

SMART ONLINE INC
Form SC 13G/A
February 17, 2009

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

SCHEDULE 13G

**Under the Securities Exchange Act of 1934
(Amendment No. 1)***

SMART ONLINE, INC.
(Name of Issuer)

Common Stock, \$.001 par value per share
(Title of Class of Securities)

83171V100

(CUSIP Number)

December 31, 2008

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 83171V100

NAMES OF REPORTING PERSONS

1

MAGNETAR FINANCIAL LLC

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2

(a)

(b)

SEC USE ONLY

3

CITIZENSHIP OR PLACE OF ORGANIZATION

4

Delaware

SOLE VOTING POWER

5

NUMBER OF 0

SHARED VOTING POWER

SHARES BENEFICIALLY OWNED BY 6

784,314 /1/

SOLE DISPOSITIVE POWER

EACH REPORTING PERSON 7

0

SHARED DISPOSITIVE POWER

WITH: 8

784,314 /1/

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

9

784,314 /1/

10 CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

o

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

4.09% based on 18,408,723 shares outstanding as of November 10, 2008. /1/

12 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

IA; OO

/1/ This figure includes an amount of shares that the Reporting Person is entitled to obtain upon exercise of warrants.

CUSIP No. 83171V100

NAMES OF REPORTING PERSONS

1

MAGNETAR CAPITAL PARTNERS LP

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2

(a)

(b)

SEC USE ONLY

3

CITIZENSHIP OR PLACE OF ORGANIZATION

4

Delaware

SOLE VOTING POWER

5

NUMBER OF 0

SHARED VOTING POWER

SHARES BENEFICIALLY OWNED BY 6

784,314 /1/

SOLE DISPOSITIVE POWER

EACH REPORTING PERSON 7

0

SHARED DISPOSITIVE POWER

WITH: 8

784,314 /1/

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784,314 /1/

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o

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

4.09% based on 18,408,723 shares outstanding as of November 10, 2008. /1/

12 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

HC; OO

/1/ This figure includes an amount of shares that the Reporting Person is entitled to obtain upon exercise of warrants.

CUSIP No. 83171V100

NAMES OF REPORTING PERSONS

1 SUPERNOVA MANAGEMENT LLC

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2 (a)
(b)

SEC USE ONLY

3

CITIZENSHIP OR PLACE OF ORGANIZATION

4 Delaware

SOLE VOTING POWER

5
NUMBER OF 0

SHARED VOTING POWER

6
SHARES BENEFICIALLY OWNED BY 784,314 /1/

SOLE DISPOSITIVE POWER

7
EACH REPORTING PERSON 0

SHARED DISPOSITIVE POWER

8
WITH: 784,314 /1/

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

9
784,314 /1/

10 CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

o

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

4.09% based on 18,408,723 shares outstanding as of November 10, 2008. /1/

12 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

HC; OO

/1/ This figure includes an amount of shares that the Reporting Person is entitled to obtain upon exercise of warrants.

CUSIP No. 83171V100

NAMES OF REPORTING PERSONS

1

ALEC N. LITOWITZ

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2

(a)

(b)

SEC USE ONLY

3

CITIZENSHIP OR PLACE OF ORGANIZATION

4

United States of America

SOLE VOTING POWER

5

NUMBER OF 0

SHARED VOTING POWER

SHARES BENEFICIALLY 6

OWNED BY 784,314 /1/

SOLE DISPOSITIVE POWER

EACH REPORTING 7

PERSON 0

SHARED DISPOSITIVE POWER

WITH: 8

784,314 /1/

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

9

784,314 /1/

10 CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

o

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

4.09% based on 18,408,723 shares outstanding as of November 10, 2008. /1/

12 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

HC

/1/ This figure includes an amount of shares that the Reporting Person is entitled to obtain upon exercise of warrants.

SCHEDULE 13G/A

Item 1(a) Name of Issuer.

Smart Online, Inc. (the Issuer)

Item 1(b) Address of Issuer's Principal Executive Offices.

4505 Emperor Blvd., Ste. 320, Durham, North Carolina 27703

Item 2(a) Name of Person Filing.

This statement is filed on behalf of each of the following person (collectively, the Reporting Persons):

- i) Magnetar Financial LLC (Magnetar Financial);
- ii) Magnetar Capital Partners LP (Magnetar Capital Partners);
- iii) Supernova Management LLC (Supernova Management); and
- iv) Alec N. Litowitz (Mr. Litowitz).

This Statement relates to Shares (as defined herein) held for the account of Manager Capital Master Fund, Ltd, a Cayman Islands exempted company (Magnetar Capital Master Fund). Magnetar Capital Partners serves as the sole member and parent holding company of Magnetar Financial. Magnetar Financial is a registered investment adviser under Section 203 of the Investment Advisers Act of 1940, as amended. Magnetar Financial serves as investment adviser to Magnetar Capital Master Fund. In such capacity, Magnetar Financial exercises voting and investment power over the Shares held for the account of Magnetar Capital Master Fund. Supernova Management is the general partner of Magnetar Capital Partners. The manager of Supernova Management is Mr. Litowitz.

Item 2(b) Address of Principal Business Office.

The address of the principal business office of each of Magnetar Financial, Magnetar Capital Partners, Supernova Management, and Mr. Litowitz is 1603 Orrington Avenue, 13th Floor, Evanston, Illinois 60201.

Item 2(c) Place of Organization.

- i) Magnetar Financial is Delaware limited liability company;
- ii) Magnetar Capital Partners is a Delaware limited partnership;
- iii) Supernova Management is a Delaware limited liability company; and
- iv) Mr. Litowitz is a citizen of the United States of America.

Item 2(d) Title of Class of Securities.

Common Stock, \$0.001 par value per share (the Shares)

Item 2(e) CUSIP Number.

83171V100

Item 3 Reporting Person.

- (a) Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o);
- (b) Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c);
- (c) Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c);
- (d) Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8);
- (e) An investment adviser in accordance with §240.13d-1(b)(1)(ii)(E);
- (f) An employee benefit plan or endowment fund in accordance with §240.13d-1(b)(1)(ii)(F);
- (g) A parent holding company or control person in accordance with §240.13d-1(b)(1)(ii)(G);
- (h) A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
- (i) A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
- (j) A non-U.S. institution in accordance with §240.13d-1(b)(1)(ii)(J);
- (k) Group, in accordance with §240.13d-1(b)(1)(ii)(K). If filing as a non-U.S. institution in accordance with §240.13d-1(b)(1)(ii)(J), please specify the type of institution: _____

Item 4 Ownership.

Item 4(a) Amount Beneficially Owned:

As of December 31, 2008, each of Magnetar Financial, Magnetar Capital Partners, Supernova Management and Mr. Litowitz may be deemed to be the beneficial owner of 784,314 Shares issuable upon the conversion of warrants held for the account of the Magnetar Capital Master Fund.

Item 4(b) Percent of Class:

As of December 31, 2008, the number of Shares of which each of Magnetar Financial, Magnetar Capital Partners, Supernova Management and Mr. Litowitz may be deemed to be the beneficial owner constitutes approximately 4.09% the total number of Shares outstanding (based upon information provided by the Issuer in its quarterly report on Form 10-Q filed on November 12, 2008, there were approximately 18,408,723 shares as of November 10, 2008). The 4.09% includes an amount of shares that the Reporting Persons are entitled to obtain upon exercise of warrants.

Item 4(c) Number of Shares of which such person has:

Magnetar Financial, Magnetar Capital Partners, Supernova Management, and Mr. Litowitz:

- | | |
|---|---------|
| (i) Sole power to vote or to direct the vote: | 0 |
| (ii) Shared power to vote or to direct the vote : | 784,314 |
| (iii) Sole power to dispose or to direct the disposition of: | 0 |
| (iv) Shared power to dispose or to direct the disposition of: | 784,314 |

Item 5 Ownership of Five Percent or Less of a Class.

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than 5 percent of the class of securities, check the following p.

Item 6 Ownership of More Than Five Percent on Behalf of Another Person.

This Item 6 is not applicable.

Item 7 Identification and Classification of the Subsidiary which Acquired the Security Being Reported On by the Parent Holding Company.

See disclosure Item 2.

Item 8 Identification and Classification of Members of the Group.

This Item 8 is not applicable.

Item 9 Notice of Dissolution of Group.

This Item 9 is not applicable.

Item 10 Certification.

By signing below the Reporting Persons certifies that, to the best of their knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: February 17, 2009

MAGNETAR FINANCIAL LLC

By: Magnetar Capital Partners LP, its Sole Member

By: /s/ Alec N. Litowitz

Name: Alec N. Litowitz

Title: Manager of Supernova Management LLC,
the General Partner of Magnetar Capital Partners LP

Date: February 17, 2009

MAGNETAR CAPITAL PARTNERS LP

By: /s/ Alec N. Litowitz

Name: Alec N. Litowitz

Title: Manager of Supernova Management LLC,
the General Partner of Magnetar Capital Partners LP

Date: February 17, 2009

SUPERNOVA MANAGEMENT LLC

By: /s/ Alec N. Litowitz

Name: Alec N. Litowitz

Title: Manager

Date: February 17, 2009

/s/ Alec N. Litowitz
Alec N. Litowitz

EXHIBIT INDEX

- Ex.
A Joint Filing Agreement, dated February 17, 2009 by and among Magnetar Financial LLC, Magnetar Capital Partners LP, Supernova Management LLC, and Alec N. Litowitz...