Bank of Marin Bancorp
Form DEF 14A
April 11, 2013
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. ^)
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Check the appropriate box:
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Bank of Marin Bancorp
(Name of Registrant as Specified In Its Charter)
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Notice of Annual Meeting of Shareholders
Marin Showcase Theatre at the Marin Center
10 Avenue of the Flags
San Rafael, California
Tuesday, May 14, 2013 – 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 14, 2013, 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 14. 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 vote, on an advisory basis, to approve the Company's executive compensation for Named Executive Officers, (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 18, 2013 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. 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, which are shown on the proxy card. No other personal information will be required in order to vote in this manner.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE MEETING OF SHAREHOLDERS TO BE HELD ON MAY 14, 2013

Copies of the Annual Meeting Proxy Material, including the Proxy Statement, Proxy Card and the Annual Report on Form 10-K, are also available at: http://www.cfpproxy.com/6265.

We encourage you to attend the annual meeting. Please RSVP by marking the appropriate box on the proxy card, or by contacting the Company by May 7, 2013 by telephone at (415) 884-5348, or email events@bankofmarin.com.

Our bylaws provide that nominations for election to the board of directors of the Company may be made by the board of directors or by any shareholder of the Company's stock entitled to vote for the election of directors. Nominations, other than those made by or on behalf of the existing management of the Company, must be made in writing and delivered or mailed to the chairperson of the board or the chief executive officer not less than 14 days nor more than 50 days prior to any

meeting of shareholders called for the election of directors. The notification of nomination should contain the following information to the extent known by the notifying shareholder: (a) name and address of the proposed nominee(s); (b) principal occupation of the proposed nominee(s); (c) total number of shares that will be voted for the proposed nominee(s); (d) name and residence address of the notifying shareholder; and (e) number of shares owned by the notifying shareholder. Nominations not made in accordance with this section may be disregarded by the chairperson of the meeting, and upon instruction, the inspectors of election shall disregard all votes cast for each such nominee.

One copy of the Annual Report on Form 10-K and Proxy Statement is being delivered to multiple shareholders sharing an address unless the Company has received contrary instructions from one or more of the shareholders. The Company will deliver promptly upon written or oral request a separate copy of the annual report and proxy statement to a shareholder at a shared address to which a single copy of the document was delivered. If a shareholder wishes to receive a separate copy or has received multiple copies at one address and would like to receive a single copy in the future, please contact Registrar and Transfer Company by phone at (800) 368-5948 or by written request to Bank of Marin Bancorp c/o Registrar and Transfer Company, 10 Commerce Drive, Cranford, New Jersey 07016.

By order of the Board of Directors

Nancy Rinaldi Boatright
Corporate Secretary
April 11, 2013

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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 the Board of Directors 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 14, 2013, 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:

Proposal 1: The election of eleven directors to serve until the next Annual Meeting of Shareholders and until their successors are elected and qualified.

Proposal 2: An advisory vote to approve the Company's executive compensation for Named Executive Officers.

Proposal 3: The ratification of the selection of independent auditors.

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 18, 2013 (the "Record Date") will be entitled to notice of, and to vote at, the meeting. On that date, 5,430,479 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 and the matters regarding executive compensation.

Revocability of Proxies

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 holder will be revoked if the person executing the proxy is present at the meeting and elects to vote in person. Subject to such revocation, 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 THE BOARD OF DIRECTORS “FOR” THE ELECTION OF ALL NOMINEES FOR DIRECTOR LISTED HEREIN, “FOR” THE APPROVAL OF THE COMPANY’S EXECUTIVE COMPENSATION, 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.

PROPOSAL NUMBER 1: ELECTION OF DIRECTORS

Board of Directors

At the Annual 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), as of May 14, 2013. Currently, the Company has twelve (12) directors, including all of the nominees for election. One incumbent director, Joseph D. Martino, is retiring and will not stand for re-election. Rather than replace this director, 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 18, 2013 including biographical information, qualifications, business experience and directorships with other public companies of each nominee covering at least the last five years.

Name and Relationship With Company	Position, Principal Occupation, Business Experience and Directorships	Age
Russell A. Colombo President, CEO and Director	Mr. Colombo has been President, CEO and Director since 2006, a member of the Executive Committee and the Bank’s Asset/Liability Management Committee since 2006, and a member of the Bank’s Wealth Management and Trust Services Committee since 2007. 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-eight 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 and Western Independent Bankers	60

Name and Relationship With Company	Position, Principal Occupation, Business Experience and Directorships	Age
	Association, is a member of College of Marin's President's Circle, and is Chairman of the Citizens Oversight Committee of SMART. In addition to his proven exemplary leadership of the Company and his experience in relationship banking, we believe Mr. Colombo's extensive knowledge of the financial markets and the markets in which the Company serves well qualifies him to serve as CEO and President and serve on our Board.	
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 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 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 also 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. We believe that Mr. Foster's extensive experience in accounting and finance, his understanding of internal controls and procedures for financial reporting, his experience in heading other bank audit and asset/liability committees, and his in depth knowledge of complex accounting principles and audit procedures well qualifies him to serve on the Board and as the Audit Committee's financial expert.	70
Robert Heller Director	Dr. Heller has been a Director since 2005 and has served as a member of the Compensation Committee and the Bank's Wealth Management and Trust Services ("WMTS") Committee since 2006, serving as Chair of the WMTS Committee since 2008. Dr. Heller received his Ph.D. in Economics from the University of California at Berkeley. In	73

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Name and Relationship With Company	Position, Principal Occupation, Business Experience and Directorships	Age
	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 is now a Staff Commodore of The San Francisco Yacht Club. He has served as the Chairman of the Board of Marin General Hospital and on the boards of many educational and cultural institutions, including the World Affairs Council of Northern California, the Romberg Center for Environmental Studies of San Francisco State University and the Institute for International Education in San Francisco. We believe that Dr. Heller's experience as the president and chief executive officer of a large company, his leadership role with the Federal Reserve System, and his extensive financial expertise well qualifies him to serve on our Board.	
Norma J. Howard Director	Ms. Howard has been a Director since 1996, has served as a member of the Compensation Committee since 1999, chairing the Committee from 2002 to 2007, and as a member of the Audit Committee since 2012. 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 35 years. She has served on the boards of Birkenstock Footprint Sandals, Inc., American Red Cross, United Way of the Bay Area, California State Automobile Association, ACA Holdings Inc., a subsidiary of CSAA, and Canal Alliance. She has also served as president of the San Rafael Chamber of Commerce and on numerous other boards. We believe that Ms. Howard's high level of understanding of the Company and the Board's roles and responsibilities developed during her long tenure on the Company's Board of Directors as well as her executive leadership experience and her communications and public relations experience well qualifies her to serve on our Board.	63

Name and Relationship With Company	Position, Principal Occupation, Business Experience and Directorships	Age
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 since 1999, and served as Chair of the Committee from 2001 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 is active in community affairs and serves on several educational non-profit organization boards and committees. We believe that Mr. Lum's extensive experience in corporate development and finance, his knowledge of the Bank's credit, investment and risk management practices, as well as his executive leadership experience with a publicly held company qualifies him to serve on our Board.	61
William H. McDevitt, Jr. Director	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 and Trust 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 Construction Partners, Inc. He is also general partner of McDevitt Enterprises, LP and president of Sausalito Hotel Corp (Inn Above Tide). Mr. McDevitt also invests in and manages commercial real estate in Marin & Sonoma Counties. 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 on the Nominating and Workforce Development Committees of North Coast Builders Exchange and is a past President. He has previously been active in the Petaluma Boys & Girls Club, Carousel	60

Name and Relationship With Company	Position, Principal Occupation, Business Experience and Directorships	Age
	Fund and the United Way Southern Sonoma. We believe that Mr. McDevitt's strong business experience and relationships, his high level of understanding of the Board's roles and responsibilities based on his service on another bank board, and his extensive knowledge of the Company's market areas, well qualifies him to serve on our Board.	
Michaela K. Rodeno Director	Ms. Rodeno joined the Board of Directors in July 2012 and was appointed as a member of the Compensation Committee and the Bank's Wealth Management and Trust Services Committee in October 2012. Ms. Rodeno received a Bachelor of Arts degree in French and a master's degree in French Literature from the University of California, Davis, an MBA from the Haas School of Business, University of California, Berkeley, and attended Directors' College at Stanford University. Ms. Rodeno has had a successful career in the wine industry spanning over 40 years. In 1973, she began her career with Domaine Chandon in Yountville, CA, advancing to Vice President of Marketing. In 1988, she was named Chief Executive Officer of St. Supery Vineyards & Winery in Rutherford, CA. Ms. Rodeno retired from this position in 2009 and is currently owner of Villa Ragazzi, the Rodeno family's micro-winery business in Oakville, CA. She served as director of Silicon Valley Bank Financial Group (NASDAQ:SIVB) from 2001 to 2011 and Skalli Corporation from 1994 to 2010. Ms. Rodeno currently serves on the advisory boards of Round Pond Estate and Harmony Wines. She serves on the boards of Visit Napa Valley and Wine Market Council, and on the global advisory board of Women in Leadership. Ms. Rodeno is co-founder, emerita, of Women for WineSense and also a member of Women Corporate Directors. She is an Adjunct Professor at the University of San Francisco School of Business and serves as an advisor to ASTIA, a global community of business experts committed to accelerating the growth of women-led startups. Ms. Rodeno has received several honors, including the Hall of Fame of Haas School of Business, University of California, Berkeley in 2010. We believe that Ms. Rodeno's experience in the wine industry, her executive leadership experience, and her high level of understanding of the Board's roles and responsibilities based on her service on another bank board well qualifies her to serve on our Board.	66
Joel Sklar, MD Chairman of the Board	Dr. Sklar is Chairman of the Board of Bank of Marin and Bank of Marin Bancorp, having been appointed to the positions effective July 2007. He is a founding Director of Bank of Marin and has served on the Board since its inception	63

Name and Relationship With Company	Position, Principal Occupation, Business Experience and Directorships	Age
	in 1989. He has been a member of the Audit Committee since 1992 and served as Chair of the 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 currently the Chief Medical Officer at Marin General Hospital and a cardiologist with Cardiovascular Associates of Marin and San Francisco. He is a director of 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. We believe that Dr. Sklar’s high level of understanding of the Company and the Board’s roles and responsibilities developed during his long tenure on the Company’s Board of Directors as well as his extensive leadership experience in the Marin medical community well qualifies him to serve as Chairman of the Board.	
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. We believe that Mr. Sobel’s media relations experience and his extensive knowledge of the Company’s market area, particularly Sonoma County, well qualifies him to serve on our Board.	58
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	76

Name and Relationship With Company	Position, Principal Occupation, Business Experience and Directorships	Age
	consulting civil engineering firm of CSW/Stuber-Stroeh. He received his BS in Civil Engineering from the University of Nevada. Mr. Stoeh 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 County Flood Control Board, and Novato Building Code Enforcement. Mr. Stroeh is also active in other various community organizations. Mr. Stroeh is a native of Marin County and we believe that his extensive knowledge of the Company's market area and his leadership experience well qualifies him to serve on our Board.	
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 and Trust 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 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 Advisory Council,California State University, Fresno; Kristi Yamaguchi's Always Dream Foundation; and, U.S.-Japan Council. Ms. Yanehiro is also an Advisory Board member of the Professional Business Women's Conference and the Board Chair for Miss Representation.org. She has also served as a board member of the University of San Francisco Center for the Pacific Rim. We believe that Ms. Yanehiro's leadership and entrepreneurial experience as well as her media and marketing expertise well qualifies her to serve on our Board.	65

A 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 2012.

Name	Fees earned and paid in Cash ($)(1)	Stock Awards ($)(1)	Option Awards ($)	All Other Compensation	Total ($)
Thomas M. Foster	20,070	19,930	0	0	40,000
Robert Heller	24,070	19,930	0	0	44,000
Norma J. Howard	20,070	19,930	0	0	40,000
Stuart D. Lum	26,070	19,930	0	0	46,000
Joseph D. Martino	26,070	19,930	0	0	46,000
William H. McDevitt Jr.	20,070	19,930	0	0	40,000
Michaela K. Rodeno	10,036	9,964	0	0	20,000[(2)]
Joel Sklar, MD	39,070	19,930	0	0	59,000
Brian M. Sobel	24,070	19,930	0	0	44,000
J. Dietrich Stroeh	20,070	19,930	0	0	40,000
Jan I. Yanehiro	20,070	19,930	0	0	40,000

(1) During 2012, each member of the Board who is not also an officer or employee of the Company received a director fee of $40,000; approximately $20,000 in Company stock and approximately $20,000 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 2012 was paid in Company common stock having that market value at time of issue, with fractional shares being paid in cash. The Chairs of the Executive, Compensation, and the Bank's Wealth Management and Trust Services committees receive an additional annual cash payment of $4,000. The Chairs of the Audit and the Bank's Asset/Liability Management committees receive an additional annual cash payment of $6,000. 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. The stock portion of the fees was awarded from the 2010 Director Stock Plan.

(2) Reflects payment of director compensation based upon Director Rodeno's appointment to the Board as of July 2012.

CORPORATE GOVERNANCE

Director Independence

For the year 2012, each of the persons nominated for election as a director, except for Russell A. Colombo (the CEO and President of the Company) and William H. McDevitt, Jr. was “independent” within the meaning of Nasdaq’s listing rules.

Board Meetings and Committees

There were six (6) meetings of the Board of Directors of the Company during 2012. 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 2012 were as follows:

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

C = Chairman X = Committee Member

Members of the Board of Directors also participate in monthly Bank of Marin Board meetings and various committees of Bank of Marin. Directors McDevitt and Stroeh are members of various committees of the Bank.

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 five (5) times in 2012.

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. The Committee also considers each candidate's contribution to the diversity of the Board, including personal characteristics, education, experience and skills. While the Committee carefully considers diversity when evaluating director candidates, it has not adopted a formal diversity policy. 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 2013 Annual Meeting were recommended by the Board. The Committee met four (4) times in 2012.

The Compensation Committee, consisting of five (5) independent members as defined in the Nasdaq listing rules and Section 10C of the Securities Exchange Act of 1934, has primary responsibility for ensuring that compensation and benefits policies and programs for executive officers 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 ten (10) times in 2012.

The Audit Committee, consisting of six (6) 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 Audit and Compliance 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 2012.

The Executive, Compensation, Audit, and Nominating and Governance Committee charters are available on the Company's website at 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 2012 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 February 2012, the Board, at the recommendation of the Nominating and Governance Committee, approved a related party transaction between Bank of Marin and Terra Verde Property Management Corporation to outsource the oversight of facility maintenance for the Company. The annual contract provides for an assessment of all of the Company's facilities, oversight and analysis of expenses incurred, preventative maintenance and lease negotiations. The initial term of the agreement is three years with an initial base annual compensation of $72,000, with an annual increase of 3.0% per year on each anniversary of the effective date of the agreement. Kevin Colombo, son of President and CEO Russell A. Colombo, is 100% owner of Terra Verde Property Management Corporation. As CEO and President, Russell A. Colombo is not directly involved in facility management and the costs associated with the contract are covered in an annual budget that is approved by the Board of Directors. The Company obtained two other bids from reputable companies and both were determined to be more costly and did not provide the added value of handling lease negotiations. 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 2012 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 1360, 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 Company. 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 and the Bank. 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 Audit and Compliance 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.

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 and Commercial Banking Manager. At December 31, 2012, the incumbents to those offices were: Russell A. Colombo, Christina J. Cook, Peter Pelham, Kevin K. Coonan, and Elizabeth Reizman, respectively. Following is information regarding the executive officers except for Mr. Colombo, who is a director nominee and whose information has been previously presented.

Christina J. Cook, 47, 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-three 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, 64, 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-five 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, 56, 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 Executive Vice President and 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.

Elizabeth Reizman, 54, joined Bank of Marin in 1996 as Vice President and Commercial Lender in the Novato branch. In 2008 she was named Senior Vice President and Senior Lender in the Bank's credit management group. In 2009 she was named Senior Vice President and Commercial Banking Manager. She began her banking career in 1981 as a senior account administrator for Crocker Bank. In her fifteen year career prior to joining Bank of Marin, Ms. Reizman served as a commercial lender and as a senior credit examiner for Bank of California. Prior to her time with Bank of California, she served in Private Banking and as a business banking credit administrator for Hibernia Bank.

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 2012 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.

Executive Summary

The Compensation Committee (the "Committee") of the Board of Directors establishes and administers the compensation and benefit programs for Named Executive Officers, the persons identified in the Summary Compensation Table. The Committee consists entirely of independent directors. The Committee carefully considers the components of the executive compensation programs to attract and retain high quality Named Executive Officers and to incent the behavior of Named Executive Officers to create shareholder value. The Committee engages independent consultants from time to time and considers the compensation programs of peer financial institutions to ensure that the Company's compensation programs are competitive with market practices.

The Committee philosophy, practices and policies have been developed over a number of years and have not historically been subject to sweeping, material changes. In 2012, the Company included an advisory vote to approve executive compensation, providing shareholders with an opportunity to communicate their views on the Company's executive compensation program. The Company's executive compensation was approved by over 97% of the voting shareholders. The Committee considered the results of this vote in setting executive compensation for 2013 and concluded that the strong support of the Company's compensation program clearly indicates that shareholders concur with the Company's alignment of compensation and performance. At the 2011 Annual Meeting of Shareholders the shareholders held, by majority vote, for a one-year frequency of the non-binding, advisory vote on executive compensation. While the frequency vote was non-binding and there was only a 1% difference between the votes for one and three-year frequencies, the Board of Directors has made the decision to include the advisory vote to approve executive compensation each year.

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 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 undue short-term risk-taking. This is achieved by utilizing a combination of short-term cash incentives, paid annually, and long-term equity incentives, which vest over a five-year period. The Committee engages independent national human resources consulting firms to periodically conduct a review of the Company's total compensation programs. During these periodic reviews, each component of total compensation is compared against a regional peer group that is similar to the Company in asset size, geography and performance. (For details, see "Compensation Consultants" and "Peer Group Review" herein.)

The Committee's compensation philosophy is to target base salaries at or near the median (50th percentile) and target total compensation (including annual cash incentives, long-term equity incentives, and benefits) between the 50th and 75th percentiles of the regional peer group. The Company believes paying total compensation between the 50th and 75th percentile for above-average performance is critical for attracting and retaining the qualified executive it needs to achieve its business objectives. The Committee targets total cash compensation to be within 15% of the median for the peer group. Overall, compensation paid to Company executives is believed to be competitive with market practices.

Base compensation levels for Named Executive Officers are established based on the officer's roles and responsibilities and prior year compensation. Annual incentives, including performance-based bonuses and long term equity awards, are based on both Company 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 Chief Executive Officer

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 well as for other members of senior management who are not Named Executive Officers. 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 performance-based bonus amounts to be made to the Committee for its approval. The Named Executive Officer's performance-based bonus is determined by the Company's financial performance relative to that year's financial performance goal and individual performance goals. In addition, recommendations by the CEO and the Director of Human Resources for the grant of equity awards to Named Executive Officers under the Company's equity compensation plan are submitted to the Committee for approval.

Role of the Compensation Committee

The Committee has responsibility for establishing, implementing and continually monitoring adherence with the Company's compensation philosophy. The Committee ensures that the total compensation paid to Named Executive Officers 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 Committee is also responsible for the review and approval of Company goals and objectives relevant to the compensation, including the incentive awards, 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. The Committee also reviews compensation levels for the other Named Executive Officers, including the CEO's recommendations on annual bonus and salary increases for Named Executive Officers, and can modify a recommended amount in its discretion. Additionally, the Committee reviews and approves the grant of equity awards to assure that the Committee considers all elements of proposed compensation.

The Committee also periodically reviews the compensation levels of the Board of Directors. In its review, the 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 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 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 Committee recognizes the importance of perceived fairness both internally and externally of compensation practices. The 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 executives 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 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 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 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 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 executives has become more intense in the past few years. The Committee takes such market considerations into account to ensure that the Company is providing appropriate long-term equity incentives to enable it to continue to attract new 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 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 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. These specific performance targets provide guidance for a subjective view of general Company performance, which is then utilized as one element in determining overall compensation ranges.
- 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 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 Committee reviews each executive's base pay, bonus, and equity award compensation 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 2012 review, the Committee determined that these elements of compensation were reasonable in the aggregate.

Compensation Consultants

Amalfi Consulting, now McLagan Consulting ("McLagan"), a national human resources consulting firm, was engaged in 2009 to provide services as the Committee's independent compensation consultant. McLagen conducted a review of the Company's total compensation programs, which provided a guide for the Committee to set longer range compensation plans for Named Executive Officers. McLagan did not perform any other services for the Company and there are no known conflicts of interest between McLagan and its affiliates and the Company and its affiliates. McLagan reported directly to the Committee and did not provide services to, or on behalf of, any other part of the Company's business. Major services provided by McLagan 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 bonus compensation, long-term equity awards, and perquisites; (3) providing peer data analysis for director compensation; and (4) providing regulatory updates. McLagan did not provide any services to the Committee during 2012. However, the review and analysis performed in 2009 continued to be used in 2012 in setting executive compensation . Other than as described herein, the Committee did not give any specific direction to the compensation consultant about the peer group or the results reported.

Pearl Meyer & Partners ("Pearl Meyer"), a large independent compensation consulting firm, was engaged by the Committee in April 2012 to conduct a formal review of the Company's executive and director compensation. Pearl Meyer does not perform any other services for the Company and there are no known conflicts of interest between Pearl Meyer and its affiliates and the Company and its affiliates. Pearl Meyer reports directly to the Committee and does not provide services to, or on behalf of, any other part of the Company's business. The major services provided by Pearl Meyer in 2012 included: 1) review of the Company's current peer group, 2) recommendations to the Committee to refine the peer group considering the Company's classification as a top performing bank nationwide, 3) comprehensive review of the Company's executive compensation programs, and 4) comprehensive review of the Company's non-employee director compensation program. Pearl Meyer reviewed the Company's 2011 actual and 2012 target total direct compensation levels provided to the Company's Named Executive Officers and non-employee directors as well as the Company's financial performance relative to the selected peer group to make recommendations to the Committee in setting 2013 compensation. The analysis and review performed by Pearl Meyer in 2012 did not impact the 2012 executive and non-employee director compensation programs. Other than as described herein, the Committee 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 each compensation component for the Named Executive Officers and directors, the Committee considers the compensation practices of specific peer companies whose asset size, geography and performance are comparable to the Company. In setting 2012 compensation, the Committee evaluated executive compensation to like positions in the peer group designed in 2009 by McLagen as well as other banks with assets from $500 million to $2.1 billion located in California, Oregon and Washington.

The Committee approved the following specific peer group of 26 publicly-traded financial institutions in 2009:

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

Note: Some of the financial institutions in this peer group no longer exist.

As discussed above, the Committee engaged Pearl Meyer in 2012 to review the Company's peer group and make recommendations to the Committee to refine this group. The revised peer group is made up of banks in California, Oregon and Washington with total assets between $900M and $2.6B. Furthermore, the selected peer banks have Non-Performing Assets to Total Assets of less than 7% and do not participate in the Troubled Asset Relief Program.

Following is the specific peer group of 14 publicly-traded financial institutions approved by the Committee for use in 2013:

Bank of Commerce Holdings	North Valley Bancorp
Bridge Capital Holdings	Pacific Continental Corp
Farmers & Merchants Bancorp	Pacific Mercantile Bancorp
First California Financial Group, Inc.	Pacific Premier Bancorp, Inc.
FNB Bancorp	Trico Bancshares
Heritage Commerce Corp	Washington Banking Co
Heritage Financial Corp	West Coast Bancorp

The Committee evaluated executive compensation to like positions in this peer group in setting 2013 compensation. Based on this evaluation and Pearl Meyer's analysis of the Company's compensation programs relative to the peer group, the Committee approved the following changes to the executive compensation structure, which will be effective in 2013:

- Target executive base compensation at 90% of the 50^{th} percentile of the peer group. This change reflects a minor de-emphasis on base compensation with more focus on incentive opportunity.
- Maximum incentive opportunity is placed at 200% of the Target incentive for both short term and long term incentives. Previously, the Maximum incentive opportunity was at 150% of Target.

The Committee also evaluated non-employee director compensation in this peer group when setting 2013 director compensation. Based on this evaluation and Pearl Meyer's analysis of director compensation relative to the peer group, the Committee approved a $5,000 increase to the annual base retainer to bring director compensation to $45,000 per year, which is approximately equal to the 50^{th} percentile of the peer group. Pearl Meyer's analysis confirmed that the Company's current practice of delivering 50% of compensation in equity and 50% in cash meets with industry standards. Furthermore, the Committee reviewed the additional cash payments paid to the committee chairs relative to the peer group. Upon this review, the Committee approved a $1,000 increase to the Compensation Committee Chair to bring the additional cash payment for service as Chair of the Compensation Committee to $5,000.

Executive Compensation Components

For the fiscal year ended December 31, 2012, the principal components of compensation for Named Executive Officers were i) base salary, ii) performance-based bonuses, iii) equity awards and iv) perquisites and other plans and 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.

Performance-Based Bonus

The Company provides annual cash incentive award opportunities for eligible employees, through the use of the Annual Individual Incentive Compensation Plan (the "Incentive Plan"). The Incentive Plan allows for performance-based bonuses for Named Executive Officers that are based on the overall performance of the Company and on individual goals specific to the executive's area of responsibility.

Overall Company performance comprises at least 50% of the Named Executive Officers' bonus potential, with the remaining percentage based on achievement of individual goals. 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 performance-based bonus opportunity. 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 2012 the specific Company goals and relative weights of each metric were:

Category	Weight	2012 Goal	2012 Results
Net Income	30%	$15,600,000	$17,817,000
Efficiency Ratio	20%	56.36%	55.04%
Return on Equity	20%	10.95%	12.36%
Annual Deposit Growth	10%	$63,500,000	$50,317,000
Annual Loan Growth	20%	$84,100,000	$42,798,000

Individual employee goals, which determine the remaining percent bonus potential, are either qualitative or quantitative. Individual quantitative metrics may be used to give more weight to one of the five Company goals or may be used for a goal independent of the five Company metrics.

The Incentive Plan is prospective in design with the utilization of a defined payout formula that is based upon the achievement of a combination of pre-determined Company, department and/or individual performance criteria. The Incentive Plan further details provisions related to participation and eligibility, award opportunities at minimum, target and maximum performance measures and responsibilities for the administration of the plan. It also includes provisions for minimum performance for plan funding (plan gate) and a clawback policy. The Incentive Plan was filed as an exhibit to the Company's 8-K filed with the Securities and Exchange Commission on October 21, 2010. The plan gate provides that for the Incentive Plan to be funded and "activated" for a Plan Year, the Company must achieve a threshold performance level calculated as a percentage of the Company's budgeted net income. The clawback provision provides that if financial results are significantly restated due to negligence, fraud or intentional misconduct, there may be recoupment of the amounts paid in excess of amounts otherwise earned.

Equity Awards

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.

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 awards. The Committee considers the attributes of each form of equity award when determining equity compensation; including the ability to align management with the long-term interests of shareholders, the immediate value versus appreciation opportunity of each form as well as the tax consequences of each type of award. For 2012, Named Executive Officers with the title of Executive Vice President and above were granted a blend of 50% Incentive Stock Options and 50% Restricted Stock and those with the title of Senior Vice President were granted a blend of 40% Incentive Stock Options and 60% Restricted Stock (based on expense) of total equity compensation.

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 Plans and 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 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, and an Employee Stock Purchase Plan (the "ESPP"). The Company also offers key management, including the Named Executive Officers, a monthly auto allowance that is based on position and his/her contact with clients.

Employee Stock Ownership Plan

The Company also provides an Employee Stock Ownership Plan (the "ESOP"). Annually, the Company may make discretionary contributions of shares of common stock to the ESOP. 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 cash compensation. Executives receive the same percentage as all other employees, up to the IRS limits.

Deferred Compensation Plan

The Company 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.

Supplemental Executive Retirement Plan

The Company also sponsors the Bank of Marin Supplemental Executive Retirement Plan. This plan allows employees with the title of Executive Vice President and above, to receive a supplemental income at retirement. This specified benefit is provided to some but not all of the Named Executive Officers, who contribute materially to the continued growth, development and future business success of the Company. As this type of plan is commonly offered among the Company’s peers, the inclusion of this benefit enhances the Company’s compensation program allowing the Company to recruit, retain and reward key decision makers of the Company. See “Supplemental Retirement Plan for Executive Officers” herein for more information on this plan.

Change in Control Agreements

The Company provides Named Executive Officers and other senior 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. See “Potential Payments Upon Termination or Change in Control” herein for 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 2012.

Compensation Risk Assessment

In determining the level of risk arising from the Company’s compensation policies and practices, a thorough review and risk assessment evaluation of the Company’s compensation plans for all employees as well as the overall compensation philosophy was conducted. The Committee evaluated the form and mix of compensation, controls and process, and the Company’s business strategies. The Committee has concluded that the Company’s compensation arrangements do not encourage employees to take unnecessary and excessive risks.

Compensation Committee Interlocks and Insider Participation

During 2012, the Compensation Committee was comprised of Messrs. Sobel (chair), Foster and Heller, Ms. Howard, and Ms. Rodeno. Each member of the committee is considered independent and none of the members are or have been officers of the Company, nor does any member have any relationship with the Company that would require disclosure under Item 404 of Regulations S-K concerning related party transactions.

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, 2012.

Submitted by the Compensation Committee of the Board:

Brian M. Sobel, Chair
Thomas M. Foster
Robert Heller
Norma J. Howard
Michaela K. Rodeno

Summary Compensation Table

The following table sets forth summary compensation information for the president and chief executive officer, chief financial officer and each of the other three most highly compensated Named 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 ($)(1)	Stock Awards ($)(1)	Other ($)(2)	Total ($)
Russell A. Colombo	2012	318,270	200,000	67,758	66,815	156,398	809,241
President & CEO	2011	309,000	231,750	49,321	45,600	115,022	750,693
	2010	300,000	175,000	44,370	39,720	76,555	635,645
Christina J. Cook	2012	191,860	80,000	26,023	26,726	51,199	375,808
EVP & CFO	2011	186,272	90,000	18,925	18,050	28,408	341,655
	2010	180,846	66,000	17,255	16,550	24,503	305,154
Kevin K. Coonan	2012	186,272	80,000	26,023	26,726	103,956	422,977
EVP & CCO	2011	180,847	100,000	18,925	18,050	100,410	418,232
	2010	175,579	70,000	17,255	16,550	26,682	306,066
Peter Pelham	2012	185,147	80,000	26,023	26,726	75,112	393,008
EVP & Director of Retail	2011	179,754	90,000	18,925	18,050	44,215	350,944
Banking	2010	174,518	65,000	17,255	16,550	35,506	308,829
Elizabeth Reizman	2012	159,650	65,000	10,802	17,181	27,828	280,461
SVP & Commercial Banking	2011	155,000	75,000	8,029	11,400	22,628	272,057
Manager	2010	145,000	40,000	6,902	9,102	20,048	221,052

(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 2012 are presented following the table "Grants of Plan Based Awards."

(2) The "Other" column includes perquisites and personal benefits, such as car allowances, provided to the Named Executive Officers. 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 annual country club membership dues of $8,566. The "Other" column also includes matching contributions to the 401(k) Plan, profit sharing contributions to the Employee Stock Ownership Plan, imputed income on life insurance paid by the Company, imputed income on long term care insurance paid by the Company, dividends paid on unvested restricted stock, interest paid on the Deferred Compensation Plan, and the prorated account value increase attributable to the Supplemental Executive Retirement Plan.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes information as of December 31, 2012 with respect to equity compensation plans. All plans have been approved by the shareholders.

	(A) Shares to be issued upon exercise of outstanding options	(B) Weighted average exercise price of outstanding options	(C) Shares available for future issuance
Equity compensation plans approved by shareholders	307,143 (1)	$31.73	431,000 (2)

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

(2) Represents shares of common stock available for future issuance under the 2007 Equity Plan, including both options and restricted stock awards, and the 2010 Director Stock Plan, excluding the shares in Column A.

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 the Company in 2007 through our holding company reorganization. The 1999 Plan was replaced by the 2007 Equity Plan (the "2007 Plan"), which was adopted by the Board of Directors and approved by the shareholders in 2007. No options have been granted from the 1999 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, 2012.

Grants of Plan-Based Awards

Name	Grant Date	Stock Awards: Number of Shares of Stock (#)	Option Awards: Securities Underlying Options (#)	Exercise Price of Option Awards ($)	Grant Date Fair Value of Stock and Option Awards ($)(1)
Russell A. Colombo	4/02/2012	—	6,900	38.18	67,758
	4/02/2012	1,750	—	—	66,815
Christina J. Cook	4/02/2012	—	2,650	38.18	26,023
	4/02/2012	700	—	—	26,726
Kevin K. Coonan	4/02/2012	—	2,650	38.18	26,023
	4/02/2012	700	—	—	26,726
Peter Pelham	4/02/2012	—	2,650	38.18	26,023
	4/02/2012	700	—	—	26,726
Elizabeth Reizman	4/02/2012	—	1,100	38.18	10,802
	4/02/2012	450	—	—	17,181

(1) The Black-Scholes pricing model was used to derive the fair value of the option awards. The per share option value of $9.82 was derived for awards granted on April 2, 2012 using the assumptions of 1.60% for risk-free rate of return, 1.78% for dividend yield, 28.70% for volatility and 7.0 years for expected life. The grant-date fair value of the restricted stock awards was $38.18, which was the intrinsic value, or stock price, on the grant date.

Outstanding Equity Awards at Fiscal Year End December 31, 2012

	Option Awards				Stock Awards		
Name	Securities Underlying Exercisable Options (#)	Securities Underlying Unexercisable Options (#)	Option Exercise Price ($)	Option Expiration Date	Grant Date	Number of Shares of Stock Not Vested (#)(2)	Market Value of Shares of Stock Not Vested ($)(3)
Russell A. Colombo	24,807	0	26.0923	3/23/2014	5/01/2008	250	9,365
	6,615	0	33.3333	4/01/2015	4/01/2009	920	34,463
	7,500	0	34.5000	5/01/2016	4/01/2010	720	26,971
	10,000	0	33.2000	7/13/2016	4/01/2011	960	35,961
	6,000	0	35.1800	5/01/2017	4/02/2012	1,750	65,555
	4,640	1,160 (1)	28.7500	5/01/2018	—	—	—
	4,004	4,000 (1)	22.2500	4/01/2019	—	—	—
	1,800	2,700 (1)	33.1000	4/01/2020	—	—	—
	860	3,440 (1)	38.0000	4/01/2021	—	—	—
	0	6,900 (1)	38.1800	4/02/2022	—	—	—
Christina J. Cook	385	0	34.5000	5/01/2016	5/01/2008	100	3,746
	3,000	0	35.1800	5/01/2017	4/01/2009	360	13,485
	0	460 (1)	28.7500	5/01/2018	4/01/2010	300	11,238
	0	1,600 (1)	22.2500	4/01/2019	4/01/2011	380	14,234
	700	1,050 (1)	33.1000	4/01/2020	4/02/2012	700	26,222
	330	1,320 (1)	38.0000	4/01/2021	—	—	—
	0	2,650 (1)	38.1800	4/02/2022	—	—	—
Kevin K. Coonan	10,500	0	32.2381	12/13/2015	5/01/2008	100	3,746
	4,000	0	35.1800	5/01/2017	4/01/2009	360	13,485
	1,840	460 (1)	28.7500	5/01/2018	4/01/2010	300	11,238
	2,400	1,600 (1)	22.2500	4/01/2019	4/01/2011	380	14,234
	700	1,050 (1)	33.1000	4/01/2020	4/02/2012	700	26,222
	330	1,320 (1)	38.0000	4/01/2021	—	—	—
	0	2,650 (1)	38.1800	4/02/2022	—	—	—

Peter Pelham	1,654	0	25.3848	4/01/2014	5/01/2008	100	3,746
	5,000	0	34.5000	5/01/2016	4/01/2009	360	13,485
	4,000	0	35.1800	5/01/2017	4/01/2010	300	11,238
	1,840	460 (1)	28.7500	5/01/2018	4/01/2011	380	14,234
	2,400	1,600 (1)	22.2500	4/01/2019	4/02/2012	700	26,222
	700	1,050 (1)	33.1000	4/01/2020	—	—	—
	330	1,320 (1)	38.0000	4/01/2021	—	—	—
	0	2,650 (1)	38.1800	4/02/2022	—	—	—
Elizabeth Reizman	2,481	0	25.3848	4/01/2014	5/01/2008	50	1,873
	2,756	0	33.3333	4/01/2015	4/01/2009	200	7,492
	2,000	0	34.5000	5/01/2016	4/01/2010	165	6,180
	1,500	0	35.1800	5/01/2017	4/01/2011	240	8,990
	320	80 (1)	28.7500	5/01/2018	4/02/2012	450	16,857
	420	280 (1)	22.2500	4/01/2019	—	—	—
	280	420 (1)	33.1000	4/01/2020	—	—	—
	140	560 (1)	38.0000	4/01/2021	—	—	—
	0	1,100 (1)	38.1800	4/02/2022	—	—	—

(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 was determined by multiplying the closing market price of the Company's Common stock on December 31, 2012 ($37.46) by the number of restricted shares.

Option Exercises and Stock Vested

Name	Option Awards Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($) (1)	Stock Awards Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($) (2)
Russell A. Colombo	—	—	250	9,272
	—	—	460	17,562
	—	—	240	9,163
	—	—	240	9,163
Christina J. Cook	460	4,259	100	3,709
	800	12,608	180	6,872
	1,425	12,791	100	3,818
	3,973	35,664	95	3,627
	115	1,169	—	—
	598	5,382	—	—
	517	4,653	—	—
Kevin K. Coonan	—	—	100	3,709
	—	—	180	6,872
	—	—	100	3,818
	—	—	95	3,627
Peter Pelham	1,735	41,757	100	3,709
	1,737	32,287	180	6,872
	—	—	100	3,818
	—	—	95	3,627
Elizabeth Reizman	2,735	61,832	50	1,854
	1,737	32,322	100	3,818
	—	—	55	2,099
	—	—	60	2,290

(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.

Supplemental Executive Retirement Plan

The Company has established a Supplemental Executive Retirement Plan (the "SERP" or the "Plan") covering officers of the Company with the title of Executive Vice President and above. The SERP is an unsecured non-qualified defined benefit plan that is unfunded and has no plan assets. Under the Plan, the participants' benefit payment is valued at 25% of his or her final salary. Most participants will be required to participate in the Plan for five years before vesting begins and after five years, the participant will vest ratable in the benefit over the remaining period until age 65. The payout duration for eligible employees will be a minimum of five years and a maximum of 15 years and each benefit contract is set up to provide one year of benefit payout per year of participation in the plan subject to the minimum and maximum durations.

See "Potential Payments upon Termination or Change of Control" herein for a description of the events that will result in payout of the benefit payment and the terms for each event under this Plan.

The following table shows the present value of the accumulated benefit payable to each of the executive officers that participate in the SERP as of December 31, 2012:

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ($)(1)	Payments During Last Fiscal Year ($)
Russell A. Colombo	Bank of Marin SERP	2	110,016	—
Christina J. Cook	Bank of Marin SERP	2	26,247	—
Kevin K. Coonan	Bank of Marin SERP	2	146,175	—
Peter Pelham	Bank of Marin SERP	2	43,456	—

(1) The accumulated benefit obligation is determined by discounting the expected present value of the retirement payments at normal retirement age using a 6.00% discount rate, which is appropriate under generally accepted accounting principles.

Nonqualified Deferred Compensation for 2012

The Nonqualified Deferred Compensation 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.

The following table sets for the plan contributions and earnings during 2012 and the aggregate balances at December 31, 2012:

Name	Executive Contributions in Last FY ($)(1)	Registrants Contributions in Last FY ($)	Aggregate Earnings in Last FY ($)(1)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)(2)
Russell A. Colombo	16,298	—	35,210	—	1,111,023
Christina J. Cook	—	—	—	—	—
Kevin K. Coonan	—	—	—	—	—
Peter Pelham	—	—	7,262	—	227,388
Elizabeth Reizman	5,000	—	2,882	—	91,054

(1) These amounts reflect a portion of each executive's 2012 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

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;
- 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.

Stock Options and Restricted Stock Awards

In the event of a change in control, unvested options and restricted stock awards immediately vest.

Supplemental Executive Retirement Plan

A participant whose employment terminates due to a change in control will receive 100% of the benefit that the Company has accrued to that point. This accrued benefit will be paid out in a one-time payment.

Other Payments and Benefits

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; Other Named Executive SVP 1.00 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.

Estimated Total Benefits

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 2012, and the price per share of the Company's common stock is the closing market price as of that date (which was $37.46).

Named Executive	Value of Salary Component ($)	Value of Bonus Component ($)	Value of Benefits COBRA ($)	Value of Supplemental Retirement Benefit ($)	Incremental Market Value of Accelerated Restricted Stock Awards (1)($)	Incremental Market Value of Accelerated Stock Option Awards (2)($)
Russell A. Colombo	695,453	231,750	23,515	136,435	172,316	294,435
Christina J. Cook	279,489	90,000	38,831	46,008	68,926	116,500
Kevin K. Coonan	271,349	100,000	26,952	143,078	68,926	116,500
Peter Pelham	269,710	90,000	12,519	67,793	68,926	116,500
Elizabeth Reizman	153,217	75,000	38,831	—	41,393	29,218

(1) Includes unvested restricted stock awards as of December 31, 2012.

(2) Includes unvested, in-the-money stock option awards as of December 31, 2012.

Termination

Unvested options and restricted stock awards will be cancelled. 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. A participant who has participated in the SERP for five or more years will receive the portion of his or her supplemental retirement benefit that is vested. The benefit payment will be paid monthly, commencing on the first day of the month following the normal retirement age of 65 and will be distributed subject to the minimum and maximum durations noted above. A participant who has participated in the SERP for less than five years will receive no retirement benefit under this Plan.

Retirement

Unvested options and restricted stock awards will be cancelled. 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. The executive whose employment terminates after the normal retirement age of 65 will receive 100% of his or her supplemental retirement benefit, payable monthly. The annual benefit payment will be equal to 25% of his or her final salary and will be distributed subject to the minimum and maximum durations noted above.

Disability

Unvested options and restricted stock awards will be cancelled. Vested options shall remain exercisable upon the earlier of (a) expiration of the the 12-month period commencing with the date of such cessation of employment status or (b) the expiration date of the option term.

Deferred compensation account balances will be distributed six months after separation, following executive's distribution elections. The executive will receive 100% of the supplemental retirement benefit that the Company has accrued to that point. Payments will begin immediately and will be paid monthly for the same duration as the normal retirement benefit was to be paid.

Death

Unvested options and restricted stock awards will be cancelled. 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. If the executive is employed by the Company at the time of his or her death, the beneficiary of the executive will be paid the value of the executive's projected supplemental retirement account balance at the normal retirement age. The balance will be paid to the beneficiary in a one-time payment. The Company has an appropriate amount of life insurance in force on the life of each participant to properly fund for this contingency.

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 1st 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 January 1, 2013 the base salary was $357,300 The agreement also provides the potential to earn an annual incentive payment of up to seventy-five percent (75%)(1)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 $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.

(1) The Compensation Committee has approved the potential to earn an annual incentive payment of up to 100% of executive's salary, subject to modification of the agreement.

Employee Stock Ownership Plan and 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 90 days of employment. 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 2012 and 2011 the Company made matching contributions of $431 thousand and $366 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 90 days of employment. 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 $1,100 thousand in 2012 and $1,115 thousand in 2011 were used to purchase shares of Company stock for the ESOP.

Incentive Plan Bonus

Bank of Marin has incentive bonus programs for the Bank's executive officers, and for the non-executive officers and staff pursuant to the Bank of Marin Individual Incentive Plan (discussed elsewhere herein). 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 2012 the Bank expensed $1,984,372 for these programs, and bonus payments were made in the first quarter of 2013.

SECURITY OWNERSHIP AND REPORTING

Security Ownership of Certain Beneficial Owners and Management

As of February 5, 2013 and based upon filings with the Securities and Exchange Commission, The Banc Funds Co. LLC reported holding 485,030 shares, which represented 9.00% of the Company's shares then outstanding. As of December 31, 2012 and based upon filings with the Securities and Exchange Commission, BlackRock Fund Advisors reported holding 341,593 shares, which represented 6.34% of the Company's shares then outstanding. As of March 18, 2013, the Bank of Marin Employee Stock Ownership Plan reported holding 297,866 shares, which represented 5.48% of the Company's shares then outstanding. The foregoing were the only three 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 18, 2013, the number of shares of the Company's common stock which may be deemed to be beneficially owned by (i) each of the current 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.

	Amount and Nature of Beneficial Ownership					
Name and Address*	Sole Voting & Investment Power	Shared Voting & Investment Power	Option to acquire within sixty days of March 18, 2013	Total	Percent of Common Stock	
Russell A. Colombo	11,674	5,498 (1)	61,172	78,344	1.44	%
Thomas M. Foster	0	4,020 (2)	6,030	10,050	0.19	%
Robert Heller	1,213	4,825 (2)	10,051	16,089	0.30	%
Norma J. Howard	0	13,951 (2)	0	13,951	0.26	%
Stuart D. Lum	0	25,021 (2)	0	25,021	0.46	%
Joseph D. Martino	0	15,662 (2)	0	15,662	0.29	%
William H. McDevitt, Jr.	3,150 (3)	862 (4)	10,051	14,063	0.26	%
Michaela K. Rodeno	0	259 (4)	0	259	0.00	%
Joel Sklar, MD	0	54,408 (2)	0	54,408	1.00	%
Brian M. Sobel	8,547	0	0	8,547	0.16	%
J. Dietrich Stroeh	15,385	0	0	15,385	0.28	%
Jan I. Yanehiro	4,242	0	0	4,242	0.08	%
Christina J. Cook	3,227 (5)	4,711 (1)	6,885	14,823	0.27	%
Kevin K. Coonan	7,860	3,766 (1)	2,800	14,426	0.27	%
Peter Pelham	4,869 (6)	8,143 (7)	18,394	31,406	0.58	%
Elizabeth Reizman	1,775	27,147 (8)	10,617	39,539	0.73	%
All directors and executive officers as a group (16 persons)				356,215	6.56	%

* 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) Includes shares held in Mr. McDevitt's IRA.

(4) Shares held in community property as to which the beneficial owner is co-owner with shared voting and investment power.

(5) Includes 151 shares held under the California Uniform Gift to Minors Act for which Ms. Cook is custodian.
(6) Includes 29 shares held under the California Uniform Gift to Minors Act for which Mr. Pelham is custodian.
(7) Includes 6,624 shares held in Employee Stock Ownership Plan and 1,519 shares held in the Company's 401(k) Plan.
(8) Includes 6,750 held in Employee Stock Ownership Plan, 365 shares held in the Company's 401(k) Plan, and 20,030 shares held in a trust as to which Ms. Reizman is co-trustee with shared voting and investment power.

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, 2012, all Section 16(a) filing requirements applicable to its directors, officers, and 10% shareholders have been met on a timely basis.

PROPOSAL NUMBER 2: ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

The Company seeks a non-binding advisory vote from shareholders to approve the compensation of the Named Executive Officers, as described in detail under the Executive Compensation section of this proxy statement.

As discussed in the Compensation Discussion and Analysis, 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 specific annual, long-term and strategic goals. The Company believes that this philosophy aligns the interests of executive officers with those of the shareholders by rewarding performance above established goals.

The Company's compensation programs are designed to attract and retain high quality executive officers that are critical to long term success. There are four components to the compensation of Named Executive Officers:

- Base salary, which is established based on market data and adjusted on individual performance and experience.
- Performance-based incentives, which are based on the overall performance of the Company and on individual goals specific to the executive's area of responsibility.
- Equity incentives, which allow the executives to share in the growth and prosperity of the Company.
- Perquisites and other benefits that management believes are reasonable and consistent with the Company's overall compensation program and will keep the Company competitive in the marketplace.

This proposal gives you as a shareholder of the Company the opportunity to approve on a non-binding advisory basis the Company's overall executive compensation of the Named Executive Officers as disclosed in this proxy statement. Accordingly, you may vote on the following resolution:

RESOLVED, that the shareholders approve the compensation of the Company's Named Executive Officers as disclosed in this proxy statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission (which includes the Compensation Discussion and Analysis, the compensation tables and related narrative discussion).

The Board of Directors and the Compensation Committee value the opinions of shareholders and will take into account the outcome of the vote when considering future executive compensation arrangements.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE APPROVAL, ON AN ADVISORY BASIS, OF THE EXECUTIVE OFFICER COMPENSATION AS DESCRIBED IN THE COMPENSATION DISCUSSION AND ANALYSIS AND THE ACCOMPANYING COMPENSATION TABLES CONTAINED IN THE PROXY STATEMENT.

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 2013 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, 2012, 2011 and 2010 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 2011 and 2012. 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 2012 and 2011 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 $292,539 and $264,241, respectively.

Audit-Related Fees

There were no audit-related fees in 2012 and 2011.

Tax Fees

The Company does not engage Moss Adams LLP to perform tax-related services.

All Other Fees

There were no other fees in 2012 and 2011.

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 shares represented at the Annual Meeting is required to ratify the selection of Moss Adams LLP.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS
A VOTE "FOR" THE RATIFICATION OF THE INDEPENDENT AUDITORS.

AUDIT COMMITTEE REPORT

The Audit Committee currently consists of six (6) 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. 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, 2012 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. 16, , 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 applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence 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, 2012 audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Submitted by the Audit Committee of the Board:

Stuart D. Lum, ChairThomas M. Foster
Norma J. Howard
Joseph D. Martino
Joel Sklar, MD
Jan I. Yanehiro

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 2014 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 13, 2013.

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 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 2012 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. 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 11, 2013