GAITHER JAMES C

Form 4

December 22, 2006

FORM 4

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

OMB

Check this box if no longer subject to

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF

3235-0287 Number: January 31, Expires:

2005

OMB APPROVAL

Section 16. Form 4 or Form 5 obligations

SECURITIES Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,

Estimated average burden hours per response... 0.5

may continue. See Instruction

Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person * **GAITHER JAMES C**

2. Issuer Name and Ticker or Trading Symbol

5. Relationship of Reporting Person(s) to Issuer

ELOYALTY CORP [ELOY]

(Month/Day/Year)

12/22/2006

(Check all applicable)

(Last)

(First) (Middle) 3. Date of Earliest Transaction

Director _X__ 10% Owner _ Other (specify Officer (give title

755 PAGE MILL ROAD, SUITE

(Street)

A-200

4. If Amendment, Date Original

Applicable Line)

Filed(Month/Day/Year)

X Form filed by One Reporting Person Form filed by More than One Reporting

6. Individual or Joint/Group Filing(Check

below)

PALO ALTO, CA 943041005

(City)	(State)	(Zip) Tab	le I - Non-	Derivative	Secui	rities Acq	uired, Disposed o	of, or Benefici	ally Owned
1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. 4. Securiti Transactior(A) or Dis Code (Instr. 3, 4 (Instr. 8)				5. Amount of Securities Beneficially Owned Following Reported Transaction(s)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common (1)	12/22/2006		Code V X(2)	Amount 1,179	(D)	Price \$ 17.97	(Instr. 3 and 4) 18,472 (1)	D	
Common (3)	12/22/2006		X(2)	938	A	\$ 17.97	14,707 (3)	I	By Shares Held By Ltd Partnership (SHAI) (4)
Common (5)	12/22/2006		X(2)	2,384	A	\$ 17.97	37,265 <u>(5)</u>	I	By Shares Held By Ltd Partnership (SHQP) (6)
Common	12/22/2006		X(2)	98,199	A	\$	1,530,739 (7)	I	By Shares

<u>(7)</u>

Held By Ltd Partnership (SHV) (8)

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

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

9. Nu

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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. Transac Code (Instr. 8	5. tioiNumber of) Derivat Securit Acquir (A) or Dispose of (D) (Instr. 3 4, and 5	(Month/Day iive iies ed ed	Date	7. Titl Amou Under Secur (Instr.	ınt of rlying	8. Price of Derivative Security (Instr. 5)
				Code	V (A) (I	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	

Reporting Owners

Reporting Owner Name / Address Relationships

Director 10% Owner Officer Other

X

GAITHER JAMES C

755 PAGE MILL ROAD, SUITE A-200

PALO ALTO, CA 943041005

Signatures

By: Robert Yin, by power of attorney 12/22/2006

**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 10,092 shares of Series B Preferred Stock that are currently convertible on a one-for-one basis into shares of Common Stock.
- (2) Shares purchased pursuant to the exercise of subscription rights offered by the issuer pursuant to a rights offering.
- (3) Includes 8,854 shares of Series B Preferred Stock that are currently convertible on a one-for-one basis into shares of Common Stock

Reporting Owners 2

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

 (4) 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.
- (5) 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
- (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.
- (7) 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
- (8) 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.

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.