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From: Scott Montgomery [SMontgomery@mnbla.com]

Sent: Scott Montgomery [SMontgomery@mmbla

To: Director - FASB

Cc: 'ccgmail@nasdaq.com'

Subject: Expensing Stock Options File Reference No. 1102-100

Dear Director

We are a community banking organization known as National Mercantile Bancorp. Under our holding company we own two community banks, namely Mercantile National Bank in Los Angeles and South Bay Bank NA in Torrance, CA. Our total assets are approximately \$370 million and we have approximately 93 full time employees.

Letter of Comment No:2458 File Reference: 1102-100

For the last eight years we have provided stock options to all employees. When an individual joins our company and completes six months they are granted their first option of no less than 300 shares. I repeat ALL employees regardless of position receive stock options. This is not a program limited to just officers and Directors.

This program has enabled us to compete for the best employees in the market and more importantly retain them over a long period of time. Each year ALL employees, except for the President, are reviewed and based on their performance and the performance of the company are granted additional options. As President of the company I received a grant of options shares when I joined the company over eight years ago. I have not received any additional grants since that time nor have we done a re-pricing of options. Many of our employees have been with us for years and have begun to accumulate several thousand shares. So there is a direct tie between their performance, number of options and their careers.

There is not an accurate method of calculating the value of options. There is no guarantee that the stock increases in price. The concept of options is they are granted at market price as an incentive and then through the efforts of everyone several years later everyone benefits. Once the price rises or hopefully rises, employees who exercise their options pay taxes on the gain. Sounds like a pretty basic opportunity for employees to create value through their own efforts. It also sounds to me like a pretty basic underpinning of how our economy and this country operate. Have ownership, work hard and your family benefits.

Why would anyone want to take that incentive out of the system???? Our economy is based on ownership, opportunity and growth. Now it should be taxed at the time of grant? How will anyone understand who is a teller understand how this great benefit now is a taxable event!

Of course, the company's earnings will pay the tax. Earnings for all option granting companies will decline. In effect, those companies who do not offer options will have an advantage. As a result, a teller, who over time may have accumulated 2,000 shares will see her stock decline in value. For what purpose?? Said another way, instead of providing a benefit, the expensing of options will likely cause my company to cancel our program. The cost of the options is already reflected in the financial statements in the dilution of earnings per share. Our existing shareholders have approved our option program and understand that they are diluting their positions through such approvals, but are willing to do so to attract employees that otherwise would not be available to us.

This is not a proposal that makes sense or will created lasting value. The proposal will have the opposite effect. We are not a large multi-state banking organization, but a community bank trying to do the right thing for our shareholders and employees. I urge you to reject this proposal.

Scott A. Montgomery President and CEO National Mercantile Bancorp 1880 Century Park East -----Los Angeles, CA 90067----310-282-6778