

SMART ONLINE INC  
Form 4  
January 23, 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 \*  
Nouri Dennis Michael

(Last) (First) (Middle)

2530 MERIDAN PARKWAY

(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)  
10/10/2006

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director  10% Owner  
 Officer (give title below)  Other (specify below)  
President and CEO

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 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 Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Common Stock	10/10/2006 <sup>(1)</sup>		S		87,043	D	\$ 1.5176
Common Stock	10/10/2006 <sup>(1)</sup>		S		160,000	D	\$ 1.5176
Common Stock	01/19/2007		S		192,000 <sup>(3)</sup>	D	<sup>(4)</sup> 1,070,015.77
Common Stock	01/19/2007		S		216,175 <sup>(3)</sup>	D	<sup>(5)</sup> 853,840.77
Common Stock	01/19/2007		S		57,328 <sup>(3)</sup>	D	<sup>(6)</sup> 796,512.77

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Common Stock	01/19/2007	S	56,206 (3)	D	(7)	740,306.77	D	
Common Stock	01/19/2007	S	900 (8)	D	\$ 3	739,406.77	D	
Common Stock	01/19/2007	S	900 (8)	D	\$ 3	264,731	I	By spouse.
Common Stock						16,500	I	See fn. (9)
Common Stock						6,500	I	See fn. (10)

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

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(9-02)

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

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. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Beneficially (Instr. 5)
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Nouri Dennis Michael 2530 MERIDAN PARKWAY DURHAM, NC 27713	X	X	President and CEO	

## Signatures

/s/ Dennis Michael  
Nouri

01/23/2007

\_\_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).  
The agreement to sell these shares was made on October 10, 2006. Consideration paid for the shares was made in installments over a period of time and the agreement included certain closing conditions, including the dissolution of American Investment Holding Group Company (which was fifty percent (50%) owned by Dennis Michael Nouri) and Smart Online, Inc. entering into a registration rights agreement with the purchaser. The last of these conditions was satisfied on January 19, 2007.
- (1) These shares were held by Charter Holdings, LLC, which is wholly owned by Dennis Michael Nouri.
- (2) These shares were transferred pursuant to a note cancellation agreement that was approved by the Smart Online, Inc. board of directors on October 9, 2006. The note being cancelled under this agreement was made in 2005.
- (3) Under the terms of the note cancellation agreement, a total of \$809,736.49 in principal and interest was cancelled.
- (4) Under the terms of the note cancellation agreement, a total of \$324,063.49 in principal and interest was cancelled.
- (5) Under the terms of the note cancellation agreement, a total of \$87,261.40 in principal and interest was cancelled.
- (6) Under the terms of the note cancellation agreement, a total of \$85,117.28 in principal and interest was cancelled.
- (7) These shares were sold pursuant to a Rule 10b5-1 trading plan entered into prior to the date of the transaction.
- (8) Shares held by Dennis Michael Nouri as trustee for Leon Sokolic.
- (9) Shares held by Dennis Michael Nouri as trustee for Moshe DaBush.
- (10)

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.