

Bank of Marin Bancorp  
Form PRE 14A  
March 19, 2010  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

**(Amendment No. ^ )**

Filed by the Registrant "

Filed by a Party other than the Registrant "

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

**Bank of Marin Bancorp**

(Name of registrant as specified in its charter)

^

Edgar Filing: Bank of Marin Bancorp - Form PRE 14A

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which the transaction applies:

^

(2) Aggregate number of securities to which the transaction applies:

^

(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

^

(4) Proposed maximum aggregate value of the transaction:

^

(5) Total fee paid:

^

Fee paid previously with preliminary materials.

## Edgar Filing: Bank of Marin Bancorp - Form PRE 14A

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

^

(2) Form, Schedule or Registration Statement No.:

^

(3) Filing Party:

^

(4) Date Filed:

^

**Table of Contents**

**Notice of Annual Meeting of Shareholders**

**Marin Showcase Theatre at the Marin Center**

**10 Avenue of the Flags**

**San Rafael, California**

**Tuesday, May 11, 2010 6:00 p.m.**

To Our Shareholders:

Notice is hereby given of the Annual Meeting of Shareholders of Bank of Marin Bancorp. The meeting will be held at **6:00 p.m. on Tuesday, May 11, 2010, at the Marin Showcase Theatre at the Marin Center, San Rafael, California**. To enable our employee owners to attend the meeting, the branches will close at 5:00 p.m. on May 11. **A reception at the Marin Showcase Theatre will immediately follow the Annual Meeting.**

At the Annual Meeting you will be asked (1) to elect eleven directors of Bank of Marin Bancorp to serve for the coming year and until their successors are duly elected and qualified, (2) to approve the Bank of Marin Bancorp 2010 Director Stock Plan, (3) to ratify the selection of independent auditors, and (4) to act on such other business as may properly come before the meeting. You are urged to read the accompanying Proxy Statement carefully. It contains a detailed explanation of all matters on which you will be asked to vote.

Only shareholders of record as of the close of business on March 15, 2010 are entitled to receive notice of and to vote at this meeting.

It is very important that as many shares as possible be represented at the meeting, and we encourage all shareholders to attend the Annual Meeting in person. To assure your representation at the meeting, you are urged to mark, sign and date, and return the enclosed proxy card as promptly as possible in the postage-paid envelope enclosed for that purpose. If after signing and returning the proxy you come to the meeting, you may vote in person even though you have previously sent in a proxy card. Additionally, you may vote by Internet or telephone. If you wish to vote by Internet or by telephone you will need your Shareholder Control Number, which is located in the lower right corner of the enclosed proxy card, and the website address and/or toll-free telephone number below. No other personal information will be required in order to vote in this manner.

Toll-free telephone number: (866) 825-8978

Website address: <https://www.proxyvotenow.com/bmrc>

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE**

**MEETING OF SHAREHOLDERS TO BE HELD ON MAY 11, 2010**

The Annual Meeting Proxy Material, including the Proxy Statement, Proxy Card and Annual Report to Shareholders, is also located at the following cookies-free website that can be accessed anonymously: <http://www.cfpproxy.com/6265>.

By order of the Board of Directors

Nancy Rinaldi Boatright

Corporate Secretary

April 12, 2010

**Table of Contents**

**TABLE OF CONTENTS**

<b><u>PURPOSE OF MEETING</u></b>	2
<b><u>GENERAL PROXY STATEMENT INFORMATION</u></b>	2
<u>Revocability of Proxies</u>	2
<u>Person Making the Solicitation</u>	3
<u>Voting Rights</u>	3
<b><u>PROPOSAL NUMBER 1: ELECTION OF DIRECTORS</u></b>	4
<u>Board of Directors</u>	4
<u>Director Compensation</u>	8
<b><u>CORPORATE GOVERNANCE</u></b>	9
<u>Director Independence</u>	9
<u>Board Meetings and Committees</u>	9
<u>Indebtedness and Other Transactions with Directors and Executive Officers</u>	10
<u>Board Leadership Structure</u>	11
<u>Board's Role in Risk Oversight</u>	11
<b><u>EXECUTIVE COMPENSATION</u></b>	12
<u>Executive Officers</u>	12
<u>Compensation Discussion and Analysis</u>	12
<u>Compensation Committee Report</u>	17
<u>Summary Compensation Table</u>	18
<u>Securities Authorized for Issuance Under Equity Compensation Plans</u>	18
<u>Nonqualified Deferred Compensation for 2009</u>	21
<u>Potential Payments Upon Termination or Change in Control</u>	21
<u>Employment Contracts</u>	23
<u>Employee Stock Ownership Plan and 401(k) Plan</u>	23
<u>Discretionary Bonus</u>	23
<b><u>SECURITY OWNERSHIP AND REPORTING</u></b>	24
<u>Security Ownership of Management and Certain Beneficial Owners</u>	24
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	25
<b><u>PROPOSAL NUMBER 2: BANK OF MARIN BANCORP 2010 DIRECTOR STOCK PLAN</u></b>	26
<b><u>PROPOSAL NUMBER 3: INDEPENDENT AUDITORS</u></b>	28
<u>Audit Fees</u>	28
<u>Audit-Related Fees</u>	28
<u>Tax Fees</u>	28
<u>All Other Fees</u>	28
<u>Preapproval of Services by Principal Accountant</u>	28
<b><u>AUDIT COMMITTEE REPORT</u></b>	29
<b><u>OTHER MATTERS</u></b>	30
<u>Shareholder Proposals</u>	30
<u>Shareholder Communication</u>	30
<u>Form 10-K</u>	30
Table of Contents	5

**APPENDIX A: BANK OF MARIN BANCORP 2010 DIRECTOR STOCK PLAN**

**Table of Contents**

**PROXY STATEMENT**

**OF**

**BANK OF MARIN BANCORP**

504 Redwood Boulevard, Suite 100

Novato, California 94947

These proxy materials are furnished in connection with the solicitation by management of Bank of Marin Bancorp (the Company), of proxies for use at the Annual Meeting of Shareholders of the Company to be held on Tuesday, May 11, 2010, at 6:00 p.m. at the Marin Showcase Theatre at the Marin Center, 10 Avenue of the Flags, San Rafael, California, and at any adjournment thereof.

**PURPOSE OF MEETING**

The matters to be considered and voted upon at the meeting will be:

1. Election of Directors. The election of eleven directors to serve until the next Annual Meeting of Shareholders and until their successors are elected and qualified.
2. Director Stock Plan. The approval of the Bank of Marin Bancorp 2010 Director Stock Plan.
3. Independent Auditors. The ratification of the selection of independent auditors.
4. Other Business. Transacting such other business as may properly come before the meeting and any adjournments thereof.

**GENERAL PROXY STATEMENT INFORMATION**

Bank of Marin Bancorp, a corporation existing and organized under the laws of the State of California, is authorized to issue up to 15,000,000 shares of common stock and 5,000,000 shares of preferred stock. All of the outstanding shares are voting common shares and are entitled to vote at the Annual Meeting. Only those common shareholders of record as of March 15, 2010 (the Record Date) will be entitled to notice of, and to vote at, the meeting. On that date, 5,237,456 shares of common stock were outstanding. The determination of shareholders entitled to vote at the meeting and the number of votes to which they are entitled was made on the basis of the Company's records as of the Record Date. The presence in person or by proxy (including web and telephone voting) of a majority of the outstanding shares of stock entitled to vote at the Annual Meeting will constitute a quorum for the purpose of transacting business at the meeting. Abstentions, shares as to which voting authority has been withheld from any nominee and broker non-votes (as defined below), will be counted for purposes of determining the presence or absence of a quorum.

A broker or nominee holding shares for beneficial owners may vote on certain matters at the meeting pursuant to discretionary authority or instructions from the beneficial owners, but with respect to other matters for which the broker or nominee may not have received instructions from the beneficial owners and may not have discretionary voting power under the applicable rule of the New York Stock Exchange or other self-regulatory organizations to which the broker or nominee is a member, the shares held by the broker or nominee may not be voted. Such unvoted shares are called broker non-votes. The rules of the New York Stock Exchange and other self-regulatory organizations generally permit a broker or nominee, in the absence of instructions, to deliver a proxy to vote for routine items, such as the ratification of independent auditors. Consequently, shares held by a broker or nominee will constitute broker non-votes regarding non-routine items, such as the election of directors.

**Revocability of Proxies**

## Edgar Filing: Bank of Marin Bancorp - Form PRE 14A

A proxy for use at the meeting is enclosed. Any shareholder who executes and delivers such proxy has the right to revoke it at any time before it is exercised by filing with the Corporate Secretary of the Company an instrument revoking it or by filing a duly executed proxy bearing a later date. In addition, the powers of the proxy



**Table of Contents**

holder will be revoked if the person executing the proxy is present at the meeting and elects to vote in person by advising the chairman of the meeting of such election. Subject to such revocation or suspension, all shares represented by a properly executed proxy received in time for the meeting will be voted by the proxy holders in accordance with the instructions on the proxy.

IF NO INSTRUCTION IS SPECIFIED WITH REGARD TO A MATTER TO BE ACTED UPON, THE SHARES REPRESENTED BY THE PROXY WILL BE VOTED IN ACCORDANCE WITH THE RECOMMENDATIONS OF MANAGEMENT FOR THE ELECTION OF ALL NOMINEES FOR DIRECTOR LISTED HEREIN, FOR THE APPROVAL OF THE BANK OF MARIN BANCORP 2010 DIRECTOR STOCK PLAN AND FOR RATIFICATION OF THE SELECTION OF INDEPENDENT AUDITORS.

**Person Making the Solicitation**

This solicitation of proxies is being made by the Board of Directors of the Company. The expense of preparing, assembling, printing, and mailing this proxy statement and the material used in the solicitation of proxies for the meeting will be borne by the Company. It is contemplated that proxies will be solicited principally through the use of the mail, but officers, directors, and employees of the Company and Bank of Marin may solicit proxies personally or by telephone, without receiving special compensation therefor. Although there is no formal agreement to do so, the Company may reimburse banks, brokerage houses, and other custodians, nominees, and fiduciaries for their reasonable expense in forwarding these proxy materials to their principals.

**Voting Rights**

In connection with the election of directors, in accordance with California law, each shareholder entitled to vote may vote the shares owned by such shareholder as of the Record Date cumulatively if a shareholder present at the meeting has given notice at the meeting, prior to the voting, of his or her intention to vote cumulatively. If any shareholder has given such notice, then all shareholders entitled to vote for the election of directors may cumulate their votes for candidates properly nominated. Under cumulative voting, each share carries as many votes as the number of directors to be elected, and the shareholder may cast all of such votes for a single nominee or may distribute them in any manner among as many nominees as desired. In the election of directors, the eleven nominees receiving the highest number of votes will be elected.

On all other matters submitted to the vote of the shareholders, each shareholder is entitled to one vote for each share of common stock owned on the books of the Company as of the Record Date.

**Table of Contents**

**PROPOSAL NUMBER 1:**

**ELECTION OF DIRECTORS**

**Board of Directors**

At the meeting eleven (11) directors of the Company are to be elected to serve until the next Annual Meeting of Shareholders and until their successors are elected and qualified. All of the nominees are currently members of the Board of Directors. The Bylaws of the Company provide for not fewer than nine (9) or more than seventeen (17) directors. By resolution, the Board of Directors has fixed the number of directors at eleven (11). Currently, the Company has eleven (11) directors, including all of the nominees for election. Director Judith O. Connell Allen passed away suddenly in November 2009. Rather than replace her director seat, the Company has determined to reduce the Board size by one, and nominate the remaining eleven (11) incumbent directors for election.

The persons named below are nominated by the Board of Directors and, unless the shareholder marks the proxy to withhold the vote, the enclosed proxy, if returned and not subsequently revoked, will be voted in favor of their election as directors. If for any reason any such nominee becomes unavailable for election, the proxy holders will vote for such substitute nominee as may be designated by the Board of Directors. The proxy holders reserve the right to cumulate votes for the election of directors and to cast all of such votes for any one or more of the nominees, to the exclusion of the others, and in such order of preference as the proxy holders may determine in their discretion if cumulative voting is involved as described above under Voting Rights.

The following table sets forth the names of the persons nominated by the Board of Directors for election as directors and certain additional information as of March 15, 2010 including biographical information, qualifications, business experience and directorships with other public companies of each nominee covering at least the last five years.

<b>Name and Relationship With Company</b>	<b>Position, Principal Occupation, Business Experience and Directorships</b>	<b>Age</b>
Russell A. Colombo  President, CEO and  Director	Mr. Colombo has been President, CEO and Director since 2006, and a member of the Executive Committee and the Bank's Asset/Liability Management Committee since 2006. Mr. Colombo joined Bank of Marin in March 2004 as Executive Vice President and Branch Administrator and was appointed Executive Vice President and Chief Operating Officer in July 2005. As of July 1, 2006 he assumed the position of President and Chief Executive Officer. He has thirty-five years of banking experience including positions as Senior Vice President and Group Manager of the San Francisco office of Comerica Bank and as Senior Vice President and Regional Manager during his nineteen year career with Union Bank of California. He received a Bachelor of Science degree in Agricultural Economics & Business Management from University of California, Davis and an MBA in Banking & Finance from Golden Gate University. Mr. Colombo serves on the Boards of Hanna Boys Center, Marin Workforce Housing Trust, is Chair of College of Marin's President's Circle and is Vice Chair of the Citizens Oversight Committee of SMART.	57
Thomas M. Foster  Director	Mr. Foster has been a Director since 2008 and has served as the Audit Committee's financial expert since 2008 and as a member of the Compensation Committee since 2009. Mr. Foster is a retired Certified Public Accountant (CPA) and independent financial consultant with over 40 years of banking and financial experience. From 1968 to 1988, Mr. Foster held positions in Arthur Andersen & Co's accounting and auditing divisions. He was a member of Arthur Andersen's National Banking Team, ran the	67

**Table of Contents**

Name and Relationship With Company	Position, Principal Occupation, Business Experience and Directorships	Age
Robert Heller Director	Financial Services group of the San Francisco office, and spent 10 years as a partner supervising complex audit examinations of multinational corporations, including banks. From 1988 to 1992, he served as chief financial officer and director of a bank formed for the purpose of working out approximately \$1.1B in non-performing assets. Mr. Foster negotiated the buy-in of a 50% interest in a privately-held database company and from 1989 to 1992 served as the chief operating officer. Mr. Foster has also worked as an independent financial consultant advising large banks on restructuring, internal audit, and accounting issues. Most recently, Mr. Foster served as director of Bay View Capital Corporation from 1993 through 2006. He has an MBA from Stanford University, with an emphasis in accounting.  Dr. Heller has been a Director since 2005 and has served as a member of the Compensation Committee and the Bank's Wealth Management Services ( WMS ) Committee since 2006, serving as Chair of the WMS Committee since 2008. Dr. Heller received his Ph.D. in Economics from the University of California at Berkeley. In 1974 he was named as Chief of the Financial Studies Division of the International Monetary Fund in Washington, DC. In 1978 he joined Bank of America in San Francisco as Director of International Economic Research. In 1986 he was appointed as a Member of the Board of Governors of the Federal Reserve System. In 1989 Dr. Heller joined VISA International and starting in 1991 served as President and CEO of VISA USA until 1993. From 1995 to 2002 he was Executive Vice President and a member of the Board of Directors of the Fair Isaac Corporation (NYSE:FIC). He currently serves on the Board of Sonic Automotive, Inc (NYSE:SAH) as well as several private companies. He has served on the boards of many educational and cultural institutions, including the World Affairs Council of Northern California and the Institute for International Education in San Francisco. He currently serves as Chairman of the Board of Marin General Hospital, is a member of the Board of the Romberg Center for Environmental Studies of San Francisco State University, and is the Vice Commodore of The San Francisco Yacht Club.	70
Norma J. Howard Director	Ms. Howard has been a Director since 1996 and has served as a member of the Compensation Committee since 1999, chairing the Committee from 2002 to 2007. Since 2004, Ms. Howard has served as President of NOHOW Communications Consulting, a public affairs and public relations consulting firm. In 2003, Ms. Howard retired as General Manager after a 33-year career with SBC Communications. In her position, she was the company spokesperson of media/community relations and public affairs issues for a twenty-four county region. Ms. Howard has been a resident of Marin County for over 33 years and she serves on the boards of the California State Automobile Association, ACA Holdings Inc., a subsidiary of CSAA, and Canal Alliance. She has served on the boards of Birkenstock Footprint Sandals, Inc., American Red Cross, and United Way of the Bay Area. She has also served as president of the San Rafael Chamber of Commerce and on numerous other boards.	60
Stuart D. Lum Director	Mr. Lum has been a Director since 1999 and has served as a member of the Audit Committee since 2003, and as Chair of the Committee since 2005. Concurrently, he is a member of the Bank's Asset/Liability Management Committee ( ALCO ) since 1999, and served as Chair of ALCO from 2001	58

**Table of Contents**

Name and Relationship With Company	Position, Principal Occupation, Business Experience and Directorships	Age
Joseph D. Martino Director	to 2005. He has also served as a member of the Executive and Nominating and Governance Committees since 2009. Since 2004, Mr. Lum has been President and CEO of Edgewood Pacific, Inc., an investment company engaged in private equity mortgage lending, real estate and venture development in Hawaii and California. From 1999 to 2004, Mr. Lum was vice president and founder of Veracast Communications, an internet communications company. Prior to this, he was an executive director and financial officer of a publicly held Hong Kong-based company engaged in the financing, ownership, development and operation of real estate, energy and transportation infrastructure projects in Hong Kong, southern China and Southeast Asia. He is a graduate of Stanford University with master degrees in Business and Health Services Administration. Mr. Lum serves as a trustee of the Marin Academy and the Stanford Club of Marin and is active in other community affairs.	77
William H. McDevitt, Jr. Director	Mr. Martino has been a Director since 2000 and has served as a member of the Audit Committee since 2000 and as a member of the Bank's Asset/Liability Management Committee (ALCO) since 2001, serving as Chair of ALCO since 2005. He has also been a member of the Executive and Nominating and Governance Committees since 2009. Mr. Martino has an extensive background in banking, retiring in 1997 from a 42-year banking career. Fifteen years of his career were spent managing a major bank's branch network in Marin and the Redwood Empire, and he was subsequently responsible for a major bank's statewide branch banking operations. He graduated from San Francisco City College, the American Institute of Banking and the Graduate School of Credit and Financial Management at Stanford University. Mr. Martino has been a resident of Marin County since 1969. He is Past President of the Salesian Boys and Girls Club, is President of the Nazareth House Retirement Home Advisory Board and an Advisory Board Member of the Marin History Museum Board. He has served on numerous other boards including United Way of the Bay Area, Ecumenical Association for Housing, San Rafael Rotary Club and Marin Tennis Club.	57
Joel Sklar, MD Chairman of the Board	Mr. McDevitt has been a Director since 2007 and has served on the Bank's Asset/Liability Management Committee since 2009. He has also served on the Bank's Wealth Management Services Committee from 2008 to 2009 and the Compensation Committee from 2007 to 2008. He is a Marin native and has been a resident of Petaluma since 1979. Mr. McDevitt began his career in the construction industry in 1971, and is currently president of McDevitt & McDevitt Construction Corp., which he founded in 1976. Through McDevitt & McDevitt, he also develops leased commercial buildings. In 1987, Mr. McDevitt became a founding director of Bank of Petaluma and held that position until the Bank was sold in 2000. Mr. McDevitt currently serves as past President of the North Coast Builders Exchange. He has previously been active in the Petaluma Boys & Girls Club, Carousel Fund and the United Way Southern Sonoma.	60

**Table of Contents**

Name and Relationship With Company	Position, Principal Occupation, Business Experience and Directorships	Age
	committee from 1997 through 2005. Dr. Sklar has also served as Chair of the Executive and Nominating and Governance Committees since 2007. He graduated cum laude with a Bachelor of Arts degree from Williams College in Williamstown, Massachusetts and received his medical degree from the University of California at San Diego. He trained in internal medicine at U.C. Medical Center in San Diego and in cardiology at the University of Colorado Health Sciences Center. Dr. Sklar is partner of Cardiovascular Associates of Marin & San Francisco. He serves as co-Chief of the Cardiology Division at Marin General Hospital and Medical Director of the Marin Heart Institute. He is a director of Marin Hospitalist Medical Group and Marin Medical Practice Concepts, and is an Assistant Clinical Professor at the University of California at San Francisco. Dr. Sklar serves as a director of the California Film Institute.	
Brian M. Sobel Director	Mr. Sobel has been a Director since 2001 and has been a member of the Compensation Committee since 2003, serving as Chair since 2008, and a member of the Executive and Nominating Governance Committees since 2009. Since 1987, he has been the principal consultant of Sobel Communications of Petaluma, a media relations firm. Mr. Sobel spent ten years as a city council member in Petaluma. He has served as chair of the Sonoma County Transportation Authority, president of a nonprofit housing group, corporate officer and trustee of the Cedars Foundation of Ross, and president of the Petaluma Area Chamber of Commerce. Educated at San Francisco State University, he has authored two books and prior to 1987 worked for a major corporation as a writer, training consultant and video producer. He currently serves as a board member of the Golden Gate Bridge, Highway and Transportation District and is a governor's appointee to the 4th Agricultural District Board of Directors.	55
J. Dietrich Stroeh Director	Mr. Stroeh has been a Director since 1997 and has been a member of the Bank's Asset/Liability Management Committee since 2001. He served as a member of the Audit Committee from 1997 to 1999. Mr. Stroeh is a partner in the consulting civil engineering firm of CSW/Stuber-Stroeh. He received his BS in Civil Engineering from the University of Nevada. Mr. Stroeh has served as General Manager of the Marin Municipal Water District and is a member-emeritus of the Marin County Economic Commission. He is currently a director of the Golden Gate Bridge and Transportation District, the College of Marin's President's Circle, Marin Conservation Corp., California Earthquake Authority, Marin County Flood Control Board, North Bay Conservation Corp., and Novato Building Code Enforcement. Mr. Stroeh is also active in other various community organizations.	73
Jan I. Yanehiro Director	Ms. Yanehiro has been a Director since 2004 and has served as a member of the Audit Committee since 2009 and the Bank's Wealth Management Services Committee since 2004. She also chaired the Bank's Community Relations Committee from 2006 to 2008. Since 1980, Ms. Yanehiro has been President of Jan Yanehiro, Inc., a media and marketing strategic planning firm and currently serves as Director, School of Multi Media Communications, Academy of Art University, San Francisco. Ms. Yanehiro spent fourteen years as co-host of KPIX TV's Evening Magazine program and has been active in entrepreneurial pursuits, including being a founding partner of Fair Advantage, which provides college and career guidance	62

**Table of Contents****Name and Relationship With Company****Position, Principal Occupation, Business Experience and Directorships****Age**

seminars for young women; and as a founding partner of Thriving Together, a business that seeks to inspire women in business, transition, family and finance. She received her degree in Journalism from the California State University, Fresno, and has co-authored three books. Ms. Yanehiro is a Board member for several organizations including: President's Council of California State University, Fresno; Kristi Yamaguchi's Always Dream Foundation; and, University of San Francisco Center for the Pacific Rim. Ms. Yanehiro is also an Advisory Board member of the Professional Business Women's Conference.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS****THAT YOU VOTE FOR EACH OF THE DIRECTORS NOMINATED FOR RE-ELECTION****IN PROPOSAL ONE****Director Compensation**

The following table sets forth certain information regarding the compensation earned by or awarded to each non-employee director who served on the Board of Directors in 2009.

Name	Fees earned and paid in Cash	Stock Awards	Option Awards	All Other Compensation	Total
	(\$)(1)	(\$)(1)	(\$)(2)		(\$)
Judith O. Connell Allen	17,510	9,989(3)	0	0	27,500
James E. Deitz	11,250	0(4)	0	0	11,250
Thomas M. Foster	10,023	19,976	0	0	30,000
Robert Heller	14,023	19,976	0	0	34,000
Norma J. Howard	10,023	19,976	0	0	30,000
J. Patrick Hunt	11,250	0(4)	0	0	11,250
Stuart D. Lum	14,023	19,976	0	0	34,000
Joseph D. Martino	14,023	19,976	0	0	34,000
William H. McDevitt Jr.	10,023	19,976	0	0	30,000
Joel Sklar, MD	29,023	19,976	0	0	49,000
Brian M. Sobel	14,023	19,976	0	0	34,000
J. Dietrich Stroeh	10,023	19,976	0	0	30,000
Jan I. Yanehiro	10,023	19,976	0	0	30,000

- (1) During 2009, each member of the Board who is not also an officer or employee of the Company received a director fee of \$30,000; approximately \$20,000 in Company stock and approximately \$10,000 cash. Compensation for service for incumbent directors is paid semi-annually in arrears in July and January. The \$20,000 stock based compensation to each director for service in 2009 was paid in Bank of Marin Bancorp common stock having that market value at time of issue, with fractional shares being paid in cash. The Chairs of the Executive, Audit, Compensation, and the Bank's Asset/Liability Management and Wealth Management Services committees receive an additional annual cash payment of \$4,000, and the Chairman of the Board receives an additional annual cash payment of \$15,000. If a director retires from the Board before earned director compensation is paid, that individual receives payment in cash rather than in stock.
- (2) Each member of the Board who is not also an officer or employee of the Company is eligible for a one-time grant of a Non-Qualified Stock Option. The exercise price of all such options is equal to 100% of the fair market value of the Company's common shares on the date of the grant.

## Edgar Filing: Bank of Marin Bancorp - Form PRE 14A

- (3) Ms. Allen passed away in November 2009. Her estate received a cash payment for her service between July to November 2009.
  
- (4) Dr. Deitz and Mr. Hunt retired from the Board of Directors, effective May 12, 2009 and were paid for their service between January through May 2009 in cash rather than in stock.

**Table of Contents****CORPORATE GOVERNANCE****Director Independence**

For the year 2009, each of the persons nominated for election as a director, except for Russell A. Colombo (the President of the Company) and William H. McDevitt Jr. (see Indebtedness and Other Transactions with Directors and Executive Officers ), was independent within the meaning of Nasdaq's listing rules.

**Board Meetings and Committees**

There were eight (8) meetings of the Board of Directors of the Company during 2009. Each director standing for re-election to the Board attended at least 75% of the aggregate number of meetings of the Board of Directors and meetings held by all committees of the Board on which he/she served.

The Board of Directors is responsible for the overall affairs of the Company. To assist it in carrying out this responsibility, the Board has delegated certain authority to several Company committees, the duties of which and membership at the end of 2009 were as follows:

Name of Director	Nominating and			
	Executive	Compensation	Audit	Governance
Russell A. Colombo	X			(1)
Thomas M. Foster		X	X	
Robert Heller		X		
Norma J. Howard		X		
Stuart D. Lum	X		C	X
Joseph D. Martino	X		X	X
Joel Sklar, MD	C		X	C
Brian M. Sobel	X	C		X
Jan I. Yanehiro			X	

C = Chairman      X = Committee Member

(1) While Mr. Colombo is a member of the Committee and does participate in the recommendation process, he ultimately abstains from voting in the Committee on formal recommendations of director nominees to the board.

Members of the Board of Directors also participate in various committees of Bank of Marin.

The Executive Committee, subject to the provisions of law and certain limits imposed by the Board of Directors, may exercise any of the powers and perform any of the duties of the Board of Directors. The Committee met eleven (11) times in 2009.

The Nominating and Governance Committee assists the Board in carrying out its duties and functions regarding corporate governance oversight and Board membership nominations. Subject to the standards required by applicable Nasdaq listing rules, the Committee is composed of no fewer than four independent directors. The Committee will consider suggestions or recommendations for Board membership received from shareholders. Shareholders who wish to make such suggestions or recommendations should forward their written suggestions to the Chairman of the Nominating & Governance Committee addressed to Bank of Marin Bancorp, Attn: Corporate Secretary, 504 Redwood Boulevard, Suite 100, Novato, CA 94947. Whether a person is recommended for Board membership by a shareholder or by a director of the Company, the standards and qualifications to be considered for Board membership include local community involvement, sound reputation, and business or educational experience that will be beneficial to the Company. At present, the Committee does not engage a third party to identify and evaluate potential Director candidates. All of the nominees approved by the Committee for election at the 2010 Annual Meeting were recommended by management and the Board. The Committee met four (4) times in 2009.





## **Table of Contents**

The Compensation Committee, consisting of four independent members as defined in the Nasdaq listing rules, has primary responsibility for ensuring that compensation and benefits policies and programs for senior management and the Board of Directors comply with applicable law and stock listing requirements, and are devised and maintained to provide and retain a high level of executive management and corporate governance competence. The Committee met twelve (12) times in 2009.

The Audit Committee, consisting of five independent members as defined in the Nasdaq listing rules and Section 10A of the Securities Exchange Act of 1934, selects and recommends appointment of independent auditors, reviews and approves professional services performed by them and reviews the reports of their work together with regulatory agency examination reports. The Committee also reviews and approves the programs, work plan and reports of the Bank's risk manager and internal auditor. Director Thomas M. Foster currently serves as the Company's Audit Committee financial expert. The Committee met thirteen (13) times in 2009.

The Executive, Compensation, Audit, and Nominating and Governance Committee charters are available on the Company's website at [www.bankofmarin.com](http://www.bankofmarin.com) under the Investor Relations tab.

Each current and nominated Board member is encouraged to attend the Annual Meeting of Shareholders. All members of the Board attended the 2009 Annual Meeting.

### **Indebtedness and Other Transactions with Directors and Executive Officers**

In accordance with the Nominating and Governance Committee Charter, the Nominating and Governance Committee is responsible for reviewing and acting upon all related party transactions required to be disclosed by Item 404 of Regulation S-K for potential conflicts of interest. Additionally, the Company's Code of Ethical Conduct provides rules that restrict transactions with affiliated persons.

Prior to engaging in any related party transaction, a completed questionnaire describing the nature and structure of the transaction, along with any necessary supporting documentation, is submitted to the Nominating and Governance Committee. In determining whether to approve a related party transaction, the Nominating and Governance Committee will consider, among other things, the following:

Whether the terms of the transaction are fair to the Company;

Whether the transaction is material to the Company;

The importance of the related person to the transaction;

The role the related person has played in arranging the transaction;

The structure of the transaction; and,

The interests of all related persons in the transaction.

The Company will only enter into a related party transaction if the Nominating and Governance Committee determines that the transaction is beneficial to the Company, and the terms of the transaction are fair to the Company.

In May 2009, the Nominating and Governance Committee approved a related party transaction between Bank of Marin and McDevitt & McDevitt Construction Corp to perform tenant improvements, under the direction of Bank management, for the Bank's new Greenbrae branch. The transaction involved approximately \$395,756 in construction related costs and overhead. The Company's director, William H. McDevitt, Jr., is a 50% owner of McDevitt & McDevitt Construction Corp and realized revenue related to this construction project. Mr. McDevitt was only involved in the initial consultation regarding this project, and an alternate representative from McDevitt & McDevitt Construction Corp was the Bank's direct liaison on the project. The Committee determined that the transaction is beneficial to the Company, and the terms of the transaction

Edgar Filing: Bank of Marin Bancorp - Form PRE 14A

are fair to the Company. No waiver of the Company's Code of Ethical Conduct was required in approving the transaction.

## **Table of Contents**

In January 2010, the Board of Directors approved an additional related party transaction between Bank of Marin and McDevitt & McDevitt Construction Corp to perform tenant improvements, under the direction of Bank management, for the Bank's proposed new location of its Corte Madera branch. The tenant improvements are estimated to be completed by July 1, 2010 with an approximate budget of \$600,000 in construction related costs and overhead. The Board determined that the transaction is beneficial to the Company, and the terms of the transaction are fair to the Company. No waiver of the Company's Code of Ethical Conduct was required in approving the transaction.

Additionally, the Company's subsidiary, Bank of Marin, has had and expects to have banking transactions in the ordinary course of business with many of the directors and executive officers of the Bank (and their associates), on substantially the same terms (including interest rates, collateral and repayment terms) as those prevailing at the time for comparable loans with persons not related to the Company. During 2009 no loan to any director or executive officer of the Company (or their associates) has involved more than normal risk of collectability or presented other unfavorable features. All loans to directors or executive officers would be subject to the limitations prescribed by California Financial Code Section 3370, et seq. and by the Financial Institutions Regulatory and Interest Rate Control Act of 1978.

### **Board Leadership Structure**

It is the role of the Nominating and Governance Committee to annually review, and when appropriate make recommendations to the Board of Directors concerning, board composition, structure, and functions. The Board has deemed it appropriate to have two separate individuals serve as Chairman of the Board and chief executive officer. According to the Company's bylaws, the Chairman of the Board shall preside at meetings of the board of directors and shareholders and exercise and perform such other powers and duties as may be from time to time assigned to him/her by the board of directors. The bylaws further provide that the President of the Company will be the chief executive officer and shall, subject to the control of the board of directors, have general supervision, direction, and control of the business and the officers of the corporation. As the oversight responsibilities of the Board of Directors grows, the Board believes it is beneficial to have an independent Chairman with the sole job of leading the Board, while allowing the President to focus his efforts on the day-to-day management of the Company. The Board does believe that it is important to have the President as a director. The Company aims to foster an appropriate level of separation between these two distinct levels of leadership of the Company. In addition to the Chairman, leadership is also provided through the respective chairs of the Board's various committees.

### **Board's Role in Risk Oversight**

It is a fundamental part of the Board's responsibility to understand the risks the Company faces and what steps management is taking to manage those risks. It is also important that the Board understands what level of risk is appropriate for the Company. While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk management. In particular, the Audit Committee focuses on financial risk, including internal controls, and receives an annual risk assessment report from the Company's outside auditor. The Executive Committee fulfills its oversight responsibility with respect to compliance and operational risk, by working with the Company's Risk Manager to understand regulatory and legislative issues and the Company's projects and systems. In setting compensation, the Compensation Committee strives to create incentives that do not encourage excessive risk-taking beyond the Company's ability to effectively identify and manage risk. The Bank's Asset Liability Management Committee functions as a directors' loan committee, focuses on credit and investment risks, and receives monthly reports from the chief credit officer and chief financial officer. Additionally the Board of Directors is provided physical and information security risk assessments by management on an annual basis.

**Table of Contents**

**EXECUTIVE COMPENSATION**

**Executive Officers**

The Board has designated the following officers as executive officers of the Company and/or Bank of Marin: President and Chief Executive Officer, Chief Financial Officer, Director of Retail Banking, Chief Credit Officer, Chief Information Officer and Corporate Secretary. At December 31, 2009 the incumbents to those offices were: Russell A. Colombo, Christina J. Cook, Peter Pelham, Kevin K. Coonan, Michael E. Besselièvre and Nancy R. Boatright, respectively. Following is information regarding the Bank's executive officers except for Mr. Colombo, who is a director nominee and whose information has been previously presented.

Christina J. Cook, 44, joined Bank of Marin in August 2004 as Executive Vice President and Chief Financial Officer. She began her financial career in 1986 with Coopers & Lybrand, San Francisco. Ms. Cook has twenty years of banking experience. Before joining Bank of Marin, she served as vice president and director of financial reporting for Citibank. Prior to her time with Citibank, she served as vice president, corporate planning and financial reporting for BankAmerica Corporation. Ms. Cook is a Certified Public Accountant.

Kevin K. Coonan, 61, joined Bank of Marin in November 2005 as Senior Vice President and Team Leader in the Bank's credit management group. In March 2006 he was appointed Executive Vice President and Chief Credit Officer. Mr. Coonan has twenty-two years of banking experience including the positions of commercial lender and credit examination officer with Bank of America and senior credit officer with Comerica Bank. Immediately prior to joining Bank of Marin, he served as Senior Credit Administrator for California Bank and Trust covering northern California.

Peter Pelham, 53, joined Bank of Marin in 1994 as Manager of the Bank's first branch in Novato. In 2005 he was named Senior Vice President and Branch Administrator and in April 2006 he was named Executive Vice President and Branch Executive. As of June 2009, Mr. Pelham assumed the position of Director of Retail Banking. Prior to joining Bank of Marin, he had sixteen years of banking experience, twelve of which were with Novato National Bank and Westamerica Bank in Marin County.

Michael E. Besselièvre, 40, joined Bank of Marin in May 2006 as Executive Vice President and Chief Information Officer. He has fifteen years of experience in the banking industry. Prior to joining the Bank, he served as Senior Vice President and Chief Information Officer at Kitsap Bank in Washington and previously held the same position for Pacific Northwest Bank before its acquisition by Wells Fargo Bank.

Nancy Rinaldi Boatright, 62, joined Bank of Marin in March 2002 as Vice President and Assistant Corporate Secretary. In July 2002 she was appointed Corporate Secretary and in August 2007 was named Senior Vice President. Ms. Boatright has over 39 years of community banking experience, and has served as a corporate secretary and human resources director during her career. Prior to joining Bank of Marin, she worked for Business Bank of California and Westamerica Bank in Marin County.

**Compensation Discussion and Analysis**

This section addresses the compensation programs, philosophy and objectives, of Bank of Marin Bancorp and its banking subsidiary, Bank of Marin (collectively, the Company), including the process for making compensation decisions, the role of management in the design of such programs, and its 2009 executive compensation components. This section also addresses the factors most relevant to understanding the Company's compensation programs and what they are designed to reward, including the essential elements of compensation, the reasons for determining payment of each element of compensation, and how each compensation element fits into the Company's overall compensation objectives and affects decisions regarding other compensation elements.

**Philosophy**

The Company's executive compensation programs are designed to attract and retain high quality executive officers that are critical to its long-term success. The Company's Board of Directors and management believe that the most effective executive compensation program is one that is designed to reward the achievement of

## **Table of Contents**

specific annual, long-term and strategic goals, which aligns executives' interests with those of the shareholders by rewarding performance above established goals, with the ultimate goal of improving shareholder value without rewarding short-term risk-taking. To that end, the Committee engaged a national human resources consulting firm to conduct a review of the Company's total compensation program for key executives. Each component of total compensation was compared against a regional peer group of 26 publicly traded financial institutions that are similar to the Company in asset size and performance. (See Peer Group Review section.)

The Committee's compensation philosophy is to target base salaries at or above the median (50th percentile) and target total compensation (including annual incentives, long-term incentives, and benefits) between the 50th and 75th percentiles of the regional peer group. The Company believes targeting total compensation between the 50th and 75th percentile for above-average performance is critical for attracting and retaining the qualified executives it needs to achieve its business objectives. Overall, compensation paid to Company executives is believed to be competitive with market practices.

Base compensation levels for executive officers are established based on the officer's roles and responsibilities and prior year compensation. Bonus and equity compensation are based on both corporate and/or individual performance objectives, which include asset and revenue growth, identification of strategic opportunities, and core earnings performance.

### **Process for Making Compensation Decisions**

#### *Role of the Executive Officers*

Shortly following the conclusion of each calendar year, the Company's Chief Executive Officer (the CEO), assisted by the Director of Human Resources, conducts an annual performance evaluation process for all named executive officers, other than for himself. As part of each annual performance evaluation, the CEO considers, among other key factors, i) the executive's performance of job responsibilities and achievement of individual and/or departmental objectives and ii) management and leadership skills, such as effective communication, problem solving, business development and community involvement. In addition the executive's contributions to the Company's overall financial goals are indirectly considered.

Based on this evaluation, the CEO determines, for each of the named executive officers (other than himself), recommendations for salary adjustments, including merit increases, and annual incentive award amounts to be made to the Compensation Committee for its approval. The named executive officer's incentive payment is determined by the Company's financial performance relative to that year's financial performance goal and individual performance goals. The Compensation Committee reviews the CEO's recommendations and can modify a recommended amount in its discretion. In addition, recommendations by management for the grant of stock awards to named executive officers under the Company's equity compensation plan are submitted to the Compensation Committee for approval to assure the Committee considers the other elements of proposed compensation.

#### *Role of the Compensation Committee*

The Compensation Committee has responsibility for establishing, implementing and continually monitoring adherence with the Company's compensation philosophy. The Compensation Committee ensures that the total compensation paid to senior management is fair, reasonable and competitive. Generally, the types of compensation and benefits provided to the named executive officers are similar to other executive officers. The Compensation Committee is also responsible for the review and approval of corporate goals and objectives relevant to the compensation, including the incentive award, of the Company's CEO, to evaluate the performance of the CEO in light of the goals and objectives and to determine and approve the CEO's compensation levels based on this evaluation. Additionally, the Compensation Committee reviews compensation levels for members of the Company's executive management group including the approval of the CEO's recommendations on annual bonuses and salary increases for named executive officers.

## Table of Contents

The Compensation Committee also periodically reviews the compensation levels of the Board of Directors. In its review, the Compensation Committee looks to ensure that the compensation is fair, reasonably competitive and commensurate to the amount of work required both from the individual directors as well as from the Board in the aggregate.

To achieve these goals and objectives, the Compensation Committee expects to maintain compensation plans that create an executive compensation program that is set at competitive levels of comparable public financial services institutions with comparable performance.

The Compensation Committee has followed certain fundamental objectives to ensure the effectiveness of the Company's compensation strategy. These objectives include the following:

1. **Internal and external fairness.** The Compensation Committee recognizes the importance of perceived fairness both internally and externally of compensation practices. The Compensation Committee has evaluated the overall economic impact of the Company's compensation practices and, when deemed necessary, has consulted with independent outside advisors in the evaluation of contractual obligations and compensation levels.
2. **Performance-based incentives.** The Company has established financial incentives for senior management who meet certain objectives, which thereby assist the Company in meeting its long-term growth and financial goals.
3. **Shareholder value and long-term incentives.** The Compensation Committee believes that the long-term success of the Company and its ability to consistently increase shareholder value is dependent on its ability to attract and retain skilled executives. The Company's compensation strategy encourages equity-based compensation to align the interests of management and shareholders.
4. **Full disclosure.** The Compensation Committee seeks to provide full disclosure to the independent members of the Board of Directors of the Company of the compensation practices and issues to ensure that all directors understand the implications of the Committee's decisions. The Compensation Committee has reviewed the compensation practices of peers and considered management's individual efforts for the benefit of the Company, as well as reviewed various subjective measures in determining the adequacy and appropriateness of the compensation of executives. The Compensation Committee takes into account the performance of the executives as well as their longevity with the Company and recognizes that the competition among financial institutions for attracting and retaining senior management executives has become more intense in the past few years. The Compensation Committee takes such market considerations into account to ensure that the Company is providing appropriate long-term incentives to enable it to continue to attract new senior management executives and to retain the ones it already employs. General economic conditions and the past practice of the Company are also factors that are considered by the Compensation Committee. The Compensation Committee has established various processes to assist in ensuring that the Company's compensation program is achieving its objectives. Among these are:

*Assessment of Company Performance.* In establishing total compensation ranges, the Compensation Committee uses company performance measures, including asset growth, earnings per share, return on assets, and return on equity in two ways:

to gauge generally the overall Company performance relative to peer companies and,

to gauge generally the overall Company performance against the Company's own strategic objectives.

However, these are not specific performance targets; this subjective view of general Company performance is then utilized as one element in determining overall compensation ranges.

## Edgar Filing: Bank of Marin Bancorp - Form PRE 14A

*Assessment of Individual Performance.* Individual performance has a strong impact on the compensation of all employees, including the CEO and the other executive officers. For the



**Table of Contents**

named executive officers, the Committee receives a performance assessment and compensation recommendation from the CEO, other than for himself, and also exercises its judgment based on the Board's interactions with its executive officers. As with the CEO, the performance evaluation of these executives is based on his or her contribution to the Company's performance, and other leadership accomplishments.

*Total Compensation Review.* The Compensation Committee reviews each executive's base pay, bonus and equity incentives annually. In addition to these primary compensation elements, the Committee reviews the perquisites and other compensation and payments that would be required under various severance and change-in-control scenarios. Following the 2009 review, the Committee determined that these elements of compensation were reasonable in the aggregate.

*Compensation Consultants*

During 2009, Amalfi Consulting served as the Compensation Committee's independent compensation consultant. Amalfi Consulting reports directly to the Compensation Committee and does not provide services to, or on behalf of, any other part of the Company's business. Major services provided by Amalfi Consulting during 2009 included: (1) assisting in the development of the Bank's peer group; (2) evaluating executive officer compensation to like positions in the peer group, providing analysis on the data, and recommending compensation elements, including overall compensation philosophy, base salary, annual incentive compensation, long-term incentives, and perquisites; (3) providing peer data analysis for director compensation; and (4) providing regulatory updates. Other than as described herein, the Bank did not give any specific direction to the compensation consultant about the peer group or the results reported.

*Peer Group Review and Market Study*

When reviewing compensation components for the named executive officers and directors, the Compensation Committee considers the compensation practices of specific peer companies whose asset size and geography are comparable to the Company. In selecting the peer group to be considered in setting 2009 compensation, the Compensation Committee considered other banks with assets from \$500 million to \$2.1 billion located in California, Oregon and Washington.

The Compensation Committee approved the following specific peer group of 26 publicly-traded financial institutions for purposes of setting 2009 compensation:

TriCo Bancshares	Farmers & Merchants Bancorp
Cascade Financial Corporation	Heritage Commerce Corp
PremierWest Bancorp	Sierra Bancorp
First California Financial Group	Pacific Mercantile Bancorp
Pacific Continental Corporation	Bridge Capital Holdings
Heritage Financial Corporation	San Joaquin Bancorp
Washington Banking Company	North Valley Bancorp
Heritage Oaks Bancorp	Bank of Commerce Holdings
United Security Bancshares	Central Valley Community Bancorp
Pacific Premier Bancorp, Inc.	Tamalpais Bancorp
First Northern Community Bancorp	FNB Bancorp
Pacific Financial Corporation	Community Valley Bancorp
American River Bankshares	Oak Valley Bancorp

The Compensation Committee engaged Amalfi Consulting to assist in the development of the Bank's peer group, evaluate executive officer compensation to like positions in these peers groups, provide analysis on the data and recommend compensation elements, including overall compensation philosophy, base salary, annual incentive compensation, long-term incentives, and perquisites.

## Table of Contents

### **Executive Compensation Components**

For the fiscal year ended December 31, 2009, the principal components of compensation for named executive officers were i) base salary, ii) performance-based bonuses, iii) equity incentives and iv) perquisites and other benefits. The Company's policies and practices for each of the principal compensation components are explained in the following paragraphs.

#### *Base Salary*

Base salary is established based on market data and is adjusted based on individual performance and experience. The Committee targets total cash compensation to be within 15% of the median for the peer group.

#### *Performance-Based Bonuses*

As stated in the Company's Form 10-K, performance-based bonuses for senior executive officers are based on the overall performance of the Company and on individual goals specific to the executive's area of responsibility. The Company performance goals are based on deposits, loans, net income, return on equity and the efficiency ratio.

Overall Company performance comprises 50% of the named executive officers' bonus potential, with the other 50% based on achievement of individual goals. To date, the metrics used in the Company goals have remained constant and, as stated below, include net income, the efficiency ratio, return on equity, deposit growth, and loan growth.

The specific goal for each of these metrics is revised each year, and each metric is given its own specific weighting in the determination of the overall bonus. The metrics are derived from the Company's annual budgeting process and are weighted based on the Company's particular focus and relative importance for that year. For 2009 the specific Company goals and relative weights of each metric were:

<b>Category</b>	<b>Weight</b>	<b>2009 Goal</b>
Net Income	30%	\$ 14,630,000
Efficiency Ratio	20%	54.03%
Return on Equity	20%	13.23%
Average Deposit Growth	15%	\$ 896,692,000
Average Loan Growth	15%	\$ 948,988,000

Individual employee goals, which determine the remaining fifty percent bonus potential, are either qualitative/subjective in nature without quantitative targets, or are based on one of the five metrics above to give that particular metric more weight in the total bonus for a particular executive. The use of specific performance targets in compensating executive officers is limited to bonus compensation and equity compensation grants.

#### *Equity Incentives*

The purposes of equity awards are to allow executives to share in the growth and prosperity of the Company, to retain executives over the long term and to maintain competitive levels of total compensation. Equity incentives for executives must be approved by the Committee.

The 2007 Equity Plan allows the Company to offer multiple equity vehicles as incentives, including options, unrestricted stock, restricted stock, and stock appreciation rights. Executives may be awarded a blend of equity incentives.

Award levels are based upon market and the executive's level of responsibility and influence on the performance of the Company. Executives are granted stock options and/or restricted stock upon hire and annually thereafter, based on performance. The option and restricted stock price is based on the fair market value on the effective date of the grant. Grants are made at regularly scheduled Committee meetings.

#### *Perquisites and Other Benefits*

Consistent with the Company's compensation objectives, named executive officers are provided perquisites and other benefits that management believes are reasonable and consistent with the Company's overall compensation



## **Table of Contents**

program and which keep the Company competitive in the marketplace. The Company periodically reviews the level of perquisites and other benefits provided to the named executive officers for suitability with the program objectives.

The Company is competitive with market practices by providing medical, dental, vision and life insurance, a 401(k) employer matching contribution up to \$4,000, an ESOP, an Employee Stock Purchase Plan (the ESPP), and a deferred compensation plan for its executives.

Annually, the Company may make discretionary contributions of shares of common stock to the 401(k)/ESOP retirement plan. The decision normally is based on the Company's financial performance and condition. The purposes of the ESOP are to include all eligible employees in the ownership of the Company, to provide them with compensation that is free from current income tax and to accumulate benefits for retirement. Stock is awarded as a percentage of eligible salary. Executives receive the same percentage as all other employees, up to the IRS limits.

### **Deferred Compensation Plan**

The Company also sponsors an unsecured non-qualified plan known as the Deferred Compensation Plan, which allows named executive officers and certain other highly compensated employees to defer all or a portion of their base salary and/or bonus. Balances in the plan receive earnings all of which are described in the Nonqualified Deferred Compensation table of this Proxy Statement. Other than earnings accruals, all credits to the Deferred Compensation Plan represent a named executive officer's compensation previously earned and deferred; the Company does not provide any matching or similar credits. The plan was designed to allow named executive officers to defer some of their current income to help them with tax planning, and to assist the Company in attracting and retaining top executives by providing retirement benefits that are competitive within the Company's peer group.

### **Employment and Change in Control Agreements**

The Company provides named executive officers with agreements that provide for certain specified benefits upon a change in control of the Company. These agreements are very useful tools that help the Company retain its key employees, including the named executive officers, by providing those executives some certainty in compensation in the event the Company was to be sold, and also helps ensure the Company will have the benefit of their services through the pendency of any merger. Such agreements are particularly necessary in an industry, such as ours, where there has been considerable consolidation over the last ten years. Detailed information about these agreements, including a description of payout amounts under a hypothetical change in control of the Company as of the last business day of 2009 is included in the Potential Payments Upon Termination or Change in Control section of this Proxy Statement.

### **Compensation Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement. Based on our Committee review of and the discussions with management with respect to the Compensation Discussion and Analysis, we recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

The Compensation Committee has determined that the Company's compensation arrangements do not encourage employees to take unnecessary and excessive risks.

### **Submitted by the Compensation Committee of the Board:**

Brian M. Sobel, Chair

Thomas M. Foster

Robert Heller

Norma J. Howard

**Table of Contents****Summary Compensation Table**

The following table sets forth summary compensation information for the year ended December 31, 2009 for the president and chief executive officer, chief financial officer and each of the other three most highly compensated executive officers as of the end of the last fiscal year. Bonus amounts were earned in the year shown and paid in the first quarter of the following year.

Name	Year	Salary	Bonus	Option Awards	Stock Awards	Other	Total
		(\$)	(\$)	(\$)(1)	(\$)(1)	(\$)(2)	(\$)
Russell A. Colombo President & CEO	2009	289,467	135,000	53,100	51,175	65,854	594,596
	2008	278,990	124,000	40,484	35,937	89,837	569,247
	2007	264,678	122,783	45,467	0	83,896	516,824
Christina J. Cook EVP & CFO	2009	175,579	58,000	21,240	20,025	19,853	294,697
	2008	169,224	50,000	16,054	14,375	19,694	269,347
	2007	164,295	48,000	22,734	0	21,415	256,444
Kevin K. Coonan EVP & CCO	2009	170,465	61,000	21,240	20,025	20,937	293,667
	2008	164,295	58,000	16,054	14,375	21,688	274,412
	2007	160,110	55,000	30,312	0	22,661	268,083
Peter Pelham EVP & Director of Retail Banking	2009	169,435	55,000	21,240	20,025	29,092	294,792
	2008	158,375	45,000	16,054	14,375	31,962	265,766
	2007	137,916	45,000	30,312	0	23,551	236,779
Michael E. Besselièvre EVP & CIO	2009	163,909	45,000	21,240	20,025	14,304	264,478
	2008	157,976	45,000	16,054	14,375	16,153	249,558
	2007	152,807	38,000	22,734	0	14,789	228,330

- (1) The Black-Scholes pricing model was used to derive the fair value of the option awards. The assumptions used in valuing the grants in 2009 are presented following the table Grants of Plan Based Awards.
- (2) Each of the above named executive officers received less than \$10,000 of aggregate perquisites and personal benefits, except Mr. Colombo who received a car allowance of \$9,600, and \$8,575 annual country club membership dues. The Other column also includes matching and profit sharing contributions to the Employee Stock Ownership & Profit Sharing Plan, imputed income on life insurance paid by the Bank, imputed income on long term care insurance paid by the Bank, dividends paid on unvested restricted stock and interest paid on the Deferred Compensation Plan.

**Securities Authorized for Issuance Under Equity Compensation Plans**

The following table summarizes information as of December 31, 2009 with respect to equity compensation plans. All plans have been approved by the shareholders.

	(A)	(B)	(C)
	Shares to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Shares available for future issuance (Excluding shares in column A)
Equity compensation plans approved by shareholders	359,795(1)	27.54	381,805

## Edgar Filing: Bank of Marin Bancorp - Form PRE 14A

(1) Represents shares of common stock issuable upon exercise of outstanding options under the Bank of Marin 1999 Stock Option Plan and the 2007 Equity Plan.

The Bank of Marin 1999 Stock Option Plan (the 1999 Plan ) was adopted by the Board of Directors and approved by the Bank s shareholders in 1999, and subsequently adopted by Bank of Marin Bancorp in 2007. The 1999 Plan was replaced by the 2007 Equity Plan (the 2007 Plan ). No options have been granted from the 1999

**Table of Contents**

Plan since April 2007. The following three tables set forth certain information regarding restricted stock awards and options granted under the 2007 Plan to individuals who were named executive officers of the Company at December 31, 2009.

***Grants of Plan-Based Awards***

<b>Name</b>	<b>Grant Date</b>	<b>Stock Awards: Number of Shares of Stock (#)</b>	<b>Option Awards: Securities Underlying Options (#)</b>	<b>Exercise Price of Option Awards (\$)</b>	<b>Grant Date Fair Value of Stock and Option Awards \$(1)</b>
Russell A. Colombo	4/01/2009		10,000	22.25	53,100
	4/01/2009	2,300			51,175
Christina J. Cook	4/01/2009		4,000	22.25	21,240
	4/01/2009	900			20,025
Kevin K. Coonan	4/01/2009		4,000	22.25	21,240
	4/01/2009	900			20,025
Peter Pelham	4/01/2009		4,000	22.25	21,240
	4/01/2009	900			20,025
Michael E. Besselièvre	4/01/2009		4,000	22.25	21,240
	4/01/2009	900			20,025

- (1) The Black-Scholes pricing model was used to derive the fair value of the option awards. The per share option value of \$5.31 was derived for awards granted on April 1, 2009 using the assumptions of 2.25% for risk-free rate of return, 2.52% for dividend yield, 28.99% for volatility and 6.4 years for expected life. The grant-date fair value of the restricted stock awards was \$22.25, which was the intrinsic value, or stock price, on the grant date.

**Table of Contents****Outstanding Equity Awards at Fiscal Year End December 31, 2009**

Name	Option Awards				Stock Awards		Market Value of Shares of Stock Not Vested (\$)(3)
	Securities Underlying Exercisable Options (#)	Securities Underlying Unexercisable Options (#)	Option Exercise Price (\$)	Option Expiration Date	Grant Date	Number of Shares of Stock Not Vested (#)(2)	
Russell A. Colombo	24,807	0	26.0923	3/23/2014	5/01/2008	1,000	32,560
	6,615	0	33.3333	4/01/2015	4/01/2009	2,300	74,888
	4,500	3,000(1)	34.5000	5/01/2016			
	6,000	4,000(1)	33.2000	7/13/2016			
	2,400	3,600(1)	35.1800	5/01/2017			
	1,160	4,640(1)	28.7500	5/01/2018			
	0	10,000(1)	22.2500	4/01/2019			
Christina J. Cook	5,292	0	28.3810	8/11/2014	5/01/2008	400	13,024
	5,513	0(1)	33.3333	4/01/2015	4/01/2009	900	29,304
	900	600(1)	34.5000	5/01/2016			
	1,200	1,800(1)	35.1800	5/01/2017			
	460	1,840(1)	28.7500	5/01/2018			
	0	4,000(1)	22.2500	4/01/2019			
Kevin K. Coonan	10,500	0	32.2381	12/13/2015	5/01/2008	400	13,024
	1,600	2,400(1)	35.1800	5/01/2017	4/01/2009	900	29,304
	460	1,840(1)	28.7500	5/01/2018			
	0	4,000(1)	22.2500	4/01/2019			
Peter Pelham	1,729	0	12.2752	3/14/2011	5/01/2008	400	13,024
	2,735	0	14.4522	4/01/2012	4/01/2009	900	29,304
	1,737	0	17.2019	4/01/2013			
	1,654	0	25.3848	4/01/2014			
	3,000	2,000(1)	34.5000	5/01/2016			
	1,600	2,400(1)	35.1800	5/01/2017			
	460	1,840(1)	28.7500	5/01/2018			
	0	4,000(1)	22.2500	4/01/2019			
Michael E. Besselièvre	6,000	4,000(1)	32.3400	5/22/2016	5/01/2008	400	13,024
	1,200	1,800(1)	35.1800	5/01/2017	4/01/2009	900	29,304
	460	1,840(1)	28.7500	5/01/2018			
	0	4,000(1)	22.2500	4/01/2019			

- (1) The stock option award vests 20% per year beginning on the first anniversary of the grant date.
- (2) The restricted stock awards vest in five equal increments on the first five anniversaries of the grant date and pay dividend equivalents.
- (3) The market value of the restricted stock awards that have not vested were determined by multiplying the closing market price of the Company's Common stock on December 31, 2009 (\$32.56) by the number of restricted shares.



**Table of Contents****Option Exercises and Stock Vested**

Name	Option Awards		Stock Awards	
	Number of		Value Realized	
	Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
	(#)	\$(1)	(#)	\$(2)
Russell A. Colombo			250	6,475
Christina J. Cook			100	2,590
Kevin K. Coonan			100	2,590
Peter Pelham			100	2,590
Michael E. Besselievre			100	2,590

- (1) The value realized on exercise is the difference between the closing price of the Company's Common Stock on the date of exercise and the exercise price of the options multiplied by the number of shares acquired on exercise.
- (2) The value realized on vesting is the closing price of the Company's Common Stock on the date of vesting multiplied by the number of shares vested.

**Nonqualified Deferred Compensation for 2009**

This plan is intended for a select group of employees of the Company who are in the highest salary band. Employees can defer up to 80% of base salary and up to 100% of bonus compensation into the plan. These are considered irrevocable elections and stay in place for the entire calendar year. The Company does not make any employer contributions to this plan, and employees are always 100% vested in their contributions.

Named executive officers also make an election for distributions from the plan at termination.

Name	Registrants			
	Executive	Contributions	Aggregate	Aggregate
	Contributions in Last FY	in Last FY	Earnings in Last FY	Withdrawals/ Distributions
	\$(1)	(\$)	\$(1)	(\$)
Russell A. Colombo	\$ 71,791.94		\$ 26,923.86	
Christina J. Cook				
Peter Pelham	\$ 39,920.16		\$ 4,681.31	
Kevin K. Coonan				
Michael E. Besselievre				

- (1) These amounts reflect a portion of each executive's 2009 compensation, which is fully disclosed in the Summary Compensation Table of this proxy statement.
- (2) These amounts reflect a portion of each executive's compensation previously reported in the Summary Compensation Table.

**Potential Payments Upon Termination or Change in Control**

## Edgar Filing: Bank of Marin Bancorp - Form PRE 14A

Set forth below is a description of the plans and agreements that could result in potential payments to the named executive officers in the case of their termination of employment and/or a change in control.

### *Change in Control Agreements*

Each named executive officer has signed a Change in Control Agreement. The circumstances that would trigger payment(s) or the provision of other benefits, including perquisites and health care benefits under the Change in Control Agreement are: i) a Change in Control (defined in accordance with Section 409A of the Internal Revenue Code) followed by, ii) the occurrence within one year after the Change in Control of a subsequent Good Reason, including:

Without the executive's express written consent, an adverse change in executive's position or title, the assignment to the executive of any duties or responsibilities inconsistent with the executive's position or removal of the executive from or any failure to re-elect the executive to any of such positions;

**Table of Contents**

A reduction of the executive's base salary;

A 20% or greater reduction in non-salary benefits;

Failure of the Company to obtain the assumption of the change in control agreement by any successor; or

Requirement by the Company that the executive be based anywhere other than within 40 miles of the current location in Novato, California.

In the event of a change in control, unvested options immediately vest, and the Company shall pay to executive as severance pay (and without regard to the provisions of any benefit plan) in a lump sum on the fifth day following the date of termination, the average salary of the executive for the last three full years of service multiplied by executive's Seniority Factor (CEO 2.25 times; EVP 1.50 times); the executive's annual bonus for the previous year; and, the executive's health premiums under COBRA for 18 months and Dental/Vision premiums under COBRA for 12 months.

The table below quantifies the estimated payments and benefits that would be provided to our named executive officers in connection with the termination of his or her employment under the provisions of the Change in Control Agreements.

In all cases, the information assumes that the triggering event occurred on the last day of fiscal year 2009, and the price per share of the Company's common stock is the closing market price as of that date (which was \$32.56).

Named Executive	Value of Salary Component (\$)	Value of Bonus Component (\$)	Value of Benefits COBRA (\$)	Incremental	
				Market Value of Accelerated Restricted Stock Awards (\$)	Market Value of Accelerated Stock Option Awards (1)(\$)
Russell A. Colombo	\$ 632,515	\$ 124,000	418,102	107,448	476,678
Christina J. Cook	\$ 255,772	\$ 50,000		42,328	190,150
Kevin K. Coonan	\$ 248,323	\$ 58,000	\$ 26,352	42,328	190,150
Peter Pelham	\$ 241,967	\$ 45,000	\$ 11,215	42,328	190,150
Michael E. Besselièvre	\$ 238,772	\$ 45,000	\$ 10,734	42,328	320,390

(1) Includes unvested, in-the-money stock option awards as of December 31, 2009.

**Termination/Retirement/Disability/Death**

**Termination** - Vested options may be exercised within 90 days of termination. Deferred compensation account balances will be distributed six months after separation, following the executive's distribution elections.

**Retirement** - Vested options may be exercised within 90 days of separation. Deferred compensation account balances will be distributed six months after separation, following the executive's distribution elections.

**Disability** - Vested options shall remain exercisable for a 12-month period, commencing with the date of such cessation of employment status. Deferred compensation account balances will be distributed six months after separation, following executive's distribution elections.

## Edgar Filing: Bank of Marin Bancorp - Form PRE 14A

**Death** - Vested options shall remain exercisable upon the earlier of (a) expiration of the 12-month period measured from the date of executive's death or (b) the expiration date of the option term. Deferred compensation account balances will be distributed six months after executive's death, following the executive's distribution elections. Benefits of 1.5 times executive's salary (at the time of death) will be payable to the beneficiary of record.

**Table of Contents**

**Employment Contracts**

There are no employment contracts between the Company or the Bank and their executive officers except Bank of Marin Bancorp has an employment agreement with Russell A. Colombo, its President and Chief Executive Officer. The agreement has a two-year term commencing on December 1, 2008, and renews annually on December 1<sup>st</sup> of each year unless a party gives written notice to the other within certain time periods. The agreement establishes a base salary of \$281,036 and allows for an increase annually. As of December 31, 2009 the base salary was \$289,467. The agreement also provides the potential to earn an annual incentive payment of up to fifty percent (50%) of executive's salary, participation in the Company's reimbursement policy and participation in the Company's benefit plans that are available to senior executives and employees generally. The agreement also provides for payment of an automobile allowance of Eight Hundred Dollars (\$800) per month, a reimbursement for monthly membership dues for the Marin Country Club, and reimbursement for necessary air travel expenses for Russell A. Colombo's spouse up to a maximum of \$2,000 per year. If the agreement were terminated without cause, Mr. Colombo would receive severance pay equal to one year's annual base salary in effect at the date of termination plus eighteen months' COBRA payments for health premiums and dental/vision premiums.

**Employee Stock Ownership Plan and 401(k) Plan**

Effective January 1, 2010, the Board of Directors authorized the bifurcation of the Employee Stock Ownership & Profit Sharing Plan to two separate plans: the Bank of Marin Employee Stock Ownership Plan (the ESOP) and the Bank of Marin 401(k) Plan (the 401(k) Plan).

An employee becomes a participant in the 401(k) Plan as of the first day of the quarter following the date on which he/she attains age 18 and has completed three full months of service. A participant may elect to defer a portion of his/her salary, not to exceed limitations set by the IRS, into the plan. Distributions from the 401(k) Plan are not permitted before age 59 1/2 except in the event of death, disability, termination of employment or IRS permitted hardships. As determined by the Board of Directors, the Company may make discretionary matching contributions to the 401(k) Plan. In 2009 and 2008 the Company made matching contributions of \$338 thousand and \$358 thousand, respectively.

An employee becomes a participant in the ESOP as of the first day of the quarter following the date on which he/she attains age 18 and has completed three full months of service. A participant will have a nonforfeitable right to 100% of his/her ESOP account balance upon disability or on his/her normal retirement date or completion of at least five years of service, whichever is later. Distributions from the plan are not permitted before age 59 1/2 except in the event of death, disability, termination of employment or IRS permitted diversification. The Company's contributions of \$750 thousand in 2009 and \$760 thousand in 2008 were used to purchase shares of Company stock for the ESOP.

**Discretionary Bonus**

Bank of Marin has discretionary bonus programs for the Bank's executive officers, and for the non-executive officers and staff. Contributions by the Bank to both programs are based upon the Bank's achievement of specified levels of financial performance as determined by the Board of Directors. In 2009 the Bank expensed \$1,259,281 for these programs, and bonus payments were made in the first quarter of 2010.

**Table of Contents****SECURITY OWNERSHIP AND REPORTING****Security Ownership of Management and Certain Beneficial Owners**

As of February 5, 2010, The Banc Funds Co. LLC reported holding 447,711 shares, which represented 8.56% of Bank of Marin Bancorp shares then outstanding. As of March 15, 2010, the Bank of Marin Employee Stock Ownership Plan and 401(k) Plan held 264,926 shares, which represented 5.06% of shares then outstanding. The foregoing were the only two persons known to the Company to own beneficially more than 5% of the Company's common stock.

The following table sets forth, as of March 15, 2010, the number of shares of the Company's common stock which may be deemed to be beneficially owned by (i) each of the directors, (ii) each executive officer as previously defined, and (iii) all directors and executive officers as a group, and the percentage of the outstanding common stock beneficially owned by such persons.

Name and Address*	Amount and Nature of Beneficial Ownership			Total	Percent of Common Stock
	Sole Voting & Investment Power	Shared Voting & Investment Power	Option to acquire within sixty days of March 15, 2010		
Russell A. Colombo	4,957	3,648(1)	51,342	59,947	1.14%
Thomas M. Foster	0	2,096(2)	0	2,096	0.04%
Robert Heller	1,213	3,161(2)	8,040	12,414	0.24%
Norma J. Howard	0	12,287(2)	0	12,287	0.23%
Stuart D. Lum	0	23,357(2)	0	23,357	0.45%
Joseph D. Martino	0	13,998(2)	0	13,998	0.27%
William H. McDevitt, Jr.	3,150(3)	1,898(4)	4,020	9,068	0.17%
Joel Sklar, MD	0	52,744(2)	0	52,744	1.01%
Brian M. Sobel	6,883	0	2,011	8,894	0.17%
J. Dietrich Stroeh	18,121	0	0	18,121	0.35%
Jan I. Yanehiro	2,578	0	8,040	10,618	0.20%
Michael E. Besselièvre	2,178	1,658(1)	9,520	13,356	0.26%
Nancy R. Boatright	790	2,259(1)	4,329	7,378	0.14%
Christina J. Cook	1,551(5)	2,957(1)	15,525	20,033	0.38%
Kevin K. Coonan	2,258	2,076(1)	14,620	18,954	0.36%
Peter Pelham	3,942	8,141(6)	14,975	27,058	0.52%
All directors and executive officers as a group (16 persons)				348,202	6.65%

\* The address of all persons listed is 504 Redwood Boulevard, Suite 100, Novato, CA 94947

- (1) Shares held in Employee Stock Ownership Plan.
- (2) Shares held in a trust as to which the beneficial owner is co-trustee with shared voting and investment power.
- (3) Shares held in Mr. McDevitt's IRA.
- (4) Shares held in community property as to which Mr. McDevitt is co-owner with shared voting and investment power.

## Edgar Filing: Bank of Marin Bancorp - Form PRE 14A

- (5) Includes 151 shares held in trust under the California Uniform Gift to Minors Act for which Ms. Cook is custodian.
  
- (6) Includes 6,703 shares held in Employee Stock Ownership Plan and 1,438 shares held in the Company's 401(k) Plan.

**Table of Contents**

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers and persons who own more than 10% of the Company's common stock to file with the Securities and Exchange Commission (the SEC) initial reports of ownership and reports of changes in ownership of common stock of the Company. Directors, officers, and greater than 10% shareholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended December 31, 2009, all Section 16(a) filing requirements applicable to its directors, officers, and 10% shareholders have been met on a timely basis.



**Table of Contents**

**PROPOSAL NUMBER 2:**

**BANK OF MARIN BANCORP 2010 DIRECTOR STOCK PLAN**

The Board of Directors adopted the Bank of Marin Bancorp 2010 Director Stock Plan (the 2010 Plan ) on January 22, 2010, subject to approval by the shareholders at the Annual Meeting.

Prior to the Company s formation, Bank of Marin maintained shareholder approved director fees plans pursuant to which a portion of director fees were paid in Bank common stock. Since July 2007, in order to continue to compensate the non-employee directors in accordance with past practices, the directors have been granted stock awards for payment of director fees from the Bank of Marin Bancorp 2007 Equity Plan. The Board of Directors believes that the 2010 Plan will promote the interests of the Company by providing a specific reserve for payment of director fees in shares of the Company s common stock.

A summary of the 2010 Plan is set forth below. The summary is qualified in its entirety by the full text of the 2010 Plan, attached to this Proxy Statement as Appendix A.

**Purpose**

The 2010 Plan is intended to promote the interests of the Company by providing for payment of director fees in shares of the Company s stock rather than by payment in cash. The 2010 Plan is also intended to provide a convenient way for participants to purchase shares from the Company at fair market value.

**Administration**

The Board of Directors (the Board ) of the Company or any committee (the Committee ) of the Board that will satisfy Rule 16b-3 of the Securities Exchange Act of 1934, as amended, shall supervise and administer the Plan. The Board may also at any time terminate the functions of the Committee and reassume all powers and authority previously delegated to the Committee. The Board, or Committee, is authorized (subject to the provisions of the 2010 Plan) to establish such rules and regulations, as it may deem appropriate for the proper administration of the 2010 Plan.

**Eligibility**

The individuals who shall be eligible to receive shares pursuant to the 2010 Plan shall be limited to members of the Board.

**Stock Allocated to the Plan**

The aggregate number of issuable shares initially shall not exceed 150,000 which represents approximately 2.86% of the Company s outstanding shares as of the record date of the Annual Meeting. In the event of certain changes to the Company s common stock, the maximum number of shares still available for issuance under the 2010 Plan shall be adjusted to reflect the effect of such change upon the Company s capital structure.

**Director Fees**

Each person serving as a director of the Company may be granted and issued shares, each July and January from and after July 1, 2010 and during the term of the 2010 Plan. The Board will determine the actual number of shares to be issued at any one time and will use their judgment as to the appropriate level of director fees to be paid by issuance of shares. See Director Compensation.

**Stock Purchase**

Each person serving as a director of the Company may also be granted the rights to purchase shares, each July and January from and after July 1, 2010, and during the term of the 2010 Plan. Each six month offering period (the Offering Period ) will end on each respective June 30 and December 31 of each year with first such Offering Period ending on June 30, 2010.

The purchase price for a share during each respective Offering Period will be the fair market value of a share of the Company s common stock on the Ending Date for such Offering Period.



**Table of Contents**

At no time will the number of shares available for purchase by a director during any Offering Period exceed an amount equal to 100% of his or her shares issued for director fees during the immediate prior Offering Period.

**Effective Date and Term**

The 2010 Plan shall become effective on the day after it is approved by the shareholders of the Company holding not less than a majority of the outstanding shares of the Company's common stock present at a duly called meeting.

Unless the 2010 Plan is sooner terminated at the election of the Company, no shares may be issued pursuant to the 2010 Plan after the earlier of (i) the tenth anniversary of the effective date or (ii) the date on which all shares available for issuance shall have been issued.

Approval of the 2010 Plan requires the affirmative vote of a majority of the shares present (whether in person or by proxy) and voting at the meeting.

***THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS***

***THAT YOU VOTE FOR THE APPROVAL OF THE BANK OF MARIN BANCORP 2010***

***DIRECTOR STOCK PLAN***

***IN PROPOSAL TWO***

**Table of Contents**

**PROPOSAL NUMBER 3:**

**INDEPENDENT AUDITORS**

The firm of Moss Adams LLP, independent auditors, has been selected by the Audit Committee of the Board of Directors to perform audit services for the Company and its subsidiary, Bank of Marin, for 2009 and such selection has been approved by resolution of the Board of Directors. The shareholders are hereby asked to ratify the selection of Moss Adams LLP. It is anticipated that a member of that firm will be present at the Annual Meeting. That representative is not expected to make a statement but will be available to answer any questions.

During the two most recent fiscal years there were no disagreements between the Company and its principal accountant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the principal accountant's satisfaction, would have caused the principal accountant to make reference to the subject matter of the disagreement in connection with its reports.

The audit reports on the financial statements of Bank of Marin Bancorp and subsidiary as of and for the fiscal years ended December 31, 2009, 2008 and 2007 were issued by Moss Adams LLP and did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles.

Following are disclosures regarding the fees billed by Moss Adams LLP during 2008 and 2009. It is the policy of the Audit Committee that all engagements for auditing services, and non-audit services be preapproved by the Audit Committee. The preapproval includes a review of the services to be undertaken and the estimated fees that will be incurred. The Audit Committee has considered whether the provision of non-audit services by Moss Adams LLP is compatible with maintaining auditor independence.

**Audit Fees**

The aggregate fees billed for professional services in the fiscal year 2009 and 2008 by Moss Adams LLP for the audit of the annual financial statements, review of the quarterly financial statements and work related to compliance with the Sarbanes-Oxley Act of 2002 were \$268,666 and \$261,319, respectively.

**Audit-Related Fees**

There were \$8,876 in audit-related fees in 2009 related to consents provided by Moss Adams LLP for the use of the 2008 audit report in various S-3 filings. There were no audit-related fees billed by or paid to Moss Adams LLP during 2008.

**Tax Fees**

The Company does not engage its principal accountant, Moss Adams LLP, to perform tax-related services.

**All Other Fees**

There were \$3,009 other fees billed by the Company's principal accountant in 2009 and no other fees billed in 2008.

**Preapproval of Services by Principal Accountant**

The Audit Committee will consider annually and, if appropriate, approve audit services by its principal accountant. In addition, the Audit Committee will consider and, if appropriate, preapprove certain defined audit and non-audit services. The Audit Committee will also consider on a case-by-case basis and, if appropriate, approve specific engagements.

The approval of a majority of the shareholders represented at the Annual Meeting is required to ratify the selection of Moss Adams LLP.

***THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS***

***THAT YOU VOTE FOR THE RATIFICATION OF THE INDEPENDENT AUDITORS***

*IN PROPOSAL THREE*

**Table of Contents**

**AUDIT COMMITTEE REPORT**

The Audit Committee currently consists of five members of the Board of Directors, each of whom is independent under the Nasdaq listing standards, SEC rules and regulations applicable to audit committees. The Board of Directors has adopted, and annually reviews, an Audit Committee charter, available on the Company's investor relations website at [www.bankofmarin.com](http://www.bankofmarin.com). The charter specifies the scope of the Audit Committee's responsibilities and how it carries out those responsibilities.

In performing its functions, the Audit Committee met thirteen (13) times during the year and regularly met in executive session without Bank management. It acts only in an oversight capacity and necessarily relies on the work and assurances of the Company's management, which has the primary responsibility for financial statements and reports, and of the independent accountants, who, in their report, express an opinion on the conformity of the Company's annual financial statements to accounting principles generally accepted in the United States of America and on the Company's internal control over financial reporting and compliance. In addition, the committee engages outside consultants who advise it on internal control and credit quality matters. It also maintains a process for handling employee complaints regarding accounting procedures and internal controls.

The Audit Committee has reviewed and discussed the Company's December 31, 2009 audited financial statements with management and with Moss Adams LLP, the Company's independent registered public accounting firm. The Audit Committee also has discussed with Moss Adams LLP the matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee also has received from Moss Adams LLP the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with Moss Adams LLP their independence from the Company.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the December 31, 2009 audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

**Submitted by the Audit Committee of the Board:**

Stuart D. Lum, Chair

Thomas M. Foster

Joseph D. Martino

Joel Sklar, MD

Jan I. Yanehiro

**Table of Contents**

**OTHER MATTERS**

If any other matters come before the meeting, not referred to in the enclosed proxy, including matters incident to the conduct of the meeting, the proxy holders will vote the shares represented by the proxies in accordance with their best judgment. Management is not aware of any other business to come before the meeting, and as of the date of the preparation of this proxy statement, no shareholder has submitted to management any proposal to be acted upon at the meeting.

**Shareholder Proposals**

If a shareholder intends to present any proposal for consideration at the 2010 Annual Meeting of Shareholders and wishes for that proposal to be included in the proxy and proxy statement to be prepared by the Company, the proposal must be received by the Company at its corporate office not later than December 8, 2010.

**Shareholder Communication**

Any shareholder may communicate directly to Board members, or to any individual Board member, by sending correspondence or communication addressed to the particular member or members addressed in care of Bank of Marin Bancorp, Attn: Corporate Secretary, 504 Redwood Blvd., Suite 100, Novato, CA 94947.

**Form 10-K**

THE COMPANY'S ANNUAL REPORT FOR 2009 ON FORM 10-K, WHICH IS REQUIRED TO BE FILED WITH THE SEC, IS AVAILABLE TO ANY SHAREHOLDER WITHOUT CHARGE. THE REPORT MAY BE OBTAINED BY WRITTEN REQUEST TO CORPORATE SECRETARY, BANK OF MARIN BANCORP, 504 REDWOOD BLVD., SUITE 100, NOVATO, CA 94947. It is available in the Investor Relations section of the Company's website at [www.bankofmarin.com](http://www.bankofmarin.com). The Company's Annual Report serves as the BANK'S annual disclosure statement under Part 350 of FDIC rules.

By order of the Board of Directors

Nancy Rinaldi Boatright

Corporate Secretary

April 12, 2010

**Table of Contents**

**APPENDIX A**

to

**Bank of Marin Bancorp 2010 Proxy Statement**

**BANK OF MARIN BANCORP**

**2010 DIRECTOR STOCK PLAN**

**1. PURPOSES OF THE PLAN**

The 2010 Director Stock Plan ( Plan ) is intended to promote the interests of the Bank of Marin Bancorp and its subsidiary ( Company ) by providing for payment of director fees in shares of the Company s authorized but unissued or re-acquired common stock ( Shares ) rather than by payment of a comparable value in cash. The Plan is also intended to provide a convenient way for participants to purchase Shares from the Company at fair market value.

**2. ADMINISTRATION OF THE PLAN**

(a) The Board of Directors (the Board ) of the Company or any committee (the Committee ) of the Board that will satisfy Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the Exchange Act ), and any regulations promulgated thereunder, as from time to time in effect, including any successor rule ( Rule 16b-3 ), shall supervise and administer the Plan. The Board may also at any time terminate the functions of the Committee under the Plan and reassume all powers and authority previously delegated to the Committee.

(b) Any reference to the Board in one or more provisions of the Plan shall mean the Committee, if the Committee is at the time responsible for the administration of either the Plan or those particular provisions of the Plan. The Board, or Committee, as the case may be, is authorized (subject to the provisions of the Plan) to establish such rules and regulations as it may deem appropriate for the proper administration of the Plan and to make such determinations under, and issue such interpretations of, the Plan as it may deem necessary or advisable. Decisions of the Board or the Committee, as the case may be, shall be final and binding on all parties who have an interest in the Plan.

(c) Notwithstanding anything hereinafter set forth, the Plan shall be administered, operated and effectuated in such a manner so that the Plan shall be compliant with Rule 16b-3 and other provisions of the Exchange Act, as applicable, so as to assure the transactions contemplated herein are exempt from Section 16(b) of the Exchange Act.

**3. ELIGIBILITY FOR ISSUANCE OF SHARES**

(a) The individuals who shall be eligible to receive Shares pursuant to the Plan shall be members of the Board (whether or not they are also employees of the Company).

(b) Subject to subsection (a) above, the Board shall have full authority to determine the individuals who are granted Shares under Part A of the Plan (as said term is defined herein) and, subject to section 4(a) below, the number of Shares to be granted.

(c) The directors intending to participate in Part B of the Plan (as said term is defined herein) shall comply with the participation requirements of Section 6 of the Plan.

**4. STOCK SUBJECT TO THE PLAN**

(a) The stock issuable under the Plan shall be the Shares. The aggregate number of issuable Shares shall not exceed 150,000 subject to adjustment from time to time in accordance with subsection 4(b).



## Edgar Filing: Bank of Marin Bancorp - Form PRE 14A

(b) In the event any change is made to the Company's common stock (whether by reason of merger, consolidation, reorganization, recapitalization, stock dividend, stock split, combination of shares, exchange of shares, or other change in corporate or capital structure effected without receipt of consideration), then the

A-1

## **Table of Contents**

maximum number of Shares still available for issuance under the Plan shall be automatically adjusted to reflect the effect of such change upon the Company's capital structure. Any adjustment by the Board pursuant to this section shall be conclusive.

### **5. PART A OF THE PLAN: DIRECTOR FEES**

Each person serving as a director of the Company will be granted and issued Shares, each July and January from and after July 1, 2010 and during the term of the Plan. The Board, as administrator of the Plan, will determine the actual number of Shares to be issued at any one time giving consideration to the fair market value of the Company's common stock as of the date of issuance and their judgment as to the appropriate level of director fees to be paid by issuance of Shares.

### **6. PART B OF THE PLAN: STOCK PURCHASE**

It is anticipated that each person serving as a director of the Company will be granted the rights to purchase Shares, each July and January from and after July 1, 2010, and during the term of the Plan. Each six month offering period (the Offering Period) will end on each respective June 30 and December 31<sup>st</sup> of each year with the first such Offering Period ending on June 30, 2010.

Each Offering Period will begin on the first day of that period described (the Beginning Date) and end on the last day of that period (the Ending Date). For each Offering Period, the Company will make available to each director an election form (the Election Form) which must be completed to effect his or her right to commence active participation in Part B of the Plan. The Election Form will provide each participating director with instructions to purchase the Shares, including instructions for the timing and preferred method of delivery of payment, for the respective Offering Period. The Election Form shall also include delivery instructions relating to the Shares, including instructions to the Company's transfer agent. Each director may become an active participant for an Offering Period by completing the Election Form and delivering the same to the Company at least ten business days prior to the appropriate Ending Date.

Irrespective of participation in prior Offering Periods, a separate Election Form must be completed for each Offering Period that a director intends to participate in. No reliance on Election Forms from prior Offering Periods shall be permitted.

A director's failure to complete an Election Form before ten business days prior to the appropriate Ending Date shall result in the director's de facto rejection of participation in the respective Offering Period. Following a director's lack of participation in an Offering Period, the nonparticipating director is free to complete an Election Form for the next successive Offering Period.

The purchase price for a Share during each respective Offering Period will be the fair market value of a share of the Company's common stock on the Ending Date for such Offering Period.

At no time during the term of this Plan will the number of Shares available for purchase by a director pursuant to Part B of the Plan during any six month period to any individual director exceed an amount equal to 100% of their immediate prior period issued amount granted and issued under section 5.

### **7. FAIR MARKET VALUE**

For the purposes of this Plan, fair market value of a Share as of a specific date shall be defined as follows: (i) if the Shares are traded on a national securities exchange, the consolidated closing bid price for the company's shares on that date or the immediately preceding trade date if such date is not a trading date; (ii) if the Shares are not traded on any such exchange, the closing sale price for such date as reported by Nasdaq; (iii) if no such closing price information is available on the national securities exchange or Nasdaq, the closing sale price as reported by the national securities exchange or Nasdaq within a reasonable period prior to such date; or (iv) if there is no such closing sale price within a reasonable period, the determination of fair market value shall be determined by the Board, taking into account material facts and circumstances pertinent to such determination. In

## **Table of Contents**

the event that the definition of fair market value as set forth above conflicts with the definition of fair market value as provided by the rules governing Nasdaq, the definition set forth in the rules governing the Nasdaq stock market shall govern.

### **8. EFFECTIVE DATE AND TERM OF PLAN**

(a) The Plan shall become effective on the day after the Plan shall have been approved by the shareholders of the Company holding not less than a majority of the outstanding shares of the Company's common stock present at a duly called meeting.

(b) Unless the Plan is sooner terminated at the election of the Company, no Shares may be issued pursuant to the Plan after the earlier of (i) the tenth anniversary of the effective date of the Plan or (ii) the date on which all Shares available for issuance under the Plan shall have been issued.

### **9. PROCEEDS FROM ISSUANCE OF SHARES**

(a) The Shares issued as director fees are to be issued in lieu of payment of cash fees to directors and no proceeds will be received by the Company from the issuance of these Shares.

(b) The proceeds from the purchase of Shares issued as a result of a stock purchase pursuant to Part B of the Plan shall be received by the Company and shall be commingled with the general assets of the Company and no separate fund shall be established. The proceeds from Shares purchased by the directors with cash shall be used for general corporate purposes.

### **10. WITHHOLDING**

(a) In the event that a director is required to pay to the Company an amount with respect to federal, state or local income and employment tax withholding obligations in connection with the issuance of Shares, the Board may, in its discretion and subject to such rules as it may adopt, permit such director to satisfy the obligations, in whole or in part, by either (i) making an irrevocable election that a portion of the total value of the Shares to be issued to such director be paid in the form of cash in lieu of the issuance of Shares and that such cash payment be applied to the satisfaction of the withholding obligations or (ii) tendering Shares previously held by the director in a number sufficient to satisfy such obligations.

(b) The Company's obligation to deliver Shares under the Plan shall be subject to the director's satisfaction of all applicable federal, state and local income and employment tax withholding requirements.

### **11. NO EMPLOYMENT OR SERVICE OBLIGATION**

Neither the action of the Company in establishing the Plan, nor any action taken by the Board or the Committee hereunder, nor any provision of the Plan itself shall be construed so as to grant any individual the right to remain as a director of the Company or otherwise be in the employ or service of the Company or its parent corporation or any of its subsidiaries for any period of specific duration.

### **12. SECURITIES LAWS RESTRICTIONS**

Shares shall not be issued under the Plan unless (a) the exercise of the related purchase rights and the issuance and delivery of the Shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, and any rules and regulations promulgated pursuant to such laws and with the requirements of any stock exchange upon which the Shares may then be listed; and (b) the express approval of counsel for the Company with respect to such compliance is first obtained. The Company reserves the right to place an appropriate legend on any certificate representing Shares issuable under the Plan with any such legend reflecting restrictions on the transfer of the Shares as may be necessary to assure the availability of applicable exemptions under federal and state securities laws.



**Table of Contents**

**13. TRANSFERABILITY**

Neither payroll deductions credit to a participant's account nor any rights with regard to the exercise or purchase rights or to receive any Shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way by a participant. Any attempted assignment, transfer, pledge or other disposition shall be without effect.

**14. AMENDMENT AND TERMINATION**

The Board may at any time amend, alter, suspend, or discontinue the Plan, but no amendment, alteration, suspension, or discontinuation shall be made which would impair the awards granted to any Participant theretofore made, without his or her consent. In addition, to the extent necessary and desirable to comply with any applicable law, regulation or stock exchange rule, the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required. The Board may terminate the Plan at any time without shareholder approval.

**15. REGULATORY APPROVALS**

The implementation of the Plan and the issuance of stock shall be subject to the Company's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the Plan and the stock issued pursuant to it.

**16. GOVERNING LAW**

To the extent not otherwise governed by federal law, the Plan and its implementation shall be governed by and construed in accordance with the laws of the State of California.

**Table of Contents**

**Table of Contents**





**Table of Contents**



**Table of Contents**

**Table of Contents**



**Table of Contents**

**Table of Contents**

