

GAITHER JAMES C  
Form 4  
September 16, 2008

**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

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)  
755 PAGE MILL ROAD, SUITE A-200

3. Date of Earliest Transaction (Month/Day/Year)  
09/12/2008

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

(Street)  
PALO ALTO, CA 943041005

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

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
\_\_\_\_ Form filed by More than One Reporting Person

(City) (State) (Zip)

**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 Indirect Beneficial Ownership (Instr. 4) |           |   |   |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|---|-----------|---|---|
|                                 |                                      |  | Code                           | V   | Amount  | (A) or (D)   | Price   |           |   |   |
| Common Stock                    | 09/12/2008                           |  | O <sup>(1)</sup>               |   | 1,269,239   | A  | \$ 5.67   | 2,183,260 | I | By Ltd Partnership (SHV) <sup>(2)</sup> |
| Common Stock                    | 09/12/2008                           |  | O <sup>(1)</sup>               |   | 3,842   | A  | \$ 5.67   | 9,052     | I | By Ltd Partnership (TAL) <sup>(3)</sup> |
| Common Stock                    | 09/12/2008                           |  | O <sup>(1)</sup>               |   | 19,574  | A  | \$ 5.67   | 22,703    | I | By Trust (Trustee) <sup>(4)</sup>       |
| Common Stock                    |                                      |  |                                |   |   |  |   | 8,380     | D |   |
|                                 |                                      |  |                                |   |   |  |   | 5,853     | I |   |

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|              |        |   |  |  |  |  |
|--------------|--------|---|--|--|--|--|
| Common Stock |        |   |  |  |  | By Ltd Partnership (SHAI) <sup>(5)</sup> |
| Common Stock | 14,847 | I |  |  |  | By Ltd Partnership (SHQP) <sup>(6)</sup> |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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(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                   |  | 6. Date Exercisable and Expiration Date (Month/Day/Year) |                 | 7. Title and Amount of Underlying Security (Instr. 3 and 4) |
|--|--|--------------------------------------|--|--------------------------------|--|--|--|-----------------|---|
|  |  |                                      |  |                                | Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) |  | Date Exercisable   | Expiration Date |   |
| Subscription Rights (Right to Buy)         | \$ 5.67  | 09/12/2008                           |  | O                              | 1,269,239  |  | 08/14/2008   | 09/12/2008      | Common Stock  |
| Subscription Rights (Right to Buy)         | \$ 5.67  | 09/12/2008                           |  | O                              | 3,842  |  | 08/14/2008   | 09/12/2008      | Common Stock  |
| Subscription Rights (Right to Buy)         | \$ 5.67  | 09/12/2008                           |  | O                              | 19,574   |  | 08/14/2008   | 09/12/2008      | Common Stock  |

## Reporting Owners

| Reporting Owner Name / Address  | Relationships |           |         |       |
|---|---------------|-----------|---------|-------|
|   | Director      | 10% Owner | Officer | Other |
| GAITHER JAMES C<br>755 PAGE MILL ROAD, SUITE A-200<br>PALO ALTO, CA 943041005 |               | X         |         |       |

## Signatures

By: Robert Yin, by power of  
attorney

09/16/2008

\_\_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) Shares purchased pursuant to the exercise of subscription rights offered by the issuer pursuant to a rights offering.

Shares held by Sutter Hill Ventures, A California Limited Partnership. The reporting person is a Managing Director of the General

(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) Shares held by a trust of which the reporting person is the trustee. The reporting person disclaims beneficial ownership in these shares except as to the reporting person's pecuniary interest in the trust.

Shares held by Sutter Hill Entrepreneurs Fund (AI), L.P. The reporting person is a Managing Director of the General Partner of Sutter

(5) 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.

Shares held by Sutter Hill Entrepreneurs Fund (QP), L.P. The reporting person is a Managing Director of the General Partner of Sutter

(6) 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.

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