Catalyst pharmaceuticals

VIA E-MAIL: RULE-COMMENTS@SEC.GOV

June 9, 2021

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. SR-NYSE-2020-98

Dear Ms. Countryman:

Catalyst Pharmaceuticals, Inc. (NASDAQ: CPRX) ("Catalyst") appreciates the opportunity to comment on File No. SR-NYSE-2020-98, Notice of Filing of Proposed Rule Change to Amend Its Rules to Prohibit Member Organizations from Seeking Reimbursement, in Certain Circumstances, from Issuers for Forwarding Proxy and Other Materials to Beneficial Owners (the "Proposal"). While Catalyst's common shares are not traded on the NYSE (its common stock is traded on the NASDAQ Capital Market), Catalyst strongly supports the Proposal and also recommends that if the changes to NYSE Rule 451 are adopted, these same changes should be coupled with a change in the parallel FINRA rule that would be applicable to a NASDAQ listed company such as Catalyst (as has been the case with previous changes to Rule 451).

Since 2019, Catalyst has seen a dramatic increase in the number of beneficial holders of its common stock. At the record date of Catalyst's 2019 annual stockholders' meeting, Catalyst believes that there were about 25,000 beneficial holders of its common stock. However, at the record date of its 2020 annual meeting, that number had grown to about 280,000 beneficial holders. After this increase in holders became apparent, Catalyst began investigating this anomaly and concluded that the major change that had caused its beneficial holders to increase by about 1020% from 2019 to 2020 was the substantial increase in holders who owned their shares through Robinhood Markets, Inc. ("Robinhood"). Catalyst also identified that the number of holders of Catalyst common shares who held their shares at Robinhood increased by more than 2057% from 2019 to 2020, despite the fact that the holders of between one and five shares at Robinhood only own about 0.3% of the Company's outstanding common stock and the average position held by holders at Robinhood is less than 1.25 shares per holder. This was correspondingly confirmed when Catalyst became aware in 2020 that it had approximately 212,000 holders through Mediant (defined below) who owned between one and five shares of its common stock, compared to approximately 4,600 such holders in 2019.

Needless to say, the effect of these substantial changes in Catalyst's stockholder base have dramatically increased the fees that Catalyst must pay for distribution of its proxy materials to the beneficial holders of its common stock who own their shares through brokerage firms. In 2018, 2019 and 2020, two distribution platforms, Broadridge Financial Solutions ("Broadridge") and Mediant Communications Inc. ("Mediant"), serviced virtually all of the brokerage firms whose customers hold Catalyst common shares, with Broadridge distributing proxy materials to the holders of more than 96% of Catalyst's outstanding shares that are beneficially owned through brokerage firms and Mediant distributing proxy materials to the holders of less than 4% of Catalyst's outstanding shares that are beneficially owned through brokerage firms. Broadridge's fees for distributing Catalyst's proxy materials have been consistent during the last three years, and while the number of beneficial holders of Catalyst's shares serviced by Broadridge has grown somewhat during this period, it has not dramatically changed.

Fees charged by Mediant, however, grew exponentially between 2019 and 2020. From 2019 to 2020 the fees charged to Catalyst by Mediant grew by 1779% (from approximately $12,500 to approximately $234,000), and Catalyst has been advised by Mediant that the estimated fees for distribution of their proxy materials in connection with their 2021 annual meeting of stockholders will grow again above the amount charged in 2020 by an additional 284% (or an increase over 2019 fees of about 7116%). In fact, Mediant's fees for distributing Catalyst's proxy materials in 2020 were approximately 935% higher than the fees charged by Broadridge, despite the fact that Broadridge handles the distribution of proxy materials to brokerage firms that hold more than 96% of Catalyst's beneficially owned common shares. Finally, we note that the other brokerage firms serviced by Mediant did not see growth in the number of holders between 2019 and 2020, which clearly points to the fact that the increase in beneficial holders and costs is directly attributable to Robinhood.

In researching this topic, Catalyst has become aware that Robinhood has been giving away shares of Catalyst's common stock at no charge as part of its promotional program for opening a Robinhood account or for recommending a friend who opens a Robinhood account. While Catalyst is unable to determine how many of the holders of Catalyst's shares received their shares under Robinhood's promotional program, Catalyst strongly suspects that the very substantial increase in the number of its beneficial stockholders owning between one and five shares of Catalyst's common stock is directly attributable to Robinhood's promotional activities.

Catalyst appreciates and respects all of its stockholders (even holders of small numbers of its shares), and Catalyst certainly welcomes new investors. However, the dramatic increase in the number of beneficial holders of Catalyst common stock owning between one and five shares has and will in the future substantially increase the costs that Catalyst (and other companies similarly situated) must pay for dissemination of their proxy materials. Catalyst believes that there are likely numerous companies facing this same issue, and that the costs of distributing materials to small stockholders under these circumstances is onerous and unreasonable.

Catalyst supports the NYSE proposal and believes that in circumstances where a stockholder is not investing in Catalyst, but rather is receiving free shares of Catalyst's common stock as part of Robinhood's promotional scheme, it is the broker and not the public company that is receiving the commercial benefit of the transaction. Under those circumstances, it is unfair that the public company should bear the costs associated with the distribution of its proxy materials as required under Rule 14b-1 and 14b-2 under the Securities Exchange Act of 1934.

Catalyst strongly urges the Commission to approve the NYSE's proposal to modify NYSE Rule 451. Catalyst also hopes that if the amendments to NYSE Rule 451 are adopted, that FINRA will make the same change in the parallel FINRA rule (as has been the case with previous changes to Rule 451).

Finally, Catalyst strongly urges the Commission to consider more generally the question of whether the fees that a public company can be charged for delivering proxy materials to small holders of its common stock should be the same as the fees that can be charged for more substantial holders of its shares. Catalyst believes that a reduction in the fees charged for dissemination of materials to small holders would be consistent with the rule and fee changes for managed accounts that were recommended by the NYSE Proxy Fee Advisory Committee in 2012 and adopted by the SEC in 2013.

We appreciate your consideration of our comments regarding these matters, which we believe are of importance to many public companies.

Sincerely,

Patrick J. McEnany
Chairman and CEO