Adverse Change, telephonic notice thereof specifying the details thereof, the anticipated effect thereof and the action which the Borrower has taken, is taking or proposes to take with respect thereto, which notice shall be promptly confirmed in writing within five days by the president, any vice president or the chief financial officer of the Borrower.

(v) Notice of Litigation. (A) Promptly after the commencement thereof,

written notice of any action, suit, proceeding or investigation before any Governmental Authority, court or arbitrator, affecting the Borrower or Holdings, except for actions, suits, proceedings and investigations which, if adversely determined, would not and could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change and (B) promptly after any Authorized Officer has notice thereof, written notice of any decision, ruling, judgment, appeal, reversal or other significant action in connection with any existing action, suit, proceeding or investigation before any Governmental Authority, court or arbitrator affecting the Borrower or Holdings, which would or could reasonably be expected to result in a Material Adverse Change.

(vi) Orders, Etc. Promptly after receipt thereof, a copy of any material

order, writ, decree, judgment, decision or injunction issued by any Governmental Authority in any material proceeding, action, suit or investigation to which the Borrower or Holdings is a party.

(vii) ERISA Reports.

(A) As soon as possible, and in any event not later than the date notice is sent to the PBGC, notice of any Reportable Event regarding any Plan and an explanation of any action which has been or which is proposed to be taken with respect thereto;

(B) concurrent with the filing thereof, a copy of any request to the United States Secretary of the Treasury for a waiver or variance of the minimum funding

- 42 -

standards of Section 302 of ERISA and Section 412 of the Internal Revenue Code with respect to any Plan or Money Purchase Plan;

(C) as soon as possible, but in no event later than 60 days after an officer of the Borrower becomes aware of unfunded accumulated benefit obligations for any Plan, as determined in accordance with the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 87, Employer's Accounting for Pensions, (or any superseding statement thereto), written notice of the occurrence of such event;

(D) upon the request of the Bank, copies of each annual report (Form 5500 Series) with accompanying schedules filed with respect to any Plan or Money Purchase Plan;

(E) promptly after receipt thereof, a copy of any notice which the Borrower or any ERISA Affiliate may receive from the PBGC relating to the intention of the PBGC to terminate any Plan or Money Purchase Plan, or to appoint a trustee to administer any Plan or Money Purchase Plan, or to assert any liability under Title IV of ERISA against the Borrower or any ERISA Affiliate;

(F) a copy of any notice of assessment of Withdrawal Liability received by the Borrower or any ERISA Affiliate from any Multiemployer Plan;

(G) as soon as possible, and in no event later than the date notification is sent to the PBGC, notice of the failure by the Borrower or any ERISA Affiliate to make a required installment or other payment under Section 302 of ERISA and Section 412 of the Internal Revenue Code;

(H) concurrent with the filing thereof, a copy of any Notice of Intent to Terminate any Plan filed under Section 4041(c) of ERISA; and

(I) promptly after receipt thereof, but without any obligation or responsibility to secure the same, copies of any calculations of estimated Unfunded Benefit Liabilities (or, if applicable, the portions of any estimated Unfunded Benefit Liabilities that would be allocated to the Borrower or any ERISA Affiliate under Sections 4063 and 4064 or Section 4062(e) of ERISA) for any Plans.

(ix) Notice of Environmental Claims. Promptly after receipt thereof, the Borrower shall deliver to the Bank a copy of any Environmental Claim.

(x) Tax Returns. The Borrower shall deliver to the Bank, promptly upon the request of the Bank, copies of all Federal, state, local and foreign tax returns and reports filed by the Borrower in respect of taxes measured by income (excluding sales, use and like taxes).

- 43 -

(xi) Notices of Tax Audits. Promptly, and in any event within 10 days after receipt thereof by the Borrower, the Borrower shall furnish to the Bank a copy of each notice from any Governmental Authority received by the Borrower of such Governmental Authority's intention to audit any Federal, state, local or foreign tax return of the Borrower and a copy of each subsequent notice with respect thereto from any such Governmental Authority.

5.2g Additional Information; Visitation. The Borrower shall deliver to the Bank such additional financial statements, reports, financial projections and other information, whether or not financial in nature, as the Bank may reasonably request from time to time. The Borrower will permit the Bank and the Bank's designated employees and agents to have access, at any time and from time to time, upon reasonable notice and during normal business hours, to visit any of the properties of the Borrower, to examine and make copies of any of its books of record and account and such reports and returns as the Borrower may file with any Governmental Authority and discuss the Borrower's affairs and accounts with, and be advised about them by, any Authorized Officer and the Borrower's certified public accountants.

5.3 Preservation of Existence; Qualification. At its own cost and expense, the Borrower will do all things necessary to preserve and keep in full force and effect its and Holdings respective corporate existence and qualification under the laws of the state of their respective incorporation and each state where, due to the nature of their respective activities or the ownership of their respective properties, qualification to do business is required or if not so qualified in any state, the lack of such qualification will not materially affect the Bank's ability to enforce the Agreement, the Notes or the other Loan Documents or materially affect the Borrower's or Holdings' ability to carry on its business.

5.4 Compliance with Laws and Contracts. The Borrower shall be and shall cause Holdings to be in material compliance with all applicable

Governmental Rules (including, but not limited to, Environmental Laws). The Borrower shall comply and shall cause Holdings to comply with all material provisions of each material contract and agreement to which the Borrower or Holdings is a party.

5.5 Accounting System; Books and Records. The Borrower shall

maintain a system of accounting established and administered in accordance with GAAP consistently applied and will set aside on its books all such proper reserves as shall be required by GAAP. Further, the Borrower will maintain and will cause Holdings to maintain proper books of record and account in accordance with GAAP in which full, true and correct entries shall be made of all of its respective properties and assets, including but not limited to the Collateral, and its respective dealings and business affairs.

5.6 Payment of Taxes and Other Liabilities. The Borrower shall

promptly pay and discharge and cause Holdings to promptly pay and discharge all obligations, accounts and liabilities to which it is subject, including but not limited to all taxes, assessments and governmental charges and levies upon it or upon any of its income, profits, or property, prior to the date on which penalties attach thereto; provided, however, that for purposes of this

Agreement, neither the Borrower nor Holdings shall be required to pay any tax, assessment, charge or levy (i) the payment of which is being contested in good faith by appropriate and lawful proceedings diligently conducted and (ii) as to which the Borrower shall have set aside on its books reserves for such claims as are determined to be adequate by the application of GAAP consistently applied, but only to the extent that failure to discharge any such liabilities would not result in any additional material liability; and provided, further, that the

Borrower shall pay all such contested liabilities forthwith upon the commencement of proceedings to foreclose any lien or other Encumbrance which may have attached as security therefor.

5.7 Insurance. The Borrower shall maintain at all times

adequate insurance to the satisfaction of the Bank with the insurers shown on Schedule 4.16 or other financially sound and reputable insurers acceptable to

the Bank against such risks of loss as are customarily insured against and in amounts customarily carried by Persons owning, leasing or operating similar properties, including, but not limited to: (i) fire and theft and extended coverage insurance in an amount at least equal to the total full replacement cost of its insurable property, (including boiler coverage, if applicable); (ii) liability insurance on account of injury to persons or property; (iii) insurance which complies with all applicable workers' compensation, unemployment and similar laws; (iv) interruption of the Borrower's business and loss of income; (v) flood insurance, at any time when any real property of the Borrower on which the Bank has a mortgage is designated to be in an area of special flood hazard; and (vi) such other insurance as the Bank may reasonably request from time to time, all of the foregoing to be acceptable to the Bank at all times during the term hereof. The Borrower shall cause all such insurance to be issued with a long form lender's and mortgagee's loss payable endorsement in favor of the Bank, providing for at least 30 days' written notice to the Bank prior to cancellation and the Borrower shall cause a copy of each policy and an original certificate of insurance to be delivered to the Bank prior to the first extension of credit under this Agreement and no later than 30 days prior to the expiration of any such insurance coverage. The Borrower shall also maintain at all times life insurance policies in the aggregate amount of \$2,000,000 on the life of Clarence M. McAninch, which policies shall name the Borrower as beneficiary and which policies may not be assigned to any Person nor borrowed against. Prior to the first extension of credit under this Agreement and thereafter within 90 days of the close of each Fiscal Year, the Borrower will deliver to the Bank a schedule indicating all insurance coverage then in effect for the Borrower, in such detail as the Bank may reasonably request from time to time.

5.8 Maintenance of Properties. The Borrower shall maintain,

preserve, protect and keep its properties in good repair, working order and condition (ordinary wear and tear excepted), and make all necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly and advantageously conducted at all times.

5.9 Maintenance of Leases. The Borrower shall maintain in full

force and effect all leases for its real properties, and all other leases for personal property if the failure to maintain such personal property lease would constitute a Material Adverse Change.

- 45 -

5.10 Maintenance of Patents, Trademarks, Permits, Etc. The

Borrower shall maintain in full force and effect, and investigate and prosecute all infringements of, all patents, trademarks, trade names, copyrights and other intellectual property and all licenses, franchises, permits and other authorizations necessary in the judgment of the Borrower for the ownership and operation of its properties and business.

5.11 Bank Accounts. Except as otherwise provided for herein,

the Borrower shall maintain all of its bank accounts with the Bank.

5.12 Plans and Benefit Arrangements. The Borrower shall, and

shall cause each ERISA Affiliate to, comply with ERISA, the Internal Revenue Code and all other applicable Governmental Rules which are applicable to Plans and Benefit Arrangements, except where the failure to do so, alone or in conjunction with any other failure, would not result in a Material Adverse Change.

5.13 Environmental Matters and Indemnification.

(i) The Borrower shall be in material compliance with all Environmental Laws.

(ii) At least annually, the Borrower shall inspect all property owned or leased by it and audit operations thereon to maintain compliance with all Environmental Laws.

(iii) The Borrower shall employ appropriate technology in order to maintain compliance with all applicable Environmental Laws, including without limitation the replacement or updating, if required, of underground or aboveground storage tanks owned by the Borrower.

(iv) The Borrower shall investigate and remediate any Contamination in compliance with Governmental Rules, using a reputable environmental remediation firm, and shall inform the Bank in writing from time to time as to the status of any such remediation.

(v) Following the occurrence of an Event of Default the Bank shall have the right, but not the duty, to enter upon the Collateral and to perform such inspections, testing, sampling and analysis as it deems fit, invasive or otherwise, of soil, groundwater, surface water, air or of Collateral, to ascertain the presence of Contamination or to monitor compliance with the environmental provisions of this Agreement or any of the other Loan Documents. Following any Event of Default, or upon the discovery of the presence of Contamination or a violation of any environmental provision of this Agreement or the other Loan Documents, the Bank shall have the right, but not the duty, to enter upon such real estate and perform such investigation or remediation as it deems fit in order to protect its security interests and the value of Collateral and such real estate. Any expenses incurred by the Bank

- 46 -

under this item (v) shall be at the sole expense of Borrower and shall be indemnified by Borrower pursuant to item (vi) below.

(vi) The Borrower shall defend and indemnify the Bank and hold it harmless from and against all loss, liability, damage, expense, claims, costs, fines,

penalties, assessments (including without limitation, interest on any of the foregoing), reasonable attorneys' fees and reasonable consultants' and contractors' fees, asserted against or suffered or incurred by the Bank which arise, result from or in any way relate to (A) a breach or violation of any Environmental Law, (B) the imposition of any Encumbrance on the Borrower's assets, (C) Contamination or the presence of a Hazardous Substance and (D) an Environmental Claim. The Borrower's obligations hereunder shall arise at the inception or upon the discovery of the event giving rise to the obligation to indemnify, whether or not any Governmental Authority has taken or has threatened any action, so that the Borrower shall bear all expenses from the outset. The Borrower's obligations pursuant to this item (vi) shall survive the termination of this Agreement and the repayment of the Obligations.

5.14 Key Management. The Borrower shall employ Clarence M.

McAninch as President and Chief Executive Officer, and shall use its best efforts to cause such key manager to continue to serve in such capacity. In the event of the voluntary or involuntary termination of the key manager for any reason, the Borrower shall, as soon as practicable, replace such individual with another qualified manager with comparable management skills and experience in the Borrower's industry and reasonably satisfactory to the Bank.

5.15 Further Assurances; Power of Attorney. At any time and

from time to time, upon the Bank's request, the Borrower shall make, execute and deliver, and shall cause any other Person to make, execute and deliver, to the Bank, and where appropriate shall cause to be recorded or filed, and from time to time thereafter to be re-recorded and refiled, at such time and in such offices and places as shall be deemed desirable by the Bank, any and all such further Security Documents, certificates and other documents and instruments as the Bank may consider necessary or desirable in order to effectuate, complete, perfect, continue or preserve the obligations of the Borrower hereunder or under the other Loan Documents and the Encumbrances created hereby and thereby. The Borrower hereby appoints the Bank, and any of its officers, directors, employees and authorized agents, with full power of substitution, upon any failure by the Borrower to take or cause to be taken any action described in the preceding sentence, to make, execute, record, file, re-record or refile any and each such Security Document, instrument, certificate and document for and in the name of the Borrower. The power of attorney granted pursuant to this Section 5.15 is coupled with an interest and shall be irrevocable until all of the Obligations are paid in full, the Revolving Credit Commitment is terminated and all Letters of Credit have expired or have been terminated.

- 47 -

ARTICLE 6. NEGATIVE COVENANTS

From the date hereof and thereafter until the last to occur of (i) the termination of the Revolving Credit Commitment and (ii) the payment in full of the Notes and the other Obligations of the Borrower hereunder, the Borrower agrees, for the benefit of the Bank, that it will comply with each of the following negative covenants:

6.1 Indebtedness. The Borrower shall not nor shall the Borrower

permit Holdings to create, incur, assume, cause, permit or suffer to exist or remain outstanding, any Indebtedness, except for:

(i) Indebtedness owed by the Borrower to the Bank;

(ii) Indebtedness in existence as of the date hereof as set forth on Schedule

6.1, including all extensions and renewals thereof; provided, however that

no such extension or renewal may involve an increase in the principal amount of such Indebtedness or any other significant change in the terms thereof;

(iii) Indebtedness due under Governmental Loans; provided, however

that (A) the outstanding principal amount of all such Indebtedness shall not exceed, in the aggregate at any one time outstanding, \$6,500,000 and (B) all such Indebtedness (I) must be subject to an Intercreditor Agreement or (II) be subordinated to the repayment of the Obligations, as to security and repayment,

in a manner in form and substance satisfactory to the Bank;

(iv) Indebtedness incurred by the Borrower, other than Indebtedness enumerated in items (i) through (iii) above, incurred after the date hereof; provided, however, that the outstanding principal amount of such Indebtedness shall not exceed, in the aggregate at any one time, \$1,500,000;

(v) Subordinated Indebtedness incurred by the Borrower and due to Holdings pursuant to the Holdings Credit Agreement; and

(vi) Indebtedness incurred to finance a Funded Acquisition which indebtedness, if not a Government Loan, must be subordinated to the Bank as to security and payment in a manner in form and substance reasonably satisfactory to the Bank.

6.2 Guarantees. The Borrower shall not enter into any

Guarantees nor permit Holdings to enter into any Guarantees, except for (i) endorsements of negotiable instruments for deposit and collection and similar transactions in the ordinary course of business and (ii) unsecured Guaranties of the Borrower to support the obligations of a wholly owned Subsidiary created pursuant to Section 6.7.

6.3 Encumbrances. The Borrower shall not nor shall the Borrower

permit Holdings to create, assume, incur, permit or suffer to exist any Encumbrance upon any of their respective assets and properties, whether tangible or intangible and whether now owned or in existence or hereafter acquired or created and wherever located, nor acquire nor agree to acquire any assets or properties subject to an Encumbrance, except for:

(i) The security interests granted to the Bank as security for the Obligations, pursuant to Article 3 hereof and the Security Documents;

(ii) The Encumbrances in existence as of the date hereof, as listed on Schedule 6.3;

(iii) Permitted Encumbrances; and

(iv) Encumbrances on real or personal property in favor of sellers, lessors or lenders, in order to secure indebtedness permitted pursuant to items (ii) through (v) of Section 6.1.

6.4 Financial Covenants.

(i) Current Ratio. At all times during the term hereof, the ratio of the Borrower's Consolidated Current Assets to its Consolidated Current Liabilities shall not be less than 1.5:1.0.

(ii) Minimum Consolidated Tangible Net Worth. At all times during the term hereof, the Borrower's Consolidated Tangible Net Worth shall not be less than:

Period	Minimum Consolidated Tangible Net Worth
From the Closing Date to and including March 30, 1998	\$25,000,000
From March 31, 1998 to and including	An amount equal to the sum of (a) the Minimum

June 29, 1998

Consolidated Tangible Net Worth as set forth immediately above plus (b) 50% of Consolidated Net Income (if positive) for the Fiscal Quarter ending March 31, 1998

From June 30, 1998 through September 29, 1998 and for each successive fiscal period thereafter, each such fiscal period beginning with the last date of a Fiscal Quarter and continuing to the penultimate day of the next Fiscal Quarter.

An amount equal to the sum of (a) the required Minimum Consolidated Tangible Net Worth for the immediately preceding period plus (b) 50% of Consolidated Net Income (if positive) earned during the Fiscal Quarter ending on the first day of the period being tested.

- 49 -

(iii) Leverage. The Borrower's ratio of Consolidated Total

Indebtedness to EBITDA, shall at all times not exceed 2.50:1.00.

(iv) Consolidated Debt Service Ratio. As at the end of each Fiscal Quarter,

the ratio of the Borrower's EBITDA to Consolidated Debt Service shall not be less than 2.0:1.0.

6.5 Capital Expenditures. The Borrower shall not in any Fiscal

Year make Capital Expenditures in excess of \$10,000,000; provided however that for purposes of this Section 6.5 the acquisition and installation of the bar finishing facility to be financed by the proceeds of the Term Loan shall not be treated as a Capital Expenditure.

6.6 Limitation on Dividends. The Borrower shall not declare or

pay any dividends on, or make any distributions relating to or returns of capital on, any of its capital stock; provided, however, that, so long as no

Default or Event of Default exists or would be caused by such distribution, the Borrower may pay dividends in any Fiscal Year which do not in the aggregate exceed fifty percent (50%) of the Borrower's Excess Cash Flow for such Fiscal Year.

6.7 Liquidations, Mergers, Consolidations, Acquisitions, Etc.

The Borrower shall not dissolve, liquidate or wind up its affairs, or become a party to any merger or consolidation, or acquire by purchase, lease or otherwise all or substantially all of the assets, capital stock or other equity interests of any other Person, except for:

(i) the consolidation or merger of any wholly-owned Subsidiary with or into the Borrower or with or into any other wholly-owned Subsidiary;

(ii) the creation of Holdings;

(iii) the creation of a wholly owned Subsidiary to consummate a transaction permitted in items (iv), (v) and (vi) below;

(iv) mergers, stock acquisitions or asset acquisitions, the cost of which to the Borrower either in the form of capital investment or assumption of liabilities (including without limitation (A) the issuance of a Guaranty permitted by Section 6.2 hereof, (B) a loan or advance permitted by Section 6.9 hereof or (C) investments permitted by Section 6.10 hereof) in the aggregate in any one Fiscal Year is \$2,000,000 or less;

(v) mergers, stock acquisitions or asset acquisitions, the cost of which to the Borrower either in the form of capital investment or assumption of liabilities (including without limitation (A) the issuance of a Guaranty permitted by Section 6.2 hereof (B) a loan or advance permitted by Section 6.9 hereof or (C) investments permitted by Section 6.10 hereof) in the aggregate in any one Fiscal Year is greater than \$2,000,000; provided, that

for each

- 50 -

such merger or acquisition the amount by which such investment or assumption of liabilities exceeds \$2,000,000 in the aggregate in any one Fiscal Year shall, immediately upon the consummation of such merger or acquisition, be added to the minimum required amount of the Borrower's Tangible Net Worth for the purposes of Section 6.4; and

(vi) a Funded Acquisition.

The foregoing notwithstanding, no merger, stock acquisition or asset acquisition otherwise permitted by items (iii), (iv) or (v) above shall be permitted unless both immediately prior to and immediately after such merger or acquisition and taking into account such merger or acquisition no Default or Event of Default has occurred and is continuing.

6.8 Dispositions of Assets. The Borrower shall not sell,

convey, assign, lease, abandon or otherwise transfer or dispose of, voluntarily or involuntarily, any of its properties or assets, whether tangible or intangible (including but not limited to sales, assignments, discounts or other dispositions of Accounts, contract rights, Chattel Paper, Equipment or General Intangibles, with or without recourse, and sale/leaseback transactions), except for:

(i) any sale of Inventory in the ordinary course of business;

(ii) any sale, transfer or lease in the ordinary course of business of assets which are no longer necessary or required in the conduct of the Borrower's business; and

(iii) any sale, transfer or lease of assets in the ordinary course of business which assets are replaced by substitute assets acquired or leased by the Borrower; provided, however, that such substitute assets are

subject to a first and prior lien and security interest in favor of the Bank to the extent they are not subject to an Encumbrance in favor of the seller or lessor of such assets.

The foregoing notwithstanding, Net Cash Proceeds aggregating during the term hereof in excess of \$2,500,000 derived from a disposition of assets permitted by items (ii) and (iii) hereof shall be applied to reduce the outstanding principal balance of the Term Loan in accordance with the provisions of Section 2.2c hereof.

6.9 Loans and Other Advances. The Borrower shall not, nor shall

the Borrower allow Holdings to make loans or other advances of funds, except that (i) the Borrower may make loans or other advances to a wholly owned Subsidiary created pursuant to Section 6.7 to fund acquisitions permitted by Section 6.7 and (ii) Holdings may advance funds to the Borrower under and pursuant to the Holdings Credit Agreement.

6.10 Investments. The Borrower shall not at any time nor shall

it allow Holdings at any time purchase, acquire or own any stock, bonds, notes, or securities of, or any partnership interest (whether general or limited) in, or any other interest in, or make any capital

- 51 -

contribution to, any other Person, or become a joint venture partner in any joint venture, or agree, become or remain liable to do any of the foregoing, except for:

(i) debt securities having a maturity of not more than one year issued or guaranteed by the United States government or by an agency or instrumentality thereof;

(ii) certificates of deposit, bankers acceptances and time deposits, which in each case mature within one year from the date of purchase thereof and which are issued by a Qualified Bank;

(iii) commercial paper maturing in 270 days or less from the date of issuance which, at the time of acquisition by the Borrower either (A) is accorded the

highest rating by Standard and Poor's Rating Group, a division of McGraw Hill, Inc. or Moody's Investors Service, Inc. or (B) is issued by the Bank;

(iv) direct obligations of the United States of America or any agency or instrumentality of the United States of America, the payment or guarantee of which constitutes a full faith and credit obligation of the United States of America, in each case maturing in 12 months or less from the date of acquisition;

(v) ownership of the capital stock of Subsidiaries as permitted by Section 6.7 of this Agreement; provided, however, Holdings shall not own the stock of

any Subsidiary; and

(vi) money market funds or income funds with a history of maintaining a stable net asset value per share.

6.11 Affiliate Transactions. The Borrower shall not enter into

or carry out any transaction with an Affiliate (including, without limitation, purchasing property or services from or selling property or services to, any Affiliate or other Person) unless such transaction (i) is not otherwise prohibited by this Agreement, (ii) is entered into in the ordinary course of business upon fair and reasonable arm's-length terms and conditions which are fully disclosed to the Bank and (iii) is in accordance with all applicable Governmental Rules.

6.12 Use of Proceeds. The Borrower shall not use any proceeds

of the Loans or any Letter of Credit either directly or indirectly (i) for the purpose of "purchasing or carrying any margin stock" within the meaning of Regulations G, T, U or X, or (ii) (x) to knowingly purchase any Ineligible Securities from a Section 20 Subsidiary during any period in which such Section 20 Subsidiary makes a market in such Ineligible Security, (y) to knowingly purchase during the underwriting or placement period Ineligible Securities being underwritten or privately placed by a Section 20 Subsidiary or (z) to make payments of principal or interest on Ineligible Securities underwritten or privately placed by a Section 20 Subsidiary and issued by or for the benefit of the Borrower or an Affiliate of the Borrower.

- 52 -

6.13 Change of Business. The Borrower (i) shall not engage

directly or indirectly in any business other than the production, conversion or marketing of specialty and low alloy steels or (ii) shall not allow Holdings to engage in any business except as set forth in Section 4.23.

6.14 Change of Fiscal Year. The Borrower shall not change its

Fiscal Year which now ends on December 31.

6.15 ERISA. The Borrower shall not:

(i) (A) With respect to any Plan or Money Purchase Plan, incur any material liability for failure to make timely payment of any contribution or installment required under Section 302 of ERISA and Section 412 of the Internal Revenue Code, whether or not waived, or otherwise materially fail to comply with the funding provisions set forth therein, (B) with respect to any Plan or Money Purchase Plan, suffer to exist any lien under Section 302(f) of ERISA or Section 412(n) of the Internal Revenue Code against the property and rights to property of the Borrower or any ERISA Affiliate or (C) terminate, or permit any ERISA Affiliate to terminate, any Plan or Money Purchase Plan in a manner which could reasonably be expected to result in the imposition of a lien upon the property or rights to property of the Borrower or any ERISA Affiliate pursuant to Section 4068 of ERISA;

(ii) Engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Internal Revenue Code) with respect to any "employee benefit plan" (as defined in Section 3(3) of ERISA) for which a statutory or administrative exemption is not available under Section 408 of ERISA or Section 4975 of the Internal Revenue Code; or

(iii) Partially or completely withdraw from any Multiemployer Plan where such withdrawal could reasonably be expected to subject the Borrower or any ERISA Affiliate to Withdrawal Liability.

6.16 Amendments to Certain Documents. The Borrower shall not

amend in any material respect its certificate of incorporation, by-laws, or other organizational documents, or the Asset Purchase Agreement, the Armco Lease, the several USWA Agreements, the five year power supply contract entered in between the Borrower and Duquesne Light Company on July 27, 1994, without providing at least 10 days' prior written notice to the Bank and, in the event that such amendment would be adverse to the Bank, as determined in the Bank's sole discretion, obtaining the prior written consent of the Bank.

ARTICLE 7. CONDITIONS TO MAKING EXTENSIONS OF CREDIT

7.1 All Loans. The obligation of the Bank to make any Loan is

subject to the satisfaction of each of the following conditions precedent:

- 53 -

7.1a Work Cash Sweep Agreement. No advance pursuant to Section 2.1

shall occur if either the Borrower or the Bank has terminated the Working Cash Sweep Agreement.

7.1b Term Loan Disbursement. As to each disbursement under the Term

Loan Commitment the Bank shall have received a request satisfying the conditions of Section 2.2b.

7.1c No Default or Event of Default. The Borrower shall have

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

7.1d No Material Adverse Change. At the time of making such Loan,

no Material Adverse Change has occurred and is continuing.

7.1e Representations Correct. The representations and warranties

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

Each request for a Loan whether made orally or in writing, shall be deemed to be, as of the time made, a certification by the Borrower as to the accuracy of the matters set forth in Sections 7.1c, 7.1d and 7.1e.

7.2 Initial Extension of Credit. The obligation of the Bank to

make the first Loan is subject to the satisfaction of each of the following conditions precedent, in addition to the conditions precedent set forth in Section 7.1:

7.2a Credit Agreement. Receipt by the Bank of a fully-executed copy

of this Agreement.

7.2b Schedules. Receipt by the Bank of all schedules and exhibits

to this Agreement and the other Loan Documents prepared by the Borrower, and a determination by the Bank that all exceptions shown on such schedules are satisfactory to it.

7.2c Notes. Receipt by the Bank of the Notes, each executed by

the Borrower.

7.2d Security Agreement. Receipt by the Bank of a Security

Agreement executed by the Borrower.

7.2e Financing Statements. Receipt by the Bank of all Uniform

Commercial Code financing statements or amendments to existing financing
statements requested by it, each signed by the Borrower.

- 54 -

7.2f Mortgage. Receipt by the Bank of the Second Amendment to

Mortgage executed by the Borrower and in recordable form.

7.2g Working Cash Agreements. The Bank shall have received duly

executed counterpart originals of the Working Cash Sweep Agreement and the Trust
Agreement.

7.2h Landlord's Waivers. Receipt by the Bank of Landlord's Waivers

for the real property location leased by the Borrower pursuant to the Armco
Lease executed by the lessor of such location.

7.2i Subordination Agreement. Receipt by the Bank of the

Subordination Agreement duly executed by a Borrower and Holdings.

7.2j Deposit Account; Lockbox Agreements. Receipt by the Bank of

(i) evidence satisfactory to it that the Borrower has opened a deposit account
with the Bank, (ii) the fully-executed Lockbox Agreement.

7.2k Hazard Liability Insurance. Receipt by the Bank of (i) copies

of the Borrower's insurance policies, containing long-form lender loss payable
and mortgagee endorsements satisfactory to the Bank and which in all other
respects comply with the requirements of Sections 4.17 and 5.7 and the insurance
requirements set forth in the other Loan Documents, (ii) satisfactory evidence
of flood insurance and (iii) current insurance certificates for all such
policies.

7.2l Lien Searches. Receipt by the Bank of UCC, tax lien and

judgment searches satisfactory to the Bank.

7.2m Business Plan. Receipt by the Bank of the Borrower's business

plan for the Fiscal Year ending December 31, 1998 in form and substance
satisfactory to the Bank.

7.2n Corporate Documents of Borrower. Receipt by the Bank of the

following corporate documents for the Borrower:

(i) a copy of its certificate of incorporation, certified as true and correct
by the Secretary of State of the state of its incorporation not more than
30 days prior to the date hereof;

(ii) good standing certificates issued by the Secretaries of State of the
state where the Borrower is incorporated and each state where the Borrower is
required to be qualified to do business, each dated not more than 30 days prior
to the date hereof;

(iii) resolutions of its board of directors authorizing the execution of the
Loan Documents and the performance by the Borrower pursuant thereto, certified
by the

- 55 -

secretary of the Borrower as being true, correct, complete and in effect as of the Closing Date and in form and substance satisfactory to the Bank;

(iv) a copy of its by-laws and all amendments thereto, certified by the secretary of the Borrower as being true, correct, complete and in effect; and

(v) an incumbency certificate for the Borrower, showing the names of the officers of the Borrower, their respective titles and containing their true signatures.

7.2o Opinion of Counsel. Receipt by the Bank of an opinion of

counsel to the Borrower, Paul A. McGrath, Esquire, addressed to the Bank and in all respects satisfactory to the Bank.

7.2p No Default Certificates. Both on the Closing Date and on the

Funding Date (after giving effect to the Loan or other extension of credit made on the Funding Date) receipt by the Bank of a certificate executed by an Authorized Officer, stating that, as of such date, and no Default or Event of Default exists or will exist after giving effect to the transaction entered into by the Borrower under the Loan Documents, no Material Adverse Change has occurred and all representations and warranties made by the Borrower in the Agreement and the other Loan Documents are true and correct as of such date.

7.2q Cash Management Agreements. Receipt by the Bank of the various

documents each executed by the Borrower required by the Bank to establish the various accounts required to implement the cash management program agreed upon between the Borrower and the Bank.

7.2r Request for Initial Disbursement. Receipt by the Bank of

written instructions addressed to the Bank and executed by the Borrower, instructing the Bank as to the disbursement of the Loans to be made on the Funding Date, and containing complete wire transfer instructions, if applicable.

7.2s Closing Fee. Receipt by the Bank of the Closing Fee.

7.2t Legal Fees. Receipt by the Bank's counsel, Tucker Arensberg,

P.C., of the legal fees and expenses incurred by it in connection with the preparation and negotiation of the Loan Documents and the closing.

ARTICLE 8. EVENTS OF DEFAULT; REMEDIES

8.1 Events of Default. Each of the following events shall

constitute an Event of Default:

- 56 -

8.1a Nonpayment of Obligations. The Borrower shall default (i) in

any payment of principal of either Note when due and such default in the payment of principal shall have continued for a period of two Business Days after such due date or (ii) in the payment of interest on either Note when due or in the payment of any of the Fees, expenses or other amounts due hereunder or under any of the other Loan Documents when due, and such default in payment of interest, Fees, expenses or other amounts shall have continued for a period of five Business Days after such due date.

8.1b Nonpayment of Other Indebtedness. The Borrower shall (i)

default in the payment of any other Indebtedness, which Indebtedness has an aggregate principal outstanding balance of \$100,000 or more, when such payment is due (whether by acceleration or otherwise) and any applicable grace periods with respect thereto have expired, or (ii) default in the performance of any term of any agreement under which any such Indebtedness is created, if the effect of any default described in this item (ii), after the expiration of any grace periods applicable thereto, is to cause such Indebtedness to become, or to permit the holder or holders of such Indebtedness (or any Person on behalf of

such holder) to declare such Indebtedness due prior to its stated maturity.

8.1c Insolvency, Etc.

(i) Involuntary Proceedings. A proceeding shall have been instituted in a

court having jurisdiction seeking a decree or order for relief in respect
of the Borrower or Holdings in an involuntary case under the Federal
bankruptcy laws, or any other similar applicable Federal or state law, now
or hereafter in effect, or for the appointment of a receiver, liquidator,
trustee, sequestrator or similar official for the Borrower or Holdings or
for a substantial part of their respective property, or for the winding up
or liquidation of their respective affairs, and such shall remain
undismissed or unstayed and in effect for a period of 60 days.

(ii) Voluntary Proceedings. The Borrower or Holdings shall institute

proceedings to be adjudicated a voluntary bankrupt, or shall consent to the
filing of a bankruptcy proceeding against it, or shall file a petition or
answer or consent seeking reorganization under the Federal bankruptcy laws,
or any other similar applicable Federal or state law now or hereinafter in
effect, or shall consent or acquiesce to the filing of any such petition,
or shall consent to or acquiesce in the appointment of a receiver,
liquidator, trustee, sequestrator or similar official for the Borrower or
Holdings or for a substantial part of their respective property, or shall
make an assignment for the benefit of creditors, or shall be generally
unable to pay their respective debts generally as they become due, or
action shall be taken by the Borrower or Holdings in furtherance of any of
the foregoing.

8.1d Dissolution; Cessation of Business. The Borrower shall

terminate its existence or cease to exist or permanently cease operations.

- 57 -

8.1e ERISA. (i) One or more of the following events occur which

results in or could result in liability to the Borrower:

(A) A Notice of Intent to Terminate any Plan (including any Plan of an
ERISA Affiliate) is filed under Section 4041(c) of ERISA;

(B) Proceedings shall be instituted for the appointment of a trustee by the
appropriate United States court to administer any Plan (including any Plan of an
ERISA Affiliate);

(C) the PBGC shall institute proceedings to terminate any Plan (including
any Plan of an ERISA Affiliate) or to appoint a trustee to administer any such
Plan;

(D) A notice assessing Withdrawal Liability with respect to any
Multiemployer Plan (including any Multiemployer Plan of an ERISA Affiliate)
shall have been received by the Borrower or any ERISA Affiliate; or

(ii) Any Governmental Rule is adopted, changed or interpreted by any
Governmental Authority or agency or court with respect to or otherwise
affecting one or more Plans, Multiemployer Plans or Benefit Arrangements
which, in the reasonable opinion of the Bank, could have a material adverse
effect on the priority of any lien or security interest in favor of the
Bank as established or described in this Agreement or the other Loan
Documents.

8.1f Adverse Judgments. The aggregate amount of final judgments

against the Borrower or Holdings for which no further appellate review exists
shall, at any one time, exceed, by \$50,000 or more, the aggregate amount of
insurance proceeds available to pay such judgments.

8.1g Failure to Take Certain Action. The Borrower shall fail to

take measures satisfactory to the Bank, within 30 days after notice to the
Borrower by the Bank, with respect to any action, suit, investigation,

proceeding or Environmental Claim then pending or threatened against the Borrower the outcome of which, in the judgment of the Bank, may be material.

8.1h Failure to Comply with Loan Documents.

(i) Failure to Comply with Negative Covenants. The Borrower shall default in

the due performance or observance of any covenant contained in Article 6 of this Agreement.

(ii) Failure to Comply with Other Covenants and Loan Documents. The Borrower

shall default in the due performance or observance of any covenant, condition or provision set forth in this Agreement or any of the other Loan Documents which is not set forth elsewhere in this Section 8.1, and such default described in this item (ii) shall not be

- 58 -

remedied for a period of 30 days after the earlier of (A) such default becoming known to any Authorized Officer or (B) notice of such default being delivered by the Bank to the Borrower.

8.1i Misrepresentation. Any representation or warranty made by the

Borrower in any Loan Document to which it is a party is untrue in any material respect as of the date made, or any schedule, statement, report, notice, certificate or other writing furnished by the Borrower to the Bank is untrue in any material respect on the date as of which the facts set forth therein are stated or certified.

8.1j Invalidity, Etc. of Loan Documents. Any material provision of

this Agreement or any of the other Loan Documents shall at any time for any reason cease to be valid and binding on the Borrower shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Borrower, or the Borrower shall deny that it has any or further liability or obligation under any Loan Document to which it is a party.

8.1k Material Adverse Change. The occurrence of any Material

Adverse Change.

8.1l Termination of Working Cash Sweep Agreement. The termination

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

8.2 Remedies.

8.2a Events of Default Under Sections 8.1c and 8.1d. Upon the

occurrence of an Event of Default set forth in Sections 8.1c or 8.1d, the Revolving Credit Commitment shall automatically terminate and the Notes, interest accrued thereon and all other Obligations of the Borrower to the Bank shall become immediately due and payable, without the necessity of demand, presentation, protest, notice of dishonor or notice of default, all of which are hereby expressly waived by the Borrower. Thereafter, the Bank shall have no further obligation to make any additional Loans or other extensions of credit hereunder. In addition, during any 60-day period described in Section 8.1c(i), the Bank shall not have any obligation to make additional Loans hereunder.

8.2b Remaining Events of Default. Upon the occurrence and during

the continuance of any Event of Default set forth in Sections 8.1a, 8.1b, 8.1e, 8.1f, 8.1g, 8.1h, 8.1i, 8.1j, 8.1k or 8.1l, the Bank shall have no further obligation to make any additional Loans hereunder and the Bank may, at its option, declare the Revolving Credit Commitment terminated and the Notes, interest accrued thereon and all other Obligations of the Borrower to the Bank to be due and payable, without the necessity of demand, presentation, protest, notice of dishonor or notice of default, all of which are hereby expressly waived by the Borrower. Thereafter, the Bank shall have no further obligation

to make any additional Loans hereunder.

8.2c Additional Remedies. In addition to the remedies set forth

above, upon the occurrence of any Event of Default, the Bank shall have all of
the rights and remedies granted

- 59 -

to it under this Agreement and the other Loan Documents and all other rights and
remedies granted to creditors by law, in equity, or otherwise.

8.2d Exercise of Remedies; Remedies Cumulative. No delay on the

part of the Bank or failure by the Bank to exercise any power, right or remedy
under this Agreement or any other Loan Document shall operate as a waiver
thereof, nor shall any single or partial exercise of any power, right or remedy
or any abandonment or discontinuance of steps to enforce such right, power or
remedy preclude other or further exercises thereof, or the exercise of any other
power, right or remedy. The rights and remedies in this Agreement and the other
Loan Documents are cumulative and not exclusive of any rights or remedies
(including, without limitation, the right of specific performance) which the
Bank would otherwise have.

ARTICLE 9. GENERAL PROVISIONS

9.1 Amendments and Waivers. The Bank and the Borrower may from

time to time enter into amendments, extensions, supplements and replacements to
and of this Agreement and the other Loan Documents to which they are parties,
and the Bank may from time to time waive compliance with a provision of any of
such documents. No amendment, extension, supplement, replacement or waiver
shall be effective unless it is in writing and is signed by the Bank and the
Borrower. Each waiver shall be effective only for the specific instance and for
the specific purpose for which it is given. All of the rights of the Bank set
forth in this Agreement or in the other Loan documents shall apply to any
amendment, extension, supplement and replacement to and of this Agreement and
the other Loan Documents.

9.2 Taxes. The Borrower shall pay any and all stamp, document,

transfer and recording taxes, filing fees and similar impositions payable or
hereafter determined by the Bank to be payable in connection with this
Agreement, the other Loan Documents and any other documents, instruments and
transactions pursuant to or in connection with any of the Loan Documents. The
Borrower agrees to save the Bank harmless from and against any and all present
and future claims or liabilities with respect to, or resulting from, any delay
in paying or failure to pay any such taxes or similar impositions. The
obligations of the Borrower pursuant to this Section 9.2 shall survive the
termination of this Agreement and the repayment of the Obligations.

9.3 Expenses. The Borrower shall pay:

(i) All reasonable costs and expenses of the Bank (including without
limitation the reasonable fees and disbursements of the Bank's counsel, which
may include the Bank's in-house counsel) in connection with the preparation,
execution and delivery of this Agreement and the other Loan Documents and any
and all other documents and instruments prepared in connection herewith and
therewith, including but not limited to all amendments,

- 60 -

waivers, consents and other documents and instruments prepared or entered into
from time to time, including after the Closing Date;

(ii) All reasonable costs and expenses of the Bank (including without
limitation the reasonable fees and disbursements of the Bank's counsel) in
connection with (A) the enforcement of this Agreement and the other Loan
Documents arising pursuant to a breach by any Loan Party of any of the terms,
conditions, representations, warranties or covenants of any Loan Document to
which he or it is a party, and (B) defending or prosecuting any actions, suits

or proceedings relating to any of the Loan Documents;

(iii) All reasonable costs and expenses of the Bank (including without limitation the reasonable fees and disbursements of the Bank's counsel, consultants and contractors) in connection with environmental investigation, testing or other due diligence (A) contemplated by this Agreement and the other Loan Documents, and (B) following the occurrence of an Event of Default; and

(iv) All reasonable costs and expenses incurred by the Bank in connection with its periodic review and evaluation of the Collateral for the Loans.

All of such costs and expenses shall be payable by the Borrower to the Bank upon demand or as otherwise agreed upon by the Bank and the Borrower, and shall constitute Obligations under this Agreement. The Borrower's obligation to pay such costs and expenses shall survive the termination of this Agreement and the repayment of the Obligations.

9.4 Notices.

9.4a Notice to the Borrower. All notices required to be delivered

to the Borrower pursuant to this Agreement shall be in writing and shall be sent to the following address, by hand delivery, recognized national overnight courier service, telecopier or by the United States certified mail, return receipt requested:

Universal Stainless & Alloy Products, Inc.
600 Mayer Street
Bridgeville, Pennsylvania 15107
Attention: Richard M. Ubinger
Telecopier: 412-257-7640

9.4b Notice to the Bank. All notices required to be delivered to

the Bank pursuant to this Agreement shall be in writing and shall be sent to the following address, by hand delivery, recognized national overnight courier service, telecopier or by United States certified mail, return receipt requested:

- 61 -

PNC Bank, National Association
One PNC Plaza, 2nd Floor
249 Fifth Avenue
Pittsburgh, PA 15222
Attention: Mark W. Rutherford
Energy, Metals and Mining Segment
Telecopier: 412-762-6484

9.4c Effectiveness of Notices. All such notices shall be effective

three days after mailing, or on the date of telecopy transmission or when received, whichever is earlier. The Borrower and the Bank may each change the address for service of notice upon it by a notice in writing to the other party hereto.

9.5 Participations.

9.5a Sale of Participations. The Bank may, in the ordinary course

of its commercial banking business and in accordance with applicable law, and without the consent of the Borrower, at any time sell to one or more Participants (which Participants may be Affiliates of the Bank) Participations in the Revolving Credit Commitment, the Loans, the Notes, the Letters of Credit and the other interest of the Bank hereunder provided that each such Participation shall be in an initial minimum amount of \$1,000,000. In the event of any such sale of a Participation, the Bank's obligations under this Agreement to the Borrower shall remain unchanged, the Bank shall remain solely responsible for its performance under this Agreement, the Bank shall remain the holder of the Notes made payable to it for all purposes under this Agreement and the

Borrower shall continue to deal solely and directly with the Bank in connection with the Bank's rights and obligations under this Agreement and the other Loan Documents.

9.5b Right of Setoff. The Borrower agrees that if amounts

outstanding under this Agreement and the Notes are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have, to the extent permitted by applicable law, the right of setoff in respect of its Participation in amounts owing under this Agreement and the Notes to the same extent as if the amount of its Participation were owing directly to it as a lender under this Agreement or the Notes.

9.5c Withholding of Income Taxes. At least five Business Days prior

to the first date on which interest or fees are payable hereunder for the account of any Participant, each Participant that is not incorporated under the laws of the United States or a state thereof agrees that it will deliver to the Borrower and the Bank two duly completed and executed copies of either (i) United States Internal Revenue Service Form W-9, 4224 or 1001 or other applicable form prescribed by the Internal Revenue Service, certifying in each case that such Participant is entitled to receive payments under this Agreement and the Notes without deduction or

withholding of any United States Federal income taxes, or is subject to such tax at a reduced rate under an applicable tax treaty or (ii) United States Internal Revenue Service Form W-8, or another applicable form prescribed by the Internal Revenue Service, or a certificate of such Participant indicating in each case that no such exemption or reduced rate is allowable with respect to such payments. Each Participant which delivers a Form W-8, W-9, 4224 or 1001 further undertakes to deliver to the Borrower and the Bank two additional copies of such form (or a successor form) on or before the date that such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably required by the Borrower or the Bank, either certifying that such Participant is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States Federal income taxes or is subject to such tax at a reduced rate under an applicable tax treaty or stating that no such exemption or reduced rate is allowable. The Bank shall be entitled to withhold United States Federal income taxes at the full withholding rate, unless the Participant establishes an exemption, or at the applicable reduced rate, as established pursuant to this provisions of this Section 9.5c.

9.6 Successors and Assigns. This Agreement shall be binding

upon the Borrower and the Bank and their respective successors and assigns, and shall inure to the benefit of the Borrower, the Bank and their respective successors and assigns; provided, however, that the Borrower shall not assign

its rights or duties hereunder or under any of the other Loan Documents without the prior written consent of the Bank.

9.7 Confidentiality. The Bank shall keep confidential and not

disclose to any Person, other than its directors, officers, employees, Affiliates and agents, and to actual or potential Participants, all non-public information concerning the Borrower and the Borrower's Affiliates which comes into the Bank's possession during the term hereof. Notwithstanding the foregoing, the Bank may disclose information concerning the Borrower (i) in accordance with normal banking practices and the Bank's policies concerning disclosure of such information, (ii) pursuant to what the Bank believes to be the lawful requirements or request of any Governmental Authority regulating banks or banking, (iii) as required by any Governmental Rule, judicial process or subpoena and (iv) to its attorneys, accountants and auditors.

9.8 Severability. Any provision of this Agreement which is

prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or enforceability without invalidating the remaining portions hereof in such jurisdiction or affecting the

validity or enforceability of such or any other provision hereof in any other jurisdiction.

9.9 Interest Limitation. Notwithstanding anything to the

contrary herein contained, the total liability of the Borrower for payment of interest pursuant hereto shall not exceed the maximum amount, if any, of such interest permitted by any applicable Governmental Rule to be contracted for, charged or received, and if any payment by the

- 63 -

Borrower to the Bank includes interest in excess of such a maximum amount, the Bank shall apply such excess to the reduction of the unpaid principal amount due pursuant hereto, or if none is due, such excess shall be refunded to the Borrower; provided that, to the extent permitted by applicable Governmental

Rules, in the event the interest is not collected, is applied to principal or is refunded pursuant to this sentence and interest thereafter payable pursuant hereto shall be less than such maximum amount, then such interest thereafter so payable shall be increased up to such maximum amount to the extent necessary to recover the amount of interest, if any, theretofore uncollected, applied to principal or refunded pursuant to this sentence. Any such application or refund shall not cure or waive any Default or Event of Default. In determining whether or not any interest payable under this Agreement exceeds the highest rate permitted by law, any non-principal payment (except payments specifically stated in this Agreement to be "interest") shall be deemed, to the extent permitted by applicable law, to be an expense, fee, premium or penalty rather than interest. To the extent permitted by applicable law, the Borrower hereby waives any provision of law which renders any provision hereof prohibited, unenforceable or not authorized in any respect.

9.10 Survival. Except as otherwise provided in Sections 4.20,

5.13, 9.2 and 9.3, all representations, warranties, covenants and agreements of the Borrower contained herein or in the other Loan Documents or made in writing in connection herewith shall survive the issuance of the Notes and shall continue in full force and effect so long as the Borrower may borrow hereunder and so long thereafter until all of the Obligations are paid in full.

9.11 GOVERNING LAW. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS

SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, WITHOUT REGARD TO THE PRINCIPLES THEREOF REGARDING CONFLICT OF LAWS, EXCEPTING APPLICABLE FEDERAL LAW AND EXCEPT ONLY TO THE EXTENT PRECLUDED BY THE MANDATORY APPLICATION OF THE LAW OF ANOTHER JURISDICTION.

9.12 FORUM. THE PARTIES HERETO AGREE THAT ANY ACTION OR

PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS TO WHICH THE BORROWER IS A PARTY MAY BE COMMENCED IN THE COURT OF COMMON PLEAS OF ALLEGHENY COUNTY, PENNSYLVANIA OR IN THE DISTRICT COURT OF THE UNITED STATES FOR THE WESTERN DISTRICT OF PENNSYLVANIA, AND THE PARTIES HERETO AGREE THAT A SUMMONS AND COMPLAINT COMMENCING AN ACTION OR PROCEEDING IN EITHER OF SUCH COURTS SHALL BE PROPERLY SERVED AND SHALL CONFER PERSONAL JURISDICTION IF SERVED PERSONALLY OR BY CERTIFIED MAIL TO THE PARTIES AT THEIR ADDRESSES SET FORTH IN SECTION 9.4, OR AS OTHERWISE PROVIDED UNDER THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA. FURTHER, THE BORROWER HEREBY SPECIFICALLY CONSENTS TO THE PERSONAL JURISDICTION OF THE COURT OF COMMON PLEAS OF ALLEGHENY COUNTY, PENNSYLVANIA AND THE

- 64 -

DISTRICT COURT OF THE UNITED STATES FOR THE WESTERN DISTRICT OF PENNSYLVANIA AND WAIVES AND HEREBY ACKNOWLEDGES THAT IT IS ESTOPPED FROM RAISING ANY OBJECTION BASED ON FORUM NON CONVENIENS, ANY CLAIM THAT EITHER SUCH COURT LACKS PROPER

VENUE OR ANY OBJECTION THAT EITHER SUCH COURT LACKS PERSONAL JURISDICTION OVER THE BORROWER SO AS TO PROHIBIT EITHER SUCH COURT FROM ADJUDICATING ANY ISSUES RAISED IN A COMPLAINT FILED WITH EITHER SUCH COURT AGAINST THE BORROWER BY THE BANK CONCERNING THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR PAYMENT TO THE BANK. THE BORROWER HEREBY ACKNOWLEDGES AND AGREES THAT THE CHOICE OF FORUM CONTAINED IN THIS SECTION 9.12 SHALL NOT BE DEEMED TO PRECLUDE THE ENFORCEMENT

OF ANY JUDGMENT OBTAINED IN ANY FORUM OR THE TAKING OF ANY ACTION UNDER THE LOAN DOCUMENTS TO ENFORCE THE SAME IN ANY APPROPRIATE JURISDICTION.

9.13 Non-Business Days. Whenever any payment hereunder or

under the Notes is due and payable on a day which is not a Business Day, such payment may be made on the next succeeding Business Day (except as specifically required by the terms of this Agreement), and such extension of time shall in each such case be included in computing interest in connection with such payment.

9.14 Integration. This Agreement, together with the other Loan

Documents, constitutes the entire agreement between the parties hereto relating to this financing transaction and it supersedes all prior understandings and agreements, whether written or oral, between the parties hereto relating to the transactions provided for herein.

9.15 Headings. Article, Section and other headings used in this

Agreement are intended for convenience only and shall not affect the meaning or construction of this Agreement.

9.16 Counterparts; Effectiveness. This Agreement and any

amendment hereto may be executed in several counterparts and by each party on a separate counterpart, each of which, when so executed and delivered, shall be an original, but all of which together shall constitute but one and the same instrument. In proving this Agreement, it shall not be necessary to produce or account for more than one such counterpart signed by the other party against whom enforcement is sought. This Agreement shall become binding when the parties have delivered (which delivery may be by telecopier) at least one executed counterpart hereof or of the signature page hereto.

9.17 WAIVER OF JURY TRIAL. IN ORDER TO EXPEDITE THE RESOLUTION

OF ANY DISPUTES WHICH MAY ARISE UNDER THIS AGREEMENT OR UNDER ANY OTHER LOAN DOCUMENT TO WHICH THE BORROWER IS A PARTY, AND IN LIGHT OF THE COMPLEXITY OF THE

TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE PARTIES HERETO WAIVE THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING OF ANY KIND OR NATURE IN ANY COURT TO WHICH THEY MAY BOTH BE PARTIES, WHETHER ARISING OUT OF, UNDER, OR BY REASON OF THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR ANY ASSIGNMENT OR OTHER TRANSACTION CONTEMPLATED HEREBY OR BY REASON OF ANY OTHER CAUSE OR DISPUTE WHATSOEVER BETWEEN THEM OF ANY KIND OR NATURE. BOTH PARTIES ACKNOWLEDGE THAT THIS WAIVER OF JURY TRIAL HAS BEEN SPECIFICALLY NEGOTIATED AS A PART OF THIS AGREEMENT.

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IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have caused this Second Amended and Restated Credit Agreement to be executed by their respective duly authorized officers as of the date first written above.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

By /s/ Richard M. Ubinger (SEAL)

Name: Richard M. Ubinger
Title: CFO/Treasurer

PNC BANK, NATIONAL ASSOCIATION

By /s/ Mark W. Rutherford (SEAL)

Name: Mark W. Rutherford
Title: Vice President

- 67 -

SECOND AMENDED AND RESTATED
SECURITY AGREEMENT AND COLLATERAL ASSIGNMENT

THIS SECOND AMENDED AND RESTATED SECURITY AGREEMENT AND COLLATERAL ASSIGNMENT (this Second Amended and Restated Security Agreement and Collateral Assignment, together with all exhibits, schedules, extensions, renewals, amendments, substitutions and replacements hereto and hereof, is referred to herein as this "Security Agreement") dated as of January 30, 1998, is made and entered into by and between UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC., a Delaware corporation (the "Debtor") and PNC BANK, NATIONAL ASSOCIATION, a national banking association (the "Secured Party") and amends and restates in its entirety and continues the security interest granted by the Amended and Restated Security Agreement and Collateral Assignment dated as of January 31, 1996 between the Debtor and the Secured Party, which in turn amended and restated in its entirety and continued the security interest granted by the Security Agreement and Collateral Assignment dated as of November 18, 1994 between the Debtor and the Secured Party (the Amended and Restated Security Agreement and Collateral Assignment and the Security Agreement and Collateral Assignment are collectively referred to herein as the "Prior Security Agreement").

WITNESSETH:

WHEREAS, pursuant to a Second Amended and Restated Credit Agreement (the Second Amended and Restated Credit Agreement and all exhibits, schedules, extensions, renewals, amendments, substitutions and replacements thereto and thereof is referred to herein as the "Credit Agreement") dated as of even date herewith by and between the Secured Party as the Bank and the Debtor as the Borrower, the Secured Party has agreed to make available to the Debtor a revolving credit/letter of credit facility in an aggregate principal amount not to exceed \$6,500,000, and a Term Loan in the principal amount of \$15,000,000, which Indebtedness will be evidenced by the Second Amended and Restated Revolving Credit Note and the Term Note, respectively (collectively, the "Notes"), each dated as of even date herewith, with interest to be accrued on each as more fully set forth in the Credit Agreement and each to be repaid at the times and places and in the manner set forth in the Credit Agreement, and containing other terms and provisions as set forth in the Credit Agreement; and

WHEREAS, to secure the prompt payment in full to the Secured Party of the Obligations, as such term is defined in the Credit Agreement, the Debtor has agreed to execute and deliver to the Secured Party this Security Agreement.

NOW, THEREFORE, in consideration of the premises (each of which is incorporated herein by reference and made a material part hereof) and the mutual promises contained herein and other valuable consideration, the receipt and adequacy of which are

EXHIBIT D

hereby acknowledged, and with the intent to be legally bound hereby, and for the purpose of securing:

(i) the performance of all of the terms and provisions contained in the Notes, including, but not limited to, the payment of the aggregate unpaid principal balance of the Notes (including all advances heretofore and hereafter made and evidenced by the Notes) and interest thereon unto the Secured Party, its successors and assigns, according to the provisions and conditions of the Notes, as each may be amended, extended or renewed from time to time, and in discharge thereof;

(ii) the performance by the Debtor of all of the terms and provisions contained in the Credit Agreement, this Security Agreement and all of the other Loan Documents, as they may be amended, modified or supplemented from time to

time, the terms and provisions of all of such documents being specifically incorporated herein by reference as though more fully set forth at length herein;

(iii) the Debtor's payment of any and all of its Obligations to the Secured Party, whether now or hereafter existing or incurred and whether direct or indirect as guarantor, by virtue of any assignment, pledge or other transfer or disposition to the Secured Party of Indebtedness and other obligations of the Debtor to one or more third parties, or otherwise,

the Debtor and the Secured Party hereby agree as follows:

1. Grant of Security Interests. The Debtor hereby assigns and pledges to

the Secured Party, and its successors and assigns, and grants to the Secured Party, and its successors and assigns, a perfected lien and security interest, prior to all other liens and security interests (except for Permitted Encumbrances, but only to the extent permitted by the Credit Agreement) and continues the grant of lien and security interest under the Prior Security Agreement, on and in, all of the Debtor's property described below, whether now owned or existing or hereafter acquired, arising or created, and all of the Debtor's rights, titles and interests in and to and relating to all such property, wherever located, and all products thereof and all proceeds derived therefrom (including, without limitation, proceeds of insurance):

(i) All of Debtor's Accounts (whether or not Qualified Accounts), Chattel Paper, Documents, Instruments, and Money, including without limitation all Special Collateral (as defined in Section 3(vii) hereof);

(ii) All of the Debtor's Equipment, Fixtures, Goods and Inventory (whether or not work-in-progress) and all accessories, accessions, attachments, modifications, parts, fittings and special tools thereto, thereof or therefor;

-2-

(iii) All of the Debtor's General Intangibles, including, without limitation, all of the Debtor's patents, trademarks, trade names, copyrights, franchises, licenses, royalty agreements, applications for any of the foregoing, goodwill, rights to require performance of others, choses in action, causes of action, corporate or other business records, inventions, designs, trade secrets, registrations, tax refund claims, computer programs, options, claims, going concern value, contract rights, customer lists, leases to which the Debtor is a party and any guarantee claim, security interests or other security held by or granted to the Debtor to secure payment by any party of a sum or debt owed to the Debtor or the rights of the Debtor as the consignor of Inventory;

(iv) To the extent the terms of an agreement of the Debtor with a third party permit, all of the rights of the Debtor to and under any and all royalty, licensing, franchise or know-how agreements to which the Debtor is a party;

(v) All money, residues and property of any kind of the Debtor now or at any time hereafter delivered to, or in the possession or under the control of, the Secured Party or an agent or a bailee of the Secured Party;

(vi) All accessories, accessions, attachments, modifications, parts, fittings and special tools to, of or for, and all substitutions, replacements, renewals, additions and improvements to, of or for any of the collateral listed in items (i) through (v) above;

(vii) All products and proceeds of any of the collateral listed in items (i) through (vi) above, including, without limitation, all proceeds of insurance policies insuring the aforesaid collateral and documents covering the aforesaid collateral, and all rents, revenues, issues, profits and proceeds arising from the sale, lease, license, encumbrance, collection or any other temporary or permanent disposition or encumbrance of such items (or any part thereof) or any interest therein, whether or not constituting "proceeds" as defined in the Uniform Commercial Code; and

(viii) All books, records, documents, ledger receipts and other information of the Debtor pertaining to any of the foregoing, including, without limitation, all customer lists, credit files, computer records, computer programs, storage media and computer software used or required in connection with the establishment, generation, processing, maintenance or storage of such

books, records or documents or otherwise used or acquired in connection with documenting information pertaining to any of the aforesaid collateral.

All of the Debtor's property described in items (i) through (viii) above, both inclusive, as well as all products and proceeds thereof and all of the Debtor's rights, titles and interests in and to and relating to all such property, whether now owned or existing or hereafter acquired or created, are hereinafter referred to collectively and individually as the "Collateral".

2. Representations and Warranties. The Debtor hereby represents and warrants to the Secured Party that:

-3-

(i) Title to Collateral. The Debtor has good title to all of its presently owned or existing Collateral, free and clear of all Encumbrances except for Permitted Encumbrances (but only to the extent permitted by the Credit Agreement). Each of the assignments, pledges liens and security interests made and granted hereby, when duly and properly perfected, will be liens and security interests prior to all other liens and security interests, and are not in any respect subject or subordinate to any other lien or security interest, except for the Permitted Encumbrances. Except for Permitted Encumbrances, the Debtor has not heretofore assigned or pledged, or granted any other lien or security interest upon or in, or otherwise assigned an Encumbrance in, any of the Collateral.

(ii) Authority. The Debtor has and has duly exercised all requisite right, power and authority to enter into this Security Agreement, and to assign and pledge, and to grant liens and security interests upon and in, the Collateral for the purposes set forth in this Security Agreement, and to carry out the transactions contemplated by this Security Agreement.

(iii) Chief Executive Office and Other Locations. The Debtor's chief executive office is as shown on Schedule 1 attached hereto and made a part hereof. All of the Debtor's other places of business are as shown on Schedule 1.

(iv) Records. The records relating to the Collateral in the possession of, or subject to the control of, the Debtor are kept at the Debtor's chief executive office as shown on Schedule 1 and at no other locations.

(v) Locations of Inventory. The Collateral which consists of Inventory is located only at those sites more fully described on Schedule 1 hereto.

(vi) Location of Equipment, Fixtures and Goods. The Collateral which consists of Equipment, Fixtures and Goods is located only at those sites more fully described on Schedule 1.

In determining which Accounts of the Debtor are Qualified Accounts and which Inventory of the Debtor is Qualified Inventory, the Secured Party may rely and shall be deemed to have relied on the representations and warranties with respect to the Collateral made by the Debtor herein, in any other Loan Document, or in any other schedule, report, certificate or other written document given by the Debtor to the Secured Party.

3. Covenants. The Debtor hereby covenants and agrees with the Secured Party that:

(i) Title to Collateral. The Debtor will be the sole legal and

beneficial owner of, and will have and maintain good and marketable title in and to, all of the Collateral hereafter acquired, created or arising, free and clear of all Encumbrances except Permitted

-4-

Encumbrances. At its expense, the Debtor shall generally warrant title to the Collateral and shall defend the Collateral and the rights, titles and interests of the Secured Party therein and thereto, against all claims and demands of any and all Persons. The Debtor shall not (A) grant, create, incur or permit to exist any Encumbrance on or in any of the Collateral, other than Permitted Encumbrances, (B) permit any of the Collateral to be levied upon under any legal process, (C) assign, transfer or otherwise dispose of any of the Collateral (except as otherwise may be permitted in the Credit Agreement), or (D) do, or permit to be done, anything that may impair the value of any of the Collateral or any of the liens and security interests granted or afforded by this Security Agreement. The Debtor shall promptly discharge any Encumbrance on any of the Collateral which is not specifically permitted to exist pursuant to the terms of this Security Agreement or any of the other Loan Documents.

(ii) Locations of Offices and Collateral.

(A) The Debtor will immediately advise the Secured Party in writing of any change or anticipated change in, or any additions to, the chief executive office and the other places of business of the Debtor listed on Schedule 1

hereto.

(B) The Debtor will not remove or permit the removal of any of the records relating to the Collateral from the locations shown on Schedule 1

without the prior written consent of the Secured Party.

(C) The Debtor will not remove or permit the removal of any of the Collateral which consists of Equipment, Fixtures and Goods from the locations shown on Schedule 1 without the prior written consent of the Secured Party,

except for disposition of assets in accordance with Section 6.8 of the Credit Agreement. The Debtor shall provide to the Secured Party promptly upon request adequate evidence that any removal of any such Collateral was permitted by such Section 6.8, and shall ensure that any replacement Equipment, Goods and Fixtures are free and clear of all Encumbrances, except for Permitted Encumbrances.

(iii) Changes to Chief Executive Office, Places of Business or Name

of Debtor. If the Debtor desires to make any change or addition to the

information set forth on Schedule 1 hereto, or to establish a new or additional

name in which it may invoice Account Debtors, maintain records concerning the Collateral, own Collateral or conduct its business, then the Debtor shall first, with respect to each such new or changed name or location:

(A) give the Secured Party at least 60 days' prior written notice of its intention to do so and provide the Secured Party with such information in connection therewith as the Secured Party may reasonably request; and

(B) take such action, satisfactory to the Secured Party, including without limitation all action required by Section 3(vii) hereof, as may be necessary in the

-5-

opinion of the Secured Party to maintain at all times the perfection and priority of the security interests granted to the Secured Party hereunder;

provided, however, that in all such cases such new or additional location must

be in the continental United States.

(iv) Covenants Relating to Accounts.

(A) The Debtor shall promptly deliver to the Secured Party from time to time any information relating to its Accounts, including without limitation the names and addresses of Account Debtors; the aging of such Accounts; the dates on which such Accounts first became due; the amounts of any offsets or claims of any Account Debtor and whether the Debtor disputes such claim or offset; copies of any documents, instruments, invoices and purchase orders; and all schedules, certifications and any reports or other information relating to the Debtor's Accounts all as the Secured Party may reasonably request from time to time, all of the foregoing to be in form and substance satisfactory to the Secured Party and in such detail as the Secured Party may reasonably request. The Debtor shall at all times and from time to time cooperate fully with the Secured Party and its employees, officers and authorized representatives in verifying any matter relating to any Account.

(B) The Debtor shall not invoice any Account Debtors or maintain the records of the Debtor relating to any Account, in any name other than the Debtor's proper corporate name and such new names as it may establish in accordance with Section 3(iii) above.

(C) The Debtor agrees that the Secured Party may at any time, without notice to the Debtor, verify with any Account Debtors the status of any Accounts payable by such Account Debtors. The Debtor shall, from time to time upon the reasonable request of the Secured Party, execute and deliver such information, documents and instruments, and take all such action as the Secured Party may reasonably request in order to effectuate the purposes of this paragraph (C).

(D) The Debtor shall promptly notify the Secured Party of any dispute (including without limitation any rejection or revocation of acceptance of goods) between the Debtor and any Account Debtor concerning any disputed amount in excess of \$200,000 due and owing under any Account, including the reason for the dispute, all claims related thereto and the amount in controversy. The Debtor will promptly notify the Secured Party if the Debtor has notice or knowledge of claims or material adverse changes which will or which Debtor reasonably believes may affect the ultimate collectibility of any or all of the Accounts of an Account Debtor, in an aggregate amount at any time in excess of \$500,000.

(E) To the extent that any applicable Governmental Rule, custom or any contract or agreement with any Account Debtor requires notice to or the consent of such

-6-

Account Debtor in order for the Secured Party to obtain a security interest in the Accounts of such Account Debtor, the Debtor agrees to promptly give such notice or obtain such consent.

(v) Covenants Relating to Inventory.

(A) The Debtor shall promptly deliver to the Secured Party from time to time any information relating to its Inventory, including without limitation the locations thereof; copies of any documents, instruments, invoices, purchase orders, shipping and receipt records and inventory logs; and all schedules, certifications and any reports or other information relating to the Debtor's Inventory as the Secured Party may reasonably request from time to time, all of the foregoing to be in form and substance satisfactory to the Secured Party and in such detail as the Secured Party may reasonably request. The Debtor shall, at all times and from time to time, cooperate fully with the Secured Party and its employees, officers and authorized representatives in verifying any matter relating to any Inventory.

(B) The Debtor will not remove or permit the removal of any Inventory from the locations shown on Schedule 1, except for the sale of Inventory in the

ordinary course of the Debtor's business. If the Debtor wishes to place or store Inventory at a location not now shown on Schedule 1, the Debtor must first

(1) give the Secured Party at least 30 days' written notice specifying the address of such new location, and (ii) if such location is leased by the Debtor as tenant, deliver to the Secured Party a Landlord's Waiver, in form and substance satisfactory to the Secured Party, executed by the landlord.

(C) The Debtor shall keep correct and accurate daily records of all Inventory on a first-in, first-out basis, itemizing and describing the kind, type, quality and quantity of Inventory, the Debtor's costs therefor, the selling prices thereof, and the daily withdrawals from and additions to Inventory. The Debtor shall conduct a physical inventory at least once each year, and shall deliver to the Secured Party a written report of such physical inventory within 30 days after the completion thereof.

(vi) Performance of Agreements. The Debtor shall abide by, perform

and discharge each and every obligation, covenant, condition, duty and agreement in connection with the Collateral contained herein or in any of the other Loan Documents.

(vii) Preservation of Security Interests. The Debtor will preserve

and protect the Secured Party's security interest in the Collateral. The Debtor will execute or join in the execution of, from time to time upon the request of the Secured Party, all financing statements, continuation statements and all other documents and instruments required by the Secured Party to evidence and perfect, and continue to evidence and perfect, all of the security interests granted herein or hereby, and the Debtor shall pay the cost of filing or recording such documents and instruments in all public offices where deemed necessary by the Secured Party. The Debtor will promptly furnish all documents of title, affidavits and other documents and instruments reasonably required by the Secured Party to further evidence or to perfect the liens and security interests granted herein or hereby. To the extent controllable by the Debtor, the

-7-

Debtor will, at its own cost and expense, cause such security interests as are governed by the Uniform Commercial Code to be perfected and to continue to be perfected so long as the Obligations or any portion thereof is outstanding and unpaid, or the Revolving Credit Commitment is in effect and, upon the request of the Secured Party, the Debtor will, at its own cost and expense, cause such liens and security interests as are governed by Governmental Rules other than the Uniform Commercial Code, except for trademarks, to be perfected and to continue to be perfected so long as the Obligations or any portion thereof is outstanding and unpaid or the Revolving Credit Commitment is in effect. Immediately upon the Debtor's receipt of any portion of the Collateral which itself, or the ownership of which, is or becomes evidenced by an agreement, Instrument, Document or other writing (including but not limited to promissory notes, documents of title, trade acceptances and warehouse receipts, all of which are herein referred to collectively as the "Special Collateral"), the Debtor shall deliver the original thereof to the Secured Party, together with appropriate endorsements or other specific evidence, in form and substance acceptable to the Secured Party, of the assignment thereof to the Secured Party.

(viii) Books and Records; Notices and Other Information; Inspection.

The Debtor will at all times keep, or cause to be kept, accurate and complete books and records relating to the Collateral. The Debtor hereby agrees that the Secured Party, or any of its officers, employees and authorized representatives, shall have the right to inspect the Collateral and make extracts from the books and records relating to the Collateral from time to time during normal business hours. The Debtor shall promptly furnish or cause to be furnished to the Secured Party such data and information and copies of such papers and documents relating to the Collateral as the Secured Party may request from time to time and in such form and substance as may be requested by the Secured Party from time to time, shall have access to any premises where any of the Collateral is located, and shall have the right, at any time, to discuss the Collateral with any employee, officer, attorney, accountant, Account Debtor or creditor of the Debtor. The Debtor will promptly deliver to the Secured Party all written notices, and will promptly give the Secured Party written notice of any other notices, received by it with respect to the impairment of the lien of the Secured Party in the Collateral.

(ix) Cooperation Upon Event of Default. To assist the Secured Party

in enforcing its rights and remedies hereunder, upon the request of the Secured Party made from time to time after the occurrence of an Event of Default, the Debtor will, at its expense (A) assemble and prepare for removal at and to

places designated by the Secured Party such items of Collateral selected by the Secured Party, and (B) otherwise cooperate fully with the Secured Party in all respects so that the Secured Party can effectively exercise its rights and remedies hereunder.

4. Actions Upon Occurrence of Event of Default. Upon the occurrence of an Event of Default, the Obligations hereby secured, without further demand or notice by the Secured Party, may or shall become at once due and payable, in accordance with the terms of the Credit Agreement, and the Secured Party shall have the right, at its option at any time and

-8-

from time to time, without notice to the Debtor, which notice is hereby expressly waived by the Debtor, to:

(i) exercise any or all of the rights and remedies afforded by the Uniform Commercial Code or other applicable law as in effect;

(ii) exercise any or all of the rights and remedies as are provided herein, in the Credit Agreement or any other Loan Document;

(iii) administer the Collateral and the proceeds thereof;

(iv) send verifications to any Account Debtors to verify the status of any Account payable by such Account Debtors and to sign the name of the Debtor, the Secured Party or the Secured Party's designee to all audit inquiries made of Account Debtors, to all information release authorizations in connection therewith, to all applications for documents of title, title certificates and similar documents, to any notice of claim, satisfaction or release in connection with an Account, and to any proof of claim in bankruptcy or any similar document;

(v) take over and direct collection of the Debtor's Accounts and the proceeds thereof;

(vi) give notice of the Secured Party's security interest in the Accounts and the proceeds thereof to the Account Debtors (and the Secured Party will have no liability to the Debtor by reason of giving or not giving such notice);

(vii) receive and endorse the name of the Debtor upon any notes, checks, acceptances, drafts, money orders, instruments or other documents relating to the Collateral and effect the deposit and collection thereof for the sole use and benefit of the Secured Party;

(viii) sign the name of the Debtor to drafts against the Account Debtors, to notices to such Account Debtors, to assignments and notices of assignments, to financing statements or other public records or notices and to all other instruments and documents, and all amendments and modifications thereof and supplements thereto;

(ix) receive, open and dispose of mail addressed to the Debtor and in connection therewith, execute and deliver notices and documents of suit and authorizations, in the name of the Debtor or the Secured Party, as the United States Postal Service or other agency may require;

(x) direct the Account Debtors to make payments of all monies paid or payable thereon directly to the Secured Party or to a lockbox designated by the Secured Party (and, at the request of the Secured Party, the Debtor shall indicate on all billings that payments thereon are to be made to the Secured Party) and give any Account Debtors so notified and

-9-

directed the receipt of the Secured Party for any such payment as full release for the amount so paid;

(xi) enforce collection, either in the name of the Secured Party or in the name of the Debtor, of any or all of the Accounts and the proceeds thereof by suit or otherwise, or receive, give receipt for, surrender, release or exchange all or any part thereof, or compromise, settle, extend or renew

(whether or not longer than the original period) any Account or any legal action involving an Account and, if permitted by applicable Governmental Rules, sell or assign any or all of the Accounts upon such terms, for such amounts and at such time or times as the Secured Party deems advisable;

(xii) endorse in the name of the Debtor any instrument, including but not limited to bills of lading, receipts or freight items, however received by the Secured Party, representing Collateral or proceeds of any of the Collateral;

(xiii) enter any premises where Collateral is located, without judicial process, and take possession and control of the Collateral; and keep and store the Collateral on such premises until sold (and if such premises are the property of the Debtor, the Debtor agrees not to charge the Secured Party for storage thereof during the period the Secured Party is exercising its rights with respect to the Collateral under the Uniform Commercial Code, this Security Agreement or any other Loan Document) or remove the Collateral from such premises to the premises of the Secured Party or an agent of the Secured Party until sold;

(xiv) sell all or any portion of the Collateral at public or private sale at such place or places and at such time or times and in such manner and upon such terms, whether for cash or credit, as the Secured Party in its sole discretion may determine and the Secured Party may purchase all or any of the Collateral at such public sale or sales, and, to the extent permitted by applicable Governmental Rules, any such private sale or sales, free from any equity or right of redemption and the Debtor waives and releases any right to require the Secured Party to collect the Obligations or any part thereof, from a source or security other than the Collateral, under any theory of marshalling of assets or otherwise;

(xv) do any and all other things and to take any and all other action, in the name and on behalf of the Debtor, which the Secured Party may deem in its sole discretion necessary or advisable to carry out the intent of this Security Agreement and the Credit Agreement, including, without limitation, the grant of the liens and security interests created hereby and the perfection, continuation and protection of the liens and security interests created hereby and the exercise by the Secured Party of the rights created under this Security Agreement; and

(xvi) do all acts and things permitted by applicable Governmental Rules which the Secured Party, in its sole discretion, deems necessary or advisable to fulfill or cause the fulfillment of the Debtor's obligations hereunder and under the Credit Agreement and the other Loan Documents.

-10-

Any requirement of any applicable Governmental Rule as to reasonable notification of the time and place of any public sale, or of the time after which any private sale or other intended disposition of the Collateral is to be made, shall be met by giving the Debtor at least ten days' prior written notice of the time and place of any such public sale or the time after which any such private sale or any other intended disposition is to be made. Any notice sent by the Secured Party pursuant to this Section 4 may at the Secured Party's sole option be sent on the Debtor's stationery, in which case the Debtor shall co-sign such notice with the Secured Party.

5. Power of Attorney. The Debtor hereby makes, constitutes and appoints

the Secured Party and any of its officers, directors, employees and authorized agents the true and lawful agent and attorney-in-fact of the Debtor, with full power of substitution, to take any and all of the actions described in Section 4 hereof. The Debtor agrees that neither the Secured Party nor any of its agents, designees or attorneys-in-fact will be liable for any acts of commission or omission, or for any error of judgment or mistake of fact or law in respect to the exercise of the power of attorney granted under this section, except that the Secured Party shall be liable for the acts of commission or omission of the Secured Party, its agents, designees and attorneys-in-fact that amount to (and, if contested or disputed by the Secured Party, are determined, by agreement or settlement between the Secured Party and the Debtor, or by a final judgment (including all appeals thereof) of a court or courts of competent jurisdiction, to be or constitute) gross negligence or willful misconduct. The power of attorney granted under this section is coupled with an interest and shall be irrevocable until all Obligations secured hereby are paid in full and until the Revolving Credit Commitment is terminated.

6. Maintenance of Properties; Insurance.

(i) Maintenance of Properties. If the Debtor fails to comply with the

provisions of Section 5.8 of the Credit Agreement relating to maintenance of its properties, the Secured Party may, but shall not be obligated to, pay the cost of any repairs to or maintenance of the Equipment and Fixtures, and may, but shall not be obligated to, pay any taxes, levies or impositions relative to the Collateral, for the account of the Debtor and add the amounts of all of the foregoing to the Obligations.

(ii) Insurance. If the Debtor fails to effect and keep in force

insurance covering the Collateral as required by Section 5.7 of the Credit Agreement or fails to pay any of the premiums thereon when due, the Secured Party may, but shall not be obligated to, do so for the account of the Debtor and add the cost thereof to the Obligations. The Debtor hereby assigns and sets over to the Secured Party all monies which may become payable on account of all insurance covering the Collateral, including without limitation any return of unearned premiums which may be due upon cancellation of any such insurance. The Secured Party, its officers, directors, employees and authorized agents, are hereby irrevocably appointed the attorneys-in-fact of the Debtor to endorse any draft or check that may be payable to the Debtor

-11-

in order to collect the proceeds of such insurance or any return of unearned premiums. So long as any Obligations remain outstanding or the Revolving Credit Commitment remains in effect, any such proceeds or returns of unearned premiums shall be applied by the Secured Party to the payment of the Obligations at the Secured Party's discretion. Any balance of insurance proceeds remaining in the possession of the Secured Party after payment in full of the Obligations shall be paid to the Debtor or its order as the Debtor shall instruct the Secured Party in writing.

7. Application of Proceeds. The Secured Party shall apply the proceeds

of any sale of or other disposition or realization upon the Collateral after the occurrence of an Event of Default as follows:

(i) First, to the payment or reimbursement of all reasonable advances,

expenses and disbursements of the Secured Party (including, without limitation, the fees and disbursements of its counsel and agents) incurred in connection with the administration and enforcement of, or the preservation of any of the Secured Party's rights and security interests in and under the Credit Agreement, this Security Agreement or any other Loan Document or the acquisition, completion, protection, removal, storage, sale or delivery of the Collateral;

(ii) Second, to the repayment of the Obligations, whether for

principal, interest or expenses, as the Secured Party, in its sole discretion, shall determine; and

(iii) Third, any balance to be distributed as required by law.

In no event shall the Secured Party be liable to the Debtor for interest on any surplus. If the proceeds of any such sale of or other disposition or realization upon the Collateral are insufficient to pay the Obligations, then the Debtor shall remain liable for such deficiency.

8. Preservation of Collateral. The Debtor assumes full responsibility

for taking any and all steps to preserve the Collateral. The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of such of the Collateral as may be in the Secured Party's possession if the Secured Party takes such action for that purpose as the Debtor shall request in writing, provided that such requested action shall not, in the

judgment of the Secured Party, be commercially unreasonable or impair the Secured Party's security interest in such Collateral, or its rights in or the

value of such Collateral, and provided further that such written request is

received by the Secured Party in sufficient time to permit the Secured Party to
take the requested action.

9. Obligations Regarding Collateral Unaffected. This Security Agreement

is executed only as security for the Obligations hereby secured and, therefore,
the execution and delivery of this Security Agreement shall not subject the
Secured Party, or transfer or pass to the Secured Party, or in any way affect or
modify, the liability of the Debtor under any or all of the Collateral; it being
understood and agreed that notwithstanding this Security Agreement

-12-

or any subsequent Security Agreement, all of the duties and liabilities of the
Debtor to each and every other party under each and every item of the Collateral
shall be and remain enforceable by such other party, its successors and assigns,
against, but only against, the Debtor or the Debtor's successors and assigns
other than the Secured Party or the Secured Party's representatives, successors
and assigns.

10. Defeasance. Upon the full discharge and satisfaction of the

Obligations and the termination of the Revolving Credit Commitment, all rights
herein assigned to the Secured Party shall terminate, and all estate, right,
title and interest of the Secured Party in and to each and every one of the
items of Collateral shall revert to the Debtor. The Secured Party shall file
all requisite termination statements and do all such other acts as are
reasonably required of it to evidence the termination of the security interest
granted hereby.

11. Defined Terms. All capitalized terms used herein as defined terms

which are not defined herein but which are defined in the Credit Agreement shall
have the same meanings herein as are given them in the Credit Agreement.

12. Secured Party's Ability to Deal with Security. The Secured Party may

have or in the future may hold other security and/or guaranties to secure all or
any part of the Obligations, but it is specifically understood and agreed by the
Debtor that neither the execution and delivery of this Security Agreement nor
the holding of any other security and/or guaranty shall at any time or in any
respect operate to prevent or hinder the Secured Party from resorting first to
such other security and/or guaranty or first to the Collateral, or first from
time to time to all or any of the foregoing. In addition, the Secured Party may
from time to time as it sees fit, in its sole and uncontrolled discretion,
resort to all or any part of the Collateral, without resorting to all or any
other security and/or guaranty securing the Obligations, or to all or any part
of any other security and/or guaranty securing the Obligations, without
resorting to all or any part of the Collateral, and such action on the part of
the Secured Party shall not in any respect be considered as a waiver of any of
the benefits or rights of the Secured Party relating to the Collateral or such
other security and/or guaranties.

13. Amendments and Waivers. The Secured Party and the Debtor may from

time to time enter into amendments, extensions, supplements and replacements to
and of this Security Agreement, and the Secured Party may from time to time
waive compliance with a provision hereof. No amendment, extension, supplement,
replacement or waiver shall be effective unless it is in writing and is signed
by the Secured Party and the Debtor. All waivers shall be effective only for
the specific instance and for the specific purpose for which it is given.

14. Exercise of Remedies; Remedies Cumulative. No delay on the part of

the Secured Party or failure by the Secured Party to exercise any power, right
or remedy under this Security Agreement shall operate as a waiver hereof, nor
shall any single or partial exercise of any power, right or remedy or any
abandonment or discontinuance of steps to

-13-

enforce such right, power or remedy preclude other or further exercises thereof, or the exercise of any other power, right or remedy. The rights and remedies in this Security Agreement are cumulative and not exclusive of any rights or remedies (including, without limitation, the right of specific performance) which the Secured Party would otherwise have.

15. Taxes. The Debtor shall pay to the Secured Party on demand any and -----
all stamp, document, transfer or recording taxes, filing fees and similar impositions payable or hereafter reasonably determined by the Secured Party to be payable in connection with this Security Agreement and any other documents, instruments and transactions pursuant to or in connection with any of the Loan Documents. The Debtor agrees to save the Secured Party harmless from and against any and all present and future claims or liabilities with respect to, or resulting from, any delay in paying or failure to pay any such taxes or similar impositions. The obligations of the Debtor pursuant to this Section 15 shall survive the termination of this Security Agreement and the repayment of the Obligations, and shall be part of the Obligations.

16. Expenses. The Debtor shall pay to the Secured Party on demand all -----
reasonable expenses incurred by the Secured Party from time to time, including but not limited to reasonable attorneys' fees and expenses, incurred in protecting the Collateral and the Secured Party's rights therein and in enforcing the rights and remedies of the Secured Party hereunder, together with interest thereon calculated at the Default Rate if any such amount is not paid upon demand. The obligations of the Debtor pursuant to this Section 16 shall survive the termination of this Security Agreement and the repayment of the Obligations, and shall be part of the Obligations secured hereby.

17. Notices. All notices required to be delivered pursuant to this -----
Security Agreement shall be in writing and shall be sent to the parties hereto in accordance with Section 9.4 of the Credit Agreement.

18. Successors and Assigns. This Security Agreement shall be binding upon -----
the Debtor and the Secured Party and their respective successors and assigns, and shall inure to the benefit of the Debtor, the Secured Party and their respective successors and assigns; provided, however, that the Debtor shall not -----
assign its rights or duties hereunder or under any of the other Loan Documents without the prior written consent of the Secured Party.

19. Severability. Any provision of this Security Agreement which is -----
prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or enforceability without invalidating the remaining portions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

20. Survival. All representations, warranties, covenants and agreements -----
of the Debtor contained herein or in the other Loan Documents or made in writing in connection herewith shall survive the issuance of the Note and shall continue in full force and effect so long as the Debtor may borrow under the Credit Agreement and so long thereafter until payment in full of the Note and the Obligations is made.

-14-

21. GOVERNING LAW. THIS SECURITY AGREEMENT SHALL BE GOVERNED BY AND -----
CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, WITHOUT REGARD TO THE PRINCIPLES THEREOF REGARDING CONFLICT OF LAWS, EXCEPTING APPLICABLE FEDERAL LAW AND EXCEPT ONLY TO THE EXTENT PRECLUDED BY THE MANDATORY APPLICATION OF THE LAW OF ANOTHER JURISDICTION.

22. FORUM. THE PARTIES HERETO AGREE THAT ANY ACTION OR PROCEEDING ARISING -----
OUT OF OR RELATING TO THIS SECURITY AGREEMENT MAY BE COMMENCED IN THE COURT OF COMMON PLEAS OF ALLEGHENY COUNTY, PENNSYLVANIA OR IN THE DISTRICT COURT OF THE UNITED STATES FOR THE WESTERN DISTRICT OF PENNSYLVANIA AND THE PARTIES HERETO AGREE THAT A SUMMONS AND COMPLAINT COMMENCING AN ACTION OR PROCEEDING IN EITHER

OF SUCH COURTS SHALL BE PROPERLY SERVED AND SHALL CONFER PERSONAL JURISDICTION IF SERVED PERSONALLY OR BY CERTIFIED MAIL TO THE PARTIES AT THEIR ADDRESSES DESCRIBED IN SECTION 17, OR AS OTHERWISE PROVIDED UNDER THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA. FURTHER, THE DEBTOR HEREBY SPECIFICALLY CONSENTS TO THE PERSONAL JURISDICTION OF THE COURT OF COMMON PLEAS OF ALLEGHENY COUNTY, PENNSYLVANIA AND THE DISTRICT COURT OF THE UNITED STATES FOR THE WESTERN DISTRICT OF PENNSYLVANIA SITTING IN PITTSBURGH, PENNSYLVANIA AND WAIVES AND HEREBY ACKNOWLEDGES THAT IT IS ESTOPPED FROM RAISING ANY OBJECTION BASED ON

FORUM NON CONVENIENS, ANY CLAIM THAT EITHER SUCH COURT LACKS PROPER VENUE OR ANY
- - - - -

CLAIM THAT EITHER SUCH COURT LACKS PERSONAL JURISDICTION OVER THE DEBTOR SO AS TO PROHIBIT EITHER SUCH COURT FROM ADJUDICATING ANY ISSUES RAISED IN A COMPLAINT FILED WITH EITHER SUCH COURT AGAINST THE DEBTOR BY THE SECURED PARTY CONCERNING THIS SECURITY AGREEMENT OR PAYMENT TO THE SECURED PARTY. THE DEBTOR HEREBY ACKNOWLEDGES AND AGREES THAT THE EXCLUSIVE CHOICE OF FORUM CONTAINED IN THIS SECTION SHALL NOT BE DEEMED TO PRECLUDE THE ENFORCEMENT OF ANY JUDGMENT OBTAINED IN SUCH FORUM OR THE TAKING OF ANY ACTION UNDER THE LOAN DOCUMENTS TO ENFORCE THE SAME IN ANY APPROPRIATE JURISDICTION.

23. Construction. In this Security Agreement (except as otherwise

expressly provided or unless the context otherwise requires), (i) the singular shall include the plural, and vice-versa, (ii) the masculine and feminine genders shall include the neuter gender, and vice-versa, (iii) the words "hereof", "herein" and "hereunder" and words of similar import shall refer to this Security Agreement as a whole and not to any particular provision of this Security Agreement and (iv) all references to particular Sections, items, clauses, exhibits and

-15-

schedules are references to the Sections, items, clauses, exhibits and schedules of and to this Security Agreement.

24. Integration. This Security Agreement is the entire agreement between

the parties relating to this security transaction and it supersedes all prior understandings and agreements, whether written or oral, between the parties hereto relating to the transactions provided for herein.

25. Headings. Section headings used in this Security Agreement are

intended for convenience only and shall not affect the meaning or construction of this Security Agreement.

26. Counterparts. This Security Agreement and any amendment hereto may be

executed in several counterparts and by each party on a separate counterpart, each of which, when so executed and delivered, shall be an original, but all of which together shall constitute but one and the same instrument. In proving this Security Agreement or any amendment hereto, it shall not be necessary to produce or account for more than one such counterpart signed by the other party against whom enforcement is sought.

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-16-

27. WAIVER OF JURY TRIAL. IN ORDER TO EXPEDITE THE RESOLUTION OF ANY

DISPUTES WHICH MAY ARISE UNDER THIS SECURITY AGREEMENT, AND IN LIGHT OF THE COMPLEXITY OF THE TRANSACTIONS CONTEMPLATED UNDER THIS SECURITY AGREEMENT, THE PARTIES HERETO WAIVE THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING OF ANY KIND OR NATURE IN ANY COURT TO WHICH THEY MAY BOTH BE PARTIES, WHETHER ARISING OUT OF, UNDER OR BY REASON OF THIS SECURITY AGREEMENT OR OTHER TRANSACTION BETWEEN THEM OF ANY KIND OR NATURE, AND BOTH PARTIES ACKNOWLEDGE THAT SUCH WAIVER HAS BEEN SPECIFICALLY NEGOTIATED AS PART OF THIS SECURITY AGREEMENT.

IN WITNESS WHEREOF, the parties hereto, with the intent to be legally bound hereby, have caused this Security Agreement and Collateral Assignment to be executed by their respective duly authorized officers as of the date first

written above.

UNIVERSAL STAINLESS & ALLOY
PRODUCTS, INC.

/s/ Richard M. Ubinger
By _____

Richard M. Ubinger
Name: _____

CFO/Treasurer
Title: _____

PNC BANK, NATIONAL ASSOCIATION

/s/ Mark W. Rutherford
By _____

Mark W. Rutherford
Name: _____

Vice President
Title: _____

BF 78057.4 1/28/98
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-17-

ACKNOWLEDGEMENT

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF ALLEGHENY)

On this the 30th day of January, 1998, before me, a Notary Public, personally appeared Richard M. Ubinger, who acknowledged himself to be the CFO/Treasurer of UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC., a Delaware corporation, and that he as such CFO/Treasurer, being authorized to do so, executed the foregoing Security Agreement and Collateral Assignment for the purposes therein contained by signing the name of the corporation by himself as such CFO/Treasurer.

IN WITNESS WHEREOF, I hereunto set my hand and official seal the day and year first above written.

/s/ Sharon M. Ennis

Notary Public

My Commission Expires: September 10, 2001

BF 78057.4 1/28/98
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-18-

Schedule 1

- 1. Debtor's chief executive office:
600 Mayer Street

Bridgeville, PA 15017

2. Debtor's other places of business:

121 Caldwell Street
Titusville, PA 16354

3. Locations of Debtor's Inventory:

- a) 600 Mayer Street
Bridgeville, PA 15017
- b) International Titanium Corp.
Front Street
Fallston, PA 15066
- c) Tygart Steel Co.
P.O. Box 276
McKeesport, PA 15134
- d) Copperweld Steel Co.
4000 Mahoning Avenue
Warren, OH 44483
- e) Armco Stainless & Alloy Products
3501 East Biddle Street
Baltimore, MD 21203
- f) Rome Metals
P.O. Box 106
Rochester, PA 15074
- g) DME Co.
Hills Street Ext.
Youngwood, PA 15697

-19-

- h) T. Bruce Campbell
P.O. Box 235
West Middlesex, PA 16159
- i) Grand Valley Manufacturing Co.
220 South Washington Street
Titusville, PA 16354
- j) J&J Forge Co.
500 Woodlawn Drive
Aliquippa, PA 15001
- k) Ionics, Inc.
P.O. Box 99
Bridgeville, PA 15017
- l) Kreher Steel Company
11625 Rosslyn
Houston, Texas 77086

4. Locations of Debtor's Equipment, Fixtures and Goods:

600 Mayer Street
Bridgeville, PA 15017

121 Caldwell Street
Titusville, PA 16354

BF 78057.4 1/28/98
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-20-

TERM NOTE

\$15,000,000

Pittsburgh, Pennsylvania
January 30, 1998

THIS TERM NOTE (this Term Note, together with all extensions, renewals, amendments, substitutions and replacements hereto and hereof, is hereinafter referred to as this "Term Note") is executed and delivered under and pursuant to the terms of that certain Second Amended and Restated Credit Agreement dated as of even date herewith (the Second Amended and Restated Credit Agreement, together with all exhibits, schedules, amendments, extensions, renewals, substitutions and replacements thereto and thereof is hereinafter referred to as the "Credit Agreement") by and between UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC. (the "Borrower") and PNC BANK, NATIONAL ASSOCIATION (the "Bank").

FOR VALUE RECEIVED the Borrower promises to pay to the order of the Bank at the Bank's principal office at One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222 the lesser of (i) FIFTEEN MILLION DOLLARS (\$15,000,000.00) or (ii) the aggregate unpaid principal amount of all disbursements made by the Bank under the Term Loan Commitment on the opening of business on January 1, 1999, all as more fully defined by and set forth in Section 2.2 of the Credit Agreement.

The outstanding principal balance hereunder shall be repaid in twenty-eight (28) consecutive quarterly installments beginning March 31, 1999 and continuing thereafter on the last day of each June, September, December and March to and including the Term Loan Maturity Date. Each of the first twenty-four (24) quarterly installments will be in an amount equal to three and one-half percent (3.5%) of the principal balance of the Term Loan at the opening of business on January 1, 1999. Each of the twenty-fifth through twenty-eighth quarterly installments will be in an amount equal to four percent (4%) of the principal balance of the Term Loan at the opening of business on January 1, 1999. In addition, the outstanding principal balance hereunder may be subject to mandatory or voluntary prepayments, all as more fully set forth in section 2.2d of the Credit Agreement.

Interest on the unpaid principal balance hereof shall be due and payable and shall be calculated in accordance with the terms of the Credit Agreement. The interest rate will be adjusted, when necessary and if appropriate, in accordance with the terms of the Credit Agreement. Interest payments shall be made at the office of the Bank set forth above.

This Term Note is the Term Note referred to in the Credit Agreement. Reference is made to the Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof. All of the terms, conditions, covenants, representations and warranties of the Credit Agreement are incorporated herein by reference as if same were more fully set forth at length herein. All capitalized terms used herein as defined terms which are not defined herein but which are defined in the Credit Agreement shall have the same meanings herein as are given to them in the Credit Agreement.

EXHIBIT C

Upon the occurrence of any Event of Default specified in the Credit Agreement, the principal hereof and accrued interest hereon may become forthwith due and payable, all as more fully provided in the Credit Agreement.

Demand, presentation, protest and notice of dishonor are hereby waived.

POWER TO CONFESS JUDGMENT The Borrower hereby empowers any attorney of any

court of record within the Commonwealth of Pennsylvania, after the occurrence of any Event of Default, to appear for the Borrower and, with or without complaint filed, confess judgment, or a series of judgments, against the Borrower in favor of the Bank or any holder hereof for the entire principal balance of this Term Note and all accrued interest, together with costs of suit and an attorney's commission of the greater of 5% of such principal and interest or \$1,000 added as a reasonable attorney's fee, and for doing so, this Term Note or a copy

verified by affidavit shall be a sufficient warrant. The Borrower hereby forever waives and releases all errors in said proceedings and all rights of appeal and all relief from any and all appraisal, stay or exemption laws of any state now in force or hereafter enacted. Interest on any such judgment shall accrue at the Default Rate.

No single exercise of the foregoing power to confess judgment, or a series of judgments, shall be deemed to exhaust the power, whether or not any such exercise shall be held by any court to be invalid, voidable, or void, but the power shall continue undiminished and it may be exercised from time to time as often as the Bank shall elect until such time as the Bank shall have received payment in full of the debt, interest and costs.

Upon the Borrower's payment in full of all amounts due by the Borrower to the Bank hereunder, and upon the Borrower's full discharge and satisfaction of all of the other Obligations under the Credit Agreement, the Bank shall mark this Term Note "PAID" and return it to the Borrower.

IN WITNESS WHEREOF, the Borrower, with the intent to be legally bound hereby, has caused this Term Note to be executed by its duly authorized officers as of the date first written above.

ATTEST:

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

/s/ Paul A. McGrath

/s/ Richard M. Ubinger

(SEAL)

Name: Paul A. McGrath
Title: Director Employee Relations/
General Counsel

Name: Richard M. Ubinger
Title: CFO/Treasurer

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LANDLORD'S WAIVER

WHEREAS, ARMCO, INC., ("Landlord"), is the owner of certain real estate located at 600 Mayer Road, Bridgeville, PA 15107 (the "Premises"), which Premises are presently leased to UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC. (the tenant under such lease and referred to hereinafter as the "Tenant"), pursuant to a lease dated as of August 15, 1994 (said lease, together with all amendments, extensions, renewals, substitutions and replacements thereof or thereto, the "Lease"); and

WHEREAS, PNC Bank, National Association (together with its successors and assigns, the "Bank") has agreed to make certain credit facilities available to the Tenant pursuant to that certain Second Amended and Restated Credit Agreement dated as of January 30, 1998 by and between the Tenant and the Bank (the Second Amended and Restated Credit Agreement, together with all exhibits, schedules, amendments, extensions, renewals, substitutions and replacements thereto and thereof is hereinafter referred to as the "Credit Agreement") and in connection therewith, the Tenant is required to grant liens and security interests to the Bank in all of its tangible and intangible property, including but not limited to all of its general intangibles, goods, chattel paper, documents, instruments, accounts, equipment, fixtures and inventory, and all additions, replacements, improvements and renewals thereto, and all accessions, parts, accessories and appurtenances related thereto, and all products and proceeds thereof (collectively the "Collateral"); and

WHEREAS, the Bank is willing to extend credit to the Tenant only if the Landlord subordinates and waives as to the Bank any statutory or contractual lien the Landlord may now have or hereafter acquire with respect to said Collateral.

NOW, THEREFORE, in consideration of the premises (each of which is incorporated herein by reference) and the mutual promises contained herein and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and with the intent to be legally bound hereby, the Landlord agrees as follows:

1. The Landlord agrees that any and all liens (both statutory and contractual), arising under or by virtue of the Lease, including, but not limited to, the right to levy, distrain, sue, execute or sell for unpaid rent, which the Landlord now has or may hereafter acquire on, in or with respect to any or all of the Collateral shall be subordinate and inferior to the liens and security interests in or with respect to any or all of the Collateral in favor of the Bank. Until the Bank shall be paid in full for the monies owed it by the Tenant and the Credit Agreement terminated, the Landlord hereby waives any right the Landlord might otherwise have to subrogation to the right of the Bank or to the marshalling of the Tenant's assets.

2. The Landlord agrees that all Collateral now or hereafter pledged to the Bank or in which the Bank has or is granted a lien or security interest shall, at all times, be

EXHIBIT G

considered to be personal property and shall not constitute fixtures or become a part of the Premises, so long as any monies are owing to the Bank by the Tenant.

3. The Landlord agrees that the Bank, through its authorized agents or representatives, upon the occurrence of an Event of Default under the Credit Agreement, may enter upon the Premises, and any other premises of the Landlord where any of the Collateral may be found, at any time and from time to time, for purposes of removing any or all of the Collateral and/or conducting on the Premises a sale or sales of any or all of the Collateral, and the Bank shall have no obligation to the Landlord except the obligation to pay to the Landlord a rental for the Premises at a rate per month set forth in the Lease for the period beginning on the date the Bank notifies the Landlord of the Bank's intent

to enter upon the Premises and to possess the Collateral and ending on the date the Bank notifies Landlord that the Bank has completed its use of the Premises for the removal and/or sale or sales of the Collateral. The Landlord acknowledges that all Collateral removed from the Premises shall be free and clear of any lien, claim or interest of the Landlord.

4. The Landlord warrants that the Landlord is not aware of any facts indicating that the Lease is in default. The Landlord agrees to give the Bank written notice of the termination of the Lease or the occurrence of any event which itself or which, with the giving of notice or the passage of time or both, would constitute a default under the Lease or which otherwise would or could result in the creation of any right or remedy of the Landlord to terminate the Lease or any lease covering all or any part of the Premises or to accelerate any rent due thereunder or to take possession of the Premises or any or all of the Collateral. The Landlord will provide the Bank ten (10) business days prior written notice of the intention of the Landlord to file a notice of distraint. Any and each such notice shall be sent by the Landlord to the Bank, Attention: Mark W. Rutherford, Energy, Metals and Mining Segment, PNC Bank, National Association, One PNC Plaza, 2nd Floor, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707.

5. The Bank may at any time and from time to time, without affecting the validity or effect of this Landlord's Waiver, extend the terms of payment of any or all of the indebtedness of the Tenant to the Bank, or alter the performance of any of the terms and conditions of any agreement, document or instrument evidencing or securing any or all of such indebtedness, without the consent of the Landlord and without giving notice thereof to the Landlord. The Bank's failure to comply with the notice provisions of this paragraph shall not constitute a breach of any contract or otherwise subject the Bank to any liability.

6. THIS LANDLORD'S WAIVER SHALL BE CONSTRUED AND GOVERNED UNDER THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA. If any provision of this Landlord's Waiver shall be unenforceable under applicable law or under a holding of a court of competent jurisdiction, such provision shall be deemed ineffective and deleted to the extent of such unenforceability without affecting or impairing any other provision hereof.

-2-

7. The Landlord and the Tenant specifically acknowledge that by execution of this Landlord's Waiver they intend to create rights in favor of the Bank to enforce the terms of this Landlord's Waiver against the Landlord or the Tenant or both, and the Bank shall be justified in relying upon the terms and provisions of this Landlord's Waiver.

8. The benefits and burdens of this Landlord's Waiver shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto, and no other person, firm, corporation or entity shall have or acquire any right, benefit, interest or priority under, or as a result of the existence of, this Landlord's Waiver. The Landlord hereby agrees to make this Landlord's Waiver known to any transferee of the Premises and any person who may have or acquire any right or interest in the Premises.

9. This Landlord's Waiver may be executed in two or more counterparts, each of which when executed by the Tenant and the Landlord shall be regarded as an original; and all such counterparts shall constitute but one and the same instrument.

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-3-

IN WITNESS WHEREOF, the undersigned, with the intent to be legally bound hereby, have caused this Landlord's Waiver to be executed by their respective duly authorized officers as of the 30th day of January, 1998.

TENANT:

WITNESS:

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

/s/ Valorie P. Campbell

Name:

/s/ Paul A. McGrath
By:_____ (SEAL)

Paul A. McGrath
Name:_____

Director Employee Relations/
General Counsel
Title:_____

WITNESS:

PNC BANK, NATIONAL
ASSOCIATION

/s/ Valerie Pleczkowski

Name:

/s/ Mark W. Rutherford
By:_____ (SEAL)

Mark W. Rutherford
Name:_____

Vice President
Title:_____

LANDLORD:

WITNESS:

ARMCO, INC.

/s/ J.E. Wagner, Jr.

Name:

/s/ J. L. Bertsch
By:_____ (SEAL)

James L. Bertsch
Name:_____

Vice President
Title:_____

BF 78644.4 - 01/28/98
000011 - 016885

(Tenant)

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF ALLEGHENY)

On this, the 25th day of February, 1998, before me, the undersigned officer, personally appeared Paul A. McGrath, who acknowledged himself to be the Corporate Secretary/General Counsel of UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC., a Delaware corporation, and that he as such Corporate Secretary/General Counsel, being authorized to do so, executed the foregoing instrument for the purpose therein contained by signing the name of the Corporation by himself as Corporate Secretary/General Counsel.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

/s/ Sharon M. Ennis

Notary Public

My Commission Expires: September 10, 2001

BF 78644.4 - 01/28/98
000011 - 016885

(Bank)

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF ALLEGHENY)

On this, the 30th day of January, 1998, before me, the undersigned officer, personally appeared Mark W. Rutherford, who acknowledged himself to be a Vice President of PNC Bank, National Association, a national banking association, and that he as such officer, being authorized to do so, executed the foregoing instrument for the purpose therein contained by signing the name of the corporation by himself as Vice President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

/s/ Mary K. DiNardo

Notary Public

My Commission Expires: May 19, 2001

BF 78644.4 - 01/28/98
000011 - 016885

(Landlord)

STATE OF PENNSYLVANIA)
) SS:
COUNTY OF ALLEGHENY)

On this, the 20th day of February, 1998, before me, the undersigned officer, personally appeared James L. Bertsch, who acknowledged himself to be the Vice President of ARMCO, INC., and that he as such Vice President, being authorized to do so, executed the foregoing instrument for the purpose therein contained by signing the name of the corporation by himself as Vice President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

/s/ Janice L. Berger

Notary Public

My Commission Expires: July 4, 1998

BF 78644.4 01/28/98
000011 - 016885

SECOND AMENDMENT TO OPEN-END LEASEHOLD MORTGAGE,
COLLATERAL ASSIGNMENT AND SECURITY AGREEMENT

THIS SECOND AMENDMENT TO OPEN-END LEASEHOLD MORTGAGE, COLLATERAL ASSIGNMENT AND SECURITY AGREEMENT dated as of January 30, 1998 (hereinafter referred to as the "Second Amendment to Mortgage") is entered into by and between UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC., a Delaware corporation (the "Mortgagor") and PNC BANK, NATIONAL ASSOCIATION (the "Mortgagee"), and amends that certain First Amendment to Open-End Leasehold Mortgage, Collateral Assignment and Security Agreement dated January 31, 1996, entered into by and between the Mortgagor and the Mortgagee and recorded in the office of the Recorder of Deeds of Allegheny County, Pennsylvania on February 16, 1996 in Volume 15503 on page 150 (the "First Amendment to Mortgage"), which in turn amended that certain Open-End Leasehold Mortgage, Collateral Assignment and Security Agreement dated as of November 18, 1994, entered into by and between the Mortgagor and the Mortgagee and recorded in the office of the Recorder of Deeds of Allegheny County, Pennsylvania on November 23, 1994 in Volume 14601 on page 599 (the Open-End Leasehold Mortgage, Collateral Assignment and Security Agreement, as amended by the First Amendment to Mortgage and together with all extensions, renewals, amendments, substitutions, and replacements thereto and thereof, is hereinafter referred to as the "Original Mortgage").

WITNESSETH:

WHEREAS, the Mortgagee made a credit facility available to the Mortgagor, on November 18, 1994 in the principal amount of \$5,000,000 (the "Credit Agreement"), as evidenced by a Note dated November 18, 1994 executed by the Mortgagor in favor of the Mortgagee in the principal amount of \$5,000,000; and

WHEREAS, between November 18, 1994 and October 9, 1995 the Mortgagor and the Mortgagee had occasion to amend the Credit Agreement as evidenced by the first amendment thereto dated March 30, 1995, the second amendment thereto dated June 2, 1995, the third amendment thereto dated August 25, 1995, the fourth amendment thereto dated October 3, 1995, and the fifth amendment thereto dated October 9, 1995; and

WHEREAS, the Mortgagor and the Mortgagee amended and restated in its entirety the Credit Agreement pursuant to the Amended and Restated Credit Agreement between the Mortgagor and the Mortgagee dated January 31, 1996, as amended by that certain First Amendment to Amended and Restated Credit Agreement dated May 1, 1997 (the "First Amendment") (the Amended and Restated Credit Agreement, as amended by the First Amendment, and together with all exhibits and schedules thereto, is hereinafter referred to as the "Amended and Restated Credit Agreement");

EXHIBIT F-3

WHEREAS, the Mortgagor and the Mortgagee have agreed to amend and restate the Amended and Restated Credit Agreement in its entirety and have done so pursuant to the terms of that certain Second Amended and Restated Credit Agreement dated as of even date herewith (the Second Amended and Restated Credit Agreement, together with all exhibits and schedules thereto and all extensions, modifications, renewals, amendments, substitutions and replacements thereof, is hereinafter referred to as the "Second Amended and Restated Credit Agreement");

WHEREAS, to secure the extension of the credit facility, as set forth in the Second Amended and Restated Credit Agreement, the Mortgagee has requested that the Mortgagor execute and deliver or cause to be executed and delivered to the Mortgagee amendments to or restatements of the Security Documents previously executed in connection with the Credit Agreement and the Amended and Restated Credit Agreement and the Mortgagor has agreed to do so, including, but not limited to, this Second Amendment to Mortgage.

NOW THEREFORE, in consideration of the premises (each of which are hereby incorporated by reference and made a material part hereof), the mutual covenants and agreements contained herein and other valuable consideration, the receipt and adequacy of which are hereby acknowledged, and with the intent to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

AMENDMENTS TO THE ORIGINAL MORTGAGE

Section 1.01 Amendments to the Original Mortgage. The Original Mortgage is

hereby amended in the following respects:

(a) The recitals are hereby amended and restated in their entirety to read as follows:

WHEREAS, pursuant to that certain Second Amended and Restated Credit Agreement dated as of January 30, 1998, the Mortgagee has continued and expanded the credit facility established by the Mortgagee in favor of the Mortgagor by amending and restating in its entirety that certain Amended and Restated Credit Agreement dated as of January 31, 1996, as amended by that certain First Amendment to Amended and Restated Credit Agreement dated as of May 1, 1997, which, in turn, amended and restated in its entirety that certain credit agreement dated as of November 18, 1994, as amended by the first amendment thereto dated March 30, 1995, the second amendment thereto dated June 2, 1995, the third amendment thereto dated August 25, 1995, the fourth amendment thereto dated October 3, 1995, and the fifth amendment thereto dated October 9, 1995; and

-2-

WHEREAS, under the credit agreement dated November 18, 1994, the credit facility made available to the Mortgagor was in an aggregate principal amount not to exceed \$5,000,000.00, which limit was increased to \$6,500,000.00 by the first amendment thereto dated March 30, 1995; and

WHEREAS, pursuant to the terms of the Second Amended and Restated Credit Agreement, the Mortgagee has expanded the credit facility by making available to the Mortgagor, in addition to the \$6,500,000.00 Revolving Credit Commitment, a Term Loan Commitment in the amount of \$15,000,000.00; and

WHEREAS, the extensions of credit made pursuant to the Second Amended and Restated Credit Agreement are evidenced by a Second Amended and Restated Revolving Credit Note dated as of January 30, 1998 in the maximum aggregate principal amount of \$6,500,000.00 (the "Revolving Credit Note") and a Term Note in the maximum aggregate principal amount equal to the lesser of (i) \$15,000,000.00 or (ii) the aggregate unpaid principal amount of all disbursements made by the Bank under the Term Loan Commitment (the "Term Note") (the Revolving Credit Note and the Term Note are individually and collectively referred to herein as the "Note"); and

WHEREAS, the Mortgagee may issue from time to time letters of credit for the account of the Mortgagor (hereinafter referred to individually and collectively as the "Letters of Credit") in connection with and/or pursuant to certain applications for letters of credit and related Reimbursement Agreements executed by the Mortgagor pertaining to Letters of Credit (such applications for letters of credit and related Reimbursement Agreement are hereinafter referred to individually and collectively as the "Letter of Credit Agreements") in accordance with the terms of the Second Amended and Restated Credit Agreement (the Second Amended and Restated Credit Agreement is hereinafter referred to throughout the remainder of this Mortgage as the "Credit Agreement"); and

WHEREAS, the Mortgagor is the lessee of a certain tract or parcel of land situate in Allegheny County, Pennsylvania, as more fully described in Exhibit A attached hereto and made a part hereof, together with the

improvements now or hereafter erected thereon; and

WHEREAS, the Mortgagor has agreed to grant, bargain, sell, convey, assign, mortgage, pledge and otherwise transfer to Mortgagee, and to grant to Mortgagee a lien and security interest in, property of the Mortgagor to secure the payment and performance of the Obligations (as such term is defined in the Credit Agreement) of the Mortgagor, including but not limited to the

-3-

payment of the Note and the reimbursement obligations with respect to the Letter of Credit Agreements, if any; and

WHEREAS, the Mortgagor has good and marketable right, title and interest in and to all the leasehold estate and personal property which is subject to this Mortgage; and

WHEREAS, the Mortgagor's landlord is Armco, Inc. (the "Lessor") with whom the Mortgagor, in conjunction with this Mortgage, has entered into (i) the lease more fully described on Exhibit B attached hereto and made a part

hereof (the "Lease") and (ii) a landlord's waiver (the "Landlord's Waiver").

Section 1.02 No Other Amendments. The amendments to the Original Mortgage

set forth in Section 1.01 above do not either implicitly or explicitly alter, waive or amend, except as expressly provided in this Second Amendment to Mortgage, the provisions of the Original Mortgage. The amendments set forth in Section 1.01 hereof do not waive, now or in the future, compliance with any other covenant, term or condition to be performed or complied with nor do they impair any rights or remedies of the Mortgagee under the Original Mortgage, with respect to any such violation.

ARTICLE II

MORTGAGOR'S SUPPLEMENTAL REPRESENTATIONS

Section 2.01 Incorporation by Reference. As an inducement to the Mortgagee

to enter into this Second Amendment to Mortgage, the Mortgagor hereby repeats herein for the benefit of the Mortgagee the representations and warranties made by the Mortgagor in the Original Mortgage, as amended, except that for purposes hereof such representations and warranties shall be deemed to extend to and cover this Second Amendment to Mortgage.

ARTICLE III

GENERAL PROVISIONS

Section 3.01 Ratification of Terms. Except as expressly amended by this

Second Amendment to Mortgage, the Original Mortgage and each and every representation, warranty, covenant, term and condition contained therein is specifically ratified and confirmed. The Mortgagor and the Mortgagee agree that nothing contained in this Second Amendment to Mortgage shall be construed to extinguish, release, discharge or constitute a novation of, or an agreement to extinguish, the security interests and liens created by the Original Mortgage.

-4-

Section 3.02 References. All notices, communications, agreements,

certificates, documents or other instruments executed and delivered after the execution and delivery of this Second Amendment to Mortgage in connection with the Credit Agreement, the Amended and Restated Credit Agreement, the Second Amended and Restated Credit Agreement, and any of the other documents or instruments executed in connection therewith or the transactions contemplated thereby may refer to the Original Mortgage without making specific reference to

this Second Amendment to Mortgage, but nevertheless all such references shall include this Second Amendment to Mortgage unless the context requires otherwise. From and after the date hereof, all references in the Original Mortgage and each of the other documents and instruments executed in connection therewith to the Original Mortgage, in any manner, shall be deemed to be references to the Original Mortgage, as amended by the First Amendment to Mortgage and this Second Amendment to Mortgage.

Section 3.03 Capitalized Terms. Except for proper nouns and as otherwise defined herein, capitalized terms used herein as defined terms shall have the meanings ascribed to them in the Original Mortgage, as amended by the First Amendment to Mortgage and this Second Amendment to Mortgage or, to the extent not defined therein, such terms shall have the meanings ascribed to them in the Second Amended and Restated Credit Agreement.

Section 3.04 Taxes. The Mortgagor 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 to Mortgage and such other documents and instruments as are delivered in connection herewith and agrees to save the Mortgagee 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 3.05 Costs and Expenses. The Mortgagor will pay all costs and expenses of the Mortgagee in connection with the preparation, execution and delivery of this Second Amendment to Mortgage and the other documents, instruments and certificates delivered in connection herewith.

Section 3.06 Governing Law. THIS SECOND AMENDMENT TO MORTGAGE AND THE RIGHTS AND OBLIGATIONS HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA.

Section 3.07 Headings. The headings of the sections in this Second Amendment to Mortgage are for purposes of reference only and shall have no effect nor in any manner limit the meaning or construction of this Second Amendment to Mortgage.

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IN WITNESS WHEREOF, the Mortgagor, with the intent to be legally bound hereby, has caused this Second Amendment to Mortgage to be duly executed by its proper and duly authorized officer, as of the day and year first above written.

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

/s/ Paul A. McGrath By /s/ Richard M. Ubinger (SEAL)

Paul A. McGrath Name: Richard M. Ubinger

Director Employee Relations/General Counsel Title: CFO/Treasurer

CERTIFICATE OF RESIDENCE

I hereby certify that the precise address of the Mortgagee, PNC Bank, National

Association, herein is as follows: One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2702.

PNC BANK, NATIONAL ASSOCIATION

/s/ Mark W. Rutherford
By _____ (SEAL)

Mark W. Rutherford
Name: _____

Vice President
Title: _____

BF 78058.2 1/28/98
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-6-

CORPORATE ACKNOWLEDGEMENT

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF ALLEGHENY)

On this 30th day of January, 1998, before me, the undersigned Notary Public, personally appeared Richard M. Ubinger, the CFO/Treasurer of Universal Stainless & Alloy Products, Inc., and known to me to be the CFO/Treasurer of Universal Stainless & Alloy Products, Inc. who executed the Second Amendment to Open-End Leasehold Mortgage, Collateral Assignment and Security Agreement and acknowledged the Second Amendment to Open-End Leasehold Mortgage, Collateral Assignment and Security Agreement to be the free and voluntary act and deed of Universal Stainless & Alloy Products, Inc., by authority of its Board of Directors, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute this Second Amendment to Open-End Leasehold Mortgage, Collateral Assignment and Security Agreement and in fact executed the Second Amendment to Open-End Leasehold Mortgage, Collateral Assignment and Security Agreement on behalf of the Universal Stainless & Alloy Products, Inc.

/s/ Sharon M. Ennis

Notary Public

My Commission Expires: September 10, 2001

RECORDATION REQUESTED BY:
PNC Bank, National Association
One PNC Plaza
249 Fifth Avenue
Pittsburgh, Pennsylvania 15222-2702

MAIL TAX NOTICES TO:
Universal Stainless & Alloy
Products, Inc.
600 Mayer Street
Bridgeville, Pennsylvania 15107

WHEN RECORDED MAIL TO:

Henry S. Pool, Esq.
Tucker Arensberg, P.C.
1500 One PPG Place
Pittsburgh, PA 15222

BF 78058.2 1/28/98
000011 012932

SECOND AMENDED AND RESTATED
REVOLVING CREDIT NOTE

\$6,500,000

Pittsburgh, Pennsylvania
January 30, 1998

THIS SECOND AMENDED AND RESTATED REVOLVING CREDIT NOTE (this Second Amended and Restated Revolving Credit Note, together with all extensions, renewals, amendments, substitutions and replacements hereto and hereof, is hereinafter referred to as this "Revolving Credit Note") is executed and delivered under and pursuant to the terms of that certain Second Amended and Restated Credit Agreement dated as of even date herewith (the Second Amended and Restated Credit Agreement, together with all exhibits, schedules, amendments, extensions, renewals, substitutions and replacements thereto and thereof is hereinafter referred to as the "Credit Agreement") by and between UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC. (the "Borrower") and PNC BANK, NATIONAL ASSOCIATION (the "Bank").

FOR VALUE RECEIVED the Borrower promises to pay to the order of the Bank at the Bank's principal office at One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222 the lesser of (i) SIX MILLION FIVE HUNDRED THOUSAND DOLLARS (\$6,500,000) or (ii) the aggregate unpaid principal amount of all Loans and advances made by the Bank to the Borrower pursuant to Section 2.1 of the Credit Agreement and reflected on the Loan Account maintained by the Bank pursuant to Section 2.7 of the Credit Agreement.

The outstanding principal balance hereunder shall be due and payable in its entirety at maturity, whether on the Revolving Credit Termination Date, upon acceleration, or otherwise, all as more fully described in the Credit Agreement.

Interest on the unpaid principal balance hereof shall be due and payable monthly in arrears on or about the last day of each month for the month just ended and at maturity, whether on the Revolving Credit Termination Date, upon acceleration, or otherwise, and shall be calculated and paid in accordance with the terms of the Credit Agreement. The interest rate will be adjusted, when necessary and if appropriate, in accordance with the terms of the Credit Agreement. Interest payments shall be made at the office of the Bank set forth above.

This Revolving Credit Note is the Revolving Credit Note referred to in the Credit Agreement. Reference is made to the provisions in the Credit Agreement for the prepayment hereof and the acceleration of the maturity hereof. All of the terms, conditions, covenants, representations and warranties of the Credit Agreement are incorporated herein by reference as if same were more fully set forth at length herein. All capitalized terms used herein as defined terms which are not defined herein but which are defined in the Credit Agreement shall have the same meanings herein as are given to them in the Credit Agreement.

Upon the occurrence of any Event of Default specified in the Credit Agreement, the principal hereof and accrued interest hereon may become forthwith due and payable, all as provided in the Credit Agreement.

This Second Amended and Restated Revolving Credit Note amends and restates in its entirety, and continues to evidence the Indebtedness evidenced by, the Amended and Restated Revolving Credit Note dated January 31, 1996 in the principal amount of \$6,500,000 made payable by the Borrower to the Bank. No advances have been made or are being made by the Bank to satisfy the Obligations evidenced by such Amended and Restated Revolving Credit Note, and this Second Amended and Restated Revolving Credit Note is not a novation thereof. Nothing herein shall be

-1-

construed to release, cancel, terminate or otherwise impair the status or priority of the liens and security interests granted by the Borrower as security for the Obligations evidenced by such Amended and Restated Revolving Credit Note.

Demand, presentation, protest and notice of dishonor are hereby waived.

POWER TO CONFESS JUDGMENT The Borrower hereby empowers any attorney of any

court of record within the Commonwealth of Pennsylvania, after the occurrence of any Event of Default, to appear for the Borrower and, with or without complaint filed, confess judgment, or a series of judgments, against the Borrower in favor of the Bank or any holder hereof for the entire principal balance of this Revolving Credit Note and all accrued interest, together with costs of suit and an attorney's commission of the greater of 5% of such principal and interest or \$1,000 added as a reasonable attorney's fee, and for doing so, this Revolving Credit Note or a copy verified by affidavit shall be a sufficient warrant. The Borrower hereby forever waives and releases all errors in said proceedings and all rights of appeal and all relief from any and all appraisal, stay or exemption laws of any state now in force or hereafter enacted. Interest on any such judgment shall accrue at the Default Rate.

No single exercise of the foregoing power to confess judgment, or a series of judgments, shall be deemed to exhaust the power, whether or not any such exercise shall be held by any court to be invalid, voidable, or void, but the power shall continue undiminished and it may be exercised from time to time as often as the Bank shall elect until such time as the Bank shall have received payment in full of the debt, interest and costs.

Upon the Borrower's payment in full of all amounts due by the Borrower to the Bank hereunder, and upon the Borrower's full discharge and satisfaction of all of the other Obligations under the Credit Agreement and the termination of the Revolving Credit Commitment, the Bank shall mark this Note "PAID" and return it to the Borrower.

IN WITNESS WHEREOF, the Borrower, with the intent to be legally bound hereby, has caused this Revolving Credit Note to be executed by its duly authorized officer as of the date first written above.

ATTEST:

UNIVERSAL STAINLESS & ALLOY
PRODUCTS, INC.

/s/ Paul A. McGrath

/s/ Richard M. Ubinger

Name: Paul A. McGrath
Title: Director Employee
Relations/General Counsel

Name: Richard M. Ubinger
Title: CFO/Treasurer

(SEAL)

BF 78055.4 1/28/98
000011 - 016885

EMPLOYMENT AGREEMENT

THIS AGREEMENT made as of the 1st day of January , 1998 by and between UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC., a Delaware corporation (the "Company"), and Paul A. McGrath (the "Executive").

WITNESSETH:

In consideration of the covenants and agreements herein contained, and intending to be legally bound hereby, the Company and Executive agree as follows:

Article 1. - Employment

1.1. Employment. The Company agrees to employ Executive, and Executive agrees to serve the Company, for the period stated in Article 2 hereof (the "Term of Employment") and upon the other terms and conditions herein provided.

1.2. Position and Responsibilities. The Company employs Executive, and Executive agrees to serve as Director Employee Relations/General Counsel/Secretary of the Company and to accept such other responsibilities as may be assigned to Executive by the Company from time to time during the Term of Employment.

1.3. Duties. During the Term of Employment, Executive shall devote all of his business time, attention, skill and efforts to the faithful performance of his duties hereunder.

Article 2. - Term

The Term of Employment shall commence as of January 1 , 199 8 (the "Effective Date"), and shall continue until the 1st anniversary of the Effective Date (the "Expiration Date"), unless sooner terminated by one of the parties as permitted in this Agreement or the term of the Agreement will automatically extend for one-year periods, expiring on January 1 of each subsequent year, barring a notice by the Company not to extend, delivered at least ninety (90) days prior to any expiration date.

Article 3. - Compensation

3.1. Salary. As compensation to the Executive for the performance of services hereunder, the Company shall pay to the Executive a base salary (the "Salary") of Eighty-one thousand, three hundred and seventy-five dollars (\$81,375.00) per year. Installments of the Salary shall be paid to the Executive in accordance with the standard procedure of the Company, which at the present time is once every two (2) weeks. During the period of this Agreement, Executive's salary shall be reviewed at least annually and may be increased, but not decreased, if the Board of Directors of the Company (the "Board"), the Compensation Committee (the "Compensation Committee"), or the President of the Company (President) determines that an increase is appropriate on the basis of the types of factors it generally takes into account in increasing the salaries of employees similarly situated in the Company.

3.2. Reimbursement of Expenses. The Company will reimburse the

Executive for those customary and necessary business expenses incurred by him in the performance of his duties and activities on behalf of the Company. Except as provided in this Agreement, such expenses will be reimbursed only on presentation by the Executive of appropriate documentation to substantiate such expenses pursuant to the policies and procedures of the Company governing reimbursement of business expenses to its executives.

3.3. Participation in Plans. The Executive shall be entitled to

participate in any incentive compensation or bonus plan, life, medical, dental, health, hospitalization, travel, accident and/or disability insurance plans and in any sick leave and/or salary continuation plan, vacation (which shall not be less than two (2) weeks per year), holiday pay, retirement or employee benefit plan or program generally offered by the Company to its salaried employees.

Article 4. - Termination of Employment

4.1. Definitions. For the purposes hereof:

(a) "Disability" shall be deemed to have occurred at the same time as the Executive has been determined to be entitled to benefits under the Company's Short Term or Long Term Disability Plan then in effect.

(b) "Cause" shall mean any of the following: (i) Executive's personal dishonesty, incompetence or willful misconduct; (ii) Executive's willful violation of any law or material rule or regulation, provided that such violation is demonstrably and materially injurious to the assets, operations or business prospects of the Company; (iii) the conversion or embezzlement for the personal benefit of the Executive of corporate funds or property or a material business opportunity of the Company; (iv) the misuse by the Executive for his personal benefit of any trade secrets or other information of the Company in violation of the provisions of Article 7 of this Agreement; or (v) Executive's material breach of any other provision of this Agreement which is not cured within thirty (30) days of receipt of notice of such breach from Company.

(c) "Good Reason" shall, absent the Executive's express written consent to such action, mean the occurrence of any one of the following: (i) following a Change of Control, the removal of the Executive as Director of Employee Relations/General Counsel/Secretary of the Company (by reason other than death, disability or cause); (ii) any material breach by the Company of its respective or joint obligations contained in this Agreement not cured within 30 days after written notice; (iii) the assignment to the Executive of any duties inconsistent with his status as Director Employee Relations/General Counsel/Secretary of the Company or a substantial alteration in the nature or status of the Executive's duties and responsibilities which renders the Executive's position to be of less dignity, responsibility or scope; (iv) a reduction by the Company in the Executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time, except for proportional across-the-board salary reductions due to economic conditions of the Company similarly affecting all executives of the Company, for at least six (6) months, provided, however, that in no event shall the Executive's base salary be reduced by more than fifteen percent (15%) below the per year amount set forth in Section 3.1 hereof without the Executive's consent; (v) the relocation of the principal executive offices of the Company to a location outside the Greater Pittsburgh Metropolitan area or the

Company's requiring the Executive to be based anywhere other than Company's principal executive offices except for required travel on Company's business; or (vi) any material reduction by the Company of the benefits enjoyed by the Executive under any of the savings, life insurance, medical, health-and-accident, disability or other employee welfare benefit plans or programs, including vacation days, corporate time, provided that this paragraph (vi) shall not apply to any proportional across-the-board reduction or action similarly affecting all executives of the Company; (vii) within sixty (60) days of receipt of notice not to extend this Agreement, the employee may elect to resign for "Good Reason" in which case the notice not to extend shall constitute notice to the Company by the employee of the "Good Reason."

Notwithstanding the foregoing, except as stated in (vii) of this section, no event of "Good Reason" shall be deemed to have occurred unless Executive provides to the President of the Company written notice of the facts and circumstances which Executive believes constitutes "Good Reason" under this Section 4.1(c) and such facts and circumstances are not corrected or otherwise cured by the Company within thirty (30) days of receipt thereof.

For purposes of this Agreement, a Change of Control shall be deemed to have occurred the earlier of (i) if, in any transaction or a series of related transactions consummated in a ninety day period, more than fifty percent (50%) of the then outstanding voting common stock of the Company is sold to a person or group; (ii) a merger or consolidation of the Company and another entity in which the Company is not the surviving corporation or in which more than fifty percent (50%) of the equity ownership of the Company changes and (iii) the sale of substantially all of the assets of the Company.

(d) "Notice of Termination" shall mean written notice which shall indicate the specific termination or resignation provisions in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination or resignation under the provision so indicated and shall include a certified statement of the Company President approving such termination in the case of a Termination by the Company for Cause or Without Cause.

(e) "Date of Termination" shall mean the date specified in the Notice of Termination as the effective date the Executive's employment is terminated for any reason or the Executive's effective date of resignation, which ever is earlier.

Article 5. - Compensation Upon Termination

5.1. Death. If the Executive's employment hereunder terminates by -----
reason of his death, his beneficiaries shall be entitled to receive from the Company such amounts as are then provided pursuant to plans, programs or arrangements currently in effect or as approved from time to time by the Board of Directors.

5.2. Disability. If the Executive's employment hereunder terminates -----
by reason of his Disability, the Company shall pay to the Executive for a period of one (1) month, payments on the regular pay dates in an amount equal to 100% of his then monthly salary, and for a period of

-3-

five (5) months, payments on the regular pay dates, 60% of his then monthly salary, in addition thereto, the Executive shall be entitled to receive such amounts as are then provided pursuant to plans, programs or arrangements. The Company may carry insurance to cover this liability and in such case would not require a separate salary continuation.

5.3. By the Company with Cause or if the Executive Resigns or Quits -----
without Good Reason. If the Executive's employment hereunder is terminated by -----
the Company for Cause, or if the Executive resigns or quits without good reason, the Company shall pay to the Executive his full base salary through the Date of Termination but at a rate no greater than that in effect at the time Notice of Termination is given, and the Company shall have no further obligations to the Executive under this Agreement.

5.4. By the Company Without Cause or by the Executive by Resignation -----
for Good Reason. If the Executive's employment hereunder is terminated by the -----
Company without Cause or is terminated by the Executive pursuant to his Resignation for Good Reason, then the Executive shall be entitled to the benefits provided below, which shall constitute complete satisfaction of the obligations of the Company to the Executive under this Agreement:

(a) The Company shall pay the Executive his full annual base salary through the Date of Termination at the rate in effect at the time Notice

of Termination is given.

(b) Subsequent to the Date of Termination, the Company shall pay as severance pay to the Executive, a lump sum payment equal to the Executive's full base salary at the rate then in effect for a period of twelve (12) months, or pay to the Executive the full base salary rate in the regular pay periods for twelve months from termination.

(c) The Company will provide health care benefits as provided prior to termination for the employee and eligible dependents for twelve (12) months at no cost to the employee. This period will not reduce the eligible COBRA period.

(d) The Executive shall not be required to mitigate the amount of any payments provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for in this Agreement be reduced by any compensation earned by the Executive as the result of employment by another employer, or otherwise.

(e) Notwithstanding any provisions herein to the contrary, the Executive shall be entitled to receive all benefits to which the Executive is entitled under the terms of any of the Company's qualified employee benefit plans and any other plan, program or arrangement relating to retirement or other benefits including, without limitation, any employee stock ownership plan or any plan now in effect which is established (with approval of the Board of Directors) as a supplement to any of the aforementioned plans, except as otherwise provided in such plans as a result of the Executive's termination of employment.

-4-

Article 6. - Duties of Executive After

Termination of Employment

Following any termination of Executive's employment and for a period of ninety (90) days thereafter, the Executive shall fully cooperate with the Company in all matters relating to the winding up and orderly transfer of the Executive's work on behalf of the Company. Not later than the effective date of any termination of the employment, the Executive will immediately deliver to the Company any and all of the Company's property of any kind or nature whatsoever in the Executive's possession, custody or control, including, without limitation any and all Confidential Information as that term is defined in Section 7 of this Agreement.

Article 7. - Confidential Information; Invention Assignment

7.1. Confidential Relationship. Executive understands and agrees

that all company manuals, company policies, marketing plans and surveys, product designs, schematics, specifications and product location and installation data, formulae, processes, methods, machines, compositions, customer information, ideas, inventions, financial information and plans of the Company and all records, correspondence, files, customer lists, data and other information pertaining to or concerning the Company, its principals, vendors and customers (collectively the "Confidential Information") contain valuable confidential information that is owned by the Company, and, therefore, that during the period of employment hereunder and at all times thereafter, Executive shall not utilize such Confidential Information for his own benefit or for the benefit of any person or entity other than the Company, nor shall he divulge or communicate any such Confidential Information to any person or entity without the express authorization of the Company. The Executive agrees that, on the termination of his employment, he will immediately surrender to the Company any and all Confidential Information in his possession pertaining to the Company and its business.

7.2. Assignment of Rights. All inventions, discoveries, designs,

developments, technology, computer programs, writings and reports that are made or conceived of by the Executive in the course of his employment with the Company, whether or not patentable or copyrightable, shall become and remain the

sole property of the Company without additional compensation to Executive. The Executive recognizes that all such works shall be considered works-for-hire and hereby transfers and assigns any right, title, copyright and interest that Executive acquires in such works to the Company and will, from time to time, give the Company all reasonable assistance, execute all papers and do all things that may reasonably be required to protect and preserve the rights of the Company in such works.

7.3. No Breach of Other Obligations. The Executive represents that,

in the course of performing services for the Company, he will not breach any agreement he may have with others with respect to confidential information, and will not bring to the Company or use in any way any materials or documents obtained from others under an agreement of confidentiality.

-5-

Article 8. - Source of Payments

All payments provided for under this Agreement shall be paid in cash from the general funds of the Company and no special or separate fund shall be established and no other segregation of assets shall be made to assure payment unless specifically permitted herein. No trust or fiduciary relationship with respect to payments shall be deemed created hereby and, to the extent that any person acquires a right to receive payments hereunder, such right shall be no greater than the rights of a general creditor of the Company.

Article 9. - Miscellaneous

9.1. Indulgences, Etc. Neither the failure nor any delay on the part

of either party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence.

9.2. Notices. All notices or communications hereunder shall be in

writing, addressed as follows:

To the Company:

President
Universal Stainless & Alloy Products, Inc.
600 Mayer Street
Bridgeville, PA 15017

To the Executive:

Paul A. McGrath
176 Fawn Valley Drive
McMurray, PA 15317

Any such notice or communication shall be sent by certified or registered mail, return receipt requested, postage prepaid, addressed as above (or to such other address as such party may designate in writing from time to time), and the actual date of receipt, as shown by the receipt therefor, shall determine the time at which notice was given.

9.3. Assignment; Agreement. This Agreement shall be binding upon and

inure to the benefit of the heirs and personal representatives of the Executive, but neither this Agreement nor any rights hereunder shall be assignable or otherwise subject to hypothecation by the Executive.

-6-

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company) to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of his Agreement and shall entitle the Executive to compensation from the Employer in the same amount and on the same terms as the Executive would be entitled hereunder if the Executive terminated his employment pursuant to his Resignation for Good Reason, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be the Date of Termination. As used in this Agreement, "Company" shall mean as hereinbefore defined and any successor to the business and/or assets as aforesaid of either of them which assumes and agrees to perform this Agreement by operation of law or otherwise.

9.4. Entire Agreement; Amendment. This Agreement represents the

entire agreement of the parties with respect to the subject matter hereof and will supersede all prior agreements and understandings between the Executive and the Company regarding the subject matter herein. This Agreement may be amended or any provision hereof waived at any time only by written agreement of the parties hereto.

9.5. Governing Law. This Agreement and its validity, interpretation,

performance and enforcement shall be governed by the laws of the Commonwealth of Pennsylvania, other than the conflict of laws provisions of such laws.

9.6. Severability. If, for any reason, any provision of this

Agreement is held invalid, such invalidity shall not affect any other provision of this Agreement not held so invalid, and each such other provision shall to the full extent consistent with law continue in full force and effect. If any provision of this Agreement shall be held invalid in part, such invalidity shall in no way affect the remainder of such provision that is not held so invalid, and the remainder of such provision, together with all other provisions of this Agreement, shall to the full extent consistent with law continue in full force and effect.

9.7. Headings. The Article and Section headings in this Agreement

are for convenience of reference only; they form no part of this Agreement and shall not affect its interpretation.

9.8. Counterparts. This Agreement may be executed in one or more

counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company and the Executive have duly executed this Agreement as of the day and year first written above.

UNIVERSAL STAINLESS & ALLOY
PRODUCTS, INC.

By: /s/ C.M. McAninch

C.M. McAninch
Title: President & CEO

EXECUTIVE

/s/ Paul A. McGrath

Paul A. McGrath

EMPLOYMENT AGREEMENT

THIS AGREEMENT made as of the 1/st/ day of January , 1998 by and

between UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC., a Delaware corporation (the
"Company"), and Richard M. Ubinger (the "Executive").

WITNESSETH:

In consideration of the covenants and agreements herein contained, and
intending to be legally bound hereby, the Company and Executive agree as
follows:

Article 1. - Employment

1.1. Employment. The Company agrees to employ Executive, and

Executive agrees to serve the Company, for the period stated in Article 2 hereof
(the "Term of Employment") and upon the other terms and conditions herein
provided.

1.2. Position and Responsibilities. The Company employs Executive,

and Executive agrees to serve as Treasurer and Chief Financial Officer of the
Company and to accept such other responsibilities as may be assigned to
Executive by the Company from time to time during the Term of Employment.

1.3. Duties. During the Term of Employment, Executive shall devote

all of his business time, attention, skill and efforts to the faithful
performance of his duties hereunder.

Article 2. - Term

The Term of Employment shall commence as of January 1 , 1998 (the

"Effective Date"), and shall continue until the 1/st/ anniversary of the

Effective Date (the "Expiration Date"), unless sooner terminated by one of the
parties as permitted in this Agreement or the term of the Agreement will
automatically extend for one-year periods, expiring on the Expiration Date,
barring a notice by the Company not to extend, delivered at least one hundred
eighty (180) days prior to any expiration date.

Article 3. - Compensation

3.1. Salary. As compensation to the Executive for the performance of

services hereunder, the Company shall pay to the Executive a base salary (the
"Salary") of One hundred and eight thousand and two hundred dollars

(\$108,200.00) per year. Installments of the Salary shall be paid to the

Executive in accordance with the standard procedure of the Company, which at the
present time is once every two (2) weeks. During the period of this Agreement,
Executive's salary shall be reviewed at least annually and may be increased, but
not decreased, if the Board of Directors of the Company (the "Board"), the
Compensation Committee (the "Compensation Committee"), or the President of the
Company (President) determines that an increase is appropriate on the basis of
the types of factors it generally takes into account in increasing the salaries
of employees similarly situated in the Company.

3.2. Reimbursement of Expenses. The Company will reimburse the

Executive for those customary and necessary business expenses incurred by him in the performance of his duties and activities on behalf of the Company. Except as provided in this Agreement, such expenses will be reimbursed only on presentation by the Executive of appropriate documentation to substantiate such expenses pursuant to the policies and procedures of the Company governing reimbursement of business expenses to its executives.

3.3. Participation in Plans. The Executive shall be entitled to

participate in any incentive compensation or bonus plan, life, medical, dental, health, hospitalization, travel, accident and/or disability insurance plans and in any sick leave and/or salary continuation plan, vacation (which shall not be less than two (2) weeks per year), holiday pay, retirement or employee benefit plan or program generally offered by the Company to its salaried employees.

Article 4. - Termination of Employment

4.1. Definitions. For the purposes hereof:

(a) "Disability" shall be deemed to have occurred at the same time as the Executive has been determined to be entitled to benefits under the Company's Short Term or Long Term Disability Plan then in effect.

(b) "Cause" shall mean any of the following: (i) Executive's personal dishonesty, incompetence or willful misconduct; (ii) Executive's willful violation of any law or material rule or regulation, provided that such violation is demonstrably and materially injurious to the assets, operations or business prospects of the Company; (iii) the conversion or embezzlement for the personal benefit of the Executive of corporate funds or property or a material business opportunity of the Company; (iv) the misuse by the Executive for his personal benefit of any trade secrets or other information of the Company in violation of the provisions of Article 7 of this Agreement; or (v) Executive's material breach of any other provision of this Agreement which is not cured within thirty (30) days of receipt of notice of such breach from Company.

(c) "Good Reason" shall, absent the Executive's express written consent to such action, mean the occurrence of any one of the following: (i) following a Change of Control, the removal of the Executive as Treasurer and Chief Financial Officer of the Company (by reason other than death, disability or cause); (ii) any material breach by the Company of its respective or joint obligations contained in this Agreement not cured within 30 days after written notice; (iii) the assignment to the Executive of any duties inconsistent with his status as Treasurer and Chief Financial Officer of the Company or a substantial alteration in the nature or status of the Executive's duties and responsibilities which renders the Executive's position to be of less dignity, responsibility or scope; (iv) a reduction by the Company in the Executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time, except for proportional across-the-board salary reductions due to economic conditions of the Company similarly affecting all executives of the Company, for at least six (6) months, provided, however, that in no event shall the Executive's base salary be reduced by more than fifteen percent (15%) below the per year amount set forth in Section 3.1 hereof without the Executive's consent; (v) the relocation of the principal executive offices of the Company to a location outside the Greater Pittsburgh Metropolitan area or the Company's requiring the Executive to be based anywhere other than

-2-

Company's principal executive offices except for required travel on Company's business; or (vi) any material reduction by the Company of the benefits enjoyed by the Executive under any of the savings, life insurance, medical, health-and-accident, disability or other employee welfare benefit plans or programs, including vacation days, corporate time, provided that this paragraph (vi) shall not apply to any proportional across-the-board reduction or action similarly affecting all executives of the Company; (vii) within sixty (60) days of receipt of notice not to extend this Agreement, the employee may elect to resign for "Good Reason" in which case the notice not to extend shall constitute notice to the Company by the employee of the "Good Reason."

Notwithstanding the foregoing, except as stated in (vii) of this section, no event of "Good Reason" shall be deemed to have occurred unless Executive provides to the President of the Company written notice of the facts and circumstances which Executive believes constitutes "Good Reason" under this Section 4.1(c) and such facts and circumstances are not corrected or otherwise cured by the Company within thirty (30) days of receipt thereof.

For purposes of this Agreement, a Change of Control shall be deemed to have occurred the earlier of (i) if, in any transaction or a series of related transactions consummated in a ninety day period, more than fifty percent (50%) of the then outstanding voting common stock of the Company is sold to a person or group; (ii) a merger or consolidation of the Company and another entity in which the Company is not the surviving corporation or in which more than fifty percent (50%) of the equity ownership of the Company changes and (iii) the sale of substantially all of the assets of the Company.

(d) "Notice of Termination" shall mean written notice which shall indicate the specific termination or resignation provisions in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination or resignation under the provision so indicated and shall include a certified statement of the Company President approving such termination in the case of a Termination by the Company for Cause or Without Cause.

(e) "Date of Termination" shall mean the date specified in the Notice of Termination as the effective date the Executive's employment is terminated for any reason or the Executive's effective date of resignation, which ever is earlier.

Article 5. - Compensation Upon Termination

5.1. Death. If the Executive's employment hereunder terminates by -----
reason of his death, his beneficiaries shall be entitled to receive from the Company such amounts as are then provided pursuant to plans, programs or arrangements currently in effect or as approved from time to time by the Board of Directors.

5.2. Disability. If the Executive's employment hereunder terminates -----
by reason of his Disability, the Company shall pay to the Executive for a period of one (1) month, payments on the regular pay dates in an amount equal to 100% of his then monthly salary, and for a period of five (5) months, payments on the regular pay dates, 60% of his then monthly salary, in addition

-3-

thereto, the Executive shall be entitled to receive such amounts as are then provided pursuant to plans, programs or arrangements. The Company may carry insurance to cover this liability and in such case would not require a separate salary continuation.

5.3. By the Company with Cause or if the Executive Resigns or Quits -----
without Good Reason. If the Executive's employment hereunder is terminated by -----
the Company for Cause, or if the Executive resigns or quits without good reason, the Company shall pay to the Executive his full base salary through the Date of Termination but at a rate no greater than that in effect at the time Notice of Termination is given, and the Company shall have no further obligations to the Executive under this Agreement.

5.4. By the Company Without Cause or by the Executive by Resignation -----
for Good Reason. If the Executive's employment hereunder is terminated by -----
Company without Cause or is terminated by the Executive pursuant to his Resignation for Good Reason, then the Executive shall be entitled to the benefits provided below, which shall constitute complete satisfaction of the obligations of the Company to the Executive under this Agreement:

(a) The Company shall pay the Executive his full annual base salary through the Date of Termination at the rate in effect at the time Notice

of Termination is given.

(b) Subsequent to the Date of Termination, the Company shall pay as severance pay to the Executive, a lump sum payment equal to the Executive's full base salary at the rate then in effect for a period of twelve (12) months, or pay to the Executive the full base salary rate in the regular pay periods for twelve months from termination.

(c) The Company will provide health care benefits as provided prior to termination for the employee and eligible dependents for twelve (12) months at no cost to the employee. This period will not reduce the eligible COBRA period.

(d) The Executive shall not be required to mitigate the amount of any payments provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for in this Agreement be reduced by any compensation earned by the Executive as the result of employment by another employer, or otherwise.

(e) Notwithstanding any provisions herein to the contrary, the Executive shall be entitled to receive all benefits to which the Executive is entitled under the terms of any of the Company's qualified employee benefit plans and any other plan, program or arrangement relating to retirement or other benefits including, without limitation, any employee stock ownership plan or any plan now in effect which is established (with approval of the Board of Directors) as a supplement to any of the aforementioned plans, except as otherwise provided in such plans as a result of the Executive's termination of employment.

-4-

Article 6. - Duties of Executive After

Termination of Employment

Following any termination of Executive's employment and for a period of ninety (90) days thereafter, the Executive shall fully cooperate with the Company in all matters relating to the winding up and orderly transfer of the Executive's work on behalf of the Company. Not later than the effective date of any termination of the employment, the Executive will immediately deliver to the Company any and all of the Company's property of any kind or nature whatsoever in the Executive's possession, custody or control, including, without limitation any and all Confidential Information as that term is defined in Section 7 of this Agreement.

Article 7. - Confidential Information; Invention Assignment

7.1. Confidential Relationship. Executive understands and agrees

that all company manuals, company policies, marketing plans and surveys, product designs, schematics, specifications and product location and installation data, formulae, processes, methods, machines, compositions, customer information, ideas, inventions, financial information and plans of the Company and all records, correspondence, files, customer lists, data and other information pertaining to or concerning the Company, its principals, vendors and customers (collectively the "Confidential Information") contain valuable confidential information that is owned by the Company, and, therefore, that during the period of employment hereunder and at all times thereafter, Executive shall not utilize such Confidential Information for his own benefit or for the benefit of any person or entity other than the Company, nor shall he divulge or communicate any such Confidential Information to any person or entity without the express authorization of the Company. The Executive agrees that, on the termination of his employment, he will immediately surrender to the Company any and all Confidential Information in his possession pertaining to the Company and its business.

7.2. Assignment of Rights. All inventions, discoveries, designs,

developments, technology, computer programs, writings and reports that are made or conceived of by the Executive in the course of his employment with the Company, whether or not patentable or copyrightable, shall become and remain the

sole property of the Company without additional compensation to Executive. The Executive recognizes that all such works shall be considered works-for-hire and hereby transfers and assigns any right, title, copyright and interest that Executive acquires in such works to the Company and will, from time to time, give the Company all reasonable assistance, execute all papers and do all things that may reasonably be required to protect and preserve the rights of the Company in such works.

7.3. No Breach of Other Obligations. The Executive represents that,

in the course of performing services for the Company, he will not breach any agreement he may have with others with respect to confidential information, and will not bring to the Company or use in any way any materials or documents obtained from others under an agreement of confidentiality.

-5-

Article 8. - Source of Payments

All payments provided for under this Agreement shall be paid in cash from the general funds of the Company and no special or separate fund shall be established and no other segregation of assets shall be made to assure payment, unless specifically permitted herein. No trust or fiduciary relationship with respect to payments shall be deemed created hereby and, to the extent that any person acquires a right to receive payments hereunder, such right shall be no greater than the rights of a general creditor of the Company.

Article 9. - Miscellaneous

9.1. Indulgences, Etc. Neither the failure nor any delay on the part

of either party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence.

9.2. Notices. All notices or communications hereunder shall be in

writing, addressed as follows:

To the Company:

President
Universal Stainless & Alloy Products, Inc.
600 Mayer Street
Bridgeville, PA 15017

To the Executive:

Richard M. Ubinger
317 Scott Lane
Venetia, PA 15367

Any such notice or communication shall be sent by certified or registered mail, return receipt requested, postage prepaid, addressed as above (or to such other address as such party may designate in writing from time to time), and the actual date of receipt, as shown by the receipt therefor, shall determine the time at which notice was given.

9.3. Assignment; Agreement. This Agreement shall be binding upon and

inure to the benefit of the heirs and personal representatives of the Executive, but neither this Agreement nor any rights hereunder shall be assignable or otherwise subject to hypothecation by the Executive.

-6-

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company) to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of his Agreement and shall entitle the Executive to compensation from the Employer in the same amount and on the same terms as the Executive would be entitled hereunder if the Executive terminated his employment pursuant to his Resignation for Good Reason, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be the Date of Termination. As used in this Agreement, "Company" shall mean as hereinbefore defined and any successor to the business and/or assets as aforesaid of either of them which assumes and agrees to perform this Agreement by operation of law or otherwise.

9.4. Entire Agreement; Amendment. This Agreement represents the

entire agreement of the parties with respect to the subject matter hereof, and will supersede all prior agreements and understandings between the Executive and the Company regarding the subject matter herein. This Agreement may be amended or any provision hereof waived at any time only by written agreement of the parties hereto.

9.5. Governing Law. This Agreement and its validity, interpretation,

performance and enforcement shall be governed by the laws of the Commonwealth of Pennsylvania, other than the conflict of laws provisions of such laws.

9.6. Severability. If, for any reason, any provision of this

Agreement is held invalid, such invalidity shall not affect any other provision of this Agreement not held so invalid, and each such other provision shall to the full extent consistent with law continue in full force and effect. If any provision of this Agreement shall be held invalid in part, such invalidity shall in no way affect the remainder of such provision that is not held so invalid, and the remainder of such provision, together with all other provisions of this Agreement, shall to the full extent consistent with law continue in full force and effect.

9.7. Headings. The Article and Section headings in this Agreement

are for convenience of reference only; they form no part of this Agreement and shall not affect its interpretation.

9.8. Counterparts. This Agreement may be executed in one or more

counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company and the Executive have duly executed this Agreement as of the day and year first written above.

UNIVERSAL STAINLESS & ALLOY
PRODUCTS, INC.

By: /s/ C.M. McAninch

C.M. McAninch

Title: President & CEO

EXECUTIVE

/s/ Richard M. Ubinger

CONTRACT NO. C-1455

CONTRACT BETWEEN

HETRAN, INC. (SUPPLIER)
AND
UNIVERSAL STAINLESS & ALLOY
PRODUCTS, INC. (BUYER)

FOR

HETRAN BAR PROCESSING CELL
MODEL BPC-6000

SUBMITTED TO: UNIVERSAL STAINLESS & ALLOY
PRODUCTS, INC.

FOR: MR. C.M. McANINCH
BY: HETRAN, INC.
DATE: NOVEMBER 7, 1997

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

ANNEX LIST

- NO. 1 WEIGHT AND PRICE LIST
BAR PROCESSING CELL
- NO. 2 DATA SHEET FOR HYDRAULIC COMPONENTS
- NO. 3 DATA SHEET FOR ELECTRICAL COMPONENTS
- NO. 4 TECHNICAL SPECIFICATION
- NO. 5 GENERAL SPECIFICATIONS
- NO. 6 GENERAL TERMS AND CONDITIONS
- NO. 7 PRODUCTION CHART
- NO. 8 DRAWING #4ML-19705C, REVISION O *
- NO. 9 SUPERVISION/SERVICEMAN HOURLY RATES AND EXPENSES
- NO. 10 SUPERVISION SCHEDULE/BPC-6000
- NO. 11 TRAINING SCHEDULE
- NO. 12 UNIVERSAL STANDARD PURCHASE ORDER TERMS & CONDITIONS *
- NO. 13 CONTRACTORS HEALTH AND SAFETY AGREEMENT *
- NO. 14 INDEPENDENT CONTRACTOR AGREEMENT

NO. 15 SECURITY AGREEMENT *

*Annexes as listed herein are not included with the SEC filings, however, copies are readily available upon request.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

ANNEX NO. 1 (CONSISTS OF FIVE (5) PAGES) 1 OF 5

WEIGHT AND PRICE LIST
PRE-STRAIGHTENER MACHINE WITH STANDARD ACCESSORIES

ITEM NO.	DESCRIPTION	WEIGHT (TONS)	QTY	AMOUNT \$
ITEM #1	BAR LOADING TABLE WITH LOADING CRADLE	APPROX. 5.0	1	INCLUDED
ITEM #2	CLAMSHELL LINEAR ENTRY TABLE	APPROX. 3.8	1	INCLUDED
ITEM #3	HYDRAULIC DRIVEN SKEW PRESSURE ROLL ASSEMBLY	APPROX. 1.5	2	INCLUDED
ITEM #4	PRE-STRAIGHTENER, MODEL BS-600P	APPROX. 25.0	1	INCLUDED
ITEM #5	COMPLETE ELECTRICAL EQUIPMENT	APPROX. 1.5	1	INCLUDED
ITEM #6	COMPLETE HYDRAULIC POWER SYSTEM	APPROX. 1.5	1	INCLUDED
ITEM #7	HYDRAULIC DRIVEN PRESSURE ROLL ASSEMBLIES	APPROX. 1.2	2	INCLUDED
ITEM #8	V-TROUGH EXIT TABLE	APPROX. 2.9	1	INCLUDED
ITEM #9	TRANSFER/LOADING TABLE	APPROX. 3.0	1	INCLUDED
ITEM #10	LINEAR ENTRY/EXIT TABLE WITH TRANSFER DEVICE	APPROX. 6.0	2	INCLUDED
ITEM #11	ACO-40 PRECISION ABRASIVE CUT-OFF SAW	APPROX. 4.5	1	INCLUDED
ITEM #12	AUTOMATIC CHAMFERING/DEBURRING MACHINE	APPROX. 2.5	1	INCLUDED
STRAIGHTENER OPTIONAL ITEMS				
OPTION D	C.A.S./COMPUTER SYSTEM		1	INCLUDED
SAW OPTIONAL ITEM				
OPTION E	ENVIRONMENTAL SAFETY ENCLOSURE		1	INCLUDED

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

WEIGHT AND PRICE LIST
BAR TURNING MACHINE WITH STANDARD ACCESSORIES

ITEM NO.	DESCRIPTION	WEIGHT (TONS)	QTY	AMOUNT	\$
ITEM #13	LINEAR ENTRY/EXIT TABLE (CHAMFER)	APPROX. 3.5	1	INCLUDED	
ITEM #14	BAR LOADING TABLE/TRANSFER TABLE	APPROX. 3.2	1	INCLUDED	
ITEM #15	LINEAR ENTRY TABLE	APPROX. 3.0	1	INCLUDED	
ITEM #16	BAR TURNING MACHINE MODEL BT-6 CONSISTING OF: INFEEED UNIT BAR PEELING ASSEMBLY ADJUSTABLE HEAD CLAMPING CARRIAGE ASSEMBLY	APPROX. 20.0	1	INCLUDED	
ITEM #17	LASER MEASURING AND ADJUSTMENT CONTROL	APPROX. 0.2	1	INCLUDED	
ITEM #18	CHIP CONVEYOR	APPROX. 0.8	1	INCLUDED	
ITEM #19	COMPLETE ELECTRICAL EQUIPMENT	APPROX. 1.5	1	INCLUDED	
ITEM #20	COMPLETE HYDRAULIC POWER SYSTEM	APPROX. 1.5	1	INCLUDED	
ITEM #21	LINEAR EXIT TABLE	APPROX. 3.8	1	INCLUDED	
ITEM #22	INTERMEDIATE/TRANSFER TABLE	APPROX. 3.5	1	INCLUDED	
				INCLUDED	
BAR TURNER	OPTIONAL ITEMS		1	INCLUDED	
OPTION A	VGA/COMPUTER PACKAGE		1	INCLUDED	
OPTION B	2000 CFM MIST COLLECTION SYSTEM		1	INCLUDED	
OPTION C	SYSTEM CHILLER				

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

WEIGHT AND PRICE LIST
FINISH STRAIGHTENER/BURNISHER MACHINE WITH STANDARD ACCESSORIES

ITEM NO.	DESCRIPTION	WEIGHT (TONS)	QTY	AMOUNT	\$
ITEM #23	CLAMSHELL LINEAR ENTRY TABLE	APPROX.	1	INCLUDED	

3.8

ITEM #24	HYDRAULIC DRIVEN SKEW PRESSURE ROLL ASSEMBLIES	APPROX. 1.5	2	INCLUDED
ITEM #25	FINISH BAR STRAIGHTENER/BURNISHER MODEL BS-600	APPROX. 25.0	1	INCLUDED
ITEM #26	COMPLETE ELECTRICAL EQUIPMENT	APPROX. 1.5	1	INCLUDED
ITEM #27	COMPLETE HYDRAULIC POWER SYSTEM	APPROX. 1.5	1	INCLUDED
ITEM #28	HYDRAULIC DRIVEN PRESSURE ROLL ASSEMBLIES	APPROX. 1.5	2	INCLUDED
ITEM #29	V-TROUGH EXIT TABLE	APPROX. 2.9	1	INCLUDED
ITEM #30	LASER ANALYSIS UNIT WITH SPC-CPK STATION	APPROX. 0.5	1	INCLUDED
ITEM #31	LINEAR ENTRY TABLE	APPROX. 3.0	1	INCLUDED
ITEM #32	EDDY CURRENT INSPECTION STATION	APPROX. 1.6	1	INCLUDED
ITEM #33	LINEAR EXIT TABLE WITH TRANSFER DEVICE	APPROX. 3.8	1	INCLUDED
ITEM #34	REJECT TABLE	APPROX. 2.5	1	INCLUDED
FINISH/STRTRNR. OPTIONAL ITEMS				
OPTION E	C.A.S./COMPUTER SYSTEM		1	INCLUDED

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

ANNEX NO. 1 (CONSISTS OF FIVE (5) PAGES) 4 OF 5

WEIGHT AND PRICE LIST
AUTOMATIC ABRASIVE POLISHING M/C WITH STANDARD ACCESSORIES

ITEM NO.	DESCRIPTION	WEIGHT (TONS)	QTY	AMOUNT \$
ITEM #35	INTERMEDIATE TRANSFER/LOADING TABLE	APPROX. 5.0	1	INCLUDED
ITEM #36	SKEW ROLLER LINEAR ENTRY TABLE	APPROX. 4.0	1	INCLUDED
ITEM #37	AUTOMATIC ABRASIVE POLISHING MACHINE MODEL BBP-6	APPROX. 18.0	1	INCLUDED

ITEM #38	COMPLETE ELECTRICAL EQUIPMENT	APPROX. 1.5	1	INCLUDED
ITEM #39	COMPLETE HYDRAULIC POWER SYSTEM	APPROX. 1.5	1	INCLUDED
ITEM #40	SKEW ROLLER LINEAR EXIT TABLE	APPROX. 4.0	1	INCLUDED
ITEM #41	INTERMEDIATE TRANSFER/LOADING TABLE	APPROX. 5.0	1	INCLUDED
ITEM #42	LINEAR ENTRY/EXIT TABLE WITH TRANSFER DEVICE	APPROX. 6.0	1	INCLUDED
ITEM #43	ACO-40 PRECISION ABRASIVE SAW	APPROX. 4.5	1	INCLUDED
ITEM #44	BAR TRANSFER/LOADING TABLE	APPROX. 4.5	1	INCLUDED
ITEM #45	LINEAR ENTRY/EXIT TABLE	APPROX. 3.5	1	INCLUDED
ITEM #46	AUTOMATIC CHAMFERING UNIT	APPROX. 2.5	1	INCLUDED
ITEM #47	BAR END ALIGNMENT ASSEMBLY	APPROX. 0.4	1	INCLUDED
ITEM #48	SOFT DROP WEIGH CRADLE ASSEMBLY	APPROX. 4.8	1	INCLUDED
				INCLUDED

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT NO. C-1455
MODEL BPC-6000

ANNEX NO. 1 (CONSISTS OF FIVE (5) PAGES) 5 OF 5

WEIGHT AND PRICE LIST
AUTOMATIC ABRASIVE POLISHING MACHINE WITH STANDARD ACCESSORIES

ITEM NO.	DESCRIPTION	WEIGHT (TONS)	QTY	AMOUNT \$
ABRASIVE POLISHING MACHINE	OPTIONAL ITEMS			
OPTION A	LASER ANALYSIS UNIT		1	INCLUDED
SAW				
OPTION E	ENVIRONMENTAL SAFETY ENCLOSURE		1	INCLUDED
GRAND TOTAL F.O.B. ORWIGSBURG, PA				\$6,100,000.00

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT NO. C-1455
MODEL BPC-6000

ANNEX NO. 2

DATA SHEET FOR HYDRAULIC COMPONENTS

PUMPS.....VICKERS
FILTERS.....VICKERS & HYCON
CONTROLS.....VICKERS
ACCUMULATORS.....VICKERS OR GREER
FITTINGS & HOSE.....WEATHER HEAD
CYLINDERS.....HANNA, PARKER OR EQUIVALENT
HYDRAULIC MOTORS.....ROSS/CHAR-LYNN (LOW SPEED)
VICKERS/VOLVO (HIGH SPEED)
HAND VALVES.....TELEDYNE
AIR VALVES.....ARO & AUTOMATIC VALVE CO.
AIR FILTERS.....ARO
LUBRICATORS.....ARO
REGULATORS.....ARO
FLOW CONTROLS.....PARKER OR HYCON
HOSE CARRIERS.....AMFLEX
FLOW METERS.....HEDLAND & FLOTECH

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT NO. C-1455
MODEL BPC-6000

ANNEX NO. 3

DATA SHEET FOR ELECTRICAL COMPONENTS

A.C. INVERTER DRIVES.....ALLEN BRADLEY, SIEMENS
A.C. MOTOR (not motor/pump assembly).....SIEMENS, BALDOR, GE. (U.S.
Manufactured)
D.C. MOTOR.....G.E., SIEMENS, BALDOR
BREAKERS.....SQUARE D, SIEMENS
STARTERS AND CONTROL RELAYS.....ALLEN BRADLEY, SIEMENS
PROGRAMMABLE CONTROLLERS. (PLC 2).ALLEN BRADLEY, SIEMENS
LIMIT SWITCHES.....ALLEN BRADLEY, SIEMENS

PUSH-BUTTON SELECTOR SWITCHES.....ALLEN BRADLEY, SIEMENS
ENCLOSURES.....HOFFMAN/RITTAL
WIRE TYPE.....THWN/THHN/MTW
WIRE DUCT (in enclosure).....PANDUIT
TERMINAL BLOCKS.....ALLEN BRADLEY, SIEMENS
OPERATORS STATIONS.....STANDARD COLOR GLOSS GRAY
ALL A.C. ENCLOSURES.....STANDARD COLOR FLAT &
HAMMER TONE GRAY
DRIVE ENCLOSURES.....STANDARD GRAY
INSTRUMENTATION DIGITAL.NEWPORT, RED LION
SPEED POTS.....CLAROSTAT

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT NO. C-1455
MODEL BPC-6000

ANNEX NO. 4

TECHNICAL SPECIFICATIONS

ANNEX NO. 4 INCLUDES 77 PAGES

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

ONE (1) HETRAN BAR PROCESSING CELL, MODEL BPC-6000

Complete as per our drawing #4ML-19705C, Rev.O. The bar processing cell features the latest innovations in design and technology. The cell will process automatically, hot rolled and forged bars of carbon steel, alloy steel and stainless steels (Martensitic, Ferritic and Austenitic), tool steels, high speed steels, high nickel alloys, high strength steels, etc.

The cell has full capability to selectively or automatically perform the operations of:

- Black bar pre-straightening;
- Lead end cut-off and chamfer;
- High speed precision turning;
- Finish straightening/burnishing;
- Eddy Current Inspection;
- High speed bar belt polishing;
- Tail end cut off/cut to length;
- Tail end cut off;
- Digital weighing and printing.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

BAR PROCESSING CELL SPECIFICATIONS:

Hot rolled and forged bar

entry diameter range: 1.031" to 6.250"
Finish diameter working range: 1.000" to 6.000"
Bar length working range: 12' to 25' maximum
Diameter tolerance capability: 1.000" to 3.500" (-.000 +.004")
3.500" to 6.000" (-.000 +.006")
Cell throughfeed speed: up to 80 FPM
Material removal off diameter: .031" to .500"
Electrical supply: 460 V., 3 Ph., 60 Hertz
Control voltage: 110 V., 1 Ph., 60 Hertz

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

BPC-6000 BAR PROCESSING CELL OPERATION MANPOWER

It is projected that the BPC-6000, Bar Processing Cell, as designed for Universal Stainless & Alloy Products, Inc. will operate with seven (7) operators per shift plus two (2) crane operators. In addition, two (2) maintenance personnel will be required to perform specified scheduled maintenance.

Notice should be made that the specified operating staff for the bar processing cell is required to realize the maximum level of the cell production capability. Less personnel can be utilized but will contribute to a possible reduction in operating capacity and quality index. Following is an itemization of the specified line operating personnel.

- One (1) Loading/Crane Operator for raw material loading and placement on Item #1.
- One (1) Pre-straightener Operator for operation and monitoring of item #4 and surrounding area.
- Two (2) Abrasive Cut-off Saw Operator for operation and monitoring of Item #11 and #43 surrounding area.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

BPC-6000 BAR PROCESSING CELL OPERATION MANPOWER
(continued)

- One (1) Bar Turning Operator for operation and monitoring of item #16 and surrounding area.
- One (1) Straightener/Burnisher Operator for operation and monitoring of Item #25 and surrounding area.

- One (1) Eddy Current Inspection Operator for operation and monitoring of Item #32 and surrounding area.
- One (1) Bar Belt Polisher Operator for operation and monitoring of Item #37 and surrounding area.
- One (1) Finished Product/Crane Operator (floating) for Item #47 and surrounding area.
- Two (2) Staff Maintenance Persons for staggered shift maintenance requirements.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
 HETRAN CONTRACT C-1455
 MODEL BPC-6000

ONE (1) HETRAN BAR PRE-STRAIGHTENER, MODEL BS-600P

The machine is the latest design and is used to pre-straighten bar stock of carbon steel, low alloy steel, stainless steels (Martensitic, Ferritic, Austenitic), tool steel, high speed steels, high nickel alloys, high strength steel, etc.

EQUIPMENT SPECIFICATIONS:

Working range diameter:	1.031" to 6.250"
Bar length:	min. 12' to 25'
Line speed:	up to 120 FPM
Angle adjustment top roll:	approx. 14(degree) to 24(degree)
Angle adjustment bottom roll:	approx. 14(degree) to 24(degree)
Main drive:	Two (2) 250 HP DC motors
Electrical supply:	460 V., 3 Ph., 60 Hertz
Control voltage:	110 V., 1 Ph., 60 Hertz

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
 HETRAN CONTRACT C-1455
 MODEL BPC-6000

The installation consists of:

Item #1 ONE (1) BAR LOADING TABLE WITH LOADING CRADLE

A bundle of bars can be placed in cradle then opened. The cradle is then raised by operator unloading bars in a controlled manner onto loading table. The loading table will have supported roller chains to carry bars to loading point, against adjustable bar stop. One bar at a time will then be automatically raised and loaded into the straightener linear entry table.

Item #2 ONE (1) CLAMSHELL LINEAR ENTRY TABLE

That accept bars from the loading table assembly. The linear feed table is a clamshell-type design with urethane lined blocks for safety and noise abatement. The clamshell closes as a bar is fed by skew pressure rolls into the straightener and it opens to accept the next bar from the bar loading table.

Item #3 TWO (2) HYDRAULIC DRIVEN SKEW PRESSURE ROLL ASSEMBLIES

Feed the bar under rotation into the straightener, this decreases shock damage to both work-piece and straightening rolls. The skew rolls are arranged vertically.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #4 ONE (1) HETRAN BAR PRE-STRAIGHTENER,
MODEL BS-600P

A) General Construction

Machine will be of vertical two-roll design with the rolls mounted one above the other and each driven by D.C. motor with heavy-duty gear reducers. The upper roll is adjusted up or down for bar size and roll pressure setting. The roll and bracket holder are mounted on a large diameter ram which travels inside the top frame of the machine.

Screw type adjustment is provided. Both upper (concave) and lower (convex) roll are provided with angular adjustments for selecting optimum angles for pressure distribution for any size bar within the machine's capacity along the face of the rolls.

Straightener frames are of steel welded/stress relieved construction.

Four (4) large diameter pre-stressed columns assure rigidity and are arranged with hinged guide mountings to provide easy access for bar guide change.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #4 HETRAN BAR PRE-STRAIGHTENER (continued)

B) Straightener Line Speed

Straightening speed range will be up to 120 FPM using two (2) 250 HP 650/1800 D.C. motors equipped with reversing SCR control, infinitely variable. Line speed capability is greater than that of the turning machine, to guarantee no limitation of its (turning mk) line speed.

C) Adjustments

Upper roll pressure adjustment is motorized by an oil motor with gear reducer unit. The top roll also has hydraulic cylinders to counterbalance any backlash which may develop. Angular adjustments of both rolls are provided to cover the full range of bar diameters and type of material, assuring end to end straightness to all bars, including those with short bends and end kinks.

Angularity setting of either the top or bottom roll is accomplished by hydraulic cylinders. On completion of these adjustments the rolls are rigidly clamped both for angularity and for pressure setting.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #4 HETRAN BAR PRE-STRAIGHTENER (continued)

D) Rolls

The machine is installed with one set of rolls to cover the full size range of the machine. Both rolls are designed to provide maximum production and quality of the bar over the entire range of bar sizes and materials. The top roll is concave and the bottom roll is convex with tangent reliefs to deflect the bar over the bottom roll without

marking. The specially designed bottom roll profile which is convex produces a radical curvature in the bar as it passes through the machine. This unique profile has the following distinct advantage over the conventional "bottom" roll.

- Uniform stressing of the bar surface.

E) Bar Guides

Horizontally mounted bar guides (lineals) are provided at front and rear of the machine to cover the full size range . Guides are mounted in specially designed guide holders hinged to the front and rear columns and designed to swing out for bar guide change. Holders are provided with horizontal adjustment. Horizontal mounting of guides facilitates quick change as well as eliminates the heavy cantilevered guide loads which are common to horizontally opposed rolls.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #4 HETRAN BAR PRE-STRAIGHTENER (continued)

(continued)

The front and rear bar guides are hydraulically adjustable, operated by push-button located at both front and rear of machine. The guides are provided with changeable, high wear resistance bar guides.

To cover the specified bar range several sets of guides will be required. One complete set is provided with the machine.

F) Bar/Roll Lubrication (Coolant)

The coolant or lubricant is self-contained in the machine base and drained into a machine reservoir. The coolant from the reservoir is filtered before spraying onto the bars.

The system is completely valved and piped ready for operation. Splash guards are provided to contain the coolant within the machine frame.

G) Gearboxes

Each roll is individually driven by means of the 250 HP DC Motor via gear reducers through heavy duty universal spindles. Gear shafts are mounted on anti-friction bearings.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

OPTION D ONE (1) C.A.S./COMPUTER PACKAGE, INDUSTRIAL PC CAPABLE TO BE LINKED TO YOUR BUSINESS COMPUTER AUTOMATED STRAIGHTENING CONTROL PROGRAM

The new bar straightening control software package and activation system, developed by HETRAN, INC., in cooperation with a software company, allows maximum efficiency in set-up and change overs. Pre-adjustment of all machine parameters is done via a monitor-control system. In this system, the computer outputs to all necessary devices, properly adjusting all machine components per the information stored in the computer memory library. This software was developed and proven in an actual production atmosphere in the Shalmet processing facilities.

The following is a description of the standard features:

CONTENT:

CUSTOMIZED DISPLAY AND STORAGE OF MEASUREMENT DATA

CHANGING OF DIMENSION AND MATERIAL

DISPLAY OF PRE-ADJUSTMENT PARAMETERS FOR THE STRAIGHTENING PROCESS

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

OPTION D ONE (1) C.A.S./COMPUTER PACKAGE, INDUSTRIAL PC CAPABLE TO BE
LINKED TO YOUR BUSINESS COMPUTER AUTOMATED STRAIGHTENING CONTROL
PROGRAM

ORDER DATA:

ORDER NUMBER	CUSTOMER NAME
LOT SIZE	
MATERIAL GRADER	TENSILE STRENGTH
DIAMETER	TOLERANCE +/- REQUIRED
PRODUCTION DATE	

MEASUREMENT DATA:

ROLL ANGLE	(TOP/BOTTOM)
REVOLUTION DRIVES	(TOP/BOTTOM)
CURRENT DRIVES	(TOP/BOTTOM)
STRAIGHTENING FORCE	(TOP ROLL)
PRESSURE	(TOP ROLL)
LINEAL FORCES	(INPUT/OUTPUT)

CALCULATED DATA:

ROLL REVOLUTION	(TOP/BOTTOM)
THROUGHPUT SPEED	
BAR REVOLUTION	

The display of the measured and calculated data is graphically in
digital respectively analog form.

All data are saved under the data string "commission".

An out-print can be made, so that it is possible to suggest some pre-
adjustment parameters for one commission.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

ORDER REPORT
internal

CUSTOMER TERM	:	SHALMET Corp.
QUALITY / GRADE OF MATERIAL	:	100 Cr 6 / 52100
COMMISSION	:	TEST--00001
CHARGE	:	C0401
DIMENSION [mm] [in]	:	76.200 3.0000
PLUS - TOLERANCE [mm] [in]	:	0.000 0.0000
MINUS - TOLERANCE [mm] [in]	:	0.046 0.0018
DATE	:	06/15/92

REVOLUTION MAIN DRIVE	TOP	[U/min]	[RPM]	:	0
	BOTTOM	[U/min]	[RPM]	:	0
GEAR RATIO				:	0.0
REVOLUTION ROLL	TOP	[U/min]	[RPM]	:	0
	BOTTOM	[U/min]	[RPM]	:	0
POWER MAIN DRIVE	TOP	[A]		:	0

	BOTTOM	[A]	:	0	
STRAIGHTENING SPEED		[m/min] [ft/min]	:	0.00	0.00
REVOLUTION BAR		[U/min] [RPM]	:	0	
ROLL ANGLE	TOP	[(degree)]	:	0.00	
	BOTTOM	[(degree)]	:	0.00	
STRAIGHTENING FORCE		[MN] [tonf]	:	0.000	0.0
LOAD PRESSURE		[bar] [psi]	:	0	0
LINEAL FORCE A1 BAR ENTRY		[kN] [lbf]	:	0	0
	A2 BAR EXIT	[kN] [lbf]	:	0	0
	B1 BAR ENTRY	[kN] [lbf]	:	0	0
	B2 BAR EXIT	[kN] [lbf]	:	0	0
ENTRY ADJUSTMENT	VALUE 1	[mm] [in]	:	0	0
	2	[mm] [in]	:	0	0
	ANGLE	[(degree)]	:	0.0	
RUNOUT ADJUSTMENT	VALUE 1	[mm] [in]	:	0	0
	2	[mm] [in]	:	0	0
	ANGLE	[(degree)]	:	0.0	

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

ORDER REPORT
selectal

CUSTOMER TERM	:	SHALMET Corp.
QUALITY/ GRADE OF MATERIAL	:	100 Cr 6 / 52100
COMMISSION	:	TEST--00001
CHARGE	:	C0401
DIMENSION	[mm] [in]:	76.200 3.0000
PLUS - TOLERANCE	[mm] [in]:	0.000 0.0000
MINUS - TOLERANCE	[mm] [in]:	0.046 0.0018
DATE	:	06/15/92

REVOLUTION MAIN DRIVE	TOP	[U/min] [RPM]	:	0	
	BOTTOM	[U/min] [RPM]	:	0	
GEAR RATIO			:	0.0	
REVOLUTION ROLL	TOP	[U/min] [RPM]	:	0	
	BOTTOM	[U/min] [RPM]	:	0	
POWER MAIN DRIVE	TOP	[A]	:	0	
	BOTTOM	[A]	:	0	
STRAIGHTENING SPEED		[m/min] [ft/min]	:	0.00	0.00
REVOLUTION BAR		[U/min] [RPM]	:	0	
ROLL ANGLE	TOP	[(degree)]	:	0.00	
	BOTTOM	[(degree)]	:	0.00	
STRAIGHTENING FORCE		[MN] [tonf]	:	0.000	0.0
LOAD PRESSURE		[bar] [psi]	:	0	0
LINEAL FORCE A1 BAR ENTRY		[kN] [lbf]	:	0	0
	A2 BAR EXIT	[kN] [lbf]	:	0	0
	B1 BAR ENTRY	[kN] [lbf]	:	0	0
	B2 BAR EXIT	[kN] [lbf]	:	0	0
ENTRY ADJUSTMENT	VALUE 1	[mm] [in]	:	0	0
	2	[mm] [in]	:	0	0
	ANGLE	[(degree)]	:	0.0	
RUNOUT ADJUSTMENT	VALUE 1	[mm] [in]	:	0	0
	2	[mm] [in]	:	0	0
	ANGLE	[(degree)]	:	0.0	

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

ORDER REPORT selection list

DATE from: 06/01/92 to : 06/30/92
 COMMISSION from: TEST--00001 to : TEST--00099
 DIMENSION [mm] from: 20.000 to : 100.000
 [in] 0.7874 to : 3.9370
 MATERIAL [DIN] from: 1.0000 to : 1.9999

SORTED BY DATE / COMMISSION / DIMENSION / MATERIAL

 DIMENSION [in] : 3.000
 PLUS - TOLERANCE [in] : 0.0000
 MINUS - TOLERANCE [in] : 0.0018
 DATE : 06/15/92

REVOLUTION MAIN DRIVE TOP [U/min] [RPM] : 0
 BOTTOM [U/min] [RPM] : 0
 GEAR RATIO : 0.0
 REVOLUTION ROLL TOP [U/min] [RPM] : 0
 BOTTOM [U/min] [RPM] : 0
 POWER MAIN DRIVE TOP [A] : 0
 BOTTOM [A] : 0
 STRAIGHTENING SPEED [m/min] [ft/min] : 0.00 0.00
 REVOLUTION BAR [U/min] [RPM] : 0
 ROLL ANGLE TOP [(degree)] : 0.00
 BOTTOM [(degree)] : 0.00
 STRAIGHTENING FORCE [MN] [tonf] : 0.000 0.0
 LOAD PRESSURE [bar] [psi] : 0 0
 LINEAL FORCE A1 BAR ENTRY [kN] [lbf] : 0 0
 A2 BAR EXIT [kN] [lbf] : 0 0
 B1 BAR ENTRY [kN] [lbf] : 0 0
 B2 BAR EXIT [kN] [lbf] : 0 0
 ENTRY ADJUSTMENT VALUE 1 [mm] [in] : 0 0
 2 [mm] [in] : 0 0
 ANGLE [(degree)] : 0.0
 RUNOUT ADJUSTMENT VALUE 1 [mm] [in] : 0 0
 2 [mm] [in] : 0 0
 ANGLE [(degree)] : 0.0

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
 HETRAN CONTRACT C-1455
 MODEL BPC-6000

ORDER REPORT
 for customer

CUSTOMER TERM : SHALMET Corp.
 QUALITY / GRADE OF MATERIAL : 100 Cr 6 / 52100
 COMMISSION : TEST--00001
 CHARGE : C0401
 DIMENSION [in] : 3.000
 PLUS - TOLERANCE [in] : 0.0000
 MINUS - TOLERANCE [in] : 0.0018
 DATE : 06/15/92

REVOLUTION ROLL TOP [U/min] [RPM] : 0
 BOTTOM [U/min] [RPM] : 0
 ROLL ANGLE TOP [(degree)] : 0.00

	BOTTOM	[(degree)]	:	0.00	
STRAIGHTENING FORCE		[MN] [tonf]	:	0.000	0.0
LINEAL FORCE	A1 BAR ENTRY	[kN] [lbf]	:	0	0
	A2 BAR EXIT	[kN] [lbf]	:	0	0
	B1 BAR ENTRY	[kN] [lbf]	:	0	0
	B2 BAR EXIT	[kN] [lbf]	:	0	0

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #5 COMPLETE ELECTRICAL EQUIPMENT FOR PRE-STRAIGHTENER
MODEL BS-600P

Manufacturers of electrical equipment as per Annex 3.

A) Two (2) DC Straightener Motors

Two (2) 250 HP, totally enclosed, fan cooled DC motors for continuous duty. Anti-friction bearings, drip-proof protected enclosure, a motor mounted tachometer generator, foot mounted, and thermostats are all included.

B) Straightening Power Unit

One (1) 500 HP power unit for 460 volt, 3 phase, 60 hertz power supply and consisting of the following units, functions and devices in a NEMA 12 enclosure with doors on the front. The panel is suitable for mounting against the wall:

- 1.15 service factor, with 150% overload capacity.
- drive module to include power supply, and drive monitor.
- Static instantaneous over-current protection.
- Air circuit breaker disconnect with handle through door.
- Isolation transformer.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #5 COMPLETE ELECTRICAL EQUIPMENT (continued)

- a. Motor speed regulator to provide 1% speed regulation with timed acceleration and deceleration.
- b. Magnetic switch disconnection.
- c. Jogging forward.
- d. Dynamic braking emergency stop.
- e. Coast stop normal stop.
- f. E-Stop Relay.
- g. One relay for interlocking.

C) Operator Station

One (1) pendulum-type mounted operator station, NEMA type 12, to contain the following devices mounted and wired to terminal boards:

- Ampmeter
- Voltmeter
- Start push-buttons
- Stop push-buttons
- Clamp and release push-buttons
- Speed adjust potentiometer for main drives
- Selector switches, etc.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #6 ONE (1) COMPLETE HYDRAULIC POWER SYSTEM

To service complete straightener installation (skew rolls, pressure rolls, linear entry/exit table etc.) with substation including all necessary piping, hoses, filters, accumulators, pressure gauges, check valves, flow control valves, motors, pumps, etc.

Power system includes load sensing pressure compensating pumps with pressure and torque limiting controls and electrical proportional control.

Item #7 TWO (2) HYDRAULIC DRIVEN PRESSURE ROLL ASSEMBLIES

To drive bar from the straightener into the linear exit table. The self centering pressure rolls are arranged vertically. Operated by hydraulic cylinders that are controlled via a pressure relief and speed control valve.

Load and re-load of the rolls are fully automatically depend on the operation sequence.

Item #8 ONE (1) V-TROUGH EXIT TABLE

The V-Trough exit table is lined with urethane for safety and noise abatement. The table automatically tilts, releasing the bar onto the transfer/loading table.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #9 TRANSFER/LOADING TABLE

One (1) transfer/loading table with automatic loading device to pick up one (1) bar at a time and place on saw linear entry table. All bar contact surfaces are polyethylene lined for bar protection and noise abatement.

Item #10 LINEAR ENTRY/EXIT TABLE WITH TRANSFER DEVICE

One (1) linear entry /exit table with v-rollers accepts bar from transfer/loading table. The v-rollers are individually driven, feeding the bar to and through the saw station. After the bar is fed to and through the saw station, the bars will be transferred to the for loading/transfer table #14.

Item #11 ACO-40 ABRASIVE SAW STATION

The ACO-40 abrasive saw station will consist of (1) saw assembly utilizing a 40" diameter reinforced abrasive cut-off wheel allowing bar cuts up to a maximum diameter of 9". The saw will be driven by a 200 HP hydraulic drive system. A variable speed spindle is included and will provide the ability to adjust the abrasive wheel RPM over a wide selection range.

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HETRAN CONTRACT C-1455

MODEL BPC-6000

Item #11 ACO-40 ABRASIVE SAW STATION (continued)

This capability will permit proper or desired surface-feet-per-minute to be maintained, regardless of the wheel diameter as it is affected by normal wear. The variable speed spindle is controlled by a potentiometer and includes a surface feet per minute digital indicator. The saw is control-fed through the cutting arc by a temposonic controlled hydraulic cylinder and adjusted by a potentiometer. A two-jaw vise is utilized to hold the bars and is controlled by a selector switch. A disposal system is provided for scrap removal and utilizes an eliminator chute and removable scrap container.

All machine functions are controlled by an Allen-Bradley PLC. The operator panel is provided in a choice of either pedestal mounted type or adjustable overhead style; the user friendly operator panel is arranged in a logical context giving ease of control to all machine functions including:

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

HETRAN CONTRACT C-1455

MODEL BPC-6000

Item #11 ACO-40 ABRASIVE SAW STATION (continued)

- Hydraulic system START/STOP control and indicator.
- Blade speed potentiometer and surface-feet-per-minute (SFPM) meter.
- A spindle revolutions per minute (RPM) meter.
- Blade RAISE/LOWER selector switch and indicator.
- Pounds-per-square inch (PSI) digital meter.
- Vice OPEN/CLOSE selector switch and indicator.
- Electrical system ON/OFF switch and indicator.

OPTION E ENVIRONMENTAL/SAFETY ENCLOSURE

Totally enclosed sheet metal "House" with sliding door access. Door has shatter-proof glass window with interior window-wiper and light, allow visual inspection.

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HETRAN CONTRACT C-1455

MODEL BPC-6000

ITEM #12 ONE (1) AUTOMATIC CHAMFERING/DEBURR UNIT

MODEL BC-600

One (1) automatic chamfering/deburr assembly with a chamfering bit head equipped with four (4) carbide cartridges and a centering mechanism in height. The four carbides are arranged to chamfer a

45(degree) +/- 5(degree) angle. The chamfering bit head is connected to the heavy duty spindle that operates with super precision bearings.

The axial movement (forward and reverse) of the chamfering head is variable between 0.5mm and 8.0mm and is controlled by a proportional valve, so that chip removal on the chamfered bar ends can be determined per revolutions of the spindle.

A hydraulic two-jaw vise is utilized to hold the hot rolled and prestraightened bars while being chamfered and is controlled by a selector switch. As the bar is moved to a fixed stopper via the linear entry table, all chamfering depths depend on the variation of the cut angle (90(degree) +/-1(degree)).

The chamfering machine will work in the dry operation mode.

The metal removed (chips) will be diverted into a chip bucket.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

ITEM #12 ONE (1) AUTOMATIC CHAMFERING/DEBURR UNIT

MODEL BC-600 (Continued)

The chamfering unit is covered with a protective hood hinged for easy access for tool changing.

The chamfer unit is synchronized with the sequence of the bar intermediate transfer and linear entry table.

Item #13 ONE (1) LINEAR ENTRY/EXIT TABLE (CHAMFER MACHINE)

With v-rollers accepting bar from bar intermediate transfer table. The v- rollers are driven by oil motors, feeding the leading end of the bar to the chamfering unit. The rollers are reversible for manual and/or automatic positioning. The table is height adjustable via temposonic cylinder to match centerline height of hydraulic chamfering vise.

After the bar top end is chamfered it will be released via a bar lifting device onto the intermediate transfer table and transferred to the bar turning machine. All bar contact surfaces are polyethylene-lined for noise abatement and bar protection.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

PRE-STRAIGHTENER WITH STANDARD ACCESSORIES

GENERAL (ITEM #1 THROUGH #13)

Safety guards will be attached to all equipment; such as, rotating and sliding parts. (Universal drive shafts, skew rolls, etc.) Safety guards will be painted with Osha standard as per customer specifications.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

ONE (1) HETRAN BAR TURNER INSTALLATION, MODEL BT-6

Complete, as per our drawing #4ML-19705C, Rev.0. The machine features

the newest design and is used for the machining of hot rolled machined straightened bars for carbon steels, alloy steels, stainless steels (Martensitic, Ferritic, Austenitic), tools steels, high speed steels, high nickel alloys, high strength steels, etc.

The turning heads are equipped with indexable carbide throw-away inserts. The material flow is from left to right as seen from the operator's position.

EQUIPMENT SPECIFICATIONS:

- - - - -

Hot rolled machined & straightened

bar diameter:	1.031" to 6.250"
Working range finish diameter:	1.000" to 6.000"
Bar length:	12' to 25' maximum
Diameter tolerance:	1.000" to 3.500" (-.000/+0.004") 3.500" to 6.000" (-.000/+0.006")
Bar throughfeed speed:	up to 80 FPM
Material removal in diameter:	.031" to .500"
Main drive motor:	250 HP DC Motor SCR controlled
Electricity:	460 V., 3 Ph., 60 Hertz
Control voltage:	110 V., 1 Ph., 60 Hertz

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #14 ONE (1) BAR LOADING/TRANSFER TABLE

One (1) bar loading/transfer table that accepts the bars from the linear exit table of the saw. From there, the bars go through an adjustable stop located in the center of the table. This adjustable stop improves efficiency when processing different size bar lots as well as for loading and unloading of the bars.

A single bar will be lifted and placed onto the v-shaped transporting rollers. The rolls are driven by oil motors. The bars are continually fed in a fully automatic non-stop manner. The automatic bar lift is controlled by a proximity switch, depending on the operating sequence of the machine.

The bar loading table is a rigid, welded, steel construction, capable of withstanding a load in excess of approximately 12 tons.

All cylinders and oil motors are fed from the main hydraulic power unit.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #15 ONE (1) LINEAR ENTRY TABLE

With v-rollers accepts bars from the bar loading/transfer table. The v-rollers are driven by oil motors, feeding the bar to the infeed assembly. The table is height adjustable to match turning centerline height. The speed of the linear entry table will accommodate the speed to the infeed unit and is infinitely variable to assure bar to bar operation.

Item #16 BAR TURNING MACHINE MODEL BT-6

including:

HYDRAULICALLY DRIVEN INFEED UNIT which feeds the bar through the turning machine. The four self centering (4) pressure loaded feed rollers are longitudinally grooved and hydraulically actuated. One (1) set of feed rollers cover the full working diameter range. The pressure of the cylinders is adjustable to accommodate bar diameter and stock removal; and can be infinitely variable by a pressure relief valve located on the front side of machine and hydraulic unit.

The infeed unit also allows for irregular bar diameter faces going through the machine. The 2 sets of pressure rolls, controlled by a PLC will load and re-load fully automatically when the end of the previous bar and the beginning of the next bar passes through the roll section area. This important feature protects the infeed roll shaft lift, etc.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #16 BAR TURNING MACHINE MODEL BT-6

(continued)

BAR TURNING ASSEMBLY consists of a steel weldment constructed housing incorporating the spindle, which is driven through a poly-chain by an infinitely variable, SCR controlled, approximately 250 HP DC drive and via a 2-speed gear box. The spindle runs on super precision angular contact bearings and carries the cutter-head.

All main spindle bearings are constantly monitored via a temperature control device. If overheating of the bearings occur, the machine will automatically shut down.

A Tool Wear Compensation Device is included. This device maintains a constant diameter of the bar while the machine is running and is operated via an oil motor.

Directly in front and in the back of the cutter-head, the self-centering material entry and exit guide assembly is mounted to dampen vibrations and assure the best turning results. The entry guide assembly covers the full finish diameter range. The entry guide assembly is equipped with three (3) hardened jaw plates.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #16 BAR TURNING MACHINE MODEL BT-6

(continued)

One (1) cutter-head covering the entire bar size range carries the four carbide toolholders. The machine uses three (3) sizes of tool cassettes. The tool cassettes offer a variety of options for using roughing and finishing carbide cutters in various shapes such as round, triangular, square and octagon (international standard). These carbide inserts are arranged individually or in a tandem sequence.

The precision setup fixture to pre-set the toolholders to a finish bar diameter is included.

The exit guide assembly is equipped with automatically adjusting guide pads, over the full range of the machine for maximum vibration elimination. Also included is one (1) pair of pinch rolls which are air actuated and self-centering.

THE CLAMPING CARRIAGE ASSEMBLY consists of a hydraulically operated self-centering clamping carriage, which prevents the bar from turning after the same has left the feed rolls. The clamping carriage runs on rails, which are supported by the machine base. The clamping carriage is hydraulically driven via a rack and pinion assembly with an oil motor.

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HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #16 BAR TURNING MACHINE MODEL BT-6

(continued)

This unit will clamp the bar transferred from the infeed unit and then transfer it onto the bar linear exit table. Also included is one (1) pair of pinch rolls which are air actuated and self-centering.

All of the bar turner units are mounted on a common steel frame base, properly precision aligned with a laser. The base and coolant tank will accommodate approximately 1,000 gallons of coolant solution; therefore, no coolant pit is required. The foundation requirement is minimized to a reinforced concrete floor approximately 12" thick and several anchor bolts for fastening.

Toolholder size (range)

Three (3) complete toolholder sets are included with the machine to cover the full size range. Each toolholder set consists of (4) four individual toolholders, equal in size and capable of utilizing the four cartridge type insert holders, also included.

Set #1: 25mm - 76mm (1.000" to 3.000")
Set #2: 76mm - 114mm (3.000" to 4.500")
Set #3: 114mm - 152mm (4.500" to 6.000")

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #16 BAR TURNING MACHINE MODEL BT-6

(continued)

Toolholder change time

An alternate set of the toolholders can be prepared for installation in the machine by being equipped with carbides during the peeling operation. The toolholders are adjustable by the included set-up fixture.

The toolholder set change-over time; from a used toolholder set out of the cutter-head, to a new adjusted toolholder set is between 3 to 6 minutes.

Item #17 ONE (1) LASER MEASURING AND ADJUSTMENT CONTROL

The Laser measuring device is a data registration processor, which is coupled to a Laser scanner. In connection with the Laser scanner, the Data System is a contactless, automatic measuring system of the highest dissolution. The measuring readout consists of the maximum size, the minimum size, the maximum and the minimum deviation as well as the standard deviation. The Laser compares the effective measurement of the laser scanner to the programmed tolerance limits and evaluates the single conditions.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #17 ONE (1) LASER MEASURING AND ADJUSTMENT CONTROL

(continued)

The parameter memory into the Laser is done via a Laser key board. With this key-board on the front pendulum panel, a direct link to the storage memory is possible. The Laser memorizes the measured maximum, minimum, the difference between these both values and calculates the middle value of the measurements as well as the standard deviation.

The connection to SPS system via a series intersection and the delivery of the measurement data to a separate indicator as well as providing the alarm signs make this equipment an universal measurement data processing station.

The readout a six-figure number indicator. It shows the selected parameter as well as possible error conditions in indicating the size parameters.

The measuring principle refers to the laser scanning of the measuring object on the optical measuring field. The laser beam is to be converged on a photocell and reversed into a digital sign. The microprocessor determines the exact diameter from the digital sign.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #17 ONE (1) LASER MEASURING AND ADJUSTMENT CONTROL

(continued)

Indication of: Momentary diameter, adjustable fixed diameter, diameter medium value, minimum diameter and maximum diameter and standard deviation.

Tolerance indication: over-, good-, under measure LED diodes.

Besides the measurement data with all parameters for the peeled bar or wire, the measurement and adjustment control is equipped with a further microprocessor controlled difference counter which evaluates by a phase discriminator with four-fold evaluation.

Item #18 CHIP CONVEYOR

With high pressure coolant pump, piping, etc. Overload protection is provided, in the event the metal chips become entangled on the steel belt conveyor.

Item #19 COMPLETE ELECTRICAL EQUIPMENT

Manufacturers of electrical equipment for AC and DC motor control will be as per Annex 3.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #19 COMPLETE ELECTRICAL EQUIPMENT (continued)

A) One (1) DC Turner Motor

One (1) 250 HP, 650/1800 RPM, totally enclosed, fan cooled DC motor for continuous duty. Anti-friction bearings, drip-proof protected enclosure, a motor mounted tachometer generator, foot mounted, and thermostats are all included.

B) One set of slide rails for motor under Item A.

C) Turner Power Unit

One (1) 250 HP Power unit for 460 volt, 3 phase, 60 hertz power supply and consisting of the following units, functions and devices in a NEMA 12 enclosure with doors on the front. The panel is suitable for mounting against the wall:

- 1.15 service factor, with 150% overload capacity.
- drive module to include power supply, and drive monitor.
- Static instantaneous over-current protection.
- Air circuit breaker disconnect with handle through door.
- Isolation transformer.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #19 COMPLETE ELECTRICAL EQUIPMENT (continued)

- a. Motor speed regulator to provide 1% speed regulation with timed acceleration and deceleration.
- b. Magnetic switch disconnection.
- c. Jogging forward.
- d. Dynamic braking emergency stop.
- e. Coast stop normal stop.
- f. E-Stop Relay.
- g. One relay for interlocking.

D) Operator Station

One (1) Pendulum type and one (1) Bench type operator station for both machines for industrial PLC (business) computers, NEMA type 12, to contain the following devices mounted and wired to terminal boards:

Digital Turner motor ammeter.

Digital Turner speed indicator

Digital infeed speed indicator (up to

80 FPM/maximum)

Turner START push-button.

Turner STOP push-button.

Turner JOG FORWARD push-button.

Infeed START push-button.

Infeed STOP push-button.

INFEED JOG FORWARD & JOG REVERSE push-button.

Clamping Carriage CLAMP-RELEASE push-button.

Clamping Carriage FEED-OUT push-button.

Clamping Carriage FORWARD-REVERSE push-button.

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HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #19 COMPLETE ELECTRICAL EQUIPMENT (continued)

Cylinder OFF-ON selector switches.

Coolant pump START-STOP push-button.

Hydraulic pump START-STOP push-button.

AC POWER ON indicating light.

STOP RESET illuminated push-button.

E STOP mushroom head push-buttons.

Infeed speed adjust potentiometer.

Turner speed adjust potentiometer.

E) Miscellaneous Limit Switches, through-feed speed counting devices

for automatic clamping, etc.

F) Monitor for Bar Turning Installation

One (1) mini computer with CTR display screen which will monitor the bar turning equipment with separate modes indicating all necessary functions. The main function modes are as follows:

- Line speed and metal removal tons/hour, spindle RPM, etc.
- Data entry of diameter

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HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #20 ONE (1) COMPLETE HYDRAULIC POWER SYSTEM

With substation including all necessary piping, hoses, filters, accumulators, pressure gauges, check valves, flow control valves, motors, pumps, etc. Power system includes load sensing pressure compensating pumps with pressure and torque limiting controls and electrical proportional control.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

OPTIONAL EQUIPMENT FOR BT-6 BAR TURNER INSTALLATION

OPTION A ONE (1) VGA/COMPUTER PACKAGE, INDUSTRIAL PC CAPABLE TO BE LINKED TO YOUR BUSINESS COMPUTER

VGA monitor will display pertinent data concerning (3) modes of bar turner functions:

1. Diagnostics of the machine such as malfunctioning of switches, sensors, etc.
2. Production of machine processing such as line speed, metal removal, tons/hour chips and product, spindle RPM, etc.
3. Data entry for grade of steel, diameter, bar lengths, recommended RPM and throughput speed. A library is be maintained for ease of machine set-up.
4. Standard software settings can be changed in accordance with your needs. The original source program with code-book is not available because all rights are exclusively reserved by HETRAN, INC. Communication Language is TURBO-PASCAL.

OPTION B ONE (1) 2000 CFM MIST COLLECTION SYSTEM

The unit will direct the coolant mist over-spray through the rear area of the bar turner spindle base, drawing mist away from the operator and contributing to the cleanliness of the area.

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HETRAN CONTRACT C-1455
MODEL BPC-6000

OPTION C CHILLER

The chiller maintains a constant temperature control of water based coolants that become heated during the peeling process. The chiller is a totally self-contained unit built to industrial standards and utilizes a chip strainer and sediment settling system.

Compressors are welded, hermetic types; electricals meet NEC standards. The constant temperature of coolant liquids helps maintain the efficiency of the bearings, increase tool life, increase production, and improve quality index.

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HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #21 ONE (1) LINEAR EXIT TABLE

With v-rollers and hold-down roll assembly. Accepts bar from clamp carriage. The v-rollers are driven by oil motors, driving the bar to the unloading point and allowing the individual bars to be transferred to the intermediate/transfer table to be in alignment with the bar straightener. The table is height adjustable and in accordance with the turning centerline height to accommodate the various sizes of processed bars.

All hydraulic cylinders and all hydraulic roll motors are fed from a hydraulic power unit.

Item #22 ONE (1) INTERMEDIATE/TRANSFER TABLE

(FROM TURNER TO STRAIGHTENER)

The unloading arm assembly will automatically unload bars from the turner linear exit table.

The unloading table will have supported roller chains to carry bars to loading point, against an adjustable bar stop. The supported roller chains will allow movement of those bars which are in excess of the straightness tolerance limit. One bar at a time will then be automatically raised and loaded into the straightener linear entry table.

All bar contact surfaces will be polyethylene lined for bar protection

and noise abatement.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

An intermediate bar stop is included to allow bars to be either temporarily pooled or separated into bundles.

BAR TURNING MACHINE WITH STANDARD ACCESSORIES

GENERAL (ITEM #14 THROUGH #22)

Safety guards will be attached to all equipment; such as, rotating and sliding parts. (Pinch rolls, Infeed rolls, Clamping Carriage, etc.) Safety guards will be painted with Osha standard as per customer specifications.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

ONE (1) HETRAN FINISH BAR STRAIGHTENER/BURNISHER

MODEL BS-600

The machine is the latest design and is used to straighten/burnish turned bar stock of carbon steel, alloy steel, tool steel, stainless steels (Martensitic, Ferritic, Ausenitic), tool steel, high speed steel, high nickel alloys, high strength steels, etc.

EQUIPMENT SPECIFICATIONS:

Working range diameter:	1.000" to 6.000"
Bar length:	12' to 25'
Line speed:	up to 120 FPM
Angle adjustment top roll:	approximately 14(degree) to 24(degree)
Angle adjustment bottom roll:	approximately 14(degree) to 24(degree)
Main drive:	Two (2) 250 HP DC motors
Electrical supply:	460 V., 3 Ph., 60 Hertz
Control voltage:	110 V., 1 Ph., 60 Hertz

Item #23 ONE (1) CLAMSHELL LINEAR ENTRY TABLE

That accept bars from the intermediate/transfer table assembly. The linear feed table is a clamshell-type design with urethane lined blocks for safety and noise abatement. The clamshell closes as a bar is fed by skew pressure rolls into the straightener and it opens to accept the next bar from the intermediate/transfer table.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #24 TWO (2) HYDRAULIC DRIVEN SKEW PRESSURE ROLL

ASSEMBLIES

Feed the bar under rotation into the straightener, this decreases shock damage to both work-piece and straightening rolls. The skew rolls are arranged vertically.

ONE (1) HETRAN BAR STRAIGHTENER/BURNISHER

MODEL BS-600

The machine is the latest design and is used to straighten/burnish turned bar stock of carbon steel, low alloy steel, stainless steels (Martensitic, Ferritic, Austenitic), tool steel, high speed steel, high nickel alloy, high strength steel, etc.

EQUIPMENT SPECIFICATIONS:

- - - - -

Working range diameter:	1.000" to 6.000"
Bar length:	min. 12' to 24'
Line speed:	up to 120 FPM
Angle adjustment top roll:	approximately 14(degree) to 24(degree)
Angle adjustment bottom roll:	approximately 14(degree) to 24(degree)
Main drive:	Two (2) 250 HP DC motors
Electrical supply:	460 V., 3 Ph., 60 Hertz
Control voltage:	110 V., 1 Ph., 60 Hertz

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #25 ONE (1) HETRAN FINISH BAR STRAIGHTENER/BURNISHER

MODEL BS-600

A) General Construction

Machine will be of vertical two-roll design with the rolls mounted one above the other and each driven by D.C. motor with heavy-duty gear reducers. The upper roll is adjusted up or down for bar size and roll pressure setting. The roll and bracket holder are mounted on a large diameter ram which travels inside the top frame of the machine.

Screw type adjustment is provided. Both upper (concave) and lower (convex) roll are provided with angular adjustments for selecting optimum angles for pressure distribution for any size bar within the machine's capacity along the face of the rolls.

Straightener frames are of steel welded/stress relieved construction.

Four (4) large diameter pre-stressed columns assure rigidity and are arranged with hinged guide mountings to provide easy access for bar guide change.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #25 HETRAN FINISH BAR STRAIGHTENER/BURNISHER (continued)

B) Straightener Line Speed

Straightening speed range will be up to 120 FPM using two (2) 250 HP 650/1800 D.C. motors equipped with reversing SCR control, infinitely variable. Fast enough not to limit the capacity of the turning machine.

C) Adjustments

Upper roll pressure adjustment is motorized by an oil motor with gear reducer unit. The top roll also has hydraulic cylinders to counterbalance any backlash which may develop. Angular adjustments of both rolls are provided to cover the full range of bar diameters and type of material, assuring end to end straightness to all bars, including those with short bends and end kinks.

Angularity setting of either the top or bottom roll is accomplished by hydraulic cylinders. On completion of these adjustments the rolls are rigidly clamped both for angularity and for pressure setting (hand operated).

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #25 HETRAN FINISH BAR STRAIGHTENER/BURNISHER (continued)

D) Rolls

The machine is installed with one set of rolls to cover the full size range of the machine. Both rolls are designed to provide maximum production and quality of the bar over the entire range of bar sizes and materials. The top roll is concave and the bottom roll is convex with tangent reliefs to deflect the bar over the bottom roll without marking. The specially designed bottom roll profile which is convex produces a radical curvature in the bar as it passes through the machine. This unique profile has the following distinct advantage over the conventional "bottom" roll.

- Uniform stressing of the bar surface.
- Higher degree of polishing as a result of the increased contact lengths and the differential contact diameters, thereby making it especially suitable for cold finished bars.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #25 HETRAN FINISH BAR STRAIGHTENER/BURNISHER (continued)

E) Bar Guides

Horizontally mounted bar guides (lineals) are provided at front and rear of the machine to cover the full size range. Guides are mounted in specially designed guide holders hinged to the front and rear columns and designed to swing out for bar guide change. Holders are provided with horizontal adjustment. Horizontal mounting of guides facilitates quick change as well as eliminates the heavy cantilevered guide loads which are common to horizontally opposed rolls.

The front and rear bar guides are hydraulically adjustable, operated by push-button located at both front and rear of machine. The guides are provided with changeable, high wear resistance bar guides.

To cover the specified bar range several sets of guides will be required. One complete set is provided with the machine.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

Item #25 HETRAN FINISH BAR STRAIGHTENER/BURNISHER

(continued)

F) Bar/Roll Lubrication (Coolant)

The coolant or lubricant is self-contained in the machine base and drained into a machine reservoir. The coolant from the reservoir is filtered before spraying onto the bars.

The system is completely valved and piped ready for operation. Splash guards are provided to contain the coolant within the machine frame.

An air wipe system is provided on the exit end of the straightener to wipe the bar free of lubrication. Different sets are needed for various bar diameters.

G) Gearboxes

Each roll is individually driven by means of the 250 HP DC Motor via gear reducers through heavy duty universal spindles. Gear shafts are mounted on anti-friction bearings.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

OPTION E ONE (1) C.A.S./COMPUTER PACKAGE, INDUSTRIAL PC CAPABLE TO BE LINKED
TO YOUR BUSINESS COMPUTER AUTOMATED STRAIGHTENING CONTROL PROGRAM

The new bar straightening control software package and activation system, developed by HETRAN, INC., in cooperation with a software company, allows maximum efficiency in set-up and change overs. Pre-adjustment of all machine parameters is done via a monitor-control system. In this system, the computer outputs all necessary devices, properly adjusting all machine components per the information stored in the computer memory library. This software was developed and proven in an actual production atmosphere in the Shalmet processing facilities. The following is a description of the standard features:

CONTENT:

CUSTOMIZED DISPLAY AND STORAGE OF MEASUREMENT DATA

CHANGING OF DIMENSION AND MATERIAL

DISPLAY OF PRE-ADJUSTMENT PARAMETERS FOR THE STRAIGHTENING PROCESS

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
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MODEL BPC-6000

OPTION E ONE (1) C.A.S./COMPUTER PACKAGE, INDUSTRIAL PC CAPABLE TO BE LINKED
TO YOUR BUSINESS COMPUTER AUTOMATED STRAIGHTENING CONTROL PROGRAM

ORDER DATA:

ORDER NUMBER	CUSTOMER NAME
LOT SIZE	
MATERIAL GRADER	TENSILE STRENGTH

DIAMETER
PRODUCTION DATE

TOLERANCE +/- REQUIRED

MEASUREMENT DATA:

ROLL ANGLE	(TOP/BOTTOM)
REVOLUTION DRIVES	(TOP/BOTTOM)
CURRENT DRIVES	(TOP/BOTTOM)
STRAIGHTENING FORCE	(TOP ROLL)
PRESSURE	(TOP ROLL)
LINEAL FORCES	(INPUT/OUTPUT)

CALCULATED DATA:

ROLL REVOLUTION	(TOP/BOTTOM)
THROUGHPUT SPEED	
BAR REVOLUTION	

The display of the measured and calculated data is graphically in digital respectively analog form.

All data are saved under the data string "commission".

An out-print can be made, so that it is possible to suggest some pre-adjustment parameters for one commission.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

ORDER REPORT
internal

CUSTOMER TERM	:	SHALMET Corp.
QUALITY / GRADE OF MATERIAL	:	100 Cr 6 / 52100
COMMISSION	:	TEST--00001
CHARGE	:	C0401
DIMENSION	[mm] [in]	: 76.200 3.0000
PLUS - TOLERANCE	[mm] [in]	: 0.000 0.0000
MINUS - TOLERANCE	[mm] [in]	: 0.046 0.0018
DATE	:	06/15/92

REVOLUTION MAIN DRIVE	TOP	[U/min] [RPM]	:	0
	BOTTOM	[U/min] [RPM]	:	0
GEAR RATIO			:	0.0
REVOLUTION ROLL	TOP	[U/min] [RPM]	:	0
	BOTTOM	[U/min] [RPM]	:	0
POWER MAIN DRIVE	TOP	[A]	:	0
	BOTTOM	[A]	:	0
STRAIGHTENING SPEED		[m/min] [ft/min]	:	0.00 0.00
REVOLUTION BAR		[U/min] [RPM]	:	0
ROLL ANGLE	TOP	[(degree)]	:	0.00
	BOTTOM	[(degree)]	:	0.00
STRAIGHTENING FORCE		[MN] [tonf]	:	0.000 0.0
LOAD PRESSURE		[bar] [psi]	:	0 0
LINEAL FORCE	A1 BAR ENTRY	[kN] [lbf]	:	0 0
	A2 BAR EXIT	[kN] [lbf]	:	0 0
	B1 BAR ENTRY	[kN] [lbf]	:	0 0
	B2 BAR EXIT	[kN] [lbf]	:	0 0
ENTRY ADJUSTMENT	VALUE 1	[mm] [in]	:	0 0
	2	[mm] [in]	:	0 0
	ANGLE	[(degree)]	:	0.0
RUNOUT ADJUSTMENT	VALUE 1	[mm] [in]	:	0 0
	2	[mm] [in]	:	0 0
	ANGLE	[(degree)]	:	0.0

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455

MODEL BPC-6000

ORDER REPORT
selectal

CUSTOMER TERM	:	SHALMET Corp.
QUALITY/ GRADE OF MATERIAL	:	100 Cr6 / 52100
COMMISSION	:	TEST--00001
CHARGE	:	C0401
DIMENSION	[mm] [in] :	76.200 3.0000
PLUS - TOLERANCE	[mm] [in] :	0.000 0.0000
MINUS - TOLERANCE	[mm] [in] :	0.046 0.0018
DATE	:	06/15/92

REVOLUTION MAIN DRIVE	TOP	[U/min] [RPM]	:	0	
	BOTTOM	[U/min] [RPM]	:	0	
GEAR RATIO			:	0.0	
REVOLUTION ROLL	TOP	[U/min] [RPM]	:	0	
	BOTTOM	[U/min] [RPM]	:	0	
POWER MAIN DRIVE	TOP	[A]	:	0	
	BOTTOM	[A]	:	0	
STRAIGHTENING SPEED		[m/min] [ft/min]	:	0.00	0.00
REVOLUTION BAR		[U/min] [RPM]	:	0	
ROLL ANGLE	TOP	[(degree)]	:	0.00	
	BOTTOM	[(degree)]	:	0.00	
STRAIGHTENING FORCE		[MN] [tonf]	:	0.000	0.0
LOAD PRESSURE		[bar] [psi]	:	0	0
LINEAL FORCE	A1 BAR ENTRY	[kN] [lbf]	:	0	0
	A2 BAR EXIT	[kN] [lbf]	:	0	0
	B1 BAR ENTRY	[kN] [lbf]	:	0	0
	B2 BAR EXIT	[kN] [lbf]	:	0	0
ENTRY ADJUSTMENT	VALUE 1	[mm] [in]	:	0	0
	2	[mm] [in]	:	0	0
	ANGLE	[(degree)]	:	0.0	
RUNOUT ADJUSTMENT	VALUE 1	[mm] [in]	:	0	0
	2	[mm] [in]	:	0	0
	ANGLE	[(degree)]	:	0.0	

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

ORDER REPORT selection list

DATE	from:	06/01/92	to :	06/30/92
COMMISSION	from:	TEST--00001	to:	TEST--00099
DIMENSION	[mm] from:	20.000	to:	100.000
	[in]	0.7874		3.9370
MATERIAL	[DIN] from:	1.0000	to :	1.9999

SORTED BY	DATE /	COMMISSION /	DIMENSION /	MATERIAL

DIMENSION	[in]	:	3.000	
PLUS - TOLERANCE	[in]	:	0.0000	
MINUS - TOLERANCE	[in]	:	0.0018	
DATE		:	06/15/92	

REVOLUTION MAIN DRIVE	TOP	[U/min]	[RPM]	:	0	
	BOTTOM	[U/min]	[RPM]	:	0	
GEAR RATIO				:	0.0	
REVOLUTION ROLL	TOP	[U/min]	[RPM]	:	0	
	BOTTOM	[U/min]	[RPM]	:	0	
POWER MAIN DRIVE	TOP	[A]		:	0	
	BOTTOM	[A]		:	0	
STRAIGHTENING SPEED		[m/min]	[ft/min]	:	0.00	0.00
REVOLUTION BAR		[U/min]	[RPM]	:	0	
ROLL ANGLE	TOP	[(degree)]		:	0.00	

	BOTTOM	[(degree)]	:	0.00	
STRAIGHTENING FORCE		[MN]	[tonf]	:	0.000 0.0
LOAD PRESSURE		[bar]	[psi]	:	0 0
LINEAL FORCE	A1 BAR ENTRY	[kN]	[lbf]	:	0 0
	A2 BAR EXIT	[kN]	[lbf]	:	0 0
	B1 BAR ENTRY	[kN]	[lbf]	:	0 0
	B2 BAR EXIT	[kN]	[lbf]	:	0 0
ENTRY ADJUSTMENT	VALUE 1	[mm]	[in]	:	0 0
	2	[mm]	[in]	:	0 0
	ANGLE	[(degree)]	:	0.0	
RUNOUT ADJUSTMENT	VALUE 1	[mm]	[in]	:	0 0
	2	[mm]	[in]	:	0 0
	ANGLE	[(degree)]	:	0.0	

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

ORDER REPORT
for customer

CUSTOMER TERM	:	SHALMET Corp.
QUALITY / GRADE OF MATERIAL	:	100 Cr 6 / 52100
COMMISSION	:	TEST--00001
CHARGE	:	C0401
DIMENSION [in]	:	3.000
PLUS - TOLERANCE [in]	:	0.0000
MINUS - TOLERANCE [in]	:	0.0018
DATE	:	06/15/92

REVOLUTION ROLL	TOP	[U/min] [RPM]	:	0
	BOTTOM	[U/min] [RPM]	:	0
ROLL ANGLE	TOP	[(degree)]	:	0.00
	BOTTOM	[(degree)]	:	0.00
STRAIGHTENING FORCE		MN] [tonf]	:	0.000 0.0
LINEAL FORCE	A1 BAR ENTRY	[kN] [lbf]	:	0 0
	A2 BAR EXIT	[kN] [lbf]	:	0 0
	B1 BAR ENTRY	[kN] [lbf]	:	0 0
	B2 BAR EXIT	[kN] [lbf]	:	0 0

Item #26 COMPLETE ELECTRICAL EQUIPMENT FOR
STRAIGHTENER/BURNISHER, MODEL BS-600

Manufacturers of electrical equipment as per ANNEX NO. 3.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

A) Two (2) DC Straightener Motors

Two (2) 250 HP, totally enclosed, fan cooled DC motors for continuous duty. Anti-friction bearings, drip-proof protected enclosure, a motor mounted tachometer generator, foot mounted, and thermostats are all included.

B) Straightening Power Unit

One (1) 500 HP Power unit for 460 volt, 3 phase, 60 hertz power supply and consisting of the following units, functions and devices in a NEMA 12 enclosure with doors on the front. The panel is suitable for mounting against the wall:

- 1.15 service factor, with 150% overload capacity.
- Drive module to include power supply, and drive monitor.
- Static instantaneous over-current protection.
- Air circuit breaker disconnect with handle through door.
- Isolation transformer.

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HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #26 COMPLETE ELECTRICAL EQUIPMENT (continued)

- a. Motor speed regulator to provide 1% speed regulation with timed acceleration and deceleration.
- b. Magnetic switch disconnection.
- c. Jogging forward.
- d. Dynamic braking emergency stop.
- e. Coast stop normal stop.
- f. E-Stop Relay.
- g. One relay for interlocking.

Item #26 COMPLETE ELECTRICAL EQUIPMENT (continued)

C) Operator Station

One (1) pendulum type mounted operator station, NEMA type 12, to contain the following devices mounted and wired to terminal boards:

- Ammeter
- Voltmeter
- Start push-buttons
- Stop push-buttons
- Clamp and release push-buttons
- Speed adjust potentiometer for main drives
- Selector switches, etc.

Item #27 ONE (1) COMPLETE HYDRAULIC POWER SYSTEM

To service complete straightener installation (skew rolls, pressure rolls, linear entry/exit table etc.) with substation including all necessary piping, hoses, filters, accumulators, pressure gauges, check valves, flow control valves, motors, pumps, etc.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Power system includes load sensing pressure compensating pumps with pressure and torque limiting controls and electrical proportional control.

Item #28 TWO (2) HYDRAULIC DRIVEN PRESSURE ROLL ASSEMBLIES

To drive bar from the straightener into the linear exit table. The self centering pressure rolls are arranged vertically. Operated by hydraulic cylinders that are controlled via a pressure relief and speed control valve.

Load and re-load of the rolls are fully automatically depend on the operation sequence.

Item #29 ONE (1) V-TROUGH EXIT TABLE

The V-Trough exit table is lined with urethane for safety and noise abatement. The table automatically tilts, releasing the bar onto the linear entry table #31.

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HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #30 ONE (1) LASER ANALYSIS UNIT WITH SPC/CPK

The Laser measuring device is a data registration processor, which is coupled to a Laser scanner. In connection with the Laser scanner, the Data System is a contactless, automatic measuring system of the highest dissolution. The measuring readout consists of the maximum size, the minimum size, the maximum and the minimum deviation as well as the standard deviation. The Laser compares the effective measurement of the laser scanner to the programmed tolerance limits and evaluates the single conditions.

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HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #30 ONE (1) LASER ANALYSIS UNIT WITH SPC/CPK (Continued)

The parameter memory into the Laser is done via a Laser key board. With this key-board on the front pendulum panel, a direct link to the storage memory is possible. The Laser memorizes the measured maximum, minimum, the difference between these both values and calculates the middle value of the measurements as well as the standard deviation.

The connection to SPS system via a series intersection and the delivery of the measurement data to a separate indicator as well as providing the alarm signs make this equipment an universal measurement data processing station.

The readout a six-figure number indicator. It shows the selected parameter as well as possible error conditions in indicating the size parameters.

The measuring principle refers to the laser scanner of the measuring

object on the optical measuring field. The laser beam is to be converged on a photocell and reversed into a digital sign. The microprocessor determines the exact diameter from the digital sign.

Indication of: Momentary diameter, adjustable
fixed diameter, diameter medium
value, minimum diameter and
maximum diameter and standard
deviation.

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HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #30 ONE (1) LASER ANALYSIS UNIT WITH SPC/CPK (Continued)

Tolerance indication: over-, good-, under measure LED diodes.

Besides the measurement data with all parameters for the peeled bar or wire, the Laser measurement unit is equipped with a further microprocessor controlled difference counter which evaluates by a phase discriminator with four-fold evaluation. System will provide print outs of total SPC/CPK readings.

Item 31 LINEAR ENTRY TABLE (FOR EDDY CURRENT INSPECTION)

To accept (1) bar at a time from the v-trough exit table. The table includes v-rollers, individually driven and height adjustable. The table is height adjustable to maintain the proper center height of the bars. All rolls are cast nylon so as not to mark the bar.

Item 32 ONE (1) EDDY CURRENT INSPECTION UNIT

In order to receive an accurate electrical signal, it is a standard practice to use a sample piece of bar with a reference notch of known depth to check final setup and to adjust sensitivity. The same sample piece can be used to check calibration at regular intervals, to assure that the instrument is continuing to operate correctly. A setup is done for each different grade and bar size.

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MODEL BPC-6000

Item 32 ONE (1) EDDY CURRENT INSPECTION UNIT (Continued)

The inspection process can operate automatically with defects in the material creating signals that activate alarms, flaw lights, digital counters, or other devices.

A digital counter can indicate the approximate total length of defective material in a bar providing a quick basis for evaluation.

Eddy current device has a rotating probe that rotates at high speed around the material which is moved longitudinally and scans its surface helically. The rotating probe concentrates on a very small part of the overall circumferential surface when testing.

Thus, even an extremely small material defect represents a major disturbance, in percentage terms by comparison with this relatively small material surface area scanned by the probe. The rotating probe passes over the defect with each revolution and issues a signal every time.

Item #33 ONE (1) LINEAR EXIT TABLE WITH TRANSFER DEVICE

To receive bars from eddy current laser inspection and then unloads bars to the reject table or unloads the bar to the transfer table. Table assembly consists of v-rollers, individually driven and height adjustable. All rolls are cast nylon so as not to mark the bar.

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HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #34 ONE (1) REJECT TABLE

To accept rejected bars (as determined by the eddy current inspection equipment). Multiple bars can be restored for future determination. All bar contact surfaces will be polyethylene-lined for noise abatement and bar protection. An unload-arm assembly is included.

Item #35 ONE (1) TRANSFER/LOADING TABLE

One (1) bar transfer/loading table that accepts the bars from the linear exit table of the eddy current unit. The bars will subsequently travel to an adjustable stop located in the center of the table. The bars will then proceed to a second stop for automatic loading onto the skew roller entry table of the polishing station.

The single bar will be lifted and placed onto the skew roller entry table. The rolls are driven by oil motors. The bars are continually fed in a skewed manner, into the bar polishers.

All bar contact surfaces are polyethylene lined for bar protection and noise abatement.

Item #36 ONE (1) SKEW ROLLER LINEAR ENTRY TABLE

To accommodate and guide 12' to 25' long bars through the 3-bar belt polisher station. The skew roll sets provide rotational and axial polishing. They are driven by the hydraulic motors.

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HETRAN CONTRACT C-1455
MODEL BPC-6000

The skew rolls are adjustable via hydraulic cylinder in order to set a desired skew angle to transport the bar while it is rotating. The skew rolls are reversible if more than one pass is required. The roll surface is polyurethane to protect the bars from being scratched.

ONE (1) AUTOMATIC ABRASIVE POLISHING MACHINE

MODEL BBP-6

EQUIPMENT SPECIFICATIONS:

- - - - -

Bar diameter range:	1.000" to 6.000"
Bar length:	12' to 25'
Bar feeding speed:	up to 80 FPM
Incoming Straightness Tol.:	.125" in 5' minimum
Abrasive belt:	10" wide x 125" endless 12.5" wide x 125" endless
Drive motors:	3-30 HP AC Motor Drives,

inverter controlled

Item #37 ONE (1) AUTOMATIC ABRASIVE POLISHING MACHINE

MODEL BBP-6

To polish bars from 1.000" to 6.000" maximum diameter. The automatic abrasive polishing M/C uses an endless abrasive belt 10" wide x 125" endless or 12.5" wide x 125" endless. Each station of the automatic abrasive polishing M/C consists of one drive roll, one tracking (1) roll and one (1) idler roll. Each polisher is driven by a 30 HP 1800 RPM AC energy efficient motor inverter controlled, 460 V., 3 phase, 60 Hertz. Completely assembled, including all necessary accessories and dust collecting system.

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HETRAN CONTRACT C-1455
MODEL BPC-6000

The entire assembly is enclosed in a sheet metal "House" with sliding door accesses to guarantee environmental protection regulations. Doors have shatter-proof glass windows to allow visual inspection.

Item #38 COMPLETE ELECTRICAL EQUIPMENT

Manufacturers of electrical equipment for AC motor control will be SIEMENS or ABB.

A) Three (3) AC Bar Belt Polisher Motors

Three (3) 30 HP, 1800 RPM, AC energy efficient motors, 460 V., 3 Phase, 60 Hertz.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #38 COMPLETE ELECTRICAL EQUIPMENT

(continued)

B) One set of adjustable hinge bases for motors under Item A.

C) Bar Belt Polisher Power Unit

One power unit for 460 Volt, 3 Phase, 60 Hertz power supply and consisting of the following units, functions and devices in a NEMA 12 enclosure with doors on the front. The panel is suitable for mounting against the wall.

D) Operator Station

One (1) bench type operator station for three bar belt machines for industrial PLC computers, NEMA type 12, to contain the several devices mounted and wired to terminal boards.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

E) One Programmable Controller

With special-purpose central processor which uses the ALLEN BRADLEY CPU, optimized for logic and PID control. By using a number of central processors, the automation task can be broken down into manageable parts. Each processor executes its program independently of the other processors. This increases the overall processing rate.

- F) Miscellaneous Limit Switches, through-feed speed counting devices,

etc.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #39 ONE (1) COMPLETE HYDRAULIC POWER SYSTEM

The generator and distributor are connected to one hydraulic system including all necessary piping, hoses, filters, accumulators, pressure gauges, check valves, flow control valves, motors, pumps, etc.

Power system includes load sensing pressure compensating pumps with pressure and torque limiting controls and electrical proportional control.

Heat exchanger keeps the temperature within the operating limits. Sensors monitor the oil level and high temperature limits. All hydraulic units are factory calibrated and tested to HETRAN's specifications.

Item #40 ONE (1) SKEW ROLLER LINEAR EXIT TABLE

To accommodate 12' to 25' long bars after the 3 bar belt polisher station. The skew roll sets provide rotational and axial motion of the bars while bar is being polished. They are driven by the hydraulic motors.

The skew rolls are adjustable via hydraulic cylinder in order to set a desired skew angle to transport the bar while it is rotating. The skew rolls are reversible if more than one pass is required. The roll surface is polyurethane lined for bar protection and noise abatement.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #41 ONE (1) TRANSFER/LOADING TABLE

Table will pick up bars from the skewed roller exit table and transfer the bars to a bar stop. One (1) transfer/loading table with automatic loading device to pick up one (1) bar at a time and place on saw linear entry table. All bar contact surfaces are polyethylene lined for bar protection and noise abatement.

Item #42 ONE (1) LINEAR ENTRY/EXIT TABLE WITH TRANSFER DEVICE

Linear entry/exit table with v-rollers accepts bars from transfer/loading table. The v-rollers are individually driven, feeding the bar to and through the saw station. After the bar is fed to and through the saw station, the bars will advance to the chamfering unit.

The ACO-40 abrasive saw station will consist of (1) saw assembly utilizing a 40" diameter reinforced abrasive cut-off wheel allowing bar cuts up to a maximum diameter of 9". The saw will be driven by a 200 HP hydraulic drive system. A variable speed spindle is included and will provide the ability to adjust the abrasive wheel RPM over a wide selection range.

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HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #43 ACO-40 ABRASIVE SAW STATION (Continued)

This capability will permit proper or desired surface-feet-per-minute to be maintained, regardless of the wheel diameter as it is affected by normal wear. The variable speed spindle is controlled by a potentiometer and includes a surface feet per minute digital indicator. The saw is control-fed through the cutting arc by a tempsonic controlled hydraulic cylinder and adjusted by a potentiometer. A two-jaw vise is utilized to hold the bars and is controlled by a selector switch. A disposal system is provided for scrap removal and utilizes an eliminator chute and removable scrap container.

All machine functions are controlled by an Allen Bradley PLC. The operator panel is provided in a choice of either pedestal mounted type or adjustable overhead style; the user friendly operator panel is arranged in a logical context giving ease of control to all machine functions including:

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HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #43 ACO-40 ABRASIVE SAW STATION (Continued)

- Hydraulic system START/STOP control and indicator.
- Blade speed potentiometer and surface-feet-per-minute (SFPM) meter.
- A spindle revolutions per minute (RPM) meter.
- Blade RAISE/LOWER selector switch and indicator.
- Pounds-per-square inch (PSI) digital meter.
- Vice OPEN/CLOSE selector switch and indicator.
- Electrical system ON/OFF switch and indicator.

OPTION E ENVIRONMENTAL/SAFETY ENCLOSURE

Totally enclosed sheet metal "House" with sliding door access. Door has shatter-proof glass window with interior window-wiper and light, allow visual inspection.

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HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #44 ONE (1) TRANSFER/LOADING TABLE

Transfer/loading table with automatic loading device to pick up one (1) bar at a time from the saw exit table and place on the tail end chamfer station. All bar contact surfaces are polyethylene lined for bar protection and noise abatement.

Item #45 ONE (1) LINEAR ENTRY/EXIT TABLE (CHAMFER MACHINE)

With v-rollers accepting bar from bar intermediate transfer table. The v- rollers are driven by oil motors, feeding the tail end of the

bar to the chamfering unit. The rollers are reversible for manual and/or automatic positioning. The table is height adjustable via temposonic cylinder to match centerline height of hydraulic chamfering vise.

After the bar tail end is chamfered it will be released via a bar lifting device onto the intermediate transfer table and transferred to the bar end alignment assembly. All bar contact surfaces are polyethylene lined for noise abatement and bar protection.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #46 ONE (1) AUTOMATIC CHAMFERING/DEBURR UNIT

MODEL BC-600

One (1) automatic chamfering/deburr assembly with a chamfering bit head equipped with four (4) carbide cartridges and a centering mechanism in height. The four carbides are arranged to chamfer a 45(degree) +/- 5(degree) angle. The chamfering bit head is connected to the heavy duty spindle that operates with super precision bearings.

The axial movement (forward and reverse) of the chamfering head is variable between 0.5mm and 8.0mm and is controlled by a proportional valve, so that chip removal on the chamfered bar ends can be determined per revolutions of the spindle.

A hydraulic two-jaw vise is utilized to hold the peeled bars while being chamfered and is controlled by a selector switch. As the bar is moved to a fixed stopper via the linear entry table, all chamfering depths depend on the variation of the cut angle (90(degree) +/- 1(degree)).

The chamfering machine will work in the dry operation mode.

The metal removed (chips) will be diverted into a chip bucket.

The chamfering unit is covered with a protective hood hinged for easy access for tool changing.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #46 ONE (1) AUTOMATIC CHAMFERING/DEBURR UNIT

MODEL BC-600 (Continued)

The chamfer unit is synchronized with the sequence of the bar intermediate transfer and linear entry table.

Item #47 ONE (1) BAR END ALIGNMENT ASSEMBLY

One (1) bar stop/bar-end-alignment assembly (with replaceable steel pad on "pusher plate"), which will align trailing end of each bar before allowing bar into weigh cradle. Replaceable inserts will be provided where bar slides during alignment.

Item #48 ONE (1) SOFT DROP WEIGH CRADLE

Complete, including electronics for scale, digital indicator, ticket printer for certification and expandable urethane bands for soft drop.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455

MODEL BPC-6000

Item #48 ONE (1) SOFT DROP WEIGH CRADLE (continued)

The weigh cradle is designed using a heavy tubular reinforced weldment frame construction with rack stands and utilizing a unique flex rubber band system. This rubber band system allows for continuous soft placement of the bars into the weigh cradle while minimizing noise and marking of the bars. The soft drop weigh cradle is located immediately next to the inspection tables and mounted independently, for accurate calibration of the bundle weights and trouble free function. Maximum weights of 10,000 lbs. are allowed and weighed by the four load cells located below the frame construction.

The specification of the load cells and scale systems are as follows:

Type : Load-cell type

Capacity: max. 10,000 lbs.

Precision: within +/- 2 lbs.

Indication: digital figure, min. unit 1 lb.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

Item #48 ONE (1) SOFT DROP WEIGH CRADLE (continued)

The calibration of the cells is done under consideration of the gravity acceleration in the weigh unit "lbs". Tare weights are deducted automatically by pushing a button, resulting in accurate weight values. The resultant weight value is then automatically printed out on a tag by a dot matrix label printer.

The load cells are equipped with multi-redundant environmental barriers and stainless steel sealed plates that guard against any moisture from penetrating or any other barometric effects. The operating temperature range of the cells is between 1(degree)F to 150(degree)F and the safe overload is approximately 150%.

AUTOMATIC ABRASIVE POLISHING MACHINE AREA STANDARD

ACCESSORIES

GENERAL (ITEM #23 THROUGH #48)

Safety guards will be attached to all equipment; such as, rotating and sliding parts. (Skew rolls, pressure rolls, universal drive shafts, D.C. drive couplings, etc.) Safety guards will be painted with standard Osha paint according to customer specifications.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

ANNEX NO. 5

GENERAL SPECIFICATIONS:

The line is designed that it is operated not only automatically, but also manually in each block.

The line is provided with trouble shooting system such as automatic shut-down and inter-lock mechanism, the arrangement of indicators,

displays and alarm etc.

Safety guards will be attached to any dangerous parts, such as rotating and sliding parts.

The structure will allow easy maintenance.

The line will be designed to control the noise caused by material drop.

All components will comply with OSHA regulations.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

ANNEX NO. 6

1 OF 9

GENERAL TERMS AND CONDITIONS

PRICES:

The above prices are quoted for delivery F.O.B. Orwigsburg, PA

DELIVERY:

The specified dates for delivery are as follows, based on receipt of purchase order, down payment and signature of this contract on Monday, November 11, 1997.

July 1, 1998:

- ITEM #1 BAR LOADING TABLE WITH LOADING CRADLE;
- ITEM #2 CLAMSHELL LINEAR ENTRY TABLE;
- ITEM #3 HYDRAULIC DRIVEN SKEW PRESSURE ROLL ASSEMBLIES
- ITEM #4 PRE-STRAIGHTENER, MODEL BS-600P
- OPTION A VGA/COMPUTER SYSTEM
- ITEM #5 COMPLETE ELECTRICAL EQUIPMENT
- ITEM #6 COMPLETE HYDRAULIC POWER SYSTEM
- ITEM #7 HYDRAULIC DRIVEN PRESSURE ROLL ASSEMBLIES
- ITEM #8 V-TROUGH EXIT TABLE
- ITEM #9 TRANSFER/LOADING TABLE
- ITEM #10 LINEAR ENTRY/EXIT WITH TRANSFER DEVICES
- ITEM #11 ACO-40 PRECISION ABRASIVE CUT-OFF SAW
- OPTION E ENVIRONMENTAL SAFETY ENCLOSURE
- ITEM #13 LINEAR ENTRY/EXIT TABLE (CHAMFER)
- ITEM #14 BAR LOADING TABLE/TRANSFER TABLE
- ITEM #15 LINEAR ENTRY TABLE

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

PAYMENT TERMS:

\$ 1,000,000.00 down payment by wire transfer to be received no later than Monday, November 10, 1997.

\$ 1,500,000.00 down payment due by wire transfer, served by L/C, no later than Friday, November 21, 1997

\$ 1,300,000.00 payment due by wire transfer by Friday, January 30, 1998, secured by UCC.

\$ 1,300,000.00 payment due by wire transfer by Thursday, April 30, 1998, secured by UCC.

\$ 500,000.00 payment due by wire transfer on receipt of final items in UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC. facility.

\$ 500,000.00 payment due by wire transfer thirty (30) days after receipt of final shipment.

\$ 6,100,000.00 in total payments for contracted items of contract C-1455.

Note: \$ 1,500,000.00 down payment due by Friday, November 21, 1997, will be secured by a Letter of Credit, approved by UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

ANNEX 6

4 OF 9

LIQUID DAMAGES FOR LATE DELIVERY

Hetran acknowledges that UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC. requires the described items of equipment delivered to the UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC. facility by the previously detailed delivery dates; being July 1, 1998 and November 1, 1998. If Hetran should fail to deliver the described items by the above dates indicated, Hetran shall be liable for delayed equipment delivery damage equal to \$30,000.00 per week for each week the delivery is delayed, with a maximum cumulative liability amount, not to exceed \$ 300,000.00.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

ANNEX NO. 6

5 OF 9

GENERAL TERMS AND CONDITIONS

GUARANTEE:

The equipment, as outlined in this contract, has a guarantee against faulty workmanship or defective components for a period of one (1) year, (2000 working hours) from date of starting production of each unit, excluding wear parts.

Adherence to the required Operational and Maintenance Procedures is required to maintain the expressed warranties. Reference to the provided Operation and Maintenance Manuals for operation and maintenance criteria will detail information on criteria such as but not limited to:

1. All parts and/or units for mechanical, hydraulic, electrical,

and pneumatic areas of the machines and material handling equipment must be of Hetran specification and/or manufacture.

2. All tooling and abrasive belts, wheels, and saw blades, etc. must be of Hetran specification and/or manufacture.
3. All ancillary items such as, coolant, lubricating oils and greases must be of Hetran specification and/or manufacture.
4. Any major component (proprietary units) repairs or service required on the manufacturing cells or specific units, must be done and/or supervised by Hetran technicians at the Hetran workshop or a Hetran specified off-site location.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

ANNEX NO. 6

6 OF 9

GENERAL TERMS AND CONDITIONS

5. The customer's operators must meet Hetran's minimum operating qualifications and must be trained and approved as qualified to operate the specific Hetran equipment.
6. Documented and strict adherence to Hetran specified preventative maintenance procedures and schedules must be maintained and presented upon demand.
7. All guards and safety devices must be utilized as provided.

Operational performance guarantees are provided based on the above stated minimum operational and maintenance criteria and are subject to operator ability and quality of material to be processed.

The equipment as specified is designed to perform the operations as described in this contract and according to the specifications in this contract. In any event, should the equipment need to be substituted and/or modified to meet the capabilities as described and specified, the liability for such will be without additional cost to the Buyer.

Warranties and guarantees, both expressed and implied, will become null and void, if the owner abuses, neglects, or fails to operate and maintain the equipment, under Hetran's stated guidelines.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

ANNEX NO. 6

7 OF 9

GENERAL TERMS AND CONDITIONS

Hetran guarantees and warrants the equipment purchased as a whole and individually. Should negligence, abuse and/or improper operation by the buyer cause warranties and guarantees to become null and void on one item or multiple items of the contract, the remaining items not neglected, abused or improperly operated, will maintain their warranties and guarantees individually. If neglect, abuse, or improper operation is determined to any individual item of the contract, the operational and performance guarantees of the processing cell as a whole, will become null and void.

Changes and/or modifications to the original designs and equipment, must be authorized by Hetran in writing, to maintain the expressed and implied warranties and guarantees.

Hetran assumes responsibility for all stated warranties and guarantees at

time of start up of the processing cell. Hetran's liability to owner shall not exceed the value of the purchased equipment. This order, when confirmed by Hetran, Inc., shall be non-cancelable except with Hetran, Inc. consent and then only upon such terms as Hetran, Inc. may specify in order to indemnify Hetran, Inc. against loss.

Terms of cancellation:

If this specified purchase order should be terminated and cancelled by UNIVERSAL STAINLESS AND ALLOY PRODUCTS, INC., Hetran, Inc. will be compensated for all costs incurred to the date of cancellation. These costs for each item as listed in the attached itemized price list Q-1455 Weight and Price list.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

ANNEX NO. 6

Page 8 OF 9

Buyer's standard Purchase Order Terms and Conditions, Contractor's Health and Safety Agreement, and Independent Contractor Agreement, are hereby part of the Agreement and will take precedence over all other Terms and Conditions, except the noted exception of the above-mentioned Universal documents (These exceptions being to items 9 & 10 of the independent contractors agreement.), and the written terms of this contract, C-1455.

Foundation Drawing and Identifications:

Hetran will supply Universal Stainless & Alloy Products, Inc. specific information on weight of machinery, size and loaded force of the equipment, etc. It is then the responsibility of Universal Stainless & Alloy Products, Inc. to supply an expert determination of the exact foundation required based on the determined geological conditions present at the installations site. Upon receipt of these exact foundation specifications, Hetran will incorporate such into a detailed foundation layout. By this layout, Hetran will assume responsibility for shown machine locations, trenching locations, etc. Any corrective action due to foundation or trench locations because of errors and/or omissions associated with the foundation and installation drawings, will become the responsibility of Hetran's account or Hetran will fully indemnify the buyer (Universal Stainless & Alloy Products, Inc.) for any costs incurred as such. Hetran will not assume any liability due to errors and/or omissions on the specifications submitted to Hetran for the exact required foundations for each specific item of equipment.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT C-1455
MODEL BPC-6000

ANNEX NO. 6

9 OF 9

GENERAL TERMS AND CONDITIONS

The above terms of contract are agreed to and finalized, this day, Thursday, November 6th, 1997 by:

For:

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

/s/ C.M. McAninch

Mr. C.M. McAninch
President and CEO.

For:

HETRAN, INC.

/s/ Helmut Oertmann

Mr. Helmut Oertmann
President, Hetran, Incorporation

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UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT NO. C-1455
MODEL BPC-6000

ANNEX NO. 6 (CONSISTS OF FIVE (5) PAGES) 1 OF 5
"ATTACHMENT A"

WEIGHT AND PRICE LIST
PRE-STRAIGHTENER MACHINE WITH STANDARD ACCESSORIES

ITEM NO.	DESCRIPTION	WEIGHT (TONS)	QTY	AMOUNT \$
ITEM #1	BAR LOADING TABLE WITH LOADING CRADLE	APPROX. 5.0	1	52,400.00
ITEM #2	CLAMSHELL LINEAR ENTRY TABLE	APPROX. 3.8	1	39,418.00
ITEM #3	HYDRAULIC DRIVEN SKEW PRESSURE ROLL ASSEMBLY	APPROX. 1.5	2	60,306.00
ITEM #4	PRE-STRAIGHTENER, MODEL BS-600P	APPROX. 25.0	1	820,500.00
ITEM #5	COMPLETE ELECTRICAL EQUIPMENT	APPROX. 1.5	1	192,750.00
ITEM #6	COMPLETE HYDRAULIC POWER SYSTEM	APPROX. 1.5	1	101,200.00
ITEM #7	HYDRAULIC DRIVEN PRESSURE ROLL ASSEMBLIES	APPROX. 1.2	2	50,840.00
ITEM #8	V-TROUGH EXIT TABLE	APPROX. 2.9	1	29,600.00
ITEM #9	TRANSFER/LOADING TABLE	APPROX. 3.0	1	32,200.00
ITEM #10	LINEAR ENTRY/EXIT TABLE WITH TRANSFER DEVICE	APPROX. 6.0	2	65,600.00
ITEM #11	ACO-40 PRECISION ABRASIVE CUT-OFF SAW	APPROX. 4.5	1	289,850.00
ITEM #12	AUTOMATIC CHAMFERING/DEBURRING MACHINE	APPROX. 2.5	1	114,850.00
	SUBTOTAL F.O.B. ORWIGSBURG, PA			\$1,649,564.00
STRAIGHTENER	OPTIONAL ITEMS			
OPTION A	PRE-STRAIGHTENER ROLL CHANGING DEVICE		1	25,500.00
OPTION B	STRAIGHTENER CONTROL SOFTWARE PACKAGE		1	31,750.00
OPTION C	VGA/COMPUTER SYSTEM		1	52,400.00
OPTION D	C.A.S./COMPUTER SYSTEM		1	96,450.00
OPTION E	SPARE AND WEAR PARTS		1	60,000.00

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
 HETRAN CONTRACT NO. C-1455
 MODEL BPC-6000

ANNEX NO. 6 (CONSISTS OF FIVE (5) PAGES) 2 OF 5
 "ATTACHMENT A"

WEIGHT AND PRICE LIST
 BAR TURNING MACHINE WITH STANDARD ACCESSORIES

ITEM NO.	DESCRIPTION	WEIGHT (TONS)	QTY	AMOUNT \$
ITEM #13	LINEAR ENTRY/EXIT TABLE (CHAMFER)	APPROX. 3.5	1	42,550.00
ITEM #14	BAR LOADING TABLE/TRANSFER TABLE	APPROX. 3.2	1	39,450.00
ITEM #15	LINEAR ENTRY TABLE	APPROX. 3.0	1	39,418.00
ITEM #16	BAR TURNING MACHINE MODEL BT-6 CONSISTING OF: INFEED UNIT BAR PEELING ASSEMBLY ADJUSTABLE HEAD CLAMPING CARRIAGE ASSEMBLY	APPROX. 20.0	1	713,180.00
ITEM #17	LASER MEASURING AND ADJUSTMENT CONTROL	APPROX. 0.2	1	56,380.00
ITEM #18	CHIP CONVEYOR	APPROX. 0.8	1	19,650.00
ITEM #19	COMPLETE ELECTRICAL EQUIPMENT	APPROX. 1.5	1	172,800.00
ITEM #20	COMPLETE HYDRAULIC POWER SYSTEM	APPROX. 1.5	1	110,200.00
ITEM #21	LINEAR EXIT TABLE	APPROX. 3.8	1	42,450.00
ITEM #22	INTERMEDIATE/TRANSFER TABLE	APPROX. 3.5	1	29,200.00
SUBTOTAL F.O.B. ORWIGSBURG, PA				\$1,265,278.00
BAR TURNER	OPTIONAL ITEMS			
OPTION A	VGA/COMPUTER PACKAGE		1	52,400.00
OPTION B	2000 CFM MIST COLLECTION SYSTEM		1	21,900.00
OPTION C	SYSTEM CHILLER		1	28,500.00
OPTION D	SPARE & WEAR PARTS		1	80,000.00

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
 HETRAN CONTRACT NO. C-1455
 MODEL BPC-6000

ANNEX NO. 6 (CONSISTS OF FIVE (5) PAGES) 3 OF 5
 "ATTACHMENT A"

WEIGHT AND PRICE LIST
FINISH STRAIGHTENER/BURNISHER MACHINE WITH STANDARD ACCESSORIES

ITEM NO.	DESCRIPTION	WEIGHT (TONS)	QTY	AMOUNT \$
ITEM #23	CLAMSHELL LINEAR ENTRY TABLE	APPROX. 3.8	1	39,418.00
ITEM #24	HYDRAULIC DRIVEN SKEW PRESSURE ROLL ASSEMBLIES	APPROX. 1.5	2	60,306.00
ITEM #25	FINISH BAR STRAIGHTENER/BURNISHER MODEL BS-600	APPROX. 25.0	1	620,500.00
ITEM #26	COMPLETE ELECTRICAL EQUIPMENT	APPROX. 1.5	1	192,750.00
ITEM #27	COMPLETE HYDRAULIC POWER SYSTEM	APPROX. 1.5	1	101,200.00
ITEM #28	HYDRAULIC DRIVEN PRESSURE ROLL ASSEMBLIES	APPROX. 1.5	2	50,840.00
ITEM #29	V-TROUGH EXIT TABLE	APPROX. 2.9	1	29,600.00
ITEM #30	LASER ANALYSIS UNIT WITH SPC-CPK STATION	APPROX. 0.5	1	86,530.00
ITEM #31	LINEAR ENTRY TABLE	APPROX. 3.0	1	39,418.00
ITEM #32	EDDY CURRENT INSPECTION STATION	APPROX. 1.6	1	197,570.00
ITEM #33	LINEAR EXIT TABLE WITH TRANSFER DEVICE	APPROX. 3.8	1	42,450.00
ITEM #34	REJECT TABLE	APPROX. 2.5	1	24,250.00
SUBTOTAL F.O.B. ORWIGSBURG, PA				\$1,484,832.00

FINISH/STRTRNR. OPTIONAL ITEMS

OPTION A	SUPER-FINISH ROLL CONDITIONING UNIT		1	78,400.00
OPTION B	ROLL CHANGING DEVICE		1	25,500.00
OPTION C	STRAIGHTENER CONTROL SOFTWARE PROGRAM		1	31,750.00
OPTION D	VGA/COMPUTER SYSTEM		1	52,400.00

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT NO. C-1455
MODEL BPC-6000

OPTION E	C.A.S. /COMPUTER SYSTEM		1	96,450.00
OPTION F	SPARE AND WEAR PARTS		1	60,000.00

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT NO. C-1455
MODEL BPC-6000

AUTOMATIC ABRASIVE POLISHING M/C WITH STANDARD ACCESSORIES

ITEM NO.	DESCRIPTION	WEIGHT (TONS)	QTY	AMOUNT \$
ITEM #35	INTERMEDIATE TRANSFER/LOADING TABLE	APPROX. 5.0	1	59,850.00
ITEM #36	SKEW ROLLER LINEAR ENTRY TABLE	APPROX. 4.0	1	84,800.00
ITEM #37	AUTOMATIC ABRASIVE POLISHING MACHINE MODEL BBP-6	APPROX. 18.0	1	417,590.00
ITEM #38	COMPLETE ELECTRICAL EQUIPMENT	APPROX. 1.5	1	148,200.00
ITEM #39	COMPLETE HYDRAULIC POWER SYSTEM	APPROX. 1.5	1	97,360.00
ITEM #40	SKEW ROLLER LINEAR EXIT TABLE	APPROX. 4.0	1	84,300.00
ITEM #41	INTERMEDIATE TRANSFER/LOADING TABLE	APPROX. 5.0	1	59,850.00
ITEM #42	LINEAR ENTRY/EXIT TABLE WITH TRANSFER DEVICE	APPROX. 6.0	1	65,600.00
ITEM #43	ACO-40 PRECISION ABRASIVE SAW	APPROX. 4.5	1	289,850.00
ITEM #44	BAR TRANSFER/LOADING TABLE	APPROX. 4.5	1	39,750.00
ITEM #45	LINEAR ENTRY/EXIT TABLE	APPROX. 3.5	1	42,550.00
ITEM #46	AUTOMATIC CHAMFERING UNIT	APPROX. 2.5	1	114,850.00
ITEM #47	BAR END ALIGNMENT ASSEMBLY	APPROX. 0.4	1	12,700.00
ITEM #48	SOFT DROP WEIGH CRADLE ASSEMBLY	APPROX. 4.8	1	53,800.00
SUBTOTAL F.O.B. ORWIGSBURG, PA				\$1,571,050.00

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
 HETRAN CONTRACT NO. C-1455
 MODEL BPC-6000

ANNEX NO. 6 (CONSISTS OF FIVE (5) PAGES) 5 OF 5
 "ATTACHMENT A"

WEIGHT AND PRICE LIST
 AUTOMATIC ABRASIVE POLISHING MACHINE WITH STANDARD ACCESSORIES

ITEM NO.	DESCRIPTION	WEIGHT (TONS)	QTY	AMOUNT \$
ABRASIVE POLISHING MACHINE	OPTIONAL ITEMS			
OPTION A	LASER ANALYSIS UNIT		1	56,380.00
SAW				

OPTION A	FULL AUTOMATIC FEED & SPEED CONTROL	1	42,100.00
OPTION B	ALLEN BRADLEY PANEL VIEW	1	6,500.00
OPTION C	AUTO. WORK PIECE POSITIONING PACKAGE	1	49,200.00
OPTION D	COOLANT SYSTEM	1	18,780.00
OPTION E	ENVIRONMENTAL SAFETY ENCLOSURE	1	26,250.00
OPTION F	SPARE & WEAR PARTS	1	26,460.00

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SUB TOTAL F.O.B. ORWIGSBURG, PA (WITHOUT OPTIONS) \$5,970,724.00

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT NO. C-1455
MODEL BPC-6000

ANNEX 7

PRODUCTION CHART
HETRAN BAR TURNER INSTALLATION
MODEL SPBT6

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MATERIALS: 303, 316, 400, 416, 17-4, 13-8, 15-5
STAINLESS STEELS

BAR DIAMETER	METAL REMOVAL (DIA.)	FINISH DIAMETER	CONTACT TIME PER/MIN	FPM	TONS HOUR	SFPM

1.062"	.062"	1.000"	40	70	4.2	200/300
			45		4.9	200/300
			50		5.3	200/300

1.593"	.093"	1.500"	40	60	9.5	200/300
			45		10.8	200/300
			50		11.9	200/300

2.093"	.093"	2.000"	40	42	15.0	200/300
			45		17.0	200/300
			50		18.8	200/300

3.125"	.125"	3.000"	40	20	14.0	200/300
			45		16.0	200/300
			50		18.0	200/300

4.125"	.125"	4.000"	40	22	18.5	200/300
			45		21.1	200/300
			50		23.4	200/300

5.187"	.187"	5.000"	40	10	16.2	200/300
			45		17.9	200/300
			50		19.0	200/300

6.250"	.250"	6.000"	40	8	14.4	200/300
			45		16.4	200/300
			50		18.0	200/300

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NOTE: PH grades of stainless steel, 17-4, 13-8, 15-5, etc., will have a thru feed speed reduction of 20% to 25% less than those listed above.

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UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT NO. C-1455
MODEL BPC-6000

The following rates for service installation, supervision, load testing, and training are not included in the total contract price of \$6,100,000 as specified for contract No. C-1455.

The rates and terms are guaranteed for placement of an ancillary order to this contract for installation supervision, load testing, and training, as well as spare and wear parts. This order to be placed by December 1st, 1997, with a written purchase order.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT NO. C-1455
MODEL BPC-6000

ANNEX NO. 9

HETRAN, INC.

SUPERVISION/SERVICEMAN HOURLY RATES AND EXPENSES

Straight Time	\$66.00/hour	Weekdays, Monday through Friday (8 hours per day less 1/2 hour for lunch)
Overtime	\$99.00/hour	Saturdays or weekdays beyond 8 hours quoted above.
Double Time	\$132.00/hour	All Sunday and holiday work.
Expenses	-At Cost-	Car rental, lodging, etc. will be charged as actually incurred. Meals will be charged at \$30.00 per day.
Mileage	\$.275/mile	Covers the use of personal or a company vehicle for travel to and from the job site.
Air Travel	-At Cost-	Business/Economy Class.
Travel Time	\$42.00/hour	
Other	\$1,000./day	LASER USAGE FEE to line up equipment.

(r11/93)

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT NO. C-1455
MODEL BPC-6000

ANNEX NO. 10

(CONSISTS OF TWO (2) PAGES)

1 OF 2

SUPERVISION SCHEDULE/BPC-6000

Supervision and start-up service

It is assumed that the BPC-6000, Bar Processing Cell will be installed with an average crew of six (6) men available each working day.

HETRAN, INC. will provide one (1) installation supervisor for a period of approximately sixteen (16) weeks for the erection of the BPC-6000, Bar Processing Cell as shown in drawing #4ML-19705C Revision 0.

After the erection of the bar peeling machine and the bar straightener/burnisher is completed, HETRAN, INC. will provide the same supervisor for a period of forty-two (42) days to perform the No-Load and Load tests of the bar peeling machine and the bar straightener/burnisher, as well as the other stated components of the cell.

Total cumulative time (including travel) is approximately one hundred forty two (142) days. The fee is based on an 8-hour day (Monday through Friday), and a 4-hour work day on Saturday for a 44 hour work week.

Hetran will provide supervision for erection and installation as necessary and as described herein regardless of length of time for a price of not to exceed \$ 68,680.00.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
 HETRAN CONTRACT NO. C-1455
 MODEL BPC-6000

ANNEX NO. 10 (CONSISTS OF TWO (2) PAGES) 2 OF 2

SUPERVISION SCHEDULE/BPC-6000 (continued)

Buyer is to provide for hotel accommodations, for supervision personnel. HETRAN, INC. will be responsible for all meals and incidental expenses.

SUPERVISION OF ERECTION, NO-LOAD TEST AND LOAD TEST

ITEM	TOTAL MAN-DAYS	PER DIEM PRICE	TOTAL PRICE
Erection (per diem price)			
Mechanical	28	US\$ 550.00	US\$ 15,400.00
Electrical	24	US\$ 550.00	US\$ 13,200.00
Computer	24	US\$ 550.00	US\$ 13,200.00
Hydraulic	24	US\$ 550.00	US\$ 13,200.00

Sub total	100		US\$ 55,000.00
No-Load and Load tests (Fixed portion for the duration of 7 weeks)			
Mechanical	8	US\$ 600.00	US\$ 4,800.00
Electrical	8	US\$ 600.00	US\$ 4,800.00
Computer	6	US\$ 680.00	US\$ 4,080.00

Sub total	22		US\$ 13,680.00
Grand total	122		US\$ 68,680.00

NOTE: Amounts shown are not to exceed totals unless delays are caused by UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC. or additional time is requested by UNIVERSAL.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
 HETRAN CONTRACT NO. C-1455
 MODEL BPC-6000

ANNEX NO. 11 (CONSISTS OF FIVE (5) PAGES) 1 OF 3

TRAINING SCHEDULE

Training

HETRAN, INC. agrees to receive one group of two (2) of Buyer's personnel for technical training and inspection of the contract equipment for a period of unlimited duration.

This training will take place during HETRAN, INC. normal working hours, Monday through Friday. Hetran will provide buyers personnel with lodging for a period of two weeks.

On-site (At Buyer's option)

HETRAN, INC. will provide "on-site" training for Buyer's personnel at the Buyer's plant. The training will consist of four (4) week session covering the following areas:

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT NO. C-1455
MODEL BPC-6000

ANNEX NO. 11 (CONSISTS OF FIVE (5) PAGES) 2 OF 3

TRAINING SCHEDULE

On-site
- - - - -

- Session # 1.0
Bar pre-straightener machine operator for three (3) Buyer's personnel
- Session # 1.1
Bar peeling machine operator training for three (3) Buyer's personnel
- Session # 1.2
Bar straightener/burnisher machine operator training for three (3) Buyer's personnel
- Session # 2.0
Bar pre-straightener maintenance for three (3) Buyer's personnel
- Session # 2.1
Bar peeling machine, maintenance for three (3) Buyer's personnel
- Session # 2.2
Bar straightener/burnisher maintenance training for three (3) Buyer's personnel
- Session #3.0
Bar belt polisher operator training for three (3) Buyer's personnel

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT NO. C-1455
MODEL BPC-6000

ANNEX NO. 11 (CONSISTS OF FIVE (5) PAGES) 3 OF 3

TRAINING SCHEDULE

- Session # 3.1
PLC and electrical training for three (3) Buyer's personnel
- Session # 4.0
Miscellaneous training for three (3) Buyer's personnel

The required instruction manuals, visual aids and related equipment will be provided for each session. The instruction format will be at Job- site, Hands-on type training atmosphere.

OFF-SITE AND ON-SITE TRAINING

ITEM	TOTAL MAN-DAYS	PER DIEM PRICE	TOTAL PRICE
- - - - -	-----	-----	-----

Off-site training

- - - - -

Mechanical Free of charge for two
Electrical trainees for the period
unlimited duration.

On-site training (per diem basis) (optional at buyer's request)

- - - - -

Mechanical	5	US\$ 600.00	US\$ 3,000.00
Electrical	5	US\$ 600.00	US\$ 3,000.00
Computer Operator	5	US\$ 680.00	US\$ 3,400.00
Supervisor	5	US\$ 600.00	US\$ 3,000.00

Total	20		US\$ 12,400.00

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
HETRAN CONTRACT NO. C-1455
MODEL BPC-6000

ANNEX 14

EXCEPTIONS TO UNIVERSAL STAINLESS AND ALLOY PRODUCTS, INC.
INDEPENDENT CONTRACTOR AGREEMENT.

- Item #9 In the event of a conflict between this agreement and the written and specified terms of Hetran contract No. C-1455, the terms of the Hetran contract No. C-1455 will supersede the Universal conditions.
- Item #10 Agreements under Hetran contract no. C-1455 written and specified shall supersede any other agreements.

COLLECTIVE BARGAINING AGREEMENT
Between
UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

and

UNITED STEELWORKERS OF AMERICA

ON BEHALF OF LOCAL UNION 3403-43

INDEX FOR

COLLECTIVE BARGAINING AGREEMENT
Between
UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

and

UNITED STEELWORKERS OF AMERICA

	Page	

ARTICLE 1	PURPOSE AND INTENT OF THE PARTIES	2
ARTICLE 2	RECOGNITION	4
ARTICLE 3	UNION SECURITY AND CHECKOFF	4
	A. Union Membership	4
	B. Checkoff	5
	C. USWA/PAC Contribution Checkoff	6
	D. Indemnity Clause	6
ARTICLE 4	MANAGEMENT RIGHTS	7
ARTICLE 5	NO STRIKE/NO LOCKOUT	8
	A. No Strike	8
	B. No Lockout	8
ARTICLE 6	GRIEVANCE AND ARBITRATION	9
	A. Purpose/Procedure	9
	B. Definition of Grievance	9
	C. Discussion of Request or Complaint	9
	D. Grievance Procedure	9

	Page

F. Suspension of Grievance Procedure	11
G. Union Grievance Committee	11
I. Access to Plant	12
ARTICLE 7 RATES OF PAY	12
A. STANDARD HOURLY WAGE RATES	12
B. INCENTIVES AND STANDARDS	12
ARTICLE 8 HOURS OF WORK	12
A. STRAIGHT TIME AND OVERTIME	12
B. BASIS OF PREMIUM PAY CALCULATION	13
C. OVERTIME DISTRIBUTION	13
D. SHIFT DIFFERENTIAL	13
E. REPORTING ALLOWANCE	14
F. ALLOWANCE FOR JURY DUTY	15
G. ALLOWANCE	
FOR FUNERAL LEAVE	15
ARTICLE 9 HOLIDAYS	16
ARTICLE 10 VACATIONS	17
A. ELIGIBILITY	17
B. LENGTH OF VACATION	18
C. VACATION PAY	19
ARTICLE 11 SENIORITY	19
ARTICLE 12 PROBATIONARY EMPLOYEES	26
ARTICLE 13 CONTRACTING OUT	27
ARTICLE 14 LEAVE OF ABSENCE	28
ARTICLE 15 SAFETY AND HEALTH	29

	Page

A. OBJECTIVE AND OBLIGATIONS	29

B.	SAFETY APPAREL AND EQUIPMENT	29
C.	DRUG AND ALCOHOL	30
ARTICLE 16	HEALTH BENEFITS	30
ARTICLE 17	RETIREMENT PLAN	30
ARTICLE 18	PROFIT SHARING	31
ARTICLE 19	NON-DISCRIMINATION/EQUAL EMPLOYMENT OPPORTUNITY	31
ARTICLE 20	BULLETIN BOARD	32
ARTICLE 21	AGREEMENT COMPLETE	32
ARTICLE 22	EFFECT OF LAW	33
ARTICLE 23	TERMINATION	33

- iii -

APPENDICES

	Page	

APPENDIX A	WAGE RATE	35
APPENDIX B	BENEFITS	38
APPENDIX C	FORMER ARMCO EMPLOYEES	39
APPENDIX D	PROFIT SHARING	40
APPENDIX E	PROFIT SHARING AUDIT PROCEDURES	42
APPENDIX F	DRUG AND ALCOHOL TESTING POLICY	43

- iv -

COLLECTIVE BARGAINING AGREEMENT

This Agreement dated as of the 1st day of September, 1997, is between Universal Stainless & Alloy Products, Inc. (hereinafter referred to as the "Company") and United Steelworkers of America (hereinafter referred to as the "Union"). Except as otherwise expressly provided herein, the provisions of this Agreement shall be effective until August 31, 2002.

The Union is hereby designated the exclusive collective bargaining representative of the employees of the Company as defined in Article 2, and the Company recognizes the Union as such exclusive representative. Accordingly, the Union makes this Agreement in its capacity as the exclusive collective bargaining representative of such employees. As the representative of the employees, the Union may process grievances through the grievance procedure, including arbitration, in accordance with this Agreement or adjust or settle the same.

The Company retains the exclusive right to direct, manage and control the business and the work forces, except to the extent this Agreement specifically provides to the contrary.

ARTICLE 1

PURPOSE AND INTENT OF THE PARTIES

1. The purpose of the Company and the Union in entering into this labor Agreement is to set forth their agreement on rates of pay, hours of work, and other conditions of employment so as to promote orderly and peaceful relations with the employees, to achieve uninterrupted operations in the plants, and to achieve the highest level of employee performance consistent with safety, good health, and sustained effort.
2. The Company and the Union encourage the highest possible degree of friendly, cooperative relationships between their respective representatives at all levels and with and between all employees. The officers of the Company and the Union realize that this goal depends on more than words in a labor agreement, that it depends primarily on attitudes between people in their respective organizations and at all levels of responsibility. They believe that proper attitudes must be based on full understanding of and regard for the respective rights and responsibilities of both the Company and the Union. They believe also that proper attitudes are of major importance in the plants where day-to-day operations and administration of this Agreement demand fairness and understanding. They believe that these attitudes can be encouraged best when it is made clear that Company and Union officials, whose duties involve negotiation of this Agreement, are not anti-Union or anti-Company but are sincerely concerned with the best interests and well-being of the business and all employees.
3. The parties are concerned that the future of the industry in terms of employment security and return on substantial capital expenditures will rest heavily upon the ability of the parties to work cooperatively to achieve significantly higher productivity trends. The parties are acutely aware of the impact upon the industry and its employees of the sizable penetration of the domestic steel market by foreign producers. The parties have joined their efforts in seeking relief from the problem of massive importation of foreign steel manufactured in low-wage countries. Thus, it is incumbent upon the parties to work

- 2 -

cooperatively to meet the challenge posed by principal foreign competitors. It is also important that the parties cooperate in promoting the use of American-made steel.

4. The representatives of the Company and the Union shall continue to provide each other with such advance notice as is reasonable under the circumstances on all matters of importance in the administration of the terms of the labor agreement, including changes or innovations affecting the relations between the parties.
5. To help in developing and maintaining a good relationship between the parties, an Activities Committee (Committee) will be formed to plan and organize activities, events or other common interest programs for all the employees of the Universal Stainless & Alloy Products, Inc. Specialty Steel Division, Bridgeville, PA.

The Committee will be comprised of three Union designated employees and two salary designated employees. The funding of the activities, events, programs or other items will be derived mainly from the commissions received from the vending machine usage at the facility.

The Committee must act in a manner as to benefit or give an opportunity to benefit the entire group of employees.

The Committee must maintain records of all activities, programs, etc. and an

accounting of all funds received and dispensed.

The Company will maintain the funds and administer such funds at the discretion of the Committee.

- 3 -

ARTICLE 2

RECOGNITION

The Company recognizes the Union as the exclusive representative for purposes of collective bargaining with respect to wages, hours of work, and all other terms and conditions of employment for all employees as defined herein. The term "employee" as used in this Agreement shall include all regular hourly rated production and maintenance employees employed by the Company in its plants, but excluding salaried employees, office clerical, confidential, professional employee, guards and supervisors as defined by the National Labor Relations Act, as amended.

ARTICLE 3

UNION SECURITY AND CHECKOFF

A. UNION MEMBERSHIP

1. Any employee who is a member of the Union in good standing on the effective date of this Agreement shall, as a condition of employment, maintain membership in the Union to the extent of paying the periodic membership dues uniformly required of all Union members.
2. Any employee who on the effective date of this Agreement is not a member of the Union and any employee thereafter hired shall, as a condition of employment, starting thirty (30) days after the effective date of this Agreement or thirty days after hire date, whichever is earlier, acquire and maintain membership in the Union to the extent of paying or tendering the initiation fee and the periodic membership dues uniformly required of all Union members.
3. The foregoing provisions shall be effective in accordance and consistent with applicable provisions of federal and state law.

- 4 -

B. CHECKOFF

1. During the life of this Agreement, the Company will check off monthly dues, assessments and initiation fees each as designated by the International Treasurer of the Union, as membership dues in the Union on the basis of individually signed voluntary checkoff authorization cards in forms agreed to by the Company and the Union.
2. The following general conditions will be applicable:
 - a. New checkoff authorization cards will be submitted to the Company through the Financial Secretary of the Local Union. Immediately after the end of each month the Union shall submit to the Company a summary list of cards submitted in each month.

- b. Deductions on the basis of authorization cards submitted to the Company shall commence with respect to dues for the month in which the Company receives such authorization card or in which such card becomes effective, whichever is later. Dues for a given pay period shall be deducted from each pay.
- c. The Union will be notified of the reason for non-transmission of dues in case of layoff, discharge, resignation, leave of absence, sick leave, retirement, death or insufficient earnings.
- d. Unless the Company is otherwise notified, the only Union membership dues to be deducted for payment to the Union from the pay of the employee who has furnished an authorization shall be the monthly or other periodic Union dues. The Company will deduct initiation fees when notified by notation on the list referred to in (a) above, and assessments as designated by the International Treasurer.
- e. The provisions of this Subsection B shall be effective in accordance and consistent with applicable provisions of state and federal law.

- 5 -

C. USWA/PAC CONTRIBUTION CHECKOFF

The Company agrees that it will checkoff and transmit to the Treasurer of the United Steelworkers of America Political Action Committee (USWA/PAC), voluntary contributions to the USWA Political Action Fund from the earnings of those employees who voluntarily authorize such contributions on forms provided for that purpose by the USWA/PAC.

It is understood that the parties acknowledged that the costs of implementing and administering the USWA/PAC checkoff program would be an obligation of the Union and that the estimated costs of such implementation and administration of the program were incorporated by the Company in its valuation of the September 1, 1997, collective bargaining negotiations settlement. The Union, however, will be responsible for the cost of printing and distributing voluntary USWA/PAC wage deduction authorization forms. It is specifically agreed that the USWA/PAC checkoff plan will be implemented as follows:

The Company shall deduct from wages payable during each payroll period in each month voluntary contributions to the USWA/PAC by those employees represented by the United Steelworkers of America who voluntarily authorize such deductions and contributions on forms provided for that purpose by the USWA/PAC. The amount and timing of such USWA/PAC wage deductions and the transmittal of such voluntary contributions to the USWA/PAC may be as specified in such forms and in conformance with any applicable state or federal statute; provided however, that if an employee revokes a deduction authorization, the employee shall not be eligible for payroll deduction of USWA/PAC contributions for a period of one year for the date of revocation.

D. INDEMNITY CLAUSE

The Union shall indemnify and save the Company harmless against any and all claims, demands, suits or other forms of liability that shall arise out of or by reason of action taken or not taken by the Company for the purpose of complying with any of the provisions of this Section, or in reliance on any list, notice, or assignment furnished under any of such provisions.

- 6 -

ARTICLE 4

MANAGEMENT RIGHTS

- A. The Company reserves and retains the right to direct, manage and control the business and the work force, except to the extent that this Agreement specifically provides to the contrary.

- B. The rights reserved and retained by the Company include, but are not limited to, the right to plan, direct and control operations; to determine when work is to be performed; to determine, alter, revise, change or eliminate any or all means, methods, processes, materials and schedules of production; to determine the existence, number, composition and size of crews; to determine or change the duties of jobs; to determine the location or relocation of the plant, departments or operations; to establish production and work standards; to transfer and assign orders for production to determine whether and to what extent the work required in its business shall be performed by employees covered by this Agreement; to transfer employees between jobs, shifts and departments in order to maintain efficient and/or economic operations; to hire; to discipline, suspend or discharge for cause; to layoff, transfer, promote or demote; to make and enforce reasonable rules (including rules relating to substance abuse and requiring employees to submit to blood, urine, or other appropriate medical testing on the basis of probable cause or routine screening at or prior to initial employment or upon a return to work after an absence of thirty (30) calendar days or longer, except to the extent that this Agreement specifically provides to the contrary.
- C. Should the Company fail to exercise any of its rights, or to exercise them in a particular way, it shall not be deemed to have waived such rights or to be precluded from exercising them in some way.

- 7 -

ARTICLE 5

NO STRIKE/NO LOCKOUT

A. NO STRIKE

1. There will be no strikes of any kind, including sympathetic strikes and unfair labor practice strikes, during this Agreement. "Strikes" include any work stoppage, slowdown, picketing, or any other concerted activity, or attempt at concerted activity, which would interrupt or limit the performance of services. Neither the Union or any employee will encourage, authorize, participate in or condone any strike.
2. The Union will use its best efforts to prevent any violation of this Article and to terminate any violation should one occur. If a violation of this Article occurs, the Union will publicly denounce the strike, and will provide the Company with written notice that the strike is not authorized, is in violation of this Agreement, and is not to be honored. If the Union carries out its obligations under this Article, it shall have no financial liability for any such violation.
3. The Company shall have the right to discharge or suspend employees for violation of this Article.

Employees so disciplined shall have recourse to the grievance and arbitration procedure, but the discipline imposed shall not be overturned unless the employee is found innocent of any violation, and the arbitrator shall have no authority or jurisdiction to reduce or modify discipline, except upon such a finding of innocence.

B. NO LOCKOUT

1. The Company shall engage in no lockout during the term of this Agreement.

- 8 -

ARTICLE 6

GRIEVANCE AND ARBITRATION

A. Purpose/Procedure

The purpose of this Section is to provide an orderly procedure for the discussion of any request or complaint and to establish procedures for the processing and settlement of grievances as hereinafter defined. The action of the Company giving rise to any alleged grievances shall remain in effect until the grievance is finally resolved.

B. Definition of Grievance

"Grievance" as used in this Agreement is limited to a complaint which has not been settled as a result of the discussions required by Subsection C and which involves the interpretation or application of, or compliance with, the provisions of this Agreement, and such settlements shall not add to, detract from, or alter in any way the provisions of this Agreement.

C. Discussion of Request or Complaint

Any employee who believes that he has a justifiable request or complaint shall discuss the request or complaint with his Foreman, with or without the Grievance Committeeman being present, as he may elect, in an attempt to settle the request or complaint.

D. Grievance Procedure

The Grievance procedure shall be as follows:

1. Step I - Within seven (7) working days upon the occurrence of the incident, the employee or Union representative shall make a written complaint to the appropriate supervisor. The supervisor shall answer in writing within five (5) working days.
2. Step II - Within five (5) working days after receipt of the supervisor's Step I response, the Union Chairperson, Vice President or Committeeman shall submit a written grievance to the Department Manager or Plant Manager. The Department Manager or Plant Manager shall answer the grievance in writing within seven (7) working days.

- 9 -

3. Step III - Within fifteen (15) days after receipt of the Company's answer, the Union President or Vice President, the Union International Representative and the Company Director of Employee Relations or Plant Manager shall meet to discuss the grievance. The Company shall mail its answer to the Union within fifteen (15) days after the Step III meeting. With respect to time limits, Saturdays, Sundays and Holidays are excluded for both the Company and the Union. The aforementioned time limits also apply to Step IV - Arbitration.

4. Step IV - Arbitration

E. Arbitration Procedure

1. In the event the dispute shall not have been satisfactorily settled in Step III, the grievance may be referred to an impartial arbitrator to be mutually agreed upon by the parties hereto, such appeal to be taken within fifteen (15) days after receipt by the Union of the Company's answer in Step III. If, after fifteen (15) days following appeal, the parties fail to agree upon an arbitrator the selection shall be made from panels recommended by the F.M.C.S. Failing mutual agreement on an arbitrator from such panels the F.M.C.S. shall appoint the impartial arbitrator to serve in the dispute.
2. The conduct hearings and other procedures having to do with arbitration of the dispute shall follow the procedures then in effect under the voluntary labor arbitration rules of the F.M.C.S.
3. The arbitrator shall have jurisdiction and authority to interpret, apply, or determine compliance with the provisions of this Agreement relating to the wages, hours of work, and other conditions of employment set forth in this Agreement, together with those agreements which are, or may hereafter be, in effect in the plant insofar as shall be necessary to the determination of such grievances arising hereunder;

but the arbitrator shall not have jurisdiction or authority to add to, detract from, or alter in any way the provisions of this Agreement or supplements thereunder.

- 10 -

4. The arbitrator shall render a decision within thirty (30) working days of the last hearing day unless otherwise extended by mutual agreement of the parties. The decision of the arbitrator shall be final and binding upon the Company, the Union, and the employees. All expenses incurred as a result of the arbitration shall be borne equally by the Company and the Union.

F. Suspension of Grievance Procedure

If this Agreement is violated by the occurrence of a strike, slowdown, work stoppage, or interruption or impeding of work in any department or subdivision, no grievance shall be discussed or processed for the employees directly involved in the violation while such violation continues. The Union will proceed immediately to get the concerned employees in compliance with this Agreement.

G. Union Grievance Committee

1. General Grievance Committee

A General Grievance Committee shall be established not to exceed three employees. The General Grievance Committee, as such is designated to the Company, shall attend meetings to discuss grievances heard in the Second Step of the grievance procedure and other appropriate labor-management meetings called by the parties.

2. Grievancemen

Grievancemen may be designated to the Company to represent employees, serving as the Union representative for any grievance. The Union shall notify the Company of its designee to serve as Chairman of the grievance committee to represent employees in the Second Step of the grievance procedure. Grievancemen shall serve as the exclusive Union representative for the processing of any grievance under their jurisdiction in Step I of the grievance procedure. In addition, the grievancemen may participate in other appropriate labor-management meetings called by the parties.

- 11 -

3. Grievance Activities

Grievance Committeemen will be afforded time off without pay as may be required to transact the necessary and proper business of the Grievance Committee, including the settlement of grievances, upon notice to and with the permission of their supervisor.

H. Access to Plant

The representatives of the Union who customarily handle grievances in Step II of the grievance procedure shall have access to the plant, subject to the established rules of the plant, at reasonable times to investigate grievances with which they are concerned.

ARTICLE 7

RATES OF PAY

A. STANDARD HOURLY WAGE RATES

The standard hourly wage rates and bonuses for the respective job

classifications shall be those set forth in Appendix A of this Agreement.

B. INCENTIVES AND STANDARDS

The Company has the right solely at its discretion to establish reasonable incentive standards on any or all of its operations or jobs. Prior to the establishing of any such standards the Company and Union will meet and attempt to agree on such standards. Upon agreement or failing to agree with a thirty (30) day period, the Company will establish the standard. The Union may grieve whether such standards are equitable.

ARTICLE 8

HOURS OF WORK

A. STRAIGHT TIME AND OVERTIME

This Agreement does not constitute a guarantee of any number of hours per day or days or hours per week. For the employees' advance notice, work schedules shall be posted or otherwise made known to employees. Postings will be made not later than Thursday at 2:00 p.m. of the week preceding the calendar within which the schedule

- 12 -

becomes effective. The local union representative will be notified if major changes are made after posting. All work performed in excess of forty (40) hours in any one work week or in excess of ten (10) hours in any work day shall be paid at the rate of one and one-half (1-1/2) times regular rate. All hours not worked but paid as contractual holidays, funeral leave, jury pay, reporting pay, or vacation shall be considered as hours worked for the purpose of computation of overtime; hours paid at overtime rates shall not be counted further in determining overtime pay liability; overtime shall not be pyramided for the purpose of computation of overtime pay.

B. BASIS OF PREMIUM PAY CALCULATION

1. The following shall provide the basis for calculating overtime or other premium compensation.
 - a. The payroll week shall start with the first shift nearest Midnight Sunday and run for seven consecutive days, except as deviations may be necessary for certain employees or groups of employees.
 - b. The workday for purposes of this Subsection is the 24-hour period beginning with the time the employee begins work.

C. OVERTIME DISTRIBUTION

Overtime within a work unit will be distributed in order of most senior qualified employee, the senior qualified employee given a choice to work the overtime before less senior employees are offered the overtime except in the case where an employee is on the job, he shall remain on the job if a continuation of work results in overtime. Least senior qualified employees must work if more senior employees elect not to work. The Company will determine the number and qualifications of employees needed to work overtime.

D. SHIFT DIFFERENTIAL

In the event any hours in a shift are worked outside the interval from 5:00 a.m. to 6:00 p.m., shall be paid at a shift differential rate of 15 cents per hour.

E. REPORTING ALLOWANCE

1. An employee who is scheduled or notified to report and who does report for work shall be provided with and assigned to minimum of four (4) hours of work on the job for which he was scheduled or notified to report or, in the event such work is not available, shall be assigned or reassigned to another job for which he is qualified. In the event, when he reports for work, no work is available, he shall be released from duty and credited with a reporting allowance of four (4) times the standard hourly rate of the job for which he was scheduled or notified to report. When an employee who starts to work is released from duty before he works a minimum of four (4) hours, he shall be paid for the hours worked and credited with a reporting allowance equal to the standard hourly wage rate of the job for which he was scheduled or notified to report multiplied by the unutilized portion of the four (4) hour minimum.
2. The provisions of this Subsection E shall not apply in the event that:
 - a) Strikes, work stoppages in connection with labor disputes, failure of utilities or acts of God.
 - b) An employee is not put to work or is laid off after having been put to work, either at his own request or due to his own fault; or
 - c) An employee refuses to accept an assignment or reassignment within the first four (4) hours as provided in Paragraph A above; or
 - d) Management gives reasonable advance notice of a change in scheduled reporting time or that an employee need not report. Reasonable notice is a minimum of two (2) hours prior to the start of the scheduled reporting time. Employees shall be responsible for providing the Company with a current telephone number for utilization in providing notice not to report; a completed notification call to such telephone number shall constitute the equivalent of actual notice to the employee.

F. ALLOWANCE FOR JURY SERVICE AND WITNESS DUTY

1. An employee who is called for jury service or subpoenaed as a witness shall be excused from work for the days on which he serves. Service, as used herein, includes required reporting for jury duty when summoned, whether or not actually seated as a juror or required to testify as a witness. Such employee shall receive, for each such day of service on which he otherwise would have worked, the difference between the payment he receives for such service and the amount calculated by the Company in accordance with the following formula. Such pay shall be based on the number of days such employee would have worked had he not been performing such service (plus any holiday in such period which he would not have worked) and the pay for each such day shall be eight (8) times his average straight-time hourly rate of earnings during the last payroll period worked prior to such service. The employee will present proof of service or reporting as a juror and the amount of pay, if any, received therefor. No employee shall be paid more than forty (40) hours pay under this provision in any contract year.

G. ALLOWANCE FOR FUNERAL LEAVE

1. When death occurs to an employee's legal spouse, mother, father, son, daughter, brother or sister, an employee, upon request, will be excused and paid for up to a maximum of three (3) scheduled shifts (or for such fewer shifts as the employee may be absent) which fall within a three (3) consecutive calendar day period; provided, however, that one (1) such calendar day shall be the day of the funeral and it is established that the employee attended the funeral. Payment for each day of absence

shall be (8) times the employee's average straight time hourly earnings; and employee, upon request, will be excused and paid for a maximum of one (1) scheduled shift during such period for the purpose of attending the funeral of the employee's grandparents or grandchildren, mother-in-law or father-in-law.

2. An employee will not receive funeral pay when it duplicates pay received for time not worked for any other reason.

- 15 -

ARTICLE 9

HOLIDAYS

- A. An eligible employee who does not work on a holiday listed in this Article shall be paid holiday pay of eight (8) times his average straight-time hourly rate (excluding shift differential and overtime premiums) during the payroll period preceding the payroll period in which the holiday occurs; provided, however, that if an eligible employee who is scheduled to work on any such holiday fails to report or perform his scheduled or assigned work, the employee shall become ineligible to pay for the unworked holiday unless excused for good cause.
- B. For all hours worked by an employee on any of the holidays specified below, hours worked shall be paid at the rate of two times his regular rate of pay; this rate includes any holiday pay for which the employee would otherwise be eligible. Hours worked shall count for the purposes of overtime calculation.
- C. The holidays specified are Memorial Day, July 4, Labor Day, Thanksgiving Day, the day after Thanksgiving Day, the day before Christmas Day, Christmas Day, and New Year's Day. The holiday shall be the twenty-four (24) hour period beginning 12:01 a.m. of the holiday. The local Union and the Company will meet in November of each year to set the date for observance of holidays which are on a Saturday or Sunday.
- D. As used in this Article, an eligible employee is one who:
 1. has completed his probationary period;
 2. performs work or is on vacation in the payroll period in which the holiday occurs; or if he is laid off for such payroll period, performs work or is on vacation in both the payroll period preceding and the payroll period following the payroll period in which the holiday occurs; and
 3. works as scheduled or assigned both on his last scheduled workday prior to and on his first scheduled workday following the holiday unless excused for just cause.

- 16 -

- E. When a holiday occurs during an eligible employee's scheduled vacation, he shall be paid for the unworked holiday in addition to his vacation pay, but shall not receive any additional time off due to the occurrence of the holiday, unless the employee schedules, with permission of his supervisor, to have the holiday taken at another time. If the holiday pay is granted on a day that was not previously scheduled, the holiday will not count toward overtime calculations. Holidays must be taken in the calendar year.

ARTICLE 10

VACATIONS

A. ELIGIBILITY

To be eligible for a vacation in any calendar year during the term of this Agreement, the employee must:

1. Work at least one day in the calendar year;
2. Have one (1) year or more of continuous service; and
3. Have performed 1400 hours of actual work during the prior calendar year or, in the case of an employee in his first year of employment, during such first year of employment. If this 1400 hour requirement has not been satisfied, the employee, if otherwise eligible, shall receive a prorated vacation payment based on the number of hours actually paid during the applicable 12 calendar month period as a percentage of 2080 hours. Such percentage shall be that employee's prorated pay entitlement.
4. An employee, even though otherwise eligible, forfeits the right to receive vacation benefits if he is discharged under the provisions of the Agreement. Full or prorated vacation benefits under this Article as computed under Paragraph 3 of Section A shall be paid to an employee's spouse or estate if the employee dies during the eligibility year.

- 17 -

B. LENGTH OF VACATION

1. An eligible employee who has attained the years of continuous service indicated in the following table in any calendar year during the continuation of this Agreement shall receive a vacation corresponding to such years of continuous service:

Years of Service	Weeks of Vacation
1 but less than 3	1
3 but less than 7	2
7 or more	3

2. A week of vacation shall consist of seven (7) consecutive days, Sunday through Saturday.
3. Vacations will, so far as practicable, be granted at times most desired by employees (longer service employees being given preference as to choice); but the final right to allot vacation periods and to change such allotments is exclusively reserved to the Company in order to insure the orderly operation of the plants.
4. In case Management desires to schedule vacations (two weeks maximum) for employees eligible therefor during shutdown periods instead of in accordance with the previously established vacation schedules for that year, Management shall give affected employees forty-five (45) calendar days' notice of such intent; in the absence of such notice, an affected employee shall have the option to take vacation during the shut-down periods or to be laid off during the shut-downs and to take vacation at the previously scheduled time.
5. The employees listed on Appendix C will, if otherwise eligible, receive a total of three (3) weeks vacation starting January 1, 1998. The employees listed on Appendix C are credited three (3) years of service in addition to their actual Universal Stainless service, toward vacation eligibility only.

- 18 -

C. VACATION PAY

1. Each employee granted a vacation under this Article will be paid the average straight time pay for the prior calendar year.
2. Hours of vacation pay for each vacation week shall be 40 hours per week.

ARTICLE 11

SENIORITY

- A. The parties recognize that promotional opportunity and job security in event of promotions, decreases of forces, and recalls after layoffs should increase with increased length of continuous service and according to the bidding procedure and lines of progression.
- B. In recognition, however, of the responsibility of Management for the efficient operation of the works, it is understood and agreed that in all cases of:
 1. Promotion (except promotions to positions excluded under the definition of "employees" in Article 2). The following factors as listed below shall be considered; however, only where factors "a." and "b." are relatively equal shall length of continuous service be considered and shall be the determining factor.

It is recognized by both parties to this Agreement that the job-bidding program is intended to provide opportunity for employees to bid on any non-line of progression job, regardless of job class, which an employee may prefer. Subject to eligibility, employees may bid on these jobs whether the job desired is a higher, equal, or lower paid classification than the job classification they are currently occupying.

All bids within a department are considered before any consideration is given to bids from employees in other departments.

- 19 -

Senior employees possessing the necessary qualifications shall have the preference in job bidding; however, seniority alone shall not entitle any bidder to the job. The following factors as listed below shall be considered; however, only when factors "(a)" and "(b)" below are relatively equal, shall length of continuous service be the determining factor:

- (a) Ability to perform the work.
- (b) Physical fitness.
- (c) Continuous service.

When there are any jobs within the bargaining unit, which can be filled from among the existing employees, the job bidding procedure in the following subparagraphs shall apply. It is mutually understood; however, that this bidding procedure shall not preclude the right of the Company to hire new employees possessing the necessary skills for jobs which existing employees are incapable of performing.

- (a) The job openings shall be posted on all bulletin boards for five (5) consecutive work days. This five (5) day period includes Monday through Friday.
- (b) No bids shall be accepted after the five (5) day posting period has ended. Except in the case of an employee who is on vacation or out sick, in which case those applicable employees will be permitted up to ten (10) days after the first day of posting to respond, but no longer than his first day back to work.

- (c) Any employee bidding for a job will have the right to withdraw his bid if it is withdrawn during the posting period. When a job opening is posted, it will be identified by department. Withdrawals must be signed by employee and administrator or security guard.

- 20 -

Once a bid is filled, the bid sheet becomes void and in the event of an opening within the 30-day probationary period, or if additional employees are needed, the job will be reposted.

- (d) It is agreed that job bidding under this paragraph shall consist of signing an application and submitting such application, signed by the employee and an administrator or security guard, to the administrator or security guard.
- (e) The employer shall notify the successful bidder and the Local Union Chairperson within ten (10) days after the close of the posting period at which time a notice of the successful bidder will be posted on plant bulletin boards.
- (f) Successful bidders are restricted from signing another bid slip for a period of one (1) year.
- (g) It is agreed that no more than two employees in one classification within one department can be successful bidders within any two-week period. More than two will be permitted to bid out so long as these additional removals do not disrupt the operations of the department.
- (h) Unless previously experienced, the successful bidder shall receive the starting rate of the new job or his current rate whichever is higher
- (i) When junior and senior employees are successful bidders on the same job, and the senior employee has to be retained on his job for replacement purposes while the junior employee is placed prior to the senior man, the senior employee shall receive credit on the new job.

- 21 -

- (j) After a bidder has been selected on the basis of his seniority and ability, he relinquishes all right to return to his former job. He shall have thirty (30) working days to determine whether he wishes to remain on the job upon which he bid. If he wishes not to remain on the job, he will be transferred to a Utility job for a period of fifteen (15) working days before he is eligible to be considered for another job opening. The Company shall give the successful bidder who has been selected on the basis of his seniority and ability thirty (30) working days to prove his worth on the new job. If he is removed from the job by the Company before his thirty (30) working days have expired; he shall have the right to return to his former job. The parties recognize that it is possible for an employee to be qualified on his bid job upon the conclusion of the 30-day evaluation.

Experience gained during the period of temporary assignment due to temporary upgrade will be disregarded when determining the relative ability of those who bid on a job. However, it is also understood that employees who fill a temporary bid will have their experience considered while on such bid if they subsequently bid on the same job on a permanent basis and are the senior employee bidding.

When employees are absent from work for any legitimate reason, at times other than furlough or layoff, and it is anticipated that such absence will be in excess of four (4) consecutive weeks, but less than eighteen (18) consecutive weeks in duration, Management shall, if required, fill such opening on a temporary basis. If it is determined to

fill such an opening, a bid labeled "temporary" shall be posted on the bulletin boards for forty-eight (48) consecutive work hours. Only employees in lower labor grades are eligible to bid on such openings and the bid will be awarded in accordance with this provision. Employees who are awarded these temporary job openings will be returned to their former job upon the return of the regular employee whose absence caused such an opening.

An employee working in any classification on a temporary bid will be the first to be laid off from the classification in case of layoff and in such cases shall be returned to their former job without bump rights.

Should the employee accepting the temporary bid remain on the job for more than thirty (30) working days and the opening subsequently is posted as being permanent, such employee's temporary assignment will be considered in the awarding of the bid if he is the senior employee bidding and, if selected.

It is understood that temporary transfers between departments can be made for any reason relating to the efficient and economical operation of the plan. Management shall initially effect such a transfer in accordance with the efficient operation of the plant by transferring a qualified and available employee within the appropriate and/or affected classification who can perform the needed work in another department. Such transferred employees normally will be the least senior employee in accordance with the above if circumstances

permit. Such temporary assignment shall not exceed four (4) continuous weeks. When the purpose of this temporary transfer has been accomplished within the four (4) week period mentioned herein, the employee transferred will be returned to his former department. If a temporary transfer in excess of one (1) week is required during times of furlough or layoff, the senior employee in such status will be recalled to fill the temporary opening beginning with the second week. The Company will meet with appropriate Union Officials prior to the transfer in question in order to provide the Union with an explanation for the transfer. The Company will not use this paragraph in assigning a series of temporary transfers to avoid filling a job opening.

It is understood that all utility jobs are considered labor jobs and as such, these openings are filled first through the bid process and if no employee bids on the opening, it will be filled at Management's discretion which includes the placement of new hires at times when there are no active employees on layoff.

Employees receiving training will receive their normal rate of pay, not the rate of pay associated with the job that they are receiving training in.

The intent of the training period is to help the employee gain the skills necessary to allow him to perform specific job functions proficiently.

The employee may be trained as an extra man on the job and/or actually perform the functions of the job until he has demonstrated that he can perform all of the functions of the job proficiently.

Management will, when utilizing a qualified employee at a higher job level than the regularly assigned job, pay the higher level starting rate pay or the employee's regular rate of pay whichever is higher. The time during the temporary assignment will not

count toward increases at the higher Level.

If Management determines that a reduction in force or reduction of specific positions are necessary, the affected employees will, when possible, be put in a lower Level position at the rate on the schedule that corresponds to the rate of the higher Level the employee was earning just prior to the move.

C. An employee shall lose his seniority rights and standing, be removed from the seniority list and cease to be employed for any of the following reasons; the employee:

1. Quits.
2. Is discharged for cause.
3. Exceeds a leave of absence.
4. Fails to return to work within five (5) working days after being recalled from layoff by registered mail.
5. Has less than one (1) year service and due to absence, layoff or leave of absence a period of one (1) year has elapsed since he last worked for the Company. If the employee has one (1) year or more of service and due to absence, layoff or leave of absence a period equal to the length of service with the Company but not exceeding twenty-four (24) months has elapsed since he worked for the Company, seniority rights, standing and employment shall similarly terminate; provided, however, that seniority and employment rights shall be protected for a period equal to length of service but not exceeding sixty (60) months since the employee last worked for the Company if the employee continues to be eligible during such period for disability benefits under applicable workers' compensation statutes.

- 25 -

6. Unauthorized absence from scheduled work for three work shifts and failure to show good cause for the absence and/or the failure to report off shall be deemed a voluntary quit.

7. Retirees

In case of a permanent vacancy in a classification assigned to an operation or activity staffed by more than one crew or, in the case of non-rotating shifts, worked on more than one shift, the existing incumbents of that classification who have not exercised seniority preference in their classification to change crews or shifts within the first twelve (12) month period shall, in order of seniority preference, be given the opportunity to change crews or shifts. Following such realignment the resulting vacancy in the classification, identified by crew supervisor or shift, shall be posted for five (5) working days excluding Saturdays, Sundays and holidays.

D. The Company will supply the International Representative an updated seniority roster every six (6) months.

ARTICLE 12

PROBATIONARY EMPLOYEES

A. New employees or those hired after a break in continuity of service will be regarded as probationary employees for the first seven hundred twenty (720) hours of actual work and will receive no continuous service credit during such period. Probationary employees may initiate grievances after thirty (30) days under this Agreement in connection with matters other than discipline or discharge, but may be laid off, disciplined or discharged as exclusively determined by Management and such layoff, discipline or discharge shall not be subject to arbitration; provided that this will not be used for purposes of discrimination because of race, religion, national

origin, handicap, age, military service in the Vietnam era, or sex or because of membership in the Union. Probationary employees continued in the service of the Company subsequent to the first seven hundred twenty (720) hours worked shall receive full continuous service credit from date of most recent hiring.

- 26 -

- B. In cases in which employees are hired or rehired after a break in continuity of service on the same date, they will potentially have the same continuous service date for seniority purposes. Seniority ranking will be determined by comparing, the last two digits of each employee's social security number. The lesser-value two-digit number will be more senior than the higher number. If the last two digits are equal, a comparison will be done on the third from the right digit of each employee's social security number, with the lesser number being more senior. If a tie continues, the comparison process will continue with the fourth digit from the right, and so on.

ARTICLE 13

CONTRACTING OUT

- A. It is the Company's intention to use its employees for work on the properties involved at the plants covered by this Agreement in cases where in its reasonably exercised business judgment the assignment of particular work to employees of the Company is appropriate. However, the business determination by the Company as to the means and manpower to be used to perform particular work shall be conclusive and shall not be deemed in violation of this Agreement unless that determination is demonstrated to be made in bad faith. In making its determination, the Company shall be entitled to give consideration to any legitimate factor including but not limited to the availability of personnel, tools and equipment; the time required to complete the work; the necessary skills and expertise; the cost of various alternatives to performance; whether the work is of a temporary or ongoing nature; the relative importance of the project; the effective utilization of resources; and other relevant considerations.
- B. Except in cases where immediate action is required, the Company shall notify the Union in advance when it intends to subcontract substantial work for performance in the plant and shall, upon request, discuss the matter with the Union before the subcontracting decision is implemented; provided, however, that the implementation of subcontracting decisions shall not be unduly delayed by the unavailability of a Union representative to promptly discuss the matter.

- 27 -

- C. Notwithstanding the above, the Company will not contract out work if regular employees qualified to do the work are on layoff except by written agreement with the Union, which agreement shall not be unreasonably withheld giving consideration to the circumstances existing at the time of the subcontracting; nor will the Company, in the absence of such agreement, utilize subcontractors to perform regular day-to-day preventative and operating maintenance on an ongoing basis.
- D. Notwithstanding any provision to the contrary anywhere in this Agreement, the Company may hire on a salary or contracted out basis, not subject to the Union representation clause, the following work:
- a) roll turning and grinding
 - b) billet grinding
 - c) janitorial
 - d) physical and mechanical testing
 - e) macro etching and computer services
 - f) grass cutting and snow removal
 - g) EMT and medical
 - h) processing of baghouse dust and mill scale

ARTICLE 14

LEAVE OF ABSENCE

- A. An employee upon written application and with Management's written approval, may be given a personal leave of absence for a period not in excess of the period specified in Article 11, Section C, without interruption to his continuous service record. In no event shall a personal leave of absence be granted to an employee for more than thirty (30) days, except when there is a written agreement between the Management and the Union. The failure of the employee to return to his job at the expiration of the personal leave of absence will terminate any seniority rights he may have at that time, except as such period of personal leave of absence is extended by written agreement between the

- 28 -

Company and the Union. Nothing in this section is to be contrary or more limiting than the leave as stated in the Family Medical Leave Act (FMLA) when such act is applicable.

- B. A sick leave of absence for a period not in excess of the period specified in Article 11, Section C, will be given to any employee whose absence is necessary as the result of sickness or injury and whose absence is supported by a statement from the doctor who is treating him for such sickness or injury. The employee will be responsible for periodically providing continued medical evidence of his inability to work if the Company so request. This provision shall apply to both occupational and non-occupational disabilities.
- C. Leaves of absence for the purpose of accepting positions with the International Union shall be available to a reasonable number of employees. Adequate notice of intent to apply for leave of shall be provided to the Company to enable proper provision to be made to fill the job to be vacated.

ARTICLE 15

SAFETY AND HEALTH

A. OBJECTIVE AND OBLIGATIONS

The Company and the Union will cooperate in the objective of eliminating accidents and health hazards. The Company shall make reasonable provision for the safety and health of its employees at the plants during the hours of their employment. The Company, the Union and the employees recognize their obligations and/or rights under existing federal and state laws with respect to safety and health matters, and will cooperate with respect to compliance; provided however, the Company agrees that the employees and the Union function is advisory in nature only and the employees and the Union are not liable for safety programs, procedures or acts of the Company.

B. SAFETY APPAREL AND EQUIPMENT

Protective devices, special wearing apparel and other special equipment necessary to properly protect employees from injury and required by the Company shall be provided

- 29 -

without cost to the employee, except that the cost of safety shoes will be limited to \$100.00 per contract year and must be purchased in compliance with the Company's Safety Shoe Purchase Procedure. Prescription safety glasses shall be provided through a Company-provided program once every two

years. Non-prescription safety glasses, goggles, gas masks; face shields; respirators; special purpose gloves; fire proof or acid proof protective clothing when necessary and required by the Company shall be provided without cost to the employee, except that the Company may assess a fair charge to cover loss or willful destruction thereof by the employee. Proper heating and ventilating systems shall be installed where needed and maintained in good working condition.

C. DRUG AND ALCOHOL

The Company and Union agree to the Drug and Alcohol Testing Policy attached hereto as Appendix F and incorporated by reference herein.

ARTICLE 16

HEALTH BENEFITS

The Company will provide the health, sickness and accident and life insurance, accidental death and dismemberment benefits (AD&D) identified in Appendix B, in accordance with the terms of Appendix B which is incorporated by reference herein.

ARTICLE 17

RETIREMENT PLAN

- A. In order to provide retirement benefits for its eligible hourly paid employees, the Company has established and will maintain in effect in its substantive provisions during the term of this Agreement, a qualified profit sharing plan and trust as defined under Section 401K of the Internal Revenue Code of 1986, to be identified as the USAP Hourly Employee 401(k) Plan (the "Plan").
- B. All questions concerning eligibility, coverage, contributions, time and method of payment of benefits and interpretation shall be determined in accordance with the terms of the plan document to be prepared, which may be revised and amended in accordance

- 30 -

with its provisions. Any disputes or questions of interpretation relating to entitlement to benefits under the Plan shall first be referred to and considered through the internal dispute resolution procedures established by the Plan before they can be processed as grievances under Article 6F of this Agreement. The Company is authorized to make such revisions in the terms of the plan and trust which may be reasonably necessary to comply with the Employee Retirement Income Security Act of 1974 ("ERISA") and to maintain the qualified tax exempt status of the Plan under the Internal Revenue Code of 1986, as amended.

- C. This Article summarizes and outlines the Plan's basic elements.
- D. The Company shall contribute every six months to the Plan forty-five cents (\$.45) during the first and second years of this Agreement, fifty cents (\$.50) during the third and fourth year of this agreement and fifty-five (\$.55) during the fifth year of this agreement, per credited hour paid for each Bridgeville Employee. Participants in the Plan shall be 100% vested after six months of employment, in the Company contribution, provided however that no contribution shall be made for participants who are not employees at least six months. Participants will be entitled to benefits under the Plan in accordance with terms and provisions of the Plan.

ARTICLE 18

PROFIT SHARING

Employees will be entitled to profit sharing as set forth in Appendix D, which is incorporated by reference herein. In the event the Union chooses to review any profit-sharing determinations and/or distributions by the Company, the procedures set forth in Appendix E will be followed.

ARTICLE 19

NON-DISCRIMINATION/EQUAL EMPLOYMENT OPPORTUNITY

It is the continuing policy of the Company and the Union that the provisions of this Agreement shall be applied to all employees without regard to race, religion, handicap, age, military service during the Vietnam era, national origin, or sex. The representatives of the Union and the Company in all steps of the grievance procedure and in all dealings between the parties

- 31 -

shall comply with this provision. In all cases in which this Agreement makes reference to employees through the use of male gender pronouns, such reference shall be deemed to refer equally to female employees in the same manner as if female gender pronouns were substituted for male gender pronouns throughout the Agreement.

ARTICLE 20

BULLETIN BOARD

The Union shall have access to a bulletin board in each plant designated for its exclusive use in posting notices and announcements relating to Union meetings, Union elections and election results, Union social events and similar administrative subjects. Notices of an adversary or derogatory character directed towards the Company or its Management and notices of political, controversial, disruptive or inflammatory character shall not be permitted. There shall be no other postings or distribution of literature on Company premises except as specifically authorized in writing by the Company.

ARTICLE 21

AGREEMENT COMPLETE

- A. The Company and the Union have had ample opportunity to present for negotiations any subject desired. Each, therefore, clearly and unmistakably waives for the remainder of the term of this Agreement the right to request either party to negotiate on a subject whether or not covered in this Agreement and whether or not mentioned during negotiations, except with respect to the negotiation of a new contract under Article 22. This shall not be considered "boiler-plate" or a routine "zipper clause."
- B. This Agreement is complete in writing. It may be amended only by an instrument in writing signed by the Company and appropriate Union representatives. Such an amendment may be effective during the term of this Agreement and may extend the term of this Agreement. This Agreement does not operate to include, nor does it obligate the Company to continue in effect any working condition, benefit or past practice which is not covered or contained in this Agreement.

- 32 -

- C. If either party suggests any amendment to this Agreement, the willingness

of the other party to discuss the request, or make any proposal, shall not in any way negate the complete waiver set forth in Section A of this Article, nor shall the making of any amendment in any way negate Section A.

ARTICLE 22

EFFECT OF LAW

- A. In the event that any provision of this Agreement is determined to be in conflict with any applicable law or regulation, that provision shall no longer be effective; but the remainder of this Agreement shall continue in full force and effect.
- B. The parties will, upon request, promptly meet and negotiate concerning possible revisions resulting from the invalidation, but Article 5 (NO STRIKE/NO LOCKOUT) shall remain in effect until termination of this Agreement.

ARTICLE 23

TERMINATION

This Agreement dated September 1, 1997, shall continue in full force and effect until August 31, 2002, inclusive, and thereafter it shall be considered automatically renewed for a successive period of twelve (12) months unless at least sixty (60) days prior to the end of the initial five-year term or the subsequent expiration of any twelve (12) month effective period either party shall serve written notice upon the other that it desires cancellation, revision or modification of any provision or provisions of this Agreement. In the event that proper notice is given under this provision, the parties shall attempt to reach an agreement with respect to the proposed change or changes, and at least forty-five (45) days prior to the expiration date of the Agreement, meetings to consider such changes shall be held by the parties. In the event the parties do not reach a written agreement by the expiration date in the particular year, as provided for herein, then this Agreement shall in all respects be deemed void and terminated. The parties hereto by written

agreement may extend said period for the purpose of reaching a new Agreement.

WHEREFORE, the parties have caused this Agreement to be executed by their duly authorized representatives this 12 day of September .

Universal Stainless & Alloy Products, Inc.

United Steelworkers of America AFL-CIO

/s/ C. M. McAninch

/s/ George Becker

/s/ B. Bowman

/s/ Leo W. Gerard

/s/ Paul A. McGrath

/s/ Richard H. Davis

/s/ Leon Lynch

/s/ Andrew V. Palm

/s/ Thomas L. Simon

/s/ John Ratica

/s/ Charles E. Patterson, Sr.

/s/ Timothy Nicholls

/s/ Thomas Strohmeier

/s/ Joseph R. Cheverine

/s/ Daniel S. Olander

/s/ Blair G. Bean, Jr.

/s/ Melvin H. Openbrower, Jr.

- 34 -

APPENDIX A

WAGE RATES

All hourly employees employed as of the date of this agreement is signed will receive a one-time bonus of \$500.00 paid on the first pay date following September 1, 1997.

The standard hourly wage rates for the qualification levels established as described below shall be as follows:

Increases will be given on March 1st and September 1st of each year according to the schedule below.

In order to adjust the pay increase schedule from the current individual seniority pay increase schedule to the March/September pay increase schedule, the following adjustment will be effective September 1, 1997. Employees with one (1) or more years of service who have been in their current pay rate category for more than two (2) months will advance to the next pay rate September 1, 1997. (Example, a Level II employee who is currently earning \$12.00 per hour and has been at that rate for more than two months will advance to \$12.25 on September 1, 1997).

Effective March 1, 1998, all non-probationary employees will advance to the next rate on the pay schedule and all future increases will take place on March 1st or September 1st. Employees that have fulfilled their probationary requirements, and have less than one (1) year of service, will receive \$.25 on the first pay raise date. On the next pay raise date, they will receive another \$.25 which will be equal to the one-year pay raise listed on Schedule A.

Probationary employees will remain at the start rate until such time that they have fulfilled their probationary requirements and will then increase to the next rate on the next regular increase day (March 1st or September 1st). Once an employee has reached the top rate within his job Level, his future compensation will be according to Pay Schedule B.

Pay Schedule A

Level	Start	1 yr.	6 mos. thereafter	6 mos. thereafter	6 mos. thereafter	6 mos. thereafter
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1	9.00	9.50	9.75	10.00	10.25	10.50
2	11.00	11.50	11.75	12.00	12.25	12.50
3	12.50	13.00	13.25	13.50	13.75	14.00

(Chart continued below)

Level	6 mos. thereafter	6 mos. thereafter
1	10.75	11.00
2	12.75	13.00
3	14.25	14.50

- 35 -

Pay Schedule B

March 1, 1999	September 1, 1999	March 1, 2000	September 1, 2000
\$500.00 One-time payment	\$.25/hour Wage Increase	\$600.00 One-time payment	\$.25/hour Wage Increase

March 1, 2001	September 1, 2001	March 1, 2002
\$700.00 One-time payment	\$.25/hour Wage Increase	\$800.00 One-time payment

All bonuses (one-time payments) will be paid on the next regular pay date following the bonus date.

Provided however that each new employee starts at the start rate as of the date of the employee's first hour of work, regardless of date of hire, and progresses from the start point on the above chart.

New employees will be hired at the starting rate for the Level for which they are hired. They will advance within their Level according to the specified schedule. (Based on a September 1st and March 1st pay adjustment dates).

Employees who are promoted to a higher Level will:

- A. If the employee has less than one year of service, the employee will start at the starting rate of the job Level he has been promoted to.
- B. If the employee has more than one year of service when he is promoted to the new Level, he will start at the second rate at that Level (the one-year Level). Future rate increases will apply according to the September 1st and March 1st pay adjustment dates.

- 36 -

The time associated with the rate schedule is based on the date when the employee starts working at a particular job Level.

Qualification Level 3 shall consist of the following duties:

- a. Roller
- b. E.A.F. Operator
- c. A.O.D. Operator
- d. E.S.R. Operator
- e. Machinist
- f. Mechanic
- g. Electrician
- h. Mason
- i. Ladleman
- j. Ladle Craneman

Qualification Level 2 shall consist of the following duties:

- a. Heater
- b. Craneman
- c. Melting Helper
- d. Warehouseman (Finisher)
- e. Conditioner
- f. Lab Technician
- g. Molders (after six months on the job training)
- h. Shearman
- i. Scrap Yard Receiver/Charger

Qualification Level 1 shall consist of:

- a. Plant Utility (all other duties)

Employees are required to perform lower level jobs (Level 1 or 2) as assigned without additional compensation.

Progression Timetable
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Upon hire, employees will be assigned to the beginning rate for their qualification level. The qualification level shall be set by the Company according to the Company's duty openings and employee qualification for these openings. The Company is responsible for qualifying employees for additional duties based upon Company needs and employee consideration.

APPENDIX B

 BENEFITS

The following benefits will be provided to employees:

- (1) Benefits as identified as, or similar to, Blue Shield Preferred Blue with \$15.00 co-pay on name brand drugs if generic brands are available.
- (2) Benefits as identified as, or similar to, Blue Shield Opti-Choice Vision coverage.
- (3) Benefits as identified as, or similar to, Blue Shield Penn Dental coverage Option III

The Company will pay health care benefit premiums up to \$450.00 per employee per month.

In the event of a layoff, the Company will provide health care coverage according to the agreement for a period not to exceed three (3) months starting with the first day of the month following that in which the employee was laid off.

Four Hundred Fifty (\$450.00) Dollars per month is established as the cap amount for health care coverage (including single, husband & wife, parent & child, and family coverage). All increases in health costs above the cap (and its corresponding costs for other coverages) shall be shared 50/50, with the employees contributing 50% of the cost increases.

The cap will increase to \$475.00 starting in September, 1998.

The cap will increase to \$500.00 starting with the September premium for the year 2000.

The Company will provide reasonable notice to the Union, after receipt of same from the carriers, of any increases requiring employee contributions, and the Company may request a meeting to explore mutually agreeable alternatives.

Sickness and Accident -- \$250/week, first day hospital, eighth day sickness
\$275/week starting 9/1/99; \$300/week starting 9/1/01.

Life Insurance and AD&D -- \$15,000.00
\$20,000.00 second year starting with 1st Anniversary of contract.
\$25,000.00 fourth year starting with 3rd Anniversary of contract.

The Company has the sole right to choose claims administrators and insurance carriers and shall have the right to self-insure.

- 38 -

APPENDIX C

EMPLOYEES ELIGIBLE FOR THREE (3) WEEKS VACATION
STARTING IN YEAR 1998.

Wengryn, Jr., Mittro	Bean Jr., Blair	Holeva Jr., Frank
Woods III, Clyde	Winters, Raymond	Veydt, William
Chambers, William	Zychowski, Kenneth	Bedillion, Gary
Highfield, Alan	Sartori, Joseph	Sundy, John
Margie, John	Sweder, Donald	Openbrower, Jr., Melvin
Broccoli, Peter	Doernemann, David	Loman, Darnell
Murphy, Jessie	Patterson, Charles	Olander, David
Demeolo, Edward	Bryant, Ardella	West, David
Nicholls, Timothy	Jezowicz, Mark	Naser, Dale
Polite, Henry	Bushmire, Harry	
Grier, Gregory	Strohmeier, Thomas	
Murphy, Jerome	Bedillion, Timothy	
Kelemen, Michael	Wozniak, Donald	
Morris, Joseph	Diskin, David	

- 39 -

APPENDIX D

PROFIT SHARING

- (1) The Company shall implement and maintain a Profit Sharing Plan.
- (2) Profit sharing shall occur, as explained below, for net income before tax, reduced by scheduled debt principal payments, of the Bridgeville Specialty Steel Division, in excess of an annual amount of one million dollars. Income before tax will be determined in accordance with generally accepted

accounting principles.

- (3) The profit sharing pool shall be 8.5% of the Bridgeville Specialty Steel Division pre-tax profits which are in excess of the one million dollar annual profit threshold identified in (2) above.
- (4) The Profit Sharing general distribution amount will be divided by the total hours of all Union-represented and probationary employees at the Bridgeville Specialty Steel Division, and each such employee will receive a payment equal to the resulting amount multiplied by his or her hours during the period.
- (5) For purposes of paragraph 4 above, "Hours" shall include the following but shall not exceed 2,080 hours for any plan year for any Employee or 520 hours for any quarter: Hours worked (including straight time and overtime hours), vacation, unworked holidays, jury duty, witness service, funeral leave, at the rate of 8 hours for each such day, hours on Union business, and hours at the rate of 8 hours a day or a maximum of 40 hours per week while receiving workers' compensation or sickness and accident benefits (based on the number of days absent from work while receiving such benefits). Workers Compensation and Sickness and Accident credit hours are only credited in the year in which the workers compensation or S&A Benefits began.
- (6) The Company will pay such Annual Profit Sharing Plan payout determined in (2) above on the 15th day of April following the calendar year when such profit sharing payment is earned. Eligible employees must be employed by the Company on the date of distribution, except for employees 60 years of age or older who have taken retirement, or employees collecting Social Security Disability, regardless of age.
- (7) Worker's Compensation Savings. To the extent, after the first year of this Agreement, the Company obtains a savings from its first year's workers' compensation rates due to the safe activities and safety consciousness of the employees, as reflected by the State designated modifier and savings resulting from safety committee certification by the State. 50% of this savings will be paid to the Employees on the 15th day of April following the calendar year when the savings occurred.

- 40 -

- (8) The Company will make a partial payout for the period of January 1, 1997 through June 30, 1997 on the pay date closest to September 15, 1997. The payout will consist of 75% of the 8.0% net income, reduced by \$500,000, during the period. Employees with credited hours during the period will receive a portion equal to the total pool divided by total hours during the period multiplied by his hours during the period not to exceed 1,040 hours for any employee during the period.
- (9) Starting with the third quarter of 1997, the Company will make partial payments for the first, second, and third quarter of each calendar year. The total payout for the period will be 75% of 8.5% net income before tax for the period reduced by \$250,000.00. Payment will be made on the pay date closest to the 15th day of the second month following the end of the quarter.

Each eligible employee (an employee who has hours in the period) will receive a portion of the total payout equal to the total payout divided by the total number of hours for the period and multiplied by his hours during the period (not to exceed 520 hours for any one individual).

- 41 -

APPENDIX E

PROFIT SHARING AUDIT PROCEDURES

The Union recognizes the Company's need for confidentiality and commercial sensitivity of financial information related to the Company's profitability. The Company recognizes the Union's need for some access to Company records, upon

the Union's option, to verify profit-sharing in accordance with Appendix D.

In recognition of these basic principles, the Company and Union agree to the following procedure, which is to be strictly complied with:

- 1) The Union may make a request to review financial information of the Company within fifteen (15) days of the Company's declaration of a profit-sharing distribution or notice to the Union that no distribution will occur.
- 2) The Union will select a single certified public accountant ("Union Auditor"), either from the USWA International or from a nationally recognized accounting firm, to be paid out of the profit sharing amounts.
- 3) The Company will provide this Union Auditor at the Company offices with access to reasonably requested Company books and records, including the work papers of the auditor who has prepared the Company's annual statements. The Union shall have access to the auditor who has prepared the Company's audit.
- 4) All information will be kept in strict confidence and only used for internal purposes. The absolute confidentiality of all financial information shall be maintained at all times. The Union Auditor, Company representative, and arbitrator will sign appropriate Confidentiality Agreements. Under no circumstances shall any financial information obtained by the Union Auditor be used for any purpose, by the auditor or the Union or any other entity, for any purpose other than the verification and/or challenge of profit-sharing determination.

- 42 -

APPENDIX F

DRUG AND ALCOHOL TESTING POLICY

USAP is committed to the health and safety of its employees. Employees that are dependent, under the influence or abusers of controlled substances, including prescription drugs that are misused, or alcohol, significantly impair the safety of themselves and others and reduce the effectiveness of their job performance. It is USAP's policy, consistent with the mandates of the Federal Drug Free Workplace Act, to assure that when there is probable cause to believe an employee is dependent, under the influence of abusing controlled substances or alcohol, by reason of demeanor, appearance, physical symptoms, possession, known abuse or a combination thereof, or involvement in a serious workplace accident, such employee will be removed from the work environment and tested for the presence of controlled substances and/or alcohol. In addition, a screening for the presence of controlled substances may be performed as a part of routine post offer of employment physicals and when employees return to work following an absence of thirty (30) calendar days or longer. Further, pre-employment screening may be performed prior to an offer of employment or as a hiring contingency.

When testing is required or requested, the employed will be transported to an approved medical facility where proper chain of custody procedures as outlined by the National Institute of Drug Abuse (NIDA) will be observed. The employer representative will arrange to have the suspect employee observed by a second employer representative or a Union representative (whenever or wherever reasonably possible) prior to testing.

1. A refusal to submit to testing in accordance with this policy (Probable Cause) will be subject to discipline up to and including discharge. An employee (Probable Cause) who tests positive at or above the attached listing (page 44) of drug and/or alcohol levels, which are and will automatically be consistent with State/Federal Guidelines, will be considered as having a drug abuse problem and/or as being intoxicated. Said employee may be subject to discipline up to and including discharge depending upon the probable cause (e.g., property damage, fighting, etc.). Absent such extenuating circumstances, an employee may avoid discipline if he/she seeks rehabilitative treatment. In order to maintain employment, the employee must successfully complete an approved rehabilitation program.

Should the employee refuse rehabilitation and/or does not successfully complete the program, such employee will be subject to discipline up to and including discharge.

2. An individual who voluntarily admits to an alcohol and/or a drug problem before a probable cause situation exists and who subsequently successfully completes an approved rehabilitation program shall not be disciplined as a result of said disclosure.

Further, it is understood that employee(s) in either Items 1 and 2 immediately above will be given one (1) and only one (1) such opportunity to rehabilitate themselves. An employee who tests positive after completing rehabilitation, as required by this policy, will be discharged. Further, any employee who successfully completes a rehabilitation program will be subject to random testing within the next twenty-four month period. Should the employee test positive (at or above the drug and alcohol levels attached), such employee will be subject to immediate discharge.

- 43 -

CUTOFF VALUES

DRUG	EMIT ng/ml	GC/MS ng/ml

Amphetamine/1/	300	300
Barbituates	300	300
Benzodiazepines	300	300
Cannabinoids	20	15
Cocaine Metabolite	300	150
Methadone	300	150
Methaqualone	300	300
Opiates	300	300
Phencyclidine	25	25
Propoxyphene	300	300

/1/If Amphetamines screen at 1,000 ng/ml - confirmation cutoff will be 500 ng/ml.

Blood alcohol level of 0.1 gm/dl or greater is considered being intoxicated.

-44-

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

Introduction

The Company was incorporated in 1994 for the principal purpose of acquiring substantially all of the idled equipment and related assets (the "Assets") located at the Bridgeville, Pennsylvania, production facility of Armco Inc. ("Armco"). In June 1995, the Company acquired the precision rolled products business ("PRP Business") and five vacuum-arc remelting furnaces and certain ancillary equipment ("VAR Assets") from the Cytemp division of Armco, located in Titusville, Pennsylvania.

Results of Operations

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

	1997		1996		1995	
	Amount	%	Amount	%	Amount	%
Net sales						
Stainless steel	\$60,700	74.6%	\$46,903	77.8%	\$38,292	81.5%
Tool steel	10,467	12.9	8,019	13.3	4,080	8.7
Conversion services	4,834	6.0	3,804	6.3	3,272	7.0
Other	5,300	6.5	1,532	2.6	1,348	2.8
Total net sales	81,301	100.0	60,258	100.0	46,992	100.0
Cost of products sold						
Raw materials	32,601	40.1	24,208	40.2	23,728	50.5
Other	32,427	39.9	23,986	39.8	16,591	35.3
Total cost of products sold	65,028	80.0	48,194	80.0	40,319	85.8
Selling and administrative expenses	4,699	5.8	4,533	7.5	3,471	7.4
Operating income	\$11,574					
	14.2%	\$ 7,531	12.5%	\$ 3,202	6.8%	

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

	1997		1996		1995	
	Amount	%	Amount	%	Amount	%
Rerollers	\$41,196	50.7%	\$29,896	49.6%	\$27,216	57.9%
Forgers	13,846	17.0	7,797	12.9	7,829	16.7
Service centers	11,864	14.6	10,503	17.4	4,493	9.6
Original equipment manufacturers	9,200	11.3	8,168	13.6	4,062	8.6
Conversion	4,834	6.0	3,804	6.3	3,272	7.0
Miscellaneous	361	0.4	90	0.2	120	0.2
Total	\$81,301	100.0%	\$60,258	100.0%	\$46,992	100.0%

Management's
Discussion and
Analysis (continued)

1997 RESULTS AS COMPARED TO 1996 The increase in net sales in 1997 reflects increased shipments to all of the Company's market segments. The Company shipped approximately 55,300 tons in 1997, compared to shipments of 40,300 tons in 1996. The increase in net sales of stainless steels was achieved through increased

shipments of long products to the reroller market partially offset by lower pricing due to import competition and lower nickel costs during 1997. Increased shipments to forgers and original equipment manufacturers during 1997 are a result of higher demand for the Company's products from the aerospace and power generation markets. The increase in net sales of tool steel was generated from the Company's growing service center customer base, which increased shipments of plate products. The remaining increase in the Company's net sales for 1997 is primarily attributed to the introduction of several new products within the low-alloy and high-temperature steel families.

Cost of products sold, as a percentage of net sales, remained constant between 1996 and 1997. Decreases in the acquisition costs for the Company's primary raw materials and cost savings generated from completed capital expenditure projects were offset by the impact of lower selling prices in the stainless steel area and higher than expected manufacturing costs related to several new product introductions, as noted above.

Selling and administrative expenses remained relatively constant between 1996 and 1997. This primarily reflected the addition of personnel as a result of the continued growth of the Company's business, which was offset by lower insurance costs.

Other income (expense), net decreased from \$80,000 in 1996 to \$(136,000) in 1997. The decrease is primarily related to a decrease in interest income earned on cash available for investment and an increase in interest expense due to increased borrowings. The Company used available cash and borrowings to fund capital expenditures incurred during 1996 and 1997.

The effective income tax rate utilized in 1997 and 1996 was 37%.

1996 RESULTS AS COMPARED TO 1995 The increase in net sales in 1996 reflected the June 1995 acquisition of the PRP Business and VAR Assets, along with an increase in shipments of stainless steel to rerollers and original equipment manufacturers and of tool steel to service centers. The Company shipped approximately 40,300 tons in 1996, compared to shipments of 32,700 tons in 1995. The increase in net sales of stainless steels was achieved despite lower pricing of stainless steel long products due to competition from imports. The net sales increase to original equipment manufacturers reflected rising demand for the Company's products from the power generation sector, as well as the PRP Business acquisition, while the higher service center sales reflected an increase in the Company's tool steel customer base. The 1995 sales were unfavorably affected by the approximately six-week production halt of the universal rolling mill at the Bridgeville Facility in July and August of that year.

2

Management's
Discussion and
Analysis (continued)

Cost of products sold, as a percentage of net sales, decreased in 1996 as compared to 1995 primarily due to lower acquisition costs for the Company's primary raw materials, an increase in tool steel shipments and an improved sales mix within the stainless steel product lines. The 1995 percentage was unfavorably affected by the universal rolling mill production halt described previously.

Selling and administrative expenses increased from \$3.5 million in 1995 to \$4.5 million in 1996. The increase primarily related to insurance costs and the addition of personnel as a result of the continued growth of the business, including the acquisition of the PRP Business and VAR Assets.

Other income (expense), net increased from \$(239,000) in 1995 to \$80,000 in 1996, primarily due to cash available for investing purposes during the respective periods. The increased cash availability in 1996 was directly related to the sale of 1,700,000 shares of Common Stock in a public offering completed in November 1995. The public offering proceeds were utilized to fund the Company's capital expenditure program. In addition, the Company was not required to borrow funds under its \$6.5 million revolving line of credit during 1996.

The effective income tax rate utilized in 1996 was 37.0% in comparison to 8.1% in 1995. The lower effective income tax rate in 1995 reflected the recognition of the benefit from net operating loss carryforwards generated in 1994.

Liquidity and Capital Resources

The Company generated cash flow from operations in 1997 and 1996 of \$1.1 million and \$3.6 million, respectively, which reflects increases in net income partially offset by increases in working capital.

At December 31, 1997, working capital approximated \$20.1 million, as compared to \$16.0 million at December 31, 1996. The ratio of current assets to current liabilities at December 31, 1997 and 1996, was 2.8:1 and 3.0:1, respectively. The debt to capitalization ratio was 13% at December 31, 1997, and 8% at December 31, 1996. The increase in working capital was primarily attributable to increases in accounts receivable and inventory partially offset by an increase in accounts payable as a result of business growth.

CAPITAL EXPENDITURES AND INVESTMENTS The Company's capital expenditures were approximately \$8.1 million and \$11.4 million in 1997 and 1996, respectively. Capital expenditures in 1998 are expected to approximate \$17.0 million, of which \$10.0 million relates to the installation of a round-bar finishing facility at the Bridgeville Facility. These expenditures are expected to be funded substantially from internally generated funds and a \$15.0 million term loan from PNC Bank.

3

Management's Discussion and Analysis (continued)

PNC CREDIT AGREEMENT On January 30, 1998, the Company entered into the Second Amended and Restated Credit Agreement with PNC Bank for a \$6.5 million revolving credit facility through April 2001 (the "PNC Line") and a \$15.0 million seven-year term loan (the "PNC Term Loan"), secured by substantially all of the Company's assets. Borrowings under the PNC Term Loan may occur from time to time during 1998 with quarterly principal payments scheduled to commence on March 31, 1999. Interest incurred from borrowings under the PNC Line and the PNC Term Loan is based on short-term market rates, which may be reduced based upon the Company maintaining certain financial ratios. In addition, the Company is required to maintain certain levels of net worth, working capital and other financial ratios to limit the amount of capital expenditures the Company may incur and to restrict the payment of dividends.

GOVERNMENT FINANCING PROGRAMS The Company has entered into several separate loan agreements with the Commonwealth of Pennsylvania's Department of Commerce aggregating \$1.6 million with terms ranging from seven to twenty years. In 1996, the Company also entered into a ten-year loan agreement with the Redevelopment Authority of Allegheny County Economic Development Fund in the amount of \$1.5 million. The loans bear interest at rates ranging from 5% to 6% per annum.

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 acquisition of the Assets, Armco agreed to retain responsibility for liabilities asserted against Armco 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 with Armco on August 15, 1994, and to indemnify the Company up to \$6.0 million in the aggregate over ten years. Such indemnification expires on August 15, 2004. Certain environmental conditions that were identified as having existed as of August 15, 1994, have been remediated by Armco at its expense.

In connection with the Company's June 2, 1995, agreement with Armco to purchase the PRP Business, the VAR 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 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 environmental condition requiring remediation and affecting the Company other than those

identified in the preceding discussion.

4

Management's
Discussion and
Analysis (continued)

NEW ACCOUNTING PRONOUNCEMENTS In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," which establishes standards for the way companies report information about operating segments in annual financial statements and requires disclosure of selected information about operating segments in interim financial reports issued to shareholders. The Statement also establishes standards for related disclosures about products and services, geographic areas and major customers. The Statement requires companies to report financial and descriptive information about its reportable operating segments for periods beginning after December 15, 1997. The Company is currently assessing the reportable segments and expects to adopt the Statement and disclose segment information in the annual report for the year ending December 31, 1998. Adoption of the Statement is expected to impact only financial statement disclosures.

YEAR 2000 The Company is engaged in a program to modernize and replace its computerized production control and management information systems. Although not the primary purpose of the program, the new systems will be designed to avoid any Year 2000 problems that might otherwise arise. These systems are expected to be in place before the Year 2000. The Company is also inquiring of its suppliers and others as to their own Year 2000 compliance.

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, 1997, the Company had \$3.7 million available under the PNC Line. In addition, the Company entered into the \$15.0 million PNC Term Loan on January 30, 1998.

The Company's long-term liquidity also 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 timing, cancellation or delay of customer orders; changes in product mix; the concentrated nature of the Company's customer base to date and the Company's dependence on its significant customers; the Company's reliance on certain critical manufacturing equipment; the significant fluctuations that may occur in raw material prices; and the Company's ongoing requirement for continued compliance with environmental laws. Any unfavorable change in the foregoing or other factors could have a material adverse effect on the Company's business, financial condition and results of operations. Many of these factors are not within the Company's control, and there can be no assurances regarding the Company's future sales or earnings.

5

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, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles. 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 generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about

whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ Price Waterhouse LLP

Price Waterhouse LLP
Pittsburgh, Pennsylvania
January 19, 1998 except
as to Note 4, which is as of
January 30, 1998

6

Consolidated
Statement of
Operations

For the Years Ended December 31,	1997	1996	1995

(Dollars in thousands, except per share information)			
Net sales	\$ 81,301	\$ 60,258	\$ 46,992
Cost of products sold	65,028	48,194	40,319
Selling and administrative expenses	4,699	4,533	3,471

Operating income	11,574	7,531	3,202
Other income (expense), net	(136)	80	(239)

Income before taxes	11,438	7,611	2,963
Provision for income taxes	4,232	2,818	240

Net income	\$ 7,206	\$ 4,793	\$ 2,723

Earnings per common share			
Basic	\$ 1.15	\$ 0.76	\$ 0.57
Diluted	\$ 1.12	\$ 0.76	\$ 0.57

Weighted average number of shares of Common Stock outstanding	6,285,531	6,270,952	4,745,384

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

7

Consolidated
Balance Sheet

December 31,	1997	1996

(Dollars in thousands)		
Assets		
Current assets		
Cash and cash equivalents	\$ 177	\$ 4,219
Accounts receivable (less allowance for doubtful accounts of \$298 and \$238)	14,503	9,409
Inventory	15,471	9,784
Other current assets	894	629

Total current assets	31,045	24,041
Property, plant and equipment, net	24,887	17,810
Other assets	219	247

Total assets	\$56,151	\$42,098

Liabilities and Stockholders' Equity

Current liabilities		
Trade accounts payable	\$ 8,001	\$ 5,857
Current portion of long-term debt	338	260
Accrued employment costs	1,704	1,403
Other current liabilities	916	540

Total current liabilities	10,959	8,060
Long-term debt	5,441	2,534
Deferred taxes	1,983	1,007

Total liabilities	18,383	11,601

Commitments and contingencies		
Stockholders' equity		
Senior Preferred Stock, par value \$.001 per share; liquidation value \$100 per share; 2,000,000 shares authorized; and 0 shares issued and outstanding	--	--
Common Stock, par value \$.001 per share; 10,000,000 shares authorized; 6,290,823 and 6,283,734 shares issued and outstanding	6	6
Additional paid-in capital	25,516	25,451
Retained earnings	12,246	5,040

Total stockholders' equity	37,768	30,497

Total liabilities and stockholders' equity	\$56,151	\$42,098

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

8

Consolidated Statement of Cash Flows

For the Years Ended December 31,	1997	1996	1995

(Dollars in thousands)			
Cash flows from operating activities			
Net income	\$ 7,206	\$ 4,793	\$ 2,723
Adjustments to reconcile to net cash and cash equivalents provided by operating activities:			
Depreciation and amortization	1,109	541	304
Deferred taxes	750	728	(205)
Changes in assets and liabilities:			
Accounts receivable, net	(5,094)	(1,577)	(4,302)
Inventory	(5,687)	(2,679)	(1,385)
Accounts payable	2,144	780	515
Accrued employment costs	301	716	513
Other, net	336	339	(95)

Net cash provided (used) by operating activities	1,065	3,641	(1,932)

Cash flows from investing activities			
Acquisition of assets through purchase agreements	--	--	(859)
Capital expenditures	(8,145)	(11,409)	(3,039)

Net cash used by investing activities	(8,145)	(11,409)	(3,898)

Cash flows from financing activities			
Proceeds from issuance of long-term debt	500	2,114	500
Long-term debt repayment	(300)	(125)	(969)
Proceeds from issuance of Common Stock	65	18	13,993
Borrowings under revolving line of credit	24,922	--	43,429
Repayments under revolving line of credit	(22,137)	--	(44,147)
Restricted cash	--	--	2,000
Deferred financing costs	(12)	(58)	(61)

Net cash provided by financing activities	3,038	1,949	14,745

Net increase (decrease) in cash	(4,042)	(5,819)	8,915
Cash and cash equivalents at beginning of period	4,219	10,038	1,123

Cash and cash equivalents at end of period	\$ 177	\$ 4,219	\$ 10,038

Supplemental disclosure of cash flow information			

Interest	\$	226	\$	72	\$	363
Income taxes	\$	3,428	\$	1,888	\$	340

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") was incorporated in 1994 for the principal purpose of acquiring substantially all of the idled equipment and related assets (the "Assets") located at the Bridgeville, Pennsylvania, production facility of Armco Inc. ("Armco"). In June 1995, the Company acquired the PRP Business and the VAR Assets, described in Note 11.

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 provides 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.

Net sales from the Company's largest customer and its affiliates were approximately 44%, 46% and 44% of total 1997, 1996 and 1995 sales, respectively. The accounts receivable balances from the same customer comprised approximately 32% and 22% of total accounts receivable at December 31, 1997 and 1996, respectively.

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

Scrap metal together with alloy additives, principally nickel, chrome and molybdenum, currently account for more than 50% 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.

10

Notes to the
Consolidated
Financial
Statements
(continued)

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

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

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

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

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

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 common 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.

Note 2: Inventory

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

December 31,	1997	1996
Raw materials and supplies	\$ 2,869	\$1,715
Semi-finished steel products	10,569	6,205
Operating materials	2,033	1,864
Total inventory	\$15,471	\$9,784

11

Notes to the
Consolidated
Financial
Statements
(continued)

Note 3: Property, Plant and Equipment

Property, plant and equipment consists of the following (dollars in thousands):

December 31,	1997	1996
Land and land improvements	\$ 832	\$ 674
Buildings	1,699	1,248
Machinery and equipment	21,418	12,726
Construction in progress	2,726	3,898
Accumulated depreciation	26,675 (1,788)	18,546 (736)
Property, plant and equipment, net	\$24,887	\$17,810

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

Note 4: Long-Term Debt and Other Financing

Long-term debt consists of the following (dollars in thousands):

December 31,	1997	1996
PNC Line	\$2,785	\$ --
Government debt	2,788	2,528
Capital lease obligations	206	266
Less amounts due within one year	5,779 (338)	2,794 (260)
Total long-term debt	\$5,441	\$2,534

On January 30, 1998, the Company entered into the Second Amended and Restated Credit Agreement with PNC Bank for a \$6,500,000 revolving credit facility through April 2001 (the "PNC Line") and a \$15,000,000 seven-year term loan (the "PNC Term Loan"), secured by substantially all of the Company's assets. Borrowings under the PNC Term Loan may occur from time to time during 1998 with quarterly principal payments scheduled to commence on March 31, 1999. Interest incurred from borrowings under the PNC Line and the PNC Term Loan is based on short-term market rates, which may be reduced based upon the Company maintaining certain financial ratios. In addition, the Company is required to maintain certain levels of net worth, working capital and other financial ratios to limit the amount of capital expenditures the Company may incur 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 twenty years. In 1996, the Company also entered into a ten-year loan agreement with the Redevelopment Authority of Allegheny County Economic Development Fund in the amount of \$1,514,000. The loans bear interest at rates ranging from 5% to 6% per annum. The annual required principal and interest payments under these loan agreements for each of the next five years approximate \$420,000.

Statements
(continued)

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, 1997, 1996 and 1995 was \$251,000, \$192,000 and \$127,000, respectively.

No other post-retirement benefit plans exist.

Note 6: Income Taxes

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

For the Years Ended December 31,	1997	1996	1995
Current provision			
Federal	\$3,113	\$1,869	\$ 385
State	369	221	60
	3,482	2,090	445
Deferred provision (benefit)			
Federal	682	654	(185)
State	68	74	(20)
	750	728	(205)
Provision for income taxes	\$4,232	\$2,818	\$ 240

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

For the Years Ended December 31,	1997	1996	1995
Federal statutory tax	34.0%	34.0%	34.0%
State income taxes, net of federal benefit	2.7	2.9	5.5
Effect of valuation allowance adjustments	--	--	(31.7)
Other, net	0.3	0.1	0.3
Effective tax rate	37.0%	37.0%	8.1%

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

December 31,	1997	1996
Deferred tax assets		
Receivables	\$ 112	\$ 100
Inventory	229	109
Organizational expenses	90	145
Accrued liabilities	279	130
	\$ 710	\$ 484
Deferred tax liabilities		
Property, plant and equipment	\$1,983	\$1,007
	\$1,983	\$1,007

The ultimate realization of net deferred tax assets depends on the Company's ability to generate sufficient taxable income in the future. Considering the lack of an operating history to support the realization of the deferred tax assets, the Company provided a valuation allowance of 100% against net deferred tax assets of \$938,000 as of December 31, 1994. The entire valuation allowance was reversed in 1995 based on the generation of taxable income for 1995 and management's belief that the Company will generate sufficient taxable income in the future to realize the deferred tax assets.

Note 7: Stockholders' Equity

(Dollars in thousands)	Preferred Shares Outstanding	Common Shares Outstanding	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)
Balance at December 31, 1994	--	4,519,400	\$ --	\$5	\$11,346	\$(2,476)
Initial public offering of Common Stock		50,600			353	
Second public offering of Common Stock		1,700,000		1	13,737	
Registration of private placement shares					(98)	
Net income						2,723
Balance at December 31, 1995	--	6,270,000	--	6	25,338	247
Common Stock issuance under Employee Stock Plan		11,300			95	
Common Stock Issuance under Employee Stock Purchase Plan		2,434			18	
Net income						4,793
Balance at December 31, 1996	--	6,283,734	--	6	25,451	5,040
Common Stock Issuance under Employee Stock Purchase Plan		7,089			65	
Net income						7,206
Balance at December 31, 1997	--	6,290,823	--	\$6	\$25,516	\$12,246

In connection with the 1994 initial public offering, the underwriters received warrants, which expire on December 14, 1999, to purchase 162,500 shares of the Company's Common Stock at an exercise price of \$10.80 per share. On February 3, 1995, the Company sold an additional 50,600 shares pursuant to the underwriters' over-allotment option to purchase an additional 243,750 shares of Common Stock. The net proceeds to the Company from this sale approximated \$353,000.

On November 22, 1995, the Company completed a second public offering of 1,700,000 shares of Common Stock of the Company at a sale price of \$9.00 per share. In connection with the second public offering, certain original stockholders sold an additional 600,000 shares of the Company's Common Stock.

Notes to the
Consolidated
Financial
Statements
(continued)

On May 22, 1996, the Company's Board of Directors adopted an Employee Stock Plan (the "Plan") for the purpose of issuing 100 shares of Common Stock of the Company at no cost to eligible employees. Non-executive employees not eligible for stock options under the 1994 Stock Incentive Plan, described in Note 9, who did not receive 100 shares of Common Stock of the Company at no cost in prior

periods were eligible employees under the Plan. The Company issued 11,300 shares of the Company's Common Stock in 1996. The cost of this issuance was recorded as compensation expense. The Plan was terminated.

Note 8: Earnings Per Common Share

The computation of basic and diluted earnings per common share for the years ended December 31, 1997, 1996 and 1995 is performed as follows (dollars in thousands, except share amounts and per share amounts):

	1997		1996		1995	
	Income	Shares	Income	Shares	Income	Shares
Income available to common stockholders	\$7,206	6,285,531	\$4,793	6,270,952	\$2,723	4,745,384
Effect of dilutive securities		131,544		22,514		34,497
Income available to common stockholders plus assumed conversion	\$7,206	6,417,075	\$4,793	6,293,466	\$2,723	4,779,881
Earnings per common share						
Basic	\$ 1.15		\$ 0.76		\$0.57	
Diluted	\$ 1.12		\$ 0.76		\$0.57	

All stock warrants and options outstanding at December 31, 1997, were included in the computation of diluted earnings per common share for the year ended December 31, 1997. Stock warrants and options to purchase 398,000 shares of common stock at exercise prices ranging from \$8.68 to \$11.25 per share outstanding at December 31, 1996, were not included in the computation of diluted earnings per common share because the options' exercise price was greater than the average market price of the common shares for the year ended December 31, 1996. All stock options outstanding at December 31, 1995, were included in the computation of diluted earnings per common share for December 31, 1995.

Notes to the Consolidated Financial Statements (continued)

Note 9: Compensation Plans

At December 31, 1997, 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 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 with respect to a maximum of 650,000 shares of Common Stock. Options granted to non-employee directors vest over a three-year period, and options granted to employees vest over a four-year period. All options under the 1994 Plan will expire no later than ten years after the grant date.

A summary of the 1994 Plan activity as of and for the years ended December 31, 1997, 1996 and 1995 is presented below:

	1997		1996		1995	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Fixed options Outstanding at						

beginning of year	335,500	\$ 9.20	208,000	\$ 9.63	60,000	\$ 8.00
Granted	215,500	11.03	130,000	8.54	150,000	10.28
Forfeited	(52,333)	9.36	(2,500)	10.25	(2,000)	9.50
Outstanding at end of year	498,667	9.97	335,500	9.20	208,000	9.63
Options exercisable at year-end	177,751		108,875		20,000	
Weighted average fair value of options granted during the year		\$ 6.62		\$ 4.88		\$ 4.97

The following table summarizes information about stock options outstanding at December 31, 1997:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$8.00 to \$12.25	498,667	8.4	\$9.97	177,751	\$ 9.09

16

Notes to the Consolidated Financial Statements (continued)

Employee Stock Purchase Plan Under the 1996 Employee Stock Purchase Plan (the "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 Purchase 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. As of December 31, 1997, the Company issued 9,523 shares of Common Stock since the Purchase Plan's inception.

The Company applies Accounting Principles Board Opinion No. 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 at the grant dates for awards under those plans consistent with the method of Financial Accounting Standards Board Statement No. 123, the Company's net income and earnings per common share would have been reduced to the pro forma amounts indicated below:

For the Years Ended December 31,	1997	1996	1995
Net income			
As reported	\$7,206	\$4,793	\$2,723
Pro forma	\$6,874	\$4,608	\$2,651
Basic earnings per common share			
As reported	\$ 1.15	\$ 0.76	\$ 0.57
Pro forma	\$ 1.09	\$ 0.73	\$ 0.56
Diluted earnings per common share			
As reported	\$ 1.12	\$ 0.76	\$ 0.57
Pro forma	\$ 1.07	\$ 0.73	\$ 0.55

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 1997, 1996 and 1995, respectively:

dividend yield of 0.0% for each year; expected volatility of 65.0%, 60.0% and 46.0%; 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, 1997, 1996 and 1995, the Company expensed \$1,679,000, \$1,038,000 and \$414,000, respectively, under these plans.

17

Notes to the
Consolidated
Financial
Statements
(continued)

Note 10: Commitments and Contingencies

The Company, as well as other specialty steel companies, is subject to demanding environmental standards imposed by federal, state and local environmental laws and regulations. In connection with the acquisition of the Assets (the "Asset Agreement"), Armco agreed to retain responsibility for liabilities asserted against Armco under environmental laws with respect to environmental conditions existing at the Bridgeville Facility prior to the commencement of the Armco Lease and to indemnify the Company up to \$6,000,000 in the aggregate over 10 years. Such indemnification expires on August 15, 2004. Certain environmental conditions that were identified as having existed as of August 15, 1994, have been remediated by Armco at its expense.

In connection with the acquisition of the PRP Business and the VAR Assets, described in Note 11, Armco agreed to retain responsibility for liabilities under environmental laws with respect to environmental conditions existing at the Titusville Facility prior to June 2, 1995, and to indemnify the Company up to \$3,000,000 in the aggregate with respect thereto.

Insofar as the indemnities are the Company's exclusive remedies for environmental claims, the Company will be materially dependent upon those indemnities should any such claims arise. The Armco indemnities do not cover liability for violations of environmental laws stemming from any changes, modifications or amendments to environmental laws after August 15, 1994, with respect to the Bridgeville Facility, and June 2, 1995, with respect to the Titusville Facility. As of December 31, 1997, management was not aware of any environmental law violations not covered under the Asset Agreement or the PRP/VAR Agreement.

The Company maintains insurance for both property damage and business interruption applicable to its production facilities, including the universal rolling mill. The Company has submitted a claim under these policies related to an electrical component breakdown in a drive motor at the Bridgeville Facility's universal rolling mill, which resulted in an approximately six-week production halt. Management is not able to estimate the probability of the Company receiving proceeds from its insurance carriers at this time. Therefore, no amounts have been recorded in the financial statements for insurance recoveries.

Note 11: Acquisition

On June 2, 1995, the Company and Armco entered into an Asset and Real Property Purchase Agreement (the "PRP/VAR Agreement") pursuant to which the Company agreed to buy the precision rolled products business (the "PRP Business") of Armco's Cytemp division located in Titusville. The acquisition was accounted for under the purchase method. The fair value of the assets acquired, estimated at approximately \$2,300,000, exceeded the purchase price, including related acquisition costs, of \$1,304,000 and was allocated as follows (dollars in thousands):

Inventory	\$ 448
Property, plant and equipment	856

	\$1,304

Notes to the
Consolidated
Financial
Statements
(continued)

In addition, the Company also purchased for \$505,000 certain equipment and operating materials (the "VAR Assets"), which were not related to the PRP Business.

The Company paid to Armco \$570,000 in cash at closing and issued Armco a secured promissory note in the principal amount of \$950,000. Included are the amounts paid for the additional equipment and operating materials. The promissory note was paid on November 15, 1995.

The following unaudited pro forma combined results of operations for the year ended December 31, 1995, have been prepared assuming that the acquisition of the PRP Business occurred as of January 1, 1995, and is not necessarily indicative of results of operations that would have occurred had the transaction been put into effect at January 1, 1995, or of future results of the combined business. The financial information for the PRP Business represents the historical financial results for the period January 1, 1995, to June 2, 1995.

(Dollars in thousands, except per share amounts)	The Company	PRP Business	Adjustments	Pro Forma Combined
Net sales	\$ 46,992	\$3,045	\$ --	\$ 50,037
Cost of products sold	40,319	2,451	(531) (a)	42,239
Selling and administrative expenses	3,471	699	--	4,170
Operating income (loss)	3,202	(105)	531	3,628
Other income (expense)	(239)	--	(45) (b)	(284)
Income (loss) before taxes	2,963	(105)	486	3,344
Income taxes	240	(44)	75 (c)	271
Net income (loss)	\$ 2,723	\$ (61)	\$411	\$ 3,073
Earnings per common share				
Basic	\$ 0.57			\$0.65
Diluted	\$ 0.57			\$0.64
Weighted average shares outstanding	4,745,384			4,745,384

The following pro forma adjustments were made:

(a) The decrease in cost of products sold to reflect the terms of the new labor agreement with PRP Business employees and lower depreciation charges. The new labor agreement was an integral requirement of the transaction and was effective upon consummation of the Purchase Agreement. The benefits received from the new labor agreement included reductions in hourly labor rates (\$220,000) and pensions costs (\$258,000) and the elimination of other post-retirement employee benefit costs (\$46,000). The lower depreciation charge was \$7,000, reflecting the new basis in property, plant and equipment as a result of the application of purchase accounting.

(b) The increase in interest expense to reflect the issuance of the 1995 Armco Note in the principal sum of \$950,000 with an assumed annual interest rate of 9.5% to fund the acquisition.

(c) The increase in income taxes to reflect the incremental tax expense to be provided as a result of the adjustments described above.

Notes to the
Consolidated
Financial
Statements
(continued)

Note 12: Quarterly Financial Data (unaudited)

(Dollars in thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter

1997 Data				
Net sales	\$18,771	\$20,809	\$22,081	\$19,640
Gross profit	3,712	4,395	4,542	3,624
Operating income	2,571	3,094	3,319	2,590
Net income	1,611	1,947	2,053	1,595
Earnings per common share				
Basic	\$ 0.26	\$ 0.31	\$ 0.33	\$ 0.25
Diluted	\$ 0.26	\$ 0.31	\$ 0.32	\$ 0.24

1996 Data				
Net sales	\$12,609	\$14,565	\$16,708	\$16,376
Gross profit	1,965	2,878	3,703	3,518
Operating income	962	1,507	2,519	2,543
Net income	647	949	1,552	1,645
Earnings per common share				
Basic	\$ 0.10	\$ 0.15	\$ 0.25	\$ 0.26
Diluted	\$ 0.10	\$ 0.15	\$ 0.25	\$ 0.26

20

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 1997		
First quarter	\$11 3/4	8 7/8
Second quarter	13 3/4	9 3/8
Third quarter	17 1/4	12 3/4
Fourth quarter	17 3/4	12 3/8

Year 1996		
First quarter	\$ 13 3/8	\$ 9 1/4
Second quarter	12 1/4	8 1/2
Third quarter	10 5/8	8 3/4
Fourth quarter	9 1/4	8

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 the Common Stock.

21

Four-Year Summary

For the Years Ended December 31,	1997	1996	1995	1994 (a)

(Dollars in thousands, except per share amounts)				
Summary of Operations				
Net sales	\$81,301	\$60,258	\$46,992	\$ 5,743
Operating income (loss)	11,574	7,531	3,202	(1,655)

Income (loss) before extraordinary items	7,206	4,793	2,723	(1,842)
Extraordinary items (b)	--	--	--	(634)
Net income (loss)	7,206	4,793	2,723	(2,476)

Basic Earnings Per Common Share

Income (loss) before extraordinary items	\$ 1.15	\$ 0.76	\$ 0.57	\$ (0.62)
Extraordinary items	--	--	--	(0.22)
Net income (loss)	\$ 1.15	\$ 0.76	\$ 0.57	\$ (0.84)

Financial Position at Year-End

Working capital	\$20,086	\$15,981	\$19,283	\$ 6,857
Total assets	56,151	42,098	32,437	14,757
Total debt	5,779	2,794	535	772
Stockholders' equity	37,768	30,497	25,591	8,875

Other Data

Capital expenditures	\$ 8,145	\$11,409	\$ 3,039	\$ 132
Depreciation and amortization	1,109	541	304	133
Return on stockholders' equity	19.1%	15.7%	10.6%	--
Debt to total capitalization	13.3	8.4	2.1	8.0
Employees	270	208	172	104
Customers	167	136	77	25

(a) The Company began operating the Bridgeville Facility on August 15, 1994, and initial shipments of semi-finished steel were made on September 19, 1994.

(b) During 1994, the Company recorded an extraordinary loss for the early extinguishment of debt and the early termination of a bank agreement.

22

Directors, Officers
and Management

Directors

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

George F. Keane
Chairman of the Board
Trigen Energy Corporation

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

Udi Toledano
President
Andromeda Enterprises, Inc.

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

Officers

Clarence M. McAninch
President and Chief Executive Officer

Daniel J. DeCola, Sr.
Vice President, Operations

Richard M. Ubinger
Chief Financial Officer and Treasurer

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

Management

Anthony J. Biondi
Director, Purchasing

Keith A. Engleka
Director, Technology

Christopher S. Reynolds
General 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 20, 1998, at the Southpointe Golf
Club, Canonsburg, Pa.

Stockholder Information

Universal Stainless & Alloy Products,
Inc.'s annual report, Form 10-K and
other reports to the Securities and
Exchange Commission can be obtained,
without charge, by writing to the Chief
Financial Officer at the Company's
Executive Offices.

Transfer Agent and Registrar

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

Stock Listing

NASDAQ Symbol: USAP

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, 1998, except for note 4 which is as of January 30, 1998, appearing on page 20 of the Annual Report to Stockholders which is incorporated by reference into this Annual Report on Form 10K.

/s/ PRICE WATERHOUSE LLP
PRICE WATERHOUSE LLP
Pittsburgh, Pennsylvania
March 30, 1998

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