

SMART ONLINE INC  
Form 3  
July 26, 2005

**FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0104  
Expires: January 31, 2005  
Estimated average burden hours per response... 0.5

**INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,  
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section  
30(h) of the Investment Company Act of 1940

(Print or Type Responses)

|                                           |         |                                                                                                                                                                                             |                                                    |                                                                                                                                                 |
|-------------------------------------------|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Name and Address of Reporting Person * |         | 2. Date of Event Requiring Statement                                                                                                                                                        | 3. Issuer Name <b>and</b> Ticker or Trading Symbol |                                                                                                                                                 |
| Â McGrath Gary E                          |         | (Month/Day/Year)                                                                                                                                                                            | SMART ONLINE INC [SOLN]                            |                                                                                                                                                 |
| (Last)                                    | (First) | (Middle)                                                                                                                                                                                    | 07/22/2005                                         |                                                                                                                                                 |
| 2530 MERIDIAN PARKWAY                     |         | 4. Relationship of Reporting Person(s) to Issuer                                                                                                                                            |                                                    | 5. If Amendment, Date Original Filed(Month/Day/Year)                                                                                            |
| (Street)                                  |         | (Check all applicable)                                                                                                                                                                      |                                                    | 6. Individual or Joint/Group Filing(Check Applicable Line)                                                                                      |
| DURHAM,Â NCÂ 27713                        |         | <input type="checkbox"/> Director <input type="checkbox"/> 10% Owner<br><input checked="" type="checkbox"/> Officer <input type="checkbox"/> Other<br>(give title below)    (specify below) |                                                    | <input checked="" type="checkbox"/> Form filed by One Reporting Person<br><input type="checkbox"/> Form filed by More than One Reporting Person |
| (City)                                    | (State) | (Zip)                                                                                                                                                                                       | Vice President                                     |                                                                                                                                                 |

**Table I - Non-Derivative Securities Beneficially Owned**

|                                    |                                                          |                                                                   |                                                          |
|------------------------------------|----------------------------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------|
| 1. Title of Security<br>(Instr. 4) | 2. Amount of Securities Beneficially Owned<br>(Instr. 4) | 3. Ownership Form:<br>Direct (D)<br>or Indirect (I)<br>(Instr. 5) | 4. Nature of Indirect Beneficial Ownership<br>(Instr. 5) |
|------------------------------------|----------------------------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------|

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

**Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

|                                               |                                                             |                                                                                |                                                        |                                                                                          |                                                          |
|-----------------------------------------------|-------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------|------------------------------------------------------------------------------------------|----------------------------------------------------------|
| 1. Title of Derivative Security<br>(Instr. 4) | 2. Date Exercisable and Expiration Date<br>(Month/Day/Year) | 3. Title and Amount of Securities Underlying Derivative Security<br>(Instr. 4) | 4. Conversion or Exercise Price of Derivative Security | 5. Ownership Form of Derivative Security:<br>Direct (D)<br>or Indirect (I)<br>(Instr. 5) | 6. Nature of Indirect Beneficial Ownership<br>(Instr. 5) |
|                                               | Date Exercisable    Expiration Date                         | Title    Amount or Number of Shares                                            |                                                        |                                                                                          |                                                          |

|              |            |            |                 |         |         |   |   |
|--------------|------------|------------|-----------------|---------|---------|---|---|
| Stock Option | 07/22/2006 | 07/22/2015 | Common<br>Stock | 150,000 | \$ 8.55 | D | Â |
|--------------|------------|------------|-----------------|---------|---------|---|---|

## Reporting Owners

| Reporting Owner Name / Address                              | Relationships |           |                  |       |
|-------------------------------------------------------------|---------------|-----------|------------------|-------|
|                                                             | Director      | 10% Owner | Officer          | Other |
| McGrath Gary E<br>2530 MERIDIAN PARKWAY<br>DURHAM, NC 27713 | Â             | Â         | Â Vice President | Â     |

## Signatures

|                    |            |
|--------------------|------------|
| Gary E.<br>McGrath | 07/26/2005 |
|--------------------|------------|

|                                    |      |
|------------------------------------|------|
| **Signature of<br>Reporting Person | Date |
|------------------------------------|------|

## Explanation of Responses:

\* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.