PACIFIC EXCHANGE
STOCK & OPTIONS

KATHRYN L. BECK
SENIOR VICE PRESIDENT,
GENERAL COUNSEL,
CORPORATE SECRETARY AND
CHIEF REGULATORY OFFICER

April 29, 2004

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OFFICE OF THE SECRETARY

Via Overnight Delivery and U.S. Mail

Jonathan Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Mail Stop 0609
Washington, D.C. 20549-0609

Re: **PCX Response to Comment Letter of Mr. John A. Brown dated April 7, 2004 (SR-PCX-2004-08)**

Dear Mr. Katz:

The Pacific Exchange, Inc. ("PCX" or "Exchange") responds to the letter dated April 7, 2004 from Mr. John A. Brown regarding the proposed rule change and demutualization of the Exchange (SR-PCX-2004-08).

In his letter, Mr. Brown refers to a $750 per seat monthly charge for seat owners and alleges that management has levied this charge for reasons that were not legitimate to the Exchange's business purposes. This allegation is baseless. A monthly charge has been assessed on PCX seat owners for many years. This monthly charge was increased to its present level of $750 in February of 1999, months before the current top senior management was in place and long before PCX seat prices became depressed or a group of seat holders from Chicago sold their seats. Indeed, beginning in June 2000 and ending in November 2001, the Exchange temporarily waived these fees for inactive seat lessors to "reduce the cost to carry an unassigned membership." The Exchange's goal was to lessen the impact of the closure of the PCX's equities business and the migration of those seats to the options business.

Mr. Brown also raises concerns about the Exchange's new Stock Incentive Plan (the "Plan") because the "current Chairman is to receive approximately 10% of the stock in the demutualized Exchange." This statement is incorrect. There is no guarantee that the current Chairman, or any employee for that matter, will receive any stock in the holding company of the demutualized Exchange. The Compensation Committee of PCX Holdings, Inc. will administer the Plan. The Plan states that this committee "shall have authority, in its sole and absolute discretion ... to ... determine the form of an Award, the number of Shares subject to an Award, all the terms, conditions, restrictions and/or limitations, if any, of an Award including, without limitation, the timing or conditions of exercise or vesting, and the terms of any Award Certificate." The Plan does reserve 40,500 shares (50% of the eligible shares) for the CEO, which is nowhere near 10% of the 1,000,000 authorized shares. While these shares are reserved for the CEO, there is no guarantee that any of those shares will ever be awarded to the CEO. The issuance of any of those shares is solely up to the discretion of the Compensation Committee.

Finally, the terms and conditions of the Plan were fully disclosed to the members. All relevant documents, including the exact language of the Plan, were sent to the members on December 30, 2003 for their review. Each member had the opportunity to review the Plan in its entirety prior to voting on the demutualization. And, as Mr. Brown points out, approximately 90% of the votes were cast in favor of demutualization.

Sincerely,

Kathryn L. Beck
Senior Vice President, General Counsel,
Corporate Secretary and Chief Regulatory Officer

Cc: Philip D. DeFeo
Elizabeth King
Nancy Sanow