

SHANNON MICHAEL L
Form 4
December 03, 2008

FORM 4

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

OMB APPROVAL

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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 *
SHANNON MICHAEL L

(Last) (First) (Middle)

C/O KEY TECHNOLOGY, INC., 150 AVERY STREET

(Street)

WALLA WALLA, WA 99362

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol

KEY TECHNOLOGY INC [KTEC]

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

12/01/2008

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)

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)
			Code	V	Amount	(A) or (D)	Price
Common Stock	12/01/2008		M		5,000	A	\$ 9.125
Common Stock	12/01/2008		M		5,000	A	\$ 8
Common Stock	12/01/2008		M		5,000	A	\$ 9.64
Common Stock	12/01/2008		F		3,448	D	\$ 13.23
Common Stock	12/01/2008		F		3,023	D	\$ 13.23

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Common Stock	12/01/2008	F	3,643	D	\$ 13.23	132,194	D
Common Stock	12/01/2008	D	10,000	D	\$ 14.45	122,194	D
Common Stock	12/02/2008	D	13,325	D	\$ 15.43	108,869	D

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)	Amount or Number of Shares
Non-Statutory Stock Option	\$ 9.125	12/01/2008		M	5,000	<u>(1)</u> 02/23/2010	Common Stock	5,000
Non-Statutory Stock Option	\$ 8	12/01/2008		M	5,000	<u>(2)</u> 02/07/2011	Common Stock	5,000
Non-Statutory Stock Option	\$ 9.64	12/01/2008		M	5,000	<u>(3)</u> 02/02/2015	Common Stock	5,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SHANNON MICHAEL L C/O KEY TECHNOLOGY, INC. 150 AVERY STREET WALLA WALLA, WA 99362	X			

Signatures

Michael L.
Shannon

12/03/2008

__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).
- (1) 25 % of such option became exercisable on February 23, 2001, 2002, 2003 and 2004, respectively.
 - (2) 25% of such option became exercisable on Febraury 7, 2002, 2003, 2004 and 2005, respectively.
 - (3) 100% of such option became exercisable on February 2, 2006.
 - (4) Not a required reportable field. New SEC software requires a dollar amount; use zero per SEC.

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.