

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  
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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)

**KEITHLEY INSTRUMENTS, INC., 28775 AURORA ROAD**

(Street)

**SOLON, OH 44139**

(City) (State) (Zip)

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**

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

**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)
				(A) or (D)	Price		
Common Shares	10/27/2010		M	(1)	6,300	A	D
Common Shares	10/27/2010		F	(2)	\$ 21.53	D	D

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

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