

Item 1.02. Termination of a Material Definitive Agreement.

On October 11, 2010, Smart Online, Inc., or the Company, entered into a renewal of the Web Services Agreement, or the Agreement, with URAssociation, LLC, or URA, as part of a relationship that commenced in early 2007.

On July 13, 2012, the Company delivered to URA a notice of termination of the Agreement, which termination will become effective October 11, 2012. The Company has decided to terminate the Agreement at the contract termination date because it no longer intends to provide the specialized type of services required by URA. The Company will not incur any material termination penalties as a result of its termination of the Agreement.

The Agreement is filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010 and is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SMART ONLINE, INC.

Date: July 18, 2012

By: /s/ Thaddeus J. Shalek
Name: Thaddeus J. Shalek
Title: Chief Financial Officer