
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)

October 18, 2004

KLA-Tencor Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

000-09992

(Commission File Number)

04-2564110

(IRS Employer
Identification No.)

160 Rio Robles

San Jose, California 95134

(Address of principal executive offices, including zip code)

(408) 875-3000

(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 8.01 Other Events.

Attached as an exhibit hereto is the form of option agreement used by KLA-Tencor Corporation (the “Company”) when granting options pursuant to its 1998 Outside Director Option Plan (the “Plan”). The Board of Directors of the Company has determined that outside directors receiving option grants under the Plan will continue to receive an aggregate of 10,000 shares per year, but these grants will be made quarterly in four equal installments rather than in a single annual grant.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
10.1	Form of Option Agreement under 1998 Outside Director Option Plan

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

KLA-TENCOR CORPORATION
a Delaware corporation

By: /s/ Stuart J. Nichols
Stuart J. Nichols
Vice President and General Counsel

Date: October 18, 2004

EXHIBIT INDEX

Exhibit No.	Description
10.1	Form of Option Agreement under 1998 Outside Director Option Plan

[KLA-Tencor Letterhead]

Option Grant

To: Outside Board of Director Member
Date: []

We are pleased to inform you that in accordance with the terms of the "1998 Outside Director Option Plan" you have been granted Non-Qualified Stock Option, number XXXXXX, in the amount of 2,500 shares of KLA-Tencor Corporation common stock at \$XX.XX per share. The date of grant of the option is [].

100% of the shares under this option are fully vested and are exercisable on [].

The option will expire on []. Any vested options not exercised on or prior to the expiration date shall expire and may not be exercised. These options will remain exercisable for 30 days from the date you terminate as a Board Member of the company. The grant of the Option and the issuance of Shares upon exercise of the Option are subject to compliance with all of the applicable requirements of all federal, state, local, or other laws or regulations with respect to such options.

For the other terms and conditions relating to your stock option, please see the 1998 Outside Director Option Plan Document as previously furnished.

Your Option may not be amended orally. It can only be amended by means of a written or electronically transmitted agreement between you and the company. Questions should be directed to Tracy Laboy at (408) 875-7131

THIS MEMO IS YOUR OFFICIAL NOTIFICATION OF THIS STOCK GRANT. NO ADDITIONAL DOCUMENTATION WILL BE SENT TO YOU CONCERNING THIS GRANT.