

ELOYALTY CORP  
Form 4  
August 17, 2007

**FORM 4**

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**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 \*  
GAITHER JAMES C

(Last) (First) (Middle)

755 PAGE MILL ROAD, SUITE A-200

(Street)

PALO ALTO, CA 943041005

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
ELOYALTY CORP [ELOY]

3. Date of Earliest Transaction (Month/Day/Year)  
08/15/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

\_\_\_ Director \_\_\_X\_\_\_ 10% Owner  
\_\_\_ Officer (give title below) \_\_\_ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)  
\_X\_ 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)<br>Code V Amount (D) Price                             |   |  |  |
| Common <u>(1)</u>               | 08/15/2007                           |  | P                              | 18,668 A \$ 14.1  | 1,549,407 <u>(1)</u>  | I  | By Shares Held By Ltd Partnership (SHV) <u>(2)</u> |
| Common                          | 08/15/2007                           |  | P                              | 249 A \$ 14.1   | 249   | I  | By Shares Held By Ltd Partnership (TAL) <u>(3)</u> |
| Common                          | 08/16/2007                           |  | P                              | 84 A \$ 12.8801   | 333   | I  | By Shares Held By                                  |

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|            |            |   |       |   |                |               |   |  |  |
|------------|------------|---|-------|---|----------------|---------------|---|--|--|
|            |            |   |       |   | (4)            |               |   |  | Ltd Partnership (TAL) (3)                    |
| Common (1) | 08/16/2007 | P | 6,273 | A | \$ 12.8801 (4) | 1,555,680 (1) | I |  | By Shares Held By Ltd Partnership (SHV) (2)  |
| Common     | 08/17/2007 | P | 84    | A | \$ 13.4006 (4) | 417           | I |  | By Shares Held By Ltd Partnership (TAL) (3)  |
| Common (1) | 08/17/2007 | P | 6,273 | A | \$ 13.4006 (4) | 1,561,953 (1) | I |  | By Shares Held By Ltd Partnership (SHV) (2)  |
| Common (5) |            |   |       |   |                | 18,472 (5)    | D |  |  |
| Common (6) |            |   |       |   |                | 14,707 (6)    | I |  | By Shares Held By Ltd Partnership (SHAI) (7) |
| Common (8) |            |   |       |   |                | 37,265 (8)    | I |  | By Shares Held By Ltd Partnership (SHQP) (9) |

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 Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | 8. Price of Derivative Security (Instr. 5) | 9. Number of Derivative Securities Owned Beneficially (Instr. 6) |
|--|--|--------------------------------------|--|--------------------------------|--|--|---|--|--|
|--|--|--------------------------------------|--|--------------------------------|--|--|---|--|--|

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(Instr. 3, 4, and 5)

Code V (A) (D) Date Exercisable Expiration Date Title Amount or Number of Shares

Reporting Owners

Table with columns: Reporting Owner Name / Address, Relationships (Director, 10% Owner, Officer, Other). Row for GAITHER JAMES C, 755 PAGE MILL ROAD, SUITE A-200, PALO ALTO, CA 943041005, with an 'X' in the 10% Owner column.

Signatures

By: Robert Yin, by power of attorney 08/17/2007

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) Includes 938,952 shares of Series B Preferred Stock that are currently convertible on a one-for-one basis into shares of Common Stock. Shares held by Sutter Hill Ventures, A California Limited Partnership. The reporting person is a Managing Director of the General Partner of Sutter Hill Ventures, A California Limited Partnership. The reporting person disclaims beneficial ownership in these shares except as to the reporting person's pecuniary interest in the partnership.
(2) Partner of Sutter Hill Ventures, A California Limited Partnership. The reporting person disclaims beneficial ownership in these shares except as to the reporting person's pecuniary interest in the partnership.
(3) Shares held by a limited partnership of which the reporting person is the General Partner. The reporting person disclaims beneficial ownership in these shares except as to the reporting person's pecuniary interest in the partnership.
(4) This represents the weighted average sales price.
(5) Includes 10,092 shares of Series B Preferred Stock that are currently convertible on a one-for-one basis into shares of Common Stock.
(6) Includes 8,854 shares of Series B Preferred Stock that are currently convertible on a one-for-one basis into shares of Common Stock Shares held by Sutter Hill Entrepreneurs Fund (AI), L.P. The reporting person is a Managing Director of the General Partner of Sutter Hill Entrepreneurs Fund (AI), L.P. The reporting person disclaims beneficial ownership in these shares except as to the reporting person's pecuniary interest in the partnership.
(7) Hill Entrepreneurs Fund (AI), L.P. The reporting person disclaims beneficial ownership in these shares except as to the reporting person's pecuniary interest in the partnership.
(8) Includes 22,418 shares of Series B Preferred Stock that are currently convertible on a one-for-one basis into shares of Common Stock Shares held by Sutter Hill Entrepreneurs Fund (QP), L.P. The reporting person is a Managing Director of the General Partner of Sutter Hill Entrepreneurs Fund (QP), L.P. The reporting person disclaims beneficial ownership in these shares except as to the reporting person's pecuniary interest in the partnership.
(9) Hill Entrepreneurs Fund (QP), L.P. The reporting person disclaims beneficial ownership in these shares except as to the reporting person's pecuniary interest in the partnership.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.