

SMART ONLINE INC

Form 3

July 26, 2005

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

OMB APPROVAL

OMB
Number: 3235-0104Expires: January 31,
2005Estimated 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 *

McGrath Gary E

(Last)

(First)

(Middle)

2530 MERIDIAN PARKWAY

(Street)

DURHAM, NC 27713

(City)

(State)

(Zip)

2. Date of Event Requiring
Statement

(Month/Day/Year)

07/22/2005

3. Issuer Name and Ticker or Trading Symbol
SMART ONLINE INC [SOLN]4. Relationship of Reporting
Person(s) to Issuer

(Check all applicable)

____ Director ____ 10% Owner
☒ Officer ____ Other
 (give title below) (specify below)

Vice President

5. If Amendment, Date Original
Filed(Month/Day/Year)

6. Individual or Joint/Group

Filing(Check Applicable Line)

☒ Form filed by One Reporting
Person☐ Form filed by More than One
Reporting Person**Table I - Non-Derivative Securities Beneficially Owned**1. Title of Security
(Instr. 4)2. Amount of Securities
Beneficially Owned
(Instr. 4)3. Ownership
Form:
Direct (D)
or Indirect
(I)
(Instr. 5)4. Nature of Indirect Beneficial
Ownership
(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
(Instr. 4)2. Date Exercisable and
Expiration Date
(Month/Day/Year)Date
ExercisableExpiration
Date3. Title and Amount of
Securities Underlying
Derivative Security
(Instr. 4)

Title

Amount or
Number of
Shares4. Conversion
or Exercise
Price of
Derivative
Security5. Ownership
Form of
Derivative
Security:
Direct (D)
or Indirect
(I)
(Instr. 5)6. Nature of Indirect
Beneficial
Ownership
(Instr. 5)

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Stock Option	07/22/2006	07/22/2015	Common Stock	150,000	\$ 8.55	D	Â
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Reporting Owners

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

Signatures

Gary E. McGrath	07/26/2005
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**Signature of Reporting Person	Date
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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.