

Donaghy Brian Patrick
 Form 4
 September 10, 2007

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN 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 *
 Donaghy Brian Patrick

(Last) (First) (Middle)

2530 MERIDIAN PARKWAY, 2ND FLOOR

(Street)

DURHAM, NC 27713

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
 SMART ONLINE INC [SOLN]

3. Date of Earliest Transaction
 (Month/Day/Year)

08/21/2007

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

___ Director ___ 10% Owner
 ___X___ Officer (give title below) ___ Other (specify below)

VP of Product Strategy

6. Individual or Joint/Group Filing(Check Applicable Line)
 ___X___ Form filed by One Reporting Person
 ___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| Common Stock | 08/21/2007 | | S | 5,000 D | \$ 2.4 35,000 ⁽¹⁾ | I | See Footnote ⁽²⁾ |
| Common Stock | 08/22/2007 | | S | 5,800 A | \$ 2.35 29,200 ⁽¹⁾ | I | See Footnote ⁽²⁾ |
| Common Stock | 08/24/2007 | | S | 50 D | \$ 2.5 29,150 ⁽¹⁾ | I | See Footnote ⁽²⁾ |
| Common Stock | 09/05/2007 | | G | 9,000 ⁽³⁾ D | \$ 0 78,652 | D | |

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