
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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): September 27, 2006

KLA-TENCOR CORPORATION

(Exact name of registrant specified in its charter)

Delaware	000-09992	04-2564110
(State or other jurisdiction of	incorporation) (Commission File Number)	(I.R.S. Employer Identification No.)
160 Rio Robles, San Jose, California		95134
(Address of principal executive offices)		(Zip Code)

Registrant's telephone, including area code: (408) 875-3000

(Former name and 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 2.02 Results of Operations and Financial Condition.

The disclosure set forth in Item 4.02 below is incorporated by reference.

Item 4.02 Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review.

A Special Committee of the Board of Directors of KLA-Tencor Corporation (the “Company”) has delivered a report to the Board of Directors, which concluded that incorrect measurement dates were used for certain stock option grants made principally during the period from July 1, 1997 through July 30, 2002. The Board of Directors of the Company has not concluded its evaluation of the factors that led to the use of incorrect measurement dates of stock options. The Board of Directors has concluded that the Company will need to restate certain of its historical financial statements to record non-cash charges for compensation expenses relating to past stock option grants. The Company has not determined the amount of such charges, the resulting tax and accounting impacts, the impact on internal control over financial reporting, or which specific periods may require restatement. However, the effects on previously reported financial statements are expected to be material. The Special Committee and the Board of Directors will continue to be actively involved in reviewing information and determining the appropriate actions to be taken by the Company with respect to this matter.

Accordingly, on September 27, 2006, the Board of Directors concluded that financial statements and all earnings and press releases and similar communications issued by the Company relating to periods beginning on or after July 1, 1997, should no longer be relied upon, including the Company’s financial statements for fiscal years 1998 through 2005, the interim periods contained therein, and the fiscal quarters ended September 30, 2005, December 31, 2005 and March 31, 2006. The Company’s management and the Special Committee have discussed this matter with PricewaterhouseCoopers LLP, the Company’s independent registered public accounting firm.

The Company issued a press release concerning this matter on September 28, 2006, a copy of which is attached as Exhibit 99.1 to this report and is incorporated herein by reference.

Item 5.04 Temporary Suspension of Trading Under Registrant’s Employee Benefit Plans.

On September 27, 2006, KLA-Tencor Corporation (the “Company”) determined that its historical financial statements for one or more prior fiscal years will have to be restated as a result of improper accounting for option grants made to officers and employees. The specific fiscal years which will need to be restated has yet been determined. However, the Company has decided to suspend temporarily employee participation in several equity incentive programs because the S-8 registration statements covering the shares of common stock issuable under those programs incorporate one or more financial statements that will likely have to be restated. As part of such suspension, participants in the Company’s 401(k) Plan (the “401(k) Plan”) will be subject to a blackout period during which they will be precluded from acquiring shares of the Company’s common stock under that plan.

The blackout period began at 7:00 AM Pacific Time on September 28, 2006 and is currently anticipated to end at 7:00 AM Pacific Time on the day immediately following the day on which the restated financial statements are filed with the Securities and Exchange Commission (the “SEC”). However, for the Company’s executive officers and Board Members, the blackout period will continue until 7:00 AM on the third business day following the date the restatements are filed. During the applicable blackout period, participants in the 401(k) plan will be precluded from directing the investment of their plan contributions into shares of the Company’s common stock or from moving their existing account balance under the plan into the Company common stock fund. In addition, the executive officers will not be allowed during the blackout period to move their existing 401(k) plan account balances out of any Company common stock in which those accounts may now be invested. The Company gave notice of the blackout period to its executive officers and Board members on September 29, 2007. The Company was not able to provide any advance notice because the imposition of the blackout period was due to circumstances beyond its reasonable control. A copy of the blackout notice is filed herewith as Exhibit 99.1.

As a result of the blackout period under the 401(k) Plan, executive officers and Board members will be prohibited pursuant to Section 306(a) of the Sarbanes-Oxley Act of 2002 from purchasing, selling or otherwise acquiring any shares of the Company’s common stock or any derivative security tied to the value of the Company’s common stock, while that blackout period remains in effect. The prohibition covers any acquisition of the Company’s common stock or related derivative security in connection with the covered individual’s service or employment with the Company (e.g., an option grant or restricted stock or restricted stock unit award) or any sale of the Company’s common stock which the executive officer or Board member acquired in connection with his or her service in such capacity (e.g., through the exercise of stock options or the vesting of restricted stock or restricted stock units). However, the prohibition would not extend to any transactions effected pursuant to certain pre-existing Rule 10b5-1 plans.

Any questions concerning the blackout period or the transactions affected by the blackout period are to be addressed to Jeff Hall, the Company’s Chief Financial Officer at the Company’s headquarters at 160 Rio Robles, San Jose, California 95134 or by telephoning him at (408) 875-3000.

Item 8.01 Other Events.

In conjunction with its determination that its financial statements for one or more prior fiscal years will have to be restated, the Company has notified participants in its 2004 Equity Incentive Plan, 2000 Nonstatutory Plan, the Restated 1982 Stock Option Plan, as amended, the 1993 Employee Incentive Stock Option Plan, the 1990 Stock Option Plan, the 1998 Outside Director Option Plan, the Excess Profit Stock Plan and the 1997 Employee Stock Purchase Plan that during a designated suspension period, they will not be able to exercise their outstanding stock options, make contributions to the Employee Stock Purchase Plan or purchase shares of common stock under such plan, or receive allocations of Company common stock under the Excess Profit Stock Plan. The designated suspension period coincides with the blackout period described above under Item 5.04.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

The following exhibits are filed herewith:

Exhibit Number	Description
99.1	Text of press release issued by KLA-Tencor Corporation dated September 28, 2006.
99.2	Notice of Blackout Period to Directors and Officers of KLA-Tencor Corporation, dated September 28, 2006.

Signatures

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

KLA-TENCOR CORPORATION

Date: October 3, 2006

By: /S/ Jeff Hall

Name: Jeff Hall

Title: Chief Financial Officer

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99.1	Text of press release issued by KLA-Tencor Corporation dated September 28, 2006.
99.2	Notice of Blackout Period to Directors and Officers of KLA-Tencor Corporation, dated September 28, 2006.

News Release

Company Contact: Jeff Hall
Chief Financial Officer
(408) 875-6800
jeff.hall@kla-tencor.com

Kyra Whitten
Sr. Director, Corporate Communications
(408) 875-7819
kyra.whitten@kla-tencor.com

FOR IMMEDIATE RELEASE

KLA-TENCOR WILL RESTATE FINANCIAL STATEMENTS RELATED TO STOCK OPTIONS

SAN JOSE, Calif., September 28, 2006 — KLA-Tencor Corporation (NASDAQ: KLAC) today announced that it will restate previously issued financial statements to correct the Company's past accounting for stock options. Based on a report received from a Special Committee of the Board of Directors, the Board concluded that incorrect measurement dates for certain stock option grants were used for financial accounting purposes, principally during the periods July 1, 1997 through June 30, 2002. As a result, the Company will be required to record non-cash charges for compensation expenses relating to those past stock option grants.

The Company has not determined the exact amount of such charges, the resulting tax and accounting impact, or which specific reporting periods may require restatement. Accordingly, the Company is filing a Form 8-K today stating that the financial statements and all earnings and press releases and similar communications issued by the Company relating to periods beginning on or after July 1, 1997, should no longer be relied upon. KLA-Tencor intends to file its restated financial results and Annual Report on Form 10-K as quickly as practicable.

KLA-Tencor does not anticipate that the restatement will have any impact on the Company's historical revenues. Any stock-based compensation charges incurred as a result of the restatement would have the effect of decreasing reported income or increasing reported loss from operations, and decreasing reported net income or increasing reported net loss, and decreasing reported retained earnings amounts contained in the Company's historical financial statements for the affected periods.

Forward Looking Statements: Statements in this press release regarding KLA-Tencor's expected restatement of historical financial statements are forward-looking statements, and are subject to the Safe Harbor provisions created by the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current information and expectations, and involve a number of risks and uncertainties. Actual results may differ materially from those projected in such statements due to various factors, including but not limited to, the final conclusions of the Board of Directors, the Special Committee, the Audit Committee, and the Company's independent public accountants concerning matters related to the company's stock option grants.

About KLA-Tencor: KLA-Tencor is the world leader in yield management and process control solutions for semiconductor manufacturing and related industries. Headquartered in San Jose, Calif., the company has sales and service offices around the world. An S&P 500 company, KLA-Tencor is traded on the NASDAQ Global Select Market under the symbol KLAC. Additional information about the company is available on the Internet at <http://www.kla-tencor.com>

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NOTICE

TO: KLA-TENCOR EXECUTIVE OFFICERS AND BOARD MEMBERS

FROM: RICK WALLACE

RE: SARBANES-OXLEY BLACKOUT PERIOD

DATED: SEPTEMBER 28, 2006

As you may already know, the Company determined yesterday that its financial statements for one or more prior fiscal years will have to be restated as a result of improper accounting for option grants made to officers and employees. This determination has substantial implications for the Company's various equity incentive programs and your ability to engage in transactions involving the Company's common stock. You are currently under a Company-imposed black-out on your ability to trade in the Company's common stock in open-market transactions, but as a result of the impact which the restatement decision will have upon certain employee stock programs, including the Company's 401(k) Savings Plan, you will now also be subject to the restrictions of Section 306(a) of the Sarbanes-Oxley Act which prohibit you from purchasing, selling, acquiring or transferring any equity securities of the Company, to the extent those securities were acquired in connection with your service as an executive officer or Board member.

Shares of the Company's common stock can only be issued under the Company's equity incentive programs pursuant to an effective registration statement under the federal securities laws. The Company currently has S-8 registration statements on file with the Securities and Exchange Commission (the "SEC") covering the shares of common stock issuable under those programs. However, the S-8 registration statements incorporate historical financial statements for one or more fiscal years which are likely to be restated because of the improper accounting of employee stock options during those years. For that reason, participation in the various equity incentive programs covered by those S-8 registration statements must be suspended. The suspension period began at 9:00AM Pacific Time today, September 28, 2006, and will continue until 9:00 AM Pacific Time of the day immediately following the day on which the restated financial statements are filed with the SEC.

Your participation in the Company's equity incentive plans will accordingly be affected as follows:

401(k) Plan: During the suspension period, the executive officers will continue to be precluded from directing the investment of their 401(k) plan contributions into shares of the Company's common stock or from moving their existing account balance under the plan into the Company common stock fund. However, all other participants in the 401(k) plan will now be subject to the same restrictions while the suspension period remains in effect. In addition, to the extent one or more executive officers may have their 401(k) account currently

invested in the Company common stock fund, they will not be allowed during the suspension period to liquidate that investment and move it into another available investment fund.

Stock Option Plans: No further exercises of outstanding options, including same-day exercise and sale transactions, can be effected during the suspension period.

Employee Stock Purchase Plan: No further contributions can be made to the Employee Stock Purchase Plan during the suspension period. If you are currently a participant in the ESPP, you may request a refund of any contributions you have made to date for the current purchase period. However if you do withdraw those contributions, then you would immediately cease participation in the ESPP and could not rejoin the plan until the next scheduled entry date, at which time a new maximum purchase price would be set for you. Should you leave your existing contributions in the plan, then those contributions would be applied to the purchase of shares of the Company's common stock at the end of the current purchase period, provided the S-8 registration statement is in effect at that time; otherwise, the purchase date will have to be deferred until the S-8 is reactivated. You would continue to have the right to request a refund of your existing contributions during the deferral period.

Excess Profit Stock Plan: No allocations of the Company's common stock may be made during the suspension period to the accounts of the executive officers who participate in this non-qualified deferred compensation plan.

As a result of the foregoing blackout period under the 401(k) Plan, executive officers and Board members will be prohibited pursuant to Section 306(a) of the Sarbanes-Oxley Act from purchasing, selling or otherwise acquiring any shares of the Company's common stock or any derivative security tied to the value of the Company's common stock (such as put or call options or pre-paid variable forward sale contracts) during the blackout period in effect under the 401(k) plan. The prohibition covers any acquisition of the Company's common stock or derivative security in connection with the covered individual's service or employment with the Company (e.g., an option grant, restricted stock unit award or Excess Profit Stock Plan allocation) or any sale of the Company's common stock which the executive officer or Board member acquired in connection with his or her service in such capacity (e.g., through the exercise of stock options or the vesting of restricted stock or restricted stock units). However, the prohibition would not extend to any transactions effected pursuant to certain pre-existing Rule 10b5-1 plans.

Because of the complexity of the Sarbanes-Oxley prohibition, executive officers and Board members are strongly advised not to engage in any transactions involving the Company's common stock or any derivative security tied to the value of the stock during the suspension period.

If you have any questions concerning the suspension period or the Sarbanes-Oxley prohibition on transactions involving the Company's common stock or any related derivative security, please contact Larry Gross at the Company's headquarters at 160 Rio Robles, San Jose, CA 95134 or by telephoning him at 408-875-3000.

The Company can provide no assurances as to when the necessary restatements will be completed and filed with the SEC, since completion of those restatements are not entirely within the Company's control. However, the Company will notify you promptly when the S-8 registration statements are re-activated and the Sarbanes-Oxley blackout period ends.