

GAITHER JAMES C
Form 4
August 23, 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

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)
08/21/2007

____ 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 Ownership Indirect Beneficial Ownership (Instr. 4) | | |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|---|------------------------|---|
| | | | Code | V | Amount | (A) or (D) | Price | | |
| Common <u>(1)</u> | 08/21/2007 | | P | | 200 | A | \$ 15.5 | 1,562,153 <u>(1)</u> I | By Shares Held By Ltd Partnership (SHV) <u>(2)</u> |
| Common <u>(3)</u> | | | | | | | | 18,472 <u>(3)</u> D | |
| Common <u>(4)</u> | | | | | | | | 14,707 <u>(4)</u> I | By Shares Held By Ltd Partnership (SHAI) <u>(5)</u> |
| Common | | | | | | | | 37,265 <u>(6)</u> I | By Shares |

| | | | |
|-------------------|-----|---|---|
| (6) Common | 417 | I | Held By Ltd Partnership (SHQP) (7) By Shares Held By Ltd Partnership (TAL) (8) |
|-------------------|-----|---|---|

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 Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 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 Beneficially Owned Following Transaction (Instr. 6) |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--|--|
| | | | | Code | V (A) (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares |

Reporting Owners

Reporting Owner Name / Address

Relationships

Director 10% Owner Officer Other

GAITHER JAMES C
755 PAGE MILL ROAD, SUITE A-200
PALO ALTO, CA 943041005

X

Signatures

By: Robert Yin, by power of attorney

08/23/2007

__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

(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) Includes 10,092 shares of Series B Preferred Stock that are currently convertible on a one-for-one basis into shares of Common Stock.

(4) 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

(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.

(6) 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

(7) 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.

(8) 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.

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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