

Roethler Doron
Form 4
February 26, 2009

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 *
Roethler Doron

(Last) (First) (Middle)

C/O STRAUSS, ADAR, RAVIV & CO.LAW OFFICE, 7 MENACHEM BEGIN, BETZALEL STREET

(Street)

RAMAT GAN, L3 52521

(City) (State) (Zip)

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

3. Date of Earliest Transaction
(Month/Day/Year)
02/24/2009

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)
Interim 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 Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | | (A) or (D) | Price | | |
| | | | | Code | V | Amount | |

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

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SEC 1474 (9-02)

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

| 1. Title of Derivative | 2. Conversion | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if | 4. Transaction | 5. Number of Derivative Securities | 6. Date Exercisable and Expiration Date | 7. Title and Amount of Underlying Security |
|------------------------|---------------|--------------------------------------|-------------------------------|----------------|------------------------------------|---|--|
|------------------------|---------------|--------------------------------------|-------------------------------|----------------|------------------------------------|---|--|

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| Security (Instr. 3) | or Exercise Price of Derivative Security | any (Month/Day/Year) | Code (Instr. 8) | Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | (Month/Day/Year) | (Instr. 3 and 4) | | | |
|---------------------|--|----------------------|------------------|--|------------------|------------------|------------|--------------|---|
| | | | Code | V (A) (D) | Date Exercisable | Expiration Date | Title | AN SH | |
| See footnote (1) | \$ 3.05 | 02/24/2009 | D ⁽²⁾ | | \$ 500,000 | 11/14/2010 | 11/14/2010 | Common Stock | 1 |
| See footnote (1) | \$ 3.05 | 02/24/2009 | D ⁽²⁾ | | \$ 250,000 | 11/14/2010 | 11/14/2010 | Common Stock | 8 |
| See footnote (1) | \$ 2.28 ⁽⁴⁾ | 02/24/2009 | A ⁽²⁾ | | \$ 500,000 | 11/14/2010 | 11/14/2010 | Common Stock | 2 |
| See footnote (1) | \$ 2.28 ⁽⁴⁾ | 02/24/2009 | A ⁽²⁾ | | \$ 250,000 | 11/14/2010 | 11/14/2010 | Common Stock | 1 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|-------------|-------|
| | Director | 10% Owner | Officer | Other |
| Roethler Doron C/O STRAUSS, ADAR, RAVIV & CO.LAW OFFICE 7 MENACHEM BEGIN, BETZALEL STREET RAMAT GAN, L3 52521 | X | X | Interim CEO | |

Signatures

/s/ Margaret Cate, attorney-in-fact 02/26/2009

**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).
- (1) Convertible secured subordinated note due November 14, 2010 (collectively, the "Notes").
 - (2) The reported transactions involved an amendment of outstanding Notes, resulting in the deemed cancellation of the "old" Notes and the deemed purchase of "replacement" Notes.
 - (3) Held by Crystal Management, Ltd., which is 100% owned by Doron Roethler.
 - (4) The Notes are convertible into Smart Online, Inc. (the "Issuer") common stock at the lowest "applicable conversion price" determined for each Note (issued to any noteholder), which shall be calculated by multiplying 120% by the lowest of (a) the average of the high and low prices of the Issuer's common stock on the OTCBB averaged over the 5 trading days prior to the closing date of the Note's issuance, (b) if the Issuer's common stock is not traded on the Over-The-Counter market, the closing price of the common stock reported on the principal exchange on which the common stock is listed, averaged over the 5 trading days prior to the closing date of the Note's issuance, or (c) the closing price of the Issuer's common stock on the OTCBB or the principal exchange on which the common stock is listed, as applicable, on the trading day preceding the date such Note is converted, in each case as adjusted for stock splits, dividends or combinations,

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recapitalizations or similar events.

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

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