

KEITHLEY INSTRUMENTS INC
 Form 4
 October 29, 2010

FORM 4

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

OMB APPROVAL

OMB Number: 3235-0287
 Expires: January 31, 2005
 Estimated average burden hours per response... 0.5

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 *
PENDERGRASS LARRY L

2. Issuer Name and Ticker or Trading Symbol
KEITHLEY INSTRUMENTS INC [KEI]

5. Relationship of Reporting Person(s) to Issuer
 (Check all applicable)

(Last) (First) (Middle)
KEITHLEY INSTRUMENTS, INC., 28775 AURORA ROAD
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)
10/27/2010

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
VP New Product Development

SOLON, OH 44139

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 (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | Code | V | Amount (A) or (D) Price | | |
| Common Shares | 10/27/2010 | | M | | 6,300 (1) 8,546 | D | |
| Common Shares | 10/27/2010 | | F | | 2,013 (2) \$ 21.53 6,533 | D | |

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)

Edgar Filing: KEITHLEY INSTRUMENTS INC - Form 4

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 Security (Instr. 3 and 4) | | |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|---------------|----------------------------|
| | | | | Code | V (A) (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares |
| Common Share Option | \$ 12.43 | | | | | 05/20/2005 ⁽³⁾ | 05/19/2013 | Common Shares | 20,000 |
| Common Share Option | \$ 18.75 | | | | | 02/15/2005 ⁽⁴⁾ | 07/16/2014 | Common Shares | 25,000 |
| Common Share Option | \$ 15.05 | | | | | 10/04/2007 ⁽³⁾ | 10/03/2015 | Common Shares | 8,800 |
| Common Share Option | \$ 14 | | | | | 01/30/2009 ⁽³⁾ | 01/30/2017 | Common Shares | 9,600 |
| Common Share Option | \$ 9.12 | | | | | 11/09/2009 ⁽³⁾ | 11/09/2017 | Common Shares | 8,300 |
| Performance Award Unit | 0 | 10/27/2010 | | M | 6,300 ⁽¹⁾ | 09/30/2010 ⁽¹⁾ | ⁽¹⁾ | Common Shares | 6,300 |
| Common Share Option | \$ 2.99 | | | | | 02/06/2011 ⁽³⁾ | 02/06/2019 | Common Shares | 17,000 |
| Restricted Unit Award | \$ 0 | | | | | ⁽⁵⁾ | ⁽⁵⁾ | Common Shares | 5,800 |
| Common Share Option | \$ 4.26 | | | | | 12/04/2011 ⁽³⁾ | 12/04/2019 | Common Shares | 13,000 |
| Performance Award Unit | \$ 0 | | | | | 09/30/2012 ⁽⁶⁾ | ⁽⁶⁾ | Common Shares | 6,000 |
| Restricted Unit Award | \$ 0 | | | | | ⁽⁷⁾ | ⁽⁷⁾ | Common Shares | 4,400 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|----------------------------|-------|
| | Director | 10% Owner | Officer | Other |
| PENDERGRASS LARRY L KEITHLEY INSTRUMENTS, INC. 28775 AURORA ROAD | | | VP New Product Development | |

SOLON, OH 44139

Signatures

Mark J. Plush,
Attorney-in Fact

10/29/2010

__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).

Each Performance Award Unit represented the right to receive one common share. The number of units initially awarded was a target (as shown in Table II), and the actual number of units that vested and converted to shares (which could range from 0 shares to twice the

(1) target number of shares) was based upon: a) the Company's revenue growth as compared to a defined Peer Group and, b) the Company maintaining an acceptable level of profitability during the performance period which ended on September 30, 2010. Based on the Company's performance, the units converted into a number of shares equal to the target number.

(2) Shares issuable upon vesting of Performance Award Units were withheld to settle associated tax liabilities.

(3) Date reported applies to 50% of total, one-half of the balance is then exercisable in each succeeding year.

(4) Option became fully vested on February 15, 2005

(5) Restricted unit awards will become fully vested on February 6, 2013. Common shares represented by such vested restricted unit awards will be delivered promptly after such vesting date.

Each Performance Award Unit represents a right to receive one common share. The number of units comprising the initial award are adjusted (ranging from a maximum of twice the number of units comprising the initial award, to a minimum of no units), based on award

(6) program metrics that compare the Company's total shareholder return performance occurring during the Measurement Period to comparable total shareholder return performance reported by companies in the Russell Microcap Index. Awarded units earned based on these metrics as of September 30, 2012 (the vesting date) are converted to shares under the Plan and will be issued on or before December 31, 2012.

(7) Restricted unit awards will become fully vested on December 4, 2013. Common Shares represented by such vested restricted unit awards will be delivered promptly after such vesting date.

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.