UNIVERSAL STAINLESS & ALLOY PRODUCTS INC
Form 424B5
May 24, 2018
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-212064

The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities or a solicitation of an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MAY 24, 2018

PROSPECTUS SUPPLEMENT

(To Prospectus dated August 9, 2016)

Shares

Common Stock

$ per share

We are offering shares of our common stock. Our common stock is listed for trading on the Nasdaq Global Select Market under the symbol USAP. On May 23, 2018, the last reported sale price of our common stock was $27.39 per share.

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on Page S-6 of this prospectus supplement.

	Per Share	*Total*
Public offering price	**$**	**$**
Underwriting discounts and commissions(1)	**$**	**$**
Proceeds, before expenses, to us	**$**	**$**

(1) See Underwriting beginning on page S-18 of this prospectus supplement for additional information regarding underwriting discounts and commissions.

We have granted the underwriter the option to purchase up to an additional shares of common stock at the public offering price, less the underwriting discounts and commissions, within 30 days from the date of this prospectus supplement.

Neither the Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriter expects to deliver the shares to purchasers on or about May , 2018.

Sole Book-Running Manager

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May , 2018

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PROSPECTUS SUPPLEMENT

PROSPECTUS DATED AUGUST 9, 2016

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference herein. The second part is the accompanying prospectus, which describes more general information, some of which may not apply to this offering. Generally, when we refer to the prospectus, we are referring to this prospectus supplement and the accompanying prospectus combined. You should carefully read both this prospectus supplement and the accompanying prospectus, together with the documents incorporated by reference herein and therein, before you invest. If information in this prospectus supplement is inconsistent with the information in the accompanying prospectus, then the information in this prospectus supplement will apply and will supersede the information in the accompanying prospectus and documents incorporated by reference herein and therein.

This prospectus supplement and the accompanying prospectus dated August 9, 2016 are part of the Registration Statement (Registration No. 333-212064) that we filed with the SEC on June 16, 2016 and amended on July 19, 2016 and August 2, 2016 using a shelf registration process. This prospectus supplement relates to the offering of shares of our common stock by us.

You should rely only on the information contained in or incorporated by reference into this prospectus supplement or the accompanying prospectus. We have not, and the underwriter has not, authorized any other person to provide you with information different from that contained in this prospectus supplement and the accompanying prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We and the underwriter are only offering to sell, and only seeking offers to buy, shares of our common stock in jurisdictions where offers and sales are permitted.

The information contained in this prospectus supplement and the accompanying prospectus or in any document incorporated by reference herein or therein is accurate and complete only as of the date hereof or thereof, respectively, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or of any sale of our common stock by us or the underwriter. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless indicated otherwise, or the context otherwise requires, references in this document to Universal Stainless, USAP, the Company, we, us and our are to Universal Stainless & Alloy Products, Inc. and its consolidated subsidiaries, and references to dollars and $ are to United States dollars.

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PROSPECTUS SUPPLEMENT SUMMARY

*This summary highlights certain information about us, this offering and selected information contained elsewhere in or incorporated by reference into this prospectus supplement and the accompanying prospectus. This summary is not complete and does not contain all of the information that you should consider before deciding whether to invest in our common stock. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the information under the section titled Risk Factors in this prospectus supplement beginning on page S-*6 *and in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus.*

Our Company

We manufacture and market semi-finished and finished specialty steel products, including stainless steel, nickel alloys, tool steel and certain other premium alloyed steels. Our manufacturing process involves melting, remelting, heat treating, hot and cold rolling, forging, machining and cold drawing of semi-finished and finished specialty steels. Our products are sold to service centers, forgers, rerollers, original equipment manufacturers (OEMs) and wire redrawers. Our customers further process our products for use in a variety of industries, including the aerospace, power generation, oil and gas, heavy equipment and general industrial markets. We also perform conversion services on materials supplied by customers. We operate in four locations: Bridgeville and Titusville, Pennsylvania; Dunkirk, New York; and North Jackson, Ohio.

We produce a wide variety of specialty steel grades using several manufacturing processes, including argon oxygen decarburization, electro-slag remelting, vacuum induction melting and vacuum-arc remelting. At our Bridgeville and North Jackson facilities, we produce specialty steel products in the form of semi-finished and finished long products (ingots, blooms, billets and bars). In addition, the Bridgeville facility produces flat rolled products (slabs and plates). Semi-finished long products are primarily used by our Dunkirk facility and certain customers to produce finished bar, rod, and wire products. Finished bar products that we manufacture are primarily used by OEMs and by service center customers for distribution to a variety of end users. We also produce customized shapes primarily for OEMs that are cold rolled from purchased coiled strip, flat bar or extruded bar at our precision rolled products department, located at our Titusville facility.

We primarily manufacture our products within the following product lines and, generally, in response to customer orders:

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 the unique qualities of high strength, good wear characteristics, natural attractiveness, ease of maintenance and resistance to corrosion and heat. Stainless steel is used, among other applications, in the aerospace, oil and gas, power generation and automotive industries, as well as in the manufacturing of equipment for food handling, health and medical, chemical processing and pollution control.

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 elements of nickel, chrome and molybdenum in such steels typically exceeds the alloy element of carbon steels but not that of high-temperature alloy steel. High-strength low alloy steels are manufactured for use generally in the aerospace industry.

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

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

Recent Developments

On May 18, 2018, we entered into a letter agreement with PNC Bank, National Association, as a lender and as administrative agent and co-collateral agent, and Bank of America, N.A., as a lender and as co-collateral agent, with respect to our revolving credit, term loan and security agreement (the Letter Agreement). Pursuant to the terms of the Letter Agreement, the first $30.0 million of any net cash proceeds received by us from the issuance of equity securities through and including June 30, 2018 will be applied (i) first, to the outstanding principal amount under our senior secured revolving credit facility, (ii) second, to the outstanding principal amount under our senior secured term loan facility and (iii) third, to any remaining amounts outstanding under our senior secured revolving credit facility. The Letter Agreement also provides that our borrowing availability under our senior secured revolving credit facility will be reduced after any such application of net proceeds from the issuance of equity securities by an amount equal to 50% of any such net cash proceeds that are applied to the outstanding principal amount under our senior secured revolving credit facility.

Corporate Information

We were incorporated in the State of Delaware in 1994. Our principal executive office is located at 600 Mayer Street, Bridgeville, PA 15107, and our telephone number at that location is (412) 257-7600. Our website is at http://www.univstainless.com/. The information on or accessible through our website is not incorporated by reference into or otherwise made part of this prospectus. Our periodic reports and other information filed with or furnished to the SEC are available free of charge through our website as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC.

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THE OFFERING

Shares of common stock offered by us in this offering	shares (shares if the underwriter exercises in full its option to purchase additional shares of common stock from us).
Underwriter s option to purchase additional shares	We have granted the underwriter an option to purchase up to an additional shares of common stock from us.
Shares of common stock outstanding following this offering	shares (shares if the underwriter exercises in full its option to purchase additional shares of common stock from us).
Use of proceeds	We estimate that, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, we will receive approximately $ million of net proceeds from this offering, or $ million if the underwriter exercises its option to purchase additional shares of common stock from us in full. We intend to use the net proceeds from this offering to repay amounts outstanding under our senior secured revolving credit facility. See Use of Proceeds.
Risk factors	Investing in our common stock involves risks. See Risk Factors beginning on page S-6 for a discussion of factors you should consider before investing in our common stock.
NASDAQ Global Select Market Symbol	USAP

The number of shares of our common stock shown above to be outstanding immediately after this offering as shown above is based on 7,558,040 shares of common stock outstanding as of March 31, 2018 and excludes:

- 338,550 shares of our common stock issuable upon the exercise of stock options outstanding as of March 31, 2018 at a weighted-average exercise price of $33.84 per share;

- 91,810 shares of our common stock underlying restricted stock units outstanding as of March 31, 2018;

- 636,371 shares of our common stock that have been reserved for issuance in connection with future awards under the Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan (the 2017 Plan); and

- any issuances of additional shares of common stock subsequent to March 31, 2018.

Except as otherwise indicated in this prospectus supplement, all information in this prospectus supplement assumes no exercise by the underwriter of its option to purchase additional shares of common stock from us.

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SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

The summary historical consolidated financial data as of and for the years ended December 31, 2015, 2016 and 2017 and for each of the years then ended are derived from our audited consolidated financial statements. We derived the summary historical consolidated financial data as of March 31, 2017 and 2018 and for each of the three-month periods then ended from our unaudited consolidated financial statements. The unaudited financial statements from which we derived this data were prepared on the same basis as the audited consolidated financial data and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our results of operations and financial condition as of the periods presented. Our historical results are not necessarily indicative of the results expected for any future period.

You should read the following financial information in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2018, which are incorporated by reference into this prospectus supplement and the accompanying prospectus. See Incorporation of Certain Documents by Reference below.

(Dollars in thousands, except per share data)	Year Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2017	Three Months Ended March 31, 2017 (unaudited)	Three Months Ended March 31, 2018 (unaudited)
Condensed consolidated statement of operations data:					
Net sales	$ 180,660	$ 154,434	$ 202,643	$ 48,875	$ 63,737
Cost of products sold	171,065	140,921	179,609	44,630	54,465
Gross margin	9,595	13,513	23,034	4,245	9,272
Selling, general and administrative expenses	19,406	17,482	18,797	4,729	5,207
Goodwill impairment	20,268				
Operating income (loss)	(30,079)	(3,969)	4,237	(484)	4,065
Interest expense and other financing costs	2,890	4,674	4,277	1,003	1,206
Other (income) expense	(153)	230	(49)	(6)	(43)
Income (loss) before income taxes	(32,816)	(8,873)	9	(1,481)	2,902
Benefit from income taxes	(12,144)	(3,526)	(7,601)	(262)	777
Net income (loss)	$ (20,672)	$ (5,347)	$ 7,610	$ (1,219)	$ 2,125
Basic earnings (loss) per share	$ (2.92)	$ (0.74)	$ 1.05	$ (0.17)	$ 0.29
Diluted earnings (loss) per share	$ (2.92)	$ (0.74)	$ 1.03	$ (0.17)	$ 0.28

Weighted average shares of common stock outstanding:					
Basic	7,069,954	7,193,300	7,225,697	7,216,447	7,261,966
Diluted	7,069,954	7,193,300	7,374,805	7,216,447	7,492,972
Condensed consolidated balance sheet data (at end of period):					
Cash	$ 112	$ 75	$ 207	$ 214	$ 228
Property and equipment, net	$ 193,505	$ 182,398	$ 174,444	$ 179,754	$ 173,870
Total assets	$ 297,302	$ 296,045	$ 321,231	$ 305,049	$ 340,553
Current liabilities	$ 18,746	$ 29,186	$ 44,948	$ 37,355	$ 39,767
Working capital	$ 85,006	$ 84,397	$ 101,316	$ 87,876	$ 118,062
Long-term debt, net of current portion and other long-term liabilities	$ 72,884	$ 67,998	$ 75,006	$ 69,845	$ 93,187
Total stockholders equity	$ 184,977	$ 181,220	$ 191,668	$ 181,342	$ 194,223
Other financial data (unaudited):					
Adjusted EBIDTA(1)	$ 10,249	$ 15,492	$ 24,418	$ 4,709	$ 9,126

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(1) Adjusted EBITDA is not a recognized measure under accounting principals generally accepted in the United States (GAAP). For a definition and reconciliation of Adjusted EBITDA to net income (loss), the most directly comparable GAAP measure, see Non-GAAP Financial Measure Adjusted EBITDA below.

Non-GAAP Financial Measure Adjusted EBITDA

This prospectus supplement uses the term Adjusted EBITDA, which is not a recognized measure under GAAP. We use Adjusted EBITDA as a supplement to our GAAP results in evaluating certain aspects of our business, as described below. We define Adjusted EBITDA as net income (loss) plus (i) interest expense, (ii) provision (benefit) for income taxes, (iii) depreciation and amortization, (iv) share-based compensation expense, (v) write-off of deferred financing costs, and (vi) goodwill impairment.

Our board of directors and executive management team use Adjusted EBITDA as a key measure of our performance and for business planning. Adjusted EBITDA assists us in comparing our operating performance over various reporting periods on a consistent basis because it removes from our operating results the impact of items that, in our opinion, do not reflect our core operating performance. Adjusted EBITDA also allows us to more effectively evaluate our operating performance by allowing us to compare the results of operations against our peers without regard to our or our peers financing method or capital structure.

We believe our presentation of Adjusted EBITDA is useful because it provides investors and industry analysts the same information that we use internally for purposes of assessing our core operating performance. However, Adjusted EBITDA is not a substitute for, or more meaningful than, net income (loss), cash flows from operating activities, operating income or any other measure prescribed by GAAP, and there are limitations to using non-GAAP measures such as Adjusted EBITDA. Certain items excluded from Adjusted EBITDA are significant components in understanding and assessing a company s financial performance, such as a company s cost of capital, tax structure and the historic costs of depreciable assets. Also, other companies in our industry may define Adjusted EBITDA differently than we do, and as a result, it may be difficult to use Adjusted EBITDA, or similarly named non-GAAP measures that other companies may use, to compare the performance of those companies to our performance. Because of these limitations, Adjusted EBITDA should not be considered a measure of the income generated by our business or discretionary cash available to us to invest in the growth of our business. Our management compensates for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA supplementally.

A reconciliation of Adjusted EBITDA to net income (loss) for the periods indicated is as follows:

	Year Ended December 31,			Three Months Ended March 31,	
(Dollars in thousands)	**2015**	**2016**	**2017**	**2017**	**2018**
Net income (loss)	$ (20,672)	$ (5,347)	$ 7,610	$ (1,219)	$ 2,125
Interest expense	2,324	3,659	4,022	939	1,142
Provision (benefit) for income taxes	(12,144)	(3,526)	(7,601)	(262)	777
Depreciation and amortization	18,608	18,533	18,823	4,717	4,756
Share-based compensation expense	1,865	1,405	1,564	534	326
Write-off of deferred financing costs		768			
Goodwill impairment	20,268				

Adjusted EBIDTA	$ 10,249	$ 15,492	$ 24,418	$ 4,709	$ 9,126

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RISK FACTORS

An investment in our common stock involves risks. You should carefully consider all of the information contained or incorporated by reference into this prospectus before deciding whether to invest in our common stock. In particular, you should carefully read and consider the risks and uncertainties described below as well as those described in the section entitled Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2017, together with all of the other information included in, or incorporated by reference into, this prospectus. See Incorporation of Certain Documents by Reference below. If any of these risks were to materialize, our business, results of operations, cash flows and financial condition could be materially adversely affected and we may not be able to achieve our goals, the value of our common stock could decline and you could lose some or all of your investment. Additional risks not currently known to us or that we currently deem immaterial may also have a material adverse effect on us.

Risks Related to this Offering and Ownership of Our Common Stock

The price of our common stock may be volatile and you could lose all or part of your investment.

We have experienced volatility in the market price of our common stock. During the period from January 1, 2017 to May 23, 2018, the market price of our common stock has fluctuated from a high of $31.20 per share to a low $11.60 per share. Volatility in the market price of our common stock may prevent you from being able to sell your shares at or above the price you paid for your shares. The market price of our common stock could fluctuate significantly for various reasons, which include:

- our quarterly or annual financial and operating results or those of other companies in our industry;
- changes in laws or regulations, or new interpretations or applications of laws and regulations, that are applicable to our business;
- the public s reaction to our press releases, our other public announcements and our filings with the SEC;
- changes in accounting standards, policies, guidance, interpretations or principles;
- additions or departures of our senior management personnel;
- sales of our common stock by our directors and executive officers;
- market reaction to any indebtedness we may incur or securities we may issue in the future;
- actions by stockholders;

the level and quality of research analyst coverage for our common stock;

any withdrawal of research coverage by one or more equity research analysts who currently cover the Company;

the financial disclosures we may provide to the public, any changes in such disclosures or our failure to meet any estimates contained in such disclosures or otherwise expected by investors or analysts;

various market factors or perceived market factors, including rumors, whether or not correct, involving us or our competitors;

acquisitions or strategic alliances by us or our competitors;

short sales, hedging and other derivative transactions in our common stock;

the operating and stock price performance of other companies that investors may deem comparable to us; and

other events or factors, including changes in general conditions in the United States and global economies or financial markets (including those resulting from acts of God, war, incidents of terrorism or responses to such events).

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In addition, in recent years, the stock market has experienced price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industry. The price of our common stock could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce our share price. A decline in the market price of our common stock also could adversely affect our ability to issue additional securities and our ability to obtain additional financing in the future.

In the past, following periods of market volatility in the price of a company s securities, security holders have often instituted class action litigation. If the market value of our common stock experiences adverse fluctuations and we become involved in this type of litigation, regardless of the outcome, we could incur substantial legal costs and our management s attention could be diverted from the operation of our business, causing our business to suffer.

We have not paid dividends in the past and have no immediate plans to pay dividends.

We plan to reinvest all of our earnings, to the extent we have earnings, in our business. Our senior secured revolving credit facility prohibits us from declaring, paying or making any dividend or distribution on our common stock. Accordingly, we do not plan to pay any dividends with respect to our common stock in the foreseeable future. We cannot assure you that we would, at any time, generate sufficient surplus cash that would be available for distribution to the holders of our common stock as a dividend. Therefore, you should not expect to receive cash dividends on our common stock.

Future sales of our common stock in the public market could lower the market price for our common stock and adversely impact the trading price of our common stock.

In the future, we may sell additional shares of our common stock to raise capital. In addition, a substantial number of shares of our common stock are reserved for issuance upon settlement of our stock-settled equity compensation awards. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. The issuance and sale of substantial amounts of common stock, or the perception that such issuances and sales may occur, could adversely affect the trading price of our common stock and the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities. As of March 31, 2018, after giving effect to this offering (without giving effect to any additional shares issuable if the underwriter s option to purchase additional shares is exercised), there would have been shares of our common stock outstanding, which will be freely transferable without restriction or further registration under the federal securities laws, except for any shares held by our affiliates, sales of which will be limited by Rule 144 under the Securities Act of 1933, as amended (the Securities Act), absent registration under the Securities Act and for certain limited contractual restrictions applicable to certain shares.

With limited exceptions as described under the caption Underwriting, the lock-up agreements with the underwriter of this offering will prohibit our executive officers and directors from selling, contracting to sell or otherwise disposing of any of our common stock or securities that are convertible or exchangeable for our common stock or entering into any arrangement that transfers the economic consequences of ownership of our common stock for at least 90 days from the date of this prospectus supplement, although the underwriter may, in its sole discretion and at any time without notice, release all or any portion of the securities subject to these lock-up agreements. The underwriter has advised us that they have no present intent or arrangement to release any shares subject to a lock-up and will consider the release of any lock-up on a case-by-case basis. Upon a request to release any shares subject to a lock-up, the underwriter would consider the particular circumstances surrounding the request including, but not limited to, the length of time before the lock-up expires, the number of shares requested to be released, reasons for the request and the possible impact on the market for our common stock. As a result of these lock-up agreements, notwithstanding earlier eligibility for sale

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under the provisions of Rule 144, none of these shares may be sold until at least 90 days after the date of this prospectus supplement.

You will experience immediate dilution in the book value per share of the common stock you purchase.

Because the price per share of our common stock being offered is substantially higher than the book value per share of our common stock, you will suffer substantial dilution in the net tangible book value of the common stock you purchase in this offering. If you purchase shares of common stock in this offering, after giving effect to the sale of shares of our common stock in this offering at the public offering price of $ per share, you will suffer immediate and substantial dilution of $ per share in the net tangible book value of the common stock you purchase in this offering.

If securities analysts or industry analysts publish negative research or reports, or do not publish reports about our business, our share price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us, our business and our industry. If one or more analysts adversely change their recommendation regarding our shares or our competitors stock, our share price would likely decline. If one or more analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline.

Provisions in our corporate documents and Delaware law could have the effect of delaying, deferring or preventing a change in control of us, even if that change may be considered beneficial by some of our stockholders.

The existence of some provisions of our Restated Certificate of Incorporation, as amended, our Second Amended and Restated By-laws and Delaware law could have the effect of delaying, deferring or preventing a change in control of us that a stockholder may consider favorable. These provisions are more fully described under Description of Capital Stock Provisions of Our Governing Documents and Delaware Law That May Have Anti-Takeover Effects in the accompanying prospectus.

We believe these provisions protect our stockholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our board of directors and by providing our board of directors with more time to assess any acquisition proposal, and are not intended to make our company immune from takeovers. However, these provisions apply even if the offer may be considered beneficial by some stockholders and could delay, defer or prevent an acquisition that our board of directors determines is not in the best interests of our company and our stockholders.

Our board of directors has the power to issue series of preferred stock and to designate the rights and preferences of those series, which could adversely affect the voting power, dividend, liquidation and other rights of holders of our common stock.

Our Restated Certificate of Incorporation, as amended, authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred shares having such designation, powers, preferences and relative, participating, optional and other special rights, including preferences over our common stock respecting dividends and voting rights, as our board of directors generally may determine. The terms of one or more classes or series of preferred shares could dilute the voting power or reduce the value of our common stock. For example, we could grant holders of preferred shares the right to veto specified transactions on the happening of specified events. Similarly, the repurchase or redemption rights or liquidation preferences we could assign to holders of preferred shares could affect the residual value of the common stock. As of the date of this prospectus supplement, we do not have any outstanding shares of preferred stock.