

KEITHLEY INSTRUMENTS INC
 Form 5
 October 30, 2006

FORM 5

**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).
 Form 3 Holdings Reported Form 4 Transactions Reported

ANNUAL 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

1. Name and Address of Reporting Person *
GAFFNEY ALAN S

(Last) (First) (Middle)

KEITHLEY INSTRUMENTS, INC., 28775 AURORA ROAD

(Street)

SOLON, OH 44139

(City) (State) (Zip)

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

3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year)
09/30/2006

4. If Amendment, Date Original Filed (Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)
 VP Comm Mkt & Info Sys

6. Individual or Joint/Group Reporting

(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 at end of Issuer's Fiscal Year (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) | |
|---------------------------------|--------------------------------------|--|--------------------------------|---|------------|--|--|---|---|
| | | | | Amount | (A) or (D) | Price | | | |
| Common Shares | 12/30/2005 | ^ | J(1) | 5 | A | \$ 13.97 | 1,726 | D | ^ |
| Common Shares | 03/31/2006 | ^ | J(1) | 4 | A | \$ 15.34 | 1,730 | D | ^ |
| Common Shares | 06/30/2006 | ^ | J(1) | 5 | A | \$ 12.1726 | 1,735 | D | ^ |
| | 09/29/2006 | ^ | J(1) | 5 | A | | 1,740 | D | ^ |

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Common Shares \$ 13.0799

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

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SEC 2270 (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 Security (Instr. 3 and 4) |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|
| | | | | | (A) (D) | Date Exercisable Expiration Date | Title Amount or Number of Shares |
| Common Share Option | \$ 4.125 | Â | Â | Â | Â Â | 07/17/2001 07/16/2009 | Common Shares 2,0 |
| Common Share Option | \$ 19.9688 | Â | Â | Â | Â Â | 04/06/2002 04/05/2010 | Common Shares 6,0 |
| Common Share Option | \$ 45.125 | Â | Â | Â | Â Â | 08/02/2002 08/01/2010 | Common Shares 8,0 |
| Common Share Option | \$ 18.41 | Â | Â | Â | Â Â | 07/25/2003 ⁽²⁾ 07/24/2011 | Common Shares 15, |
| Common Share Option | \$ 13.76 | Â | Â | Â | Â Â | 07/24/2004 ⁽³⁾ 07/23/2012 | Common Shares 25, |
| Common Share Option | \$ 16.12 | Â | Â | Â | Â Â | 08/10/2005 ⁽⁴⁾ 07/18/2013 | Common Shares 28, |
| Common Share Option | \$ 18.75 | Â | Â | Â | Â Â | 02/15/2005 ⁽²⁾ 07/16/2014 | Common Shares 24, |
| Common Share Option | \$ 15.05 | Â | Â | Â | Â Â | 10/04/2007 ⁽³⁾ 10/03/2015 | Common Shares 6,0 |
| Performance Award Unit | \$ 0 | Â | Â | Â | Â Â | 09/30/2008 02/01/2012 | Common Shares 4,6 |

Reporting Owners

Reporting Owner Name / Address

Relationships

Reporting Owners

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| | Director | 10% Owner | Officer | Other |
|--|----------|-----------|--------------------------|-------|
| GAFFNEY ALAN S KEITHLEY INSTRUMENTS, INC. 28775 AURORA ROAD SOLON, OH 44139 | Â | Â | Â VP Comm Mkt & Info Sys | Â |

Signatures

Mark J. Plush,
Attorney-in Fact

10/30/2006

__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) Acquired through Employee Stock Purchase and Dividend Reinvestment Plan.
- (2) Option became fully vested on February 15, 2005
- (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 August 10, 2005

Each Performance Award Unit represents the right to receive one common share at the end of the applicable performance period. The number of units actually earned is subject to adjustment based upon the Company's revenue growth versus that of a defined Peer Group, as well as the Company maintaining an acceptable level of profitability. Minimum number of units is 0 while the maximum number of units is two times the target number shown.

Note: File three copies of this Form, one of which must be manually signed. If space provided 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.