

SMART ONLINE INC
Form 10-Q
November 09, 2012

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 September 30, 2012

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 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. (check one:)

Large accelerated filer

Accelerated filer

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Non-accelerated filer Smaller reporting company
(Do not check if a 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 November 2, 2012, there were 18,352,542 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 September 30, 2012

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SMART ONLINE, INC.

BALANCE SHEETS

	September 30, 2012 (unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 251,174	\$ 165,139
Restricted cash	198,882	70,445
Accounts receivable, net	98,038	6,630
Prepaid expenses	144,981	53,073
Total current assets	693,075	295,287
Property and equipment, net	171,245	164,657
Capitalized software, net	873,231	172,510
Intangible assets, net	125,889	117,685
Other assets	17,003	16,836
TOTAL ASSETS	\$ 1,880,443	\$ 766,975
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	\$ 723,656	\$ 580,850
Notes payable (See Note 3)	5,053,078	5,037,815
Deferred revenue	124,403	31,658
Settlement related financial instrument liability (See Note 2)	2,212,500	1,770,000
Accrued liabilities (See Note 2)	472,853	520,967
Total current liabilities	8,586,490	7,941,290
Long-term liabilities:		
Long-term portion of notes payable (See Note 3)	19,236,893	15,625,075
Deferred revenue	1,111	1,505
Total long-term liabilities	19,238,004	15,626,580
Total liabilities	27,824,494	23,567,870
Commitments and contingencies (See Note 4)		
Stockholders' deficit		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized, no shares issued and outstanding at September 30, 2012 and December 31, 2011	-	-
Common stock, \$0.001 par value, 45,000,000 shares authorized, 18,352,542 shares issued and outstanding at September 30, 2012 and December 31, 2011	18,353	18,353
Additional paid-in capital	67,144,561	67,118,452
Accumulated deficit	(93,106,965)	(89,937,700)
Total stockholders' deficit	(25,944,051)	(22,800,895)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 1,880,443	\$ 766,975

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

SMART ONLINE, INC.

STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
REVENUES:				
Subscription fees	\$ 84,291	\$ 88,101	\$ 251,097	\$ 281,748
Professional service fees	2,656	-	27,356	-
License fees	26,425	-	63,783	-
Hosting fees	324	-	972	-
Other revenue	26,341	26,988	74,085	83,150