

SMART ONLINE INC
Form 10-Q
August 12, 2010

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

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2010

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 001-32634

SMART ONLINE, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

95-4439334
(I.R.S. Employer
Identification No.)

4505 Emperor Blvd., Ste. 320
Durham, North Carolina
(Address of principal executive offices)

27703
(Zip Code)

(919) 765-5000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if

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any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes
 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
 No

As of August 6, 2010, there were approximately 18,342,543 shares of the registrant's common stock, par value \$0.001 per share, outstanding.

SMART ONLINE, INC.

FORM 10-Q

For the Quarterly Period Ended June 30, 2010

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

SMART ONLINE, INC.
BALANCE SHEETS

	June 30, 2010 (unaudited)	December 31, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 22,316	\$ 119,796
Accounts receivable, net	-	13,056
Prepaid expenses	203,939	240,840
Total current assets	226,255	373,692
Property and equipment, net	228,322	258,450
Capitalized software, net	416,235	450,782
Note Receivable, non-current	-	-
Prepaid expenses, non-current	36,900	110,700
Intangible assets, net	150,000	150,000
Other assets	-	2,496
TOTAL ASSETS	\$ 1,057,712	\$ 1,346,120
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable	\$ 334,739	\$ 518,309
Notes payable (See Note 3)	2,154,328	1,964,281
Deferred revenue (See Note 2)	34,803	40,115
Accrued liabilities - Nouri	1,400,000	1,802,379
Accrued liabilities (See Note 2)	2,693,953	2,623,959
Total current liabilities	6,617,823	6,949,043
Long-term liabilities:		
Long-term portion of notes payable (See Note 3)	11,224,189	9,785,255
Deferred revenue (See Note 2)	2,750	5,601
Total long-term liabilities	11,226,939	9,790,856
Total liabilities	17,844,762	16,739,899
Commitments and contingencies (See Note 7)		
Stockholders' equity (deficit):		
Preferred stock, 0.001 par value, 5,000,000 shares authorized, no shares issued and outstanding at June 30, 2010 and December 31, 2009		
Common Stock, \$.001 par value, 45,000,000 shares authorized, 18,342,543 and 18,332,542 shares Issued and Outstanding at June 30, 2010 and December 31, 2009 respectively.	18,343	18,333
Additional paid-in capital	67,048,479	67,036,836
Accumulated deficit	(83,853,872)	(82,448,948)
Total Stockholders' Equity (Deficit)	(16,787,050)	(15,163,779)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 1,057,712	\$ 1,346,120

The accompanying notes are an integral part of these financial statements.

SMART ONLINE, INC.
STATEMENTS OF OPERATIONS (unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009 2010	June 30, 2010	June 30, 2009
REVENUES:				
Subscription fees				