

KEITHLEY INSTRUMENTS INC
 Form 4
 November 10, 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 *
 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)

3. Date of Earliest Transaction
 (Month/Day/Year)
 11/06/2008

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

KEITHLEY INSTRUMENTS,
 INC., 28775 AURORA ROAD

(Street)

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

SOLON, OH 44139

(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	11/06/2008		M		3,375	A	\$ 3,375
Common Shares	11/06/2008		F		1,129	D	\$ 3.62

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

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SEC 1474
 (9-02)

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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. 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)	8. Amount or Number of Shares
Common Share Option	\$ 12.43					05/20/2005 ⁽²⁾ 05/19/2013	Common Shares	20,000
Common Share Option	\$ 18.75					02/15/2005 ⁽³⁾ 07/16/2014	Common Shares	25,000
Common Share Option	\$ 15.05					10/04/2007 ⁽²⁾ 10/03/2015	Common Shares	8,800
Performance Award Unit	<u>1</u>	11/06/2008		M	3,375 <u>(1)</u>	09/30/2008 ⁽⁴⁾ <u>(4)</u>	Common Shares	3,375 <u>(1)</u>
Common Share Option	\$ 14					01/30/2009 ⁽²⁾ 01/30/2017	Common Shares	9,600
Performance Award Unit	\$ 0					09/30/2009 ⁽⁴⁾ <u>(4)</u>	Common Shares	7,300 <u>(1)</u>
Common Share Option	\$ 9.12					11/09/2009 ⁽²⁾ 11/09/2017	Common Shares	8,300
Performance Award Unit	\$ 0					09/30/2010 ⁽⁴⁾ <u>(4)</u>	Common Shares	6,300 <u>(1)</u>

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PENDERGRASS LARRY L KEITHLEY INSTRUMENTS, INC. 28775 AURORA ROAD SOLON, OH 44139			VP New Product Development	

Signatures

Mark J. Plush,
Attorney-in Fact

11/10/2008

 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).

- Each Performance Award Unit represents a right to receive one common share. The number of Performance Award Units initially granted was a target amount, and the number of Performance Award Units that vested and converted to common 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, 2008. Performance Award Units that did not vest were forfeited.
- (1) 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, 2008. Performance Award Units that did not vest were forfeited.
 - (2) Date reported applies to 50% of total, one-half of the balance is then exercisable in each succeeding year.
 - (3) Option became fully vested on February 15, 2005

Each Performance Award Unit represents the right to receive one common share. The number of units initially awarded, the target, is shown above. The actual number of units that will be awarded and converted to shares is 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 ends on the date exercisable (the "vesting date"). Awarded units are automatically converted to shares under the Plan on or before the December 31st following the 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.

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