SARNA DAVID E Y Form 4

August 12, 2005

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

OMB

Washington, D.C. 20549

3235-0287 Number: January 31, Expires:

2005

0.5

OMB APPROVAL

if no longer subject to Section 16. Form 4 or Form 5

Check this box

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF Estimated average

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, obligations may continue.

burden hours per response...

See Instruction

Section 17(a) of the Public Utility Holding Company Act of 1935 or Section

SECURITIES

30(h) of the Investment Company Act of 1940

1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person * SARNA DAVID E Y

2. Issuer Name and Ticker or Trading

5. Relationship of Reporting Person(s) to Issuer

Symbol

(Middle)

SMART ONLINE INC [SOLN]

(Check all applicable)

(First)

3. Date of Earliest Transaction

(Month/Day/Year) 07/22/2005

X_ Director 10% Owner Officer (give title Other (specify

800 SECOND AVENUE, 8TH

FLOOR

(Last)

4. If Amendment, Date Original

Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check

Applicable Line)

X Form filed by One Reporting Person Form filed by More than One Reporting

below)

NEW YORK, NY 10017

(City) (State) (Zip)

(Street)

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

1.Title of Security (Instr. 3)

2. Transaction Date 2A. Deemed (Month/Day/Year) Execution Date, if

3. 4. Securities TransactionAcquired (A) or Code Disposed of (D) (Instr. 8) (Instr. 3, 4 and 5)

5. Amount of Securities Beneficially Owned Following

6. Ownership 7. Nature of Form: Direct Indirect (D) or Beneficial Indirect (I) Ownership (Instr. 4) (Instr. 4)

(A) or

Reported Transaction(s)

(Instr. 3 and 4) Code V Amount (D) Price

Common Stock

150

D

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

(Month/Day/Year)

Persons who respond to the collection of SEC 1474 information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transactic Code (Instr. 8)	5. onNumber of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)			7. Title and A Underlying S (Instr. 3 and	Securities
				Code V	(A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option	\$ 5					07/18/2005(1)	04/18/2015	Common Stock	24,000
Stock Option	\$ 8.61					10/22/2005(1)	07/22/2015	Common Stock	10,000

Reporting Owners

Reporting Owner Name / Address	Relationships					
	Director	10% Owner	Officer	Other		
SARNA DAVID E Y 800 SECOND AVENUE, 8TH FLOOR NEW YORK, NY 10017	X					
A 1 .						

Signatures

David E.Y.
Sarna

**Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(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).
- Option shall vest and become exercisable in four (4) equal quarterly increments following the grant, i.e. on the three (3) month, six (6) month, nine (9) month and twelve month (12) anniversaries of the grant.

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.

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