



OLD LINE BANCSHARES

March 3, 2009

Neil M. Barofsky
Special Inspector General
Office Of The Special Inspector General
Troubled Asset Relief Program
Suite 1064
1500 Pennsylvania, N.W.
Washington, D.C. 20220

Dear Mr. Barofsky:

I am providing this response to your letter dated February 6, 2009 requesting information concerning Old Line Bancshares, Inc.'s use of TARP funds and our compliance with EESA's executive compensation requirements. On December 5, 2008, Old Line Bancshares, Inc. received a \$7 million investment from the U.S. Treasury. As outlined in our press release dated December 5, 2008, we understood that the Treasury had designed the program to provide additional capital to "healthy" institutions and we planned to use this capital to support our continued lending activities in the suburban Maryland market. Upon receipt of the funds, Old Line Bancshares, Inc. transferred \$7 million to its subsidiary Old Line Bank. Prior to receipt of the funds, Old Line Bank was considered "well capitalized" by all regulatory standards and remains "well capitalized" today with or without the \$7 million investment.

Since December 5, 2008, we have funded \$19.5 million in new or refinanced loans. During January and February of 2009, Old Line Bank's net loan growth was \$7.7 million compared to \$1.2 million during the entire 1st quarter of 2008. We provided these loans to consumers and small businesses located in the suburban Maryland market. Enclosed is a report of the date of funding and funded amount that supports this information. In order to ensure that the Treasury investment did not detrimentally impact our common stock shareholders, our goal at receipt of the investment, was to quickly deploy these funds into higher yielding loans while maintaining the same solid asset quality that we had historically experienced. We did not maintain the funds in a separate account.

In order to comply with the executive compensation requirements associated with the funding, on December 21, 2008, Old Line Bank's Compensation Committee and its Internal Auditor (Chief Risk Officer) met and reviewed EESA's executive compensation requirements and Old Line Bank's executive compensation plans. During this review, the Compensation Committee and its Internal Auditor determined that Old Line Bank's compensation plans met the requirements of EESA. We have provided our Certifications to the U.S. Treasury.

Our Compensation Committee uses an Incentive Plan Model and Stock Option Model to authorize cash and equity compensation bonuses to executive officers. These models provide the Compensation Committee with guidelines for determining discretionary bonus. The Compensation Committee designed the incentive structure to reward achievement based on Old Line Bank's return on assets, return on equity and earnings per share, and to discourage achievement of one metric at the expense of others. Because Old Line Bank retains approximately 99% of the loans that it originates, any excessive loan risk in our portfolio would adversely impact these factors. The maximum incentive award to any executive officer is 25% of base salary. For the year ended December 31, 2008, net income increased \$173,009 or 10.93% to \$1,756,118 from \$1,583,109. We ended the year with one non-accrual loan and no other loans 30 days or more past due. As a result, we compensated our executive officers accordingly.

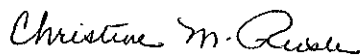
No one executive officer's compensation is greater than \$500,000 and we believe that our existing salary structure complies with the limitations outlined in EESA. Our Internal Auditor will meet with our Compensation Committee annually to ensure compliance with the EESA executive compensation requirements.

Although we believe that we have complied with the requirements and expectations of EESA, we are currently evaluating the recent amendments to EESA as to whether repayment is appropriate to Old Line Bancshares, Inc.

As a duly authorized officer, the undersigned hereby acknowledges and certifies that, to the best of her knowledge, the statements, representations and supporting information provided herein, are accurate in all material respects, subject to the requirements and penalties set forth in Title 18, Unites States Code, Section 1001.

If you have any questions, please do not hesitate to call me at (b) (6)

Sincerely,



Christine M. Rush
Executive Vice President &
Chief Financial Officer

Old Line Bank
New Loans
12/5/08 - 02/28/09

Date of Loan	Funded Amount
12/8/2008	325,000
12/12/2008	20,385
12/18/2008	239,921
12/19/2008	17,373
12/19/2008	381,280
12/22/2008	22,650
12/23/2008	25,000
12/26/2008	29,199
12/30/2008	194,381
12/30/2008	50,000
12/31/2008	9,935
1/6/2009	11,000
1/7/2009	2,176
1/7/2009	139,876
1/12/2009	118,723
1/24/2009	1,614
1/27/2009	249,246
1/29/2009	448,199
1/29/2009	10,853
1/31/2009	4,505,168
2/2/2009	100,000
2/13/2009	94,726
2/13/2009	220,000
2/18/2009	4,775,788
2/19/2009	500,000
2/20/2009	79,395
2/24/2009	168,000
2/24/2009	154,800
2/24/2009	4,403,042
2/24/2009	1,954,000
2/26/2009	<u>1,201,000</u>
Total loans originated	20,452,739
Participated Out	(900,000)
TOTAL OLBK	19,552,739