

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

SCHEDULE TO
(Rule 13e-4)

TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) OR 13(e)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934

(AMENDMENT NO. 2)
KLA-TENCOR CORPORATION

(Name of Subject Company (Issuer) and Filing Person (Offeror))

Options to Purchase Shares of Common Stock, Par Value \$0.001 Per Share
(Title of Class of Securities)

482480100
(CUSIP Number of Class of Securities)
(Underlying Common Stock)

Jeffrey L. Hall
Senior Vice President and Chief Financial Officer
KLA-Tencor Corporation
160 Rio Robles
San Jose, California 95134
(408) 875-3000

(Name, address and telephone number of person authorized to receive notices and communications on behalf of filing person)

Copy to:

S. James DiBernardo, Esq.
Jill Mather Bartow, Esq.
Morgan, Lewis, & Bockius LLP
Two Palo Alto Square
Palo Alto, California 94306
(650) 843-4000

CALCULATION OF FILING FEE

Transaction valuation*

\$141,307,107.00

Amount of filing fee**

\$4,338.13***

- * The "transaction valuation" set forth above is based on the Black-Scholes option valuation model, and assumes that all outstanding options eligible for tender covering an aggregate of 5,139,344 shares of common stock of KLA-Tencor Corporation will be amended pursuant to this offer, which may not occur.
- ** The amount of the filing fee, calculated in accordance with Rule 0-11 under the Securities Exchange Act of 1934, as amended, as modified by Fee Advisory No. 5 for fiscal year 2007, equals \$30.70 per \$1,000,000 of transaction valuation. The transaction valuation set forth above was calculated for the sole purpose of determining the filing fee, and should not be used or relied upon for any other purpose.
- *** Previously paid.
- Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
- Amount Previously Paid: Not applicable.
Form or Registration No.: Not applicable.
Filing party: Not applicable.
Date filed: Not applicable.
- Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.
- Check the appropriate boxes below to designate any transactions to which the statement relates:
- third party tender offer subject to Rule 14d-1.
 issuer tender offer subject to Rule 13e-4.
 going-private transaction subject to Rule 13e-3.
 amendment to Schedule 13D under Rule 13d-2.
- Check the following box if the filing is a final amendment reporting the results of the tender offer.

Introductory Statement

This Amendment No. 2 (this "Amendment") amends and supplements the Tender Offer Statement on Schedule TO (the "Schedule TO") filed with the Securities and Exchange Commission (the "SEC") on February 27, 2007, relating to our offer to amend or replace outstanding "Eligible Options" (as defined in the Offer to Amend or Replace attached to the Schedule TO as Exhibit (a)(1)) held by current employees subject to taxation in the United States so that those options will not be subject to Section 409A of the Internal Revenue Code. Except as amended and supplemented hereby and by Amendment No. 1 thereto, all terms of the Schedule TO and the Offer to Amend or Replace and all disclosure set forth in the Schedule TO and Exhibits thereto remain unchanged.

COVER PAGE AND INTRODUCTION

The information set forth in the Cover Page and Introduction to the Offer to Amend or Replace is hereby amended as follows: The third sentence of the second paragraph on page ii of the Offer to Amend or Replace is deleted in its entirety and replaced with the following language: "The Cash Bonus will be paid on the Company's first regularly scheduled payroll date after January 1, 2008, which is scheduled to be January 10, 2008." The first sentence of the second to the last paragraph on page iv of the Offer to Amend or Replace is deleted in its entirety and replaced with the following language: "The Cash Bonus will be paid on the Company's first regularly scheduled payroll date after January 1, 2008, which is scheduled to be January 10, 2008."

SUMMARY TERM SHEET

The information set forth in the Summary Term Sheet of the Offer to Amend or Replace is hereby amended as follows: The sixth sentence of the first paragraph under the question entitled "WHAT ARE THE COMPONENTS OF THE OFFER?" is deleted in its entirety and replaced with the following language: "The Cash Bonus will be paid on the Company's first regularly scheduled payroll date after January 1, 2008, which is scheduled to be January 10, 2008." The first sentence of the second paragraph under the question entitled "WHEN WILL MY ELIGIBLE OPTIONS BE AMENDED OR REPLACED?" is amended to read as follows: "As soon as administratively practicable after the Amendment Date, we will deliver to you a final and complete Amendment Agreement that will reflect the adjustment to the exercise price of each of your Amended Options and the Company's unconditional obligation to pay you on its first regularly scheduled payroll date after January 1, 2008, the Cash Bonus calculated for each Amended Option." The last sentence under the question entitled "WHAT ARE SOME OF THE KEY DATES TO REMEMBER?" is hereby deleted in its entirety and replaced with the following language: "The Cash Bonus will be paid on the Company's first regularly scheduled payroll date after January 1, 2008, which is scheduled to be January 10, 2008."

ITEM 1. ELIGIBLE OPTIONEES; ELIGIBLE OPTIONS; AMENDMENT OF ELIGIBLE OPTIONS AND CASH BONUS; NEW OPTIONS; EXPIRATION DATE; ADDITIONAL CONSIDERATIONS.

The information set forth in Item 1 of the Offer to Amend or Replace, entitled "Eligible Optionees; Eligible Options; Amendment of Eligible Options and Cash Bonus; New Options; Expiration Date; Additional Considerations" is hereby amended as follows: The third sentence of the third paragraph in the Section entitled "Amendment of Eligible Options and Cash Bonus" of Item 1 is deleted in its entirety and replaced with the following language: "The Cash Bonus will be paid on the Company's first regularly scheduled payroll date after January 1, 2008, which is scheduled to be January 10, 2008." The sentence comprising the final paragraph of the Section entitled "Amendment of Eligible Options and Cash Bonus" of Item 1 is deleted in its entirety and replaced with the following language: "Your Cash Bonus will be paid on the Company's first regularly scheduled payroll date after January 1, 2008, which is scheduled to be January 10, 2008, and will be subject to the Company's collection of all applicable withholding taxes."

ITEM 4. PROCEDURES FOR TENDERING ELIGIBLE OPTIONS.

The information set forth in Item 4 of the Offer to Amend or Replace, entitled "Procedures for Tendering Eligible Options," is hereby amended as follows: The third sentence of the last paragraph in Item 4 is deleted in its entirety and replaced with the following language: "Schedule I to that agreement will indicate the Adjusted Exercise Price in effect for each of your Amended Options and the Company's obligation to pay you on its first regularly scheduled payroll date after January 1, 2008, the Cash Bonus calculated for each Amended Option."

ITEM 6. ACCEPTANCE OF ELIGIBLE OPTIONS FOR AMENDMENT OR REPLACEMENT AND COMMITMENT TO PAY CASH BONUS WITH RESPECT TO AMENDED OPTIONS.

The information set forth in Item 6 of the Offer to Amend or Replace, entitled "Acceptance of Eligible Options for Amendment or Replacement and Commitment to Pay Cash Bonus with Respect to Amended Options," is hereby amended as follows: The fourth sentence of the second paragraph in Item 6 is deleted in its entirety and replaced with the following language: "Schedule I to that agreement will reflect the increases to the exercise prices of the Amended Options and the Company's unconditional obligation to pay such Eligible Optionee the applicable Cash Bonus for each of his or her Amended Options on its first regularly scheduled payroll date after January 1, 2008, which is scheduled to be January 10, 2008."

ITEM 7. CONDITIONS OF THE OFFER.

The information set forth in Item 7 of the Offer to Amend or Replace, entitled "Conditions of the Offer," is hereby amended as follows: Clause (b) of Item 7 is amended to read as follows: "(b) we shall have been unable to obtain exemptive relief from the prompt payment provisions of Rules 13e-4(f)(5) and 14e-1(c) under the 1934 Act, as they may apply to the scheduled payment of the Cash Bonuses on the Company's first regularly scheduled payroll date following January 1, 2008;"

ITEM 9. SOURCE AND AMOUNT OF CONSIDERATION; TERMS OF AMENDED OPTIONS OR NEW OPTIONS.

The information set forth in Item 9 of the Offer to Amend or Replace, entitled "Source and Amount of Consideration; Terms of Amended Options or New Options," is hereby amended as follows: The second sentence of the third paragraph of Item 9 is deleted in its entirety and replaced with the following language: "The Cash Bonus will be paid from KLA-Tencor's general assets on its first regularly scheduled payroll date after January 1, 2008, which is scheduled to be January 10, 2008, and you will be a general creditor of KLA-Tencor with respect to the Cash Bonus."

ITEM 14. LEGAL MATTERS; REGULATORY APPROVALS.

The information set forth in Item 14 of the Offer to Amend or Replace, entitled "Legal Matters; Regulatory Approvals," is hereby amended as follows: The first sentence of the second paragraph of Item 14 is deleted in its entirety and replaced with the following language: "We will not be able to complete the Offer unless we obtain exemptive relief from the prompt payment provisions of Rules 13e-4(f)(5) and 14e-1(c) under the 1934 Act, as they may apply to the scheduled payment of the Cash Bonuses on the Company's first regularly scheduled payroll date following January 1, 2008."

ITEM 12. EXHIBITS.

Pursuant to this Amendment, Exhibits (a)(3), (a)(12) and (a)(16) to the Schedule TO are hereby amended in their entirety to read as set forth in, and to be replaced by, Exhibits (a)(3), (a)(12) and (a)(16), respectively, to this Amendment. In addition, Exhibits (a)(17) and (a)(21) to this Amendment are hereby filed as Exhibits (a)(17) and (a)(21) to the Schedule TO.

- (a)(1) Offer to Amend or Replace, dated February 27, 2007.*
- (a)(2) Email Announcement of Offer to Amend or Replace, dated February 27, 2007.*
- (a)(3) Frequently Asked Questions.
- (a)(4) Screenshot of Login Page to Offer website at <https://kla.equitybenefits.com>.*
- (a)(5) Screenshot of Welcome Page to Offer website at <https://kla.equitybenefits.com>.*
- (a)(6) Screenshot of Electronic Election Form (screenshots 1-2).**
- (a)(7) Screenshot of Election Amendment Review.**
- (a)(8) Screenshot of Agreement to Terms of Election (screenshots 1-3).*
- (a)(9) Screenshot of Print Confirmation.**
- (a)(10) Screenshot of Election Confirmation Statement.**
- (a)(11) Instructions to Electronic Election Form.*
- (a)(12) Form of Stock Option Amendment and Special Bonus Agreement.
- (a)(13) Form of Acknowledgement of Receipt of Election Form.**
- (a)(14) Form of Email Reminder of Expiration Date.*
- (a)(15) Paper Election Form.**
- (a)(16) Form of Notice of Expiration of Offer, Amendment of Eligible Option and Commitment to Pay Cash Bonus.
- (a)(17) Material Income Tax Consequences for Eligible Optionees Resident Outside the United States.
- (a)(18) KLA-Tencor Corporation Annual Report on Form 10-K for the year ended June 30, 2006, filed with the SEC on January 29, 2007, is incorporated herein by reference.
- (a)(19) KLA-Tencor Corporation Quarterly Report on Form 10-Q for its fiscal quarter ended September 30, 2006, filed with the SEC on January 29, 2007, is incorporated herein by reference.
- (a)(20) Email Containing Hyperlink to Offer to Amend or Replace and Information Regarding Eligible Options, dated March 2, 2007.**
- (a)(21) Email Announcing Change to Scheduled Payment Date of Cash Bonus.
- (b) Not applicable.
- (d)(1) KLA-Tencor Corporation Restated 1982 Stock Option Plan, as amended November 18, 1996 is incorporated herein by reference from Exhibit 10.74 to Form S-8, filed with the SEC on March 7, 1997.
- (d)(2) KLA-Tencor Corporation Restated 1982 Stock Option Plan Form of Stock Option Agreement.**
- (d)(3) KLA-Tencor Corporation 2000 Nonstatutory Stock Option Plan is incorporated herein by reference from Exhibit 10.3 to Form S-8, filed with the SEC on September 27, 2002.
- (d)(4) KLA-Tencor Corporation 2000 Nonstatutory Stock Option Plan Form of Stock Option Agreement.**

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- (d)(5) KLA-Tencor Corporation 2004 Equity Incentive Plan is incorporated herein by reference from Exhibit 10.1 to Form S-8, filed with the SEC on December 23, 2004.
- (d)(6) KLA-Tencor Corporation 2004 Equity Incentive Plan Form of Stock Option Agreement.**
- (g) Not applicable.
- (h) Not applicable.

* Previously filed with the Schedule TO filed with the SEC on February 27, 2007, and incorporated herein by reference.

** Previously filed with the Schedule TO-I/A filed with the SEC on March 2, 2007, and incorporated herein by reference.

ITEM 13. INFORMATION REQUIRED BY SCHEDULE 13E-3.

- (a) Not applicable.

INDEX OF EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
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(g)	Not applicable.
(h)	Not applicable.

* Previously filed with the Schedule TO filed with the SEC on February 27, 2007, and incorporated herein by reference.

** Previously filed with the Schedule TO-I/A filed with the SEC on March 2, 2007, and incorporated herein by reference.

KLA-TENCOR CORPORATION
OFFER TO AMEND OR REPLACE ELIGIBLE OPTIONS

FREQUENTLY ASKED QUESTIONS

The following are answers to some of the questions that you may have about the Offer to Amend or Replace and the accompanying Election Form (which, together with the Stock Option Amendment and Special Bonus Agreement, as they may each be amended or supplemented from time to time, constitute the "Offer"). We urge you to read carefully the Offer because the information in this summary is not complete and does not contain all of the information that is important to you.

1. WHEN DOES THE OFFER COMMENCE?

The commencement date of the Offer is February 27, 2007.

2. WHEN DOES THE OFFER EXPIRE?

The Offer will expire on March 27, 2007, at 11:59 p.m. Pacific Time, unless we extend the Offer. If the Offer is extended, we will make a public announcement of the extension no later than 9:00 a.m. Eastern Time on the next business day following the previously scheduled expiration of the Offer.

3. HOW AND WHEN DO I TENDER MY ELIGIBLE OPTIONS?

You must log on to the Offer website at <https://kla.equitybenefits.com> and click on the MAKE AN ELECTION button to proceed with your election. You will be redirected to the first page of the Election Form. You will need to check the appropriate boxes next to each of your Eligible Options to indicate whether or not you are tendering your Eligible Options for amendment or replacement in accordance with the terms of the Offer. After completing the Election Form, you will be allowed to review the elections you have made with respect to your Eligible Options. If you are satisfied with your elections, you will proceed to the Agreement to Terms of Election page. Only after you agree to the Agreement to the Terms of Election will you be directed to the Election Confirmation Statement page. Please print and keep a copy of the Election Confirmation Statement for your records. You will then be deemed to have completed the election process.

If you are not able to submit your election electronically via the Offer website as a result of technical failures inherent to the website, such as the website being unavailable or the website not accepting your election, or if you do not otherwise have access to the Offer website for any reason (including lack of internet services), you must complete a paper Election Form and return it to the Company via facsimile to Tracy Laboy at (408) 875-6677.

If you decide to participate in the Offer, you must complete the election process in the foregoing manner by 11:59 p.m. Pacific Time on March 27, 2007. If we extend the Offer beyond March 27, 2007, you must complete the process before the extended expiration date of the Offer.

4. DURING WHAT PERIOD OF TIME MAY I CHANGE MY ELECTION WITH RESPECT TO MY ELIGIBLE OPTIONS?

You may change your previously submitted election at any time prior to 11:59 p.m. Pacific Time on March 27, 2007 (or any extended expiration date of the Offer). If you would like to change your election, you must log on to the Offer website at <https://kla.equitybenefits.com>, complete and submit a new Election Form. You should print a copy of your revised Election Form and updated Election Confirmation Statement and keep those documents with your other records for this Offer. Alternatively, you may change your existing election by completing a new paper Election Form and returning it to the Company via facsimile to Tracy Laboy at (408) 875-6677.

You may change your previously submitted elections as many times as you would like prior to the expiration of the Offer.

5. WHAT DO I DO IF I FIND AN ERROR REGARDING MY ELIGIBLE OPTIONS IN THE ELECTION FORM?

If you think there is an error in the information contained on your Election Form, please contact Tracy Laboy at (408) 875-7131 or tracy.laboy@kla-tencor.com.

6. WHERE CAN I OBTAIN A COPY OF THE ELECTION FORM AND STOCK OPTION AMENDMENT AND SPECIAL BONUS AGREEMENT?

To obtain a copy of the Election Form and Stock Option Amendment and Special Bonus Agreement, please log onto the Offer website at <https://kla.equitybenefits.com>. If you would like paper copies of the Election Form and Stock Option Amendment and Special Bonus Agreement, please contact Tracy Laboy at (408) 875-7131 or tracy.laboy@kla-tencor.com.

7. WHAT WILL HAPPEN TO MY TENDERED OPTIONS?

If KLA-Tencor accepts your tendered options pursuant to the terms of the Offer, then each of those options will be amended to increase the exercise price per share to the lower of (i) the fair market value per share of KLA-Tencor common stock on the actual date on which that option was granted and (ii) the closing selling price per share of such common stock on the date on which the option is amended.

However, if an Eligible Option you tender for amendment has an exercise price per share at or above the closing selling price per share of KLA-Tencor common stock on the amendment date, that option will be canceled on that date and immediately replaced with a new option that is exactly the same as the canceled option, including the same exercise price per share and no loss of vesting or change to the expiration date, but with a new grant date. Such cancellation and re-grant is necessary in order to avoid adverse taxation of that option under IRC Section 409A.

8. WHAT ARE SOME OF THE KEY DATES TO REMEMBER?

The commencement date of the Offer is February 27, 2007.

The Offer will expire at 11:59 pm Pacific Time on March 27, 2007 (unless we extend it).

The Eligible Options will be amended or replaced on March 28, 2007 (unless we extend the Offer).

The cash bonus will be paid on the KLA-Tencor's first regularly scheduled payroll date following January 1, 2008, which is scheduled to be January 10, 2008.

9. WHO CAN I TALK TO IF I HAVE QUESTIONS ABOUT THE OFFER?

For additional information or assistance, you should contact Tracy Laboy at (408) 875-7131 or tracy.laboy@kla-tencor.com.

**STOCK OPTION AMENDMENT
AND
SPECIAL BONUS AGREEMENT**

AGREEMENT made by KLA-Tencor Corporation (the "Company") which shall be effective on the date executed by a validly-authorized officer of the Company.

WHEREAS, the Company previously granted to _____ (the "Optionee") the options identified on attached *Schedule I* (the "Options") to purchase shares of the Company's common stock under one or more of the Company's employee stock incentive plans (individually, a "Plan").

WHEREAS, the Company and Optionee entered into a formal Stock Option Agreement (the "Option Agreement") evidencing each such Option.

WHEREAS, in order to avoid adverse tax consequences under section 409A of the Internal Revenue Code, Optionee desires to amend each of the Options to increase the exercise price per share to be in effect for the unexercised portion of that Option which is subject to section 409A and identified as such on *Schedule I* (the "Covered Portion") to the higher exercise price per share indicated for that portion of such Option on *Schedule I*.

WHEREAS, in order to compensate Optionee for the increased exercise prices to be in effect for the Covered Portions of the Options, the Company is willing to pay Optionee a special cash bonus in a dollar amount equal to the aggregate increase in the exercise prices for the Covered Portions of the Options listed on *Schedule I*, with the actual dollar of that bonus indicated as the Total Special Bonus on *Schedule I*.

NOW THEREFORE, the parties hereby agree as follows:

1. Increased Exercise Price. The exercise price per share set forth in the Option Agreement for each of the Options listed on *Schedule I* is hereby increased, with respect to the shares subject to the Covered Portion of that Option, to the higher exercise price per share set forth for that Option on *Schedule I*.

2. Special Bonus. Optionee shall become entitled to receive a cash bonus from the Company (the "Special Bonus") in the gross dollar amount indicated as his or her Total Special Bonus on attached *Schedule I*. Payment shall be made on the Company's first regularly scheduled payroll date after January 1, 2008, which is scheduled to be January 10, 2008. However, the Special Bonus shall be subject to the Company's collection of all applicable federal, state and local income and employment withholding taxes, and Optionee shall be paid only the net amount of such bonus remaining after such taxes have been collected. Optionee need not remain in the Company's employ to receive the Special Bonus.

3. Entire Agreement. This Agreement, together with the Option Agreements (to the extent not expressly amended hereby) and the applicable Plan under which each Option is outstanding, represents the entire agreement of the parties with respect to the Options, the Covered Portions thereof and the Special Bonus and supersedes any and all previous contracts, arrangements or understandings between the parties with respect to such Options and the Special Bonus. This Agreement may be amended at any time only by means of a writing signed by Optionee and an authorized officer of the Company.

5. Continuation of Option Agreements. Except for the foregoing increases to the exercise prices per share for the Covered Portions of the Options, no other terms or provisions of the Option Agreements for such Options or the applicable Plans have been modified as a result of this Agreement, and those terms and provisions shall continue in full force and effect.

IN WITNESS WHEREOF, this Agreement has been executed on behalf of KLA-Tencor Corporation by a duly-authorized officer on the date indicated below.

KLA-TENCOR CORPORATION

By: _____

TITLE: _____

DATED: _____, 2007

SCHEDULE I

AMENDED OPTION AND RETENTION BONUS

Grant Date	Total Number of Shares Subject to Outstanding Option	Exercise Price Per Share Prior to Amendment	New Exercise Price Per Share Following Amendment	Number of Outstanding Option Shares Subject to Amended Exercise Price	Number of Outstanding Option Shares Not Subject to Amended Exercise Price	Special Bonus Payable on first regularly scheduled payroll date following January 1, 2008
		\$	\$			\$

Total Special Bonus: \$ _____

Note: This schedule will be completed by the Company and sent to you at your KLA-Tencor email address as soon as practicable following the Amendment Date.

**FORM OF NOTICE OF EXPIRATION OF OFFER, AMENDMENT OR REPLACEMENT
OF ELIGIBLE OPTIONS AND COMMITMENT TO PAY CASH BONUS**

To:

We are pleased to announce that we have completed our Offer to Amend or Replace Eligible Options. As a result of the Offer, we have amended outstanding Eligible Options covering _____ shares of KLA-Tencor common stock to increase the exercise price of each such option to the lower of (i) the fair market value per share of KLA-Tencor common stock on the actual grant date of that option or (ii) \$ _____, the closing selling price per share of such common stock on the March 28, 2007 amendment date. In addition, the participants whose Eligible Options have been so amended are now eligible for special cash bonuses in the aggregate amount of up to \$ _____ to compensate them for the higher exercise prices per share in effect for their amended options.

In addition, we canceled tendered Eligible Options covering _____ shares of KLA-Tencor common stock because the adjusted exercise price would have been the same or lower than the exercise price in effect for those options prior to the amendment. In replacement of each such canceled option, we immediately granted a New Option that is exactly the same, including the same exercise price per share, but with a new grant date of March 28, 2007.

The chart below lists each of your tendered Eligible Options that have been amended. The information in the chart confirms that the listed Eligible Options were validly submitted for amendment pursuant to the Offer and not otherwise withdrawn prior to the expiration date of the Offer. Accordingly, the adjusted exercise price per share now in effect for each of your amended Eligible Options is indicated below. Each of your amended options will continue to vest in accordance with the same vesting schedule measured from the same vesting commencement date currently in effect for that option. The amendment has no effect on the option's vesting schedule, exercise period, option term or any other term of the option.

<u>Grant Date</u>	<u>Total Number of Shares Subject to Outstanding Option</u>	<u>Exercise Price Per Share Prior to Amendment</u>	<u>New Exercise Price Per Share Following Amendment</u>	<u>Number of Outstanding Option Shares Subject to Amended Exercise Price</u>	<u>Number of Outstanding Option Shares Not Subject to Amended Exercise Price</u>	<u>Special Bonus Payable in 2008</u>
		\$	\$			\$

Total Special
Bonus
Amount:
\$

In exchange for your agreement to amend your outstanding Eligible Option to the Adjusted Exercise Prices determined for those options, KLA-Tencor hereby irrevocably commits to pay you a special cash bonus in the amount of \$ _____. Current guidance under Section 409A requires that the cash bonus not be paid in the same year in which the Eligible Options are amended. Therefore, the cash bonus will be paid on KLA-Tencor's first regularly scheduled payroll date following January 1, 2008, which is scheduled to be January 10, 2008. KLA-Tencor must withhold all applicable U.S. federal, state and local income and employment withholding taxes and other required payments, and you will receive only the portion of the payment remaining after those taxes and payments have been withheld. You will receive your cash bonus even if your employment with KLA-Tencor terminates prior to the date on which the cash bonus is paid.

MATERIAL INCOME TAX CONSEQUENCES FOR ELIGIBLE OPTIONEES SUBJECT TO TAXATION
OUTSIDE THE UNITED STATES

**MATERIAL INCOME TAX CONSEQUENCES FOR INDIVIDUALS SUBJECT TO
TAXATION IN FRANCE**

The following is a general summary of the income tax consequences under current law applicable to the amendment of the Eligible Options and the payment of the Cash Bonuses or the cancellation of tendered options and the grant of New Options in replacement for those individuals who are subject to taxation in France. This summary is only intended to alert you to some of the material tax consequences you may want to consider in making your decision about the Offer. It does not discuss all of the tax consequences that may be relevant to you in your particular circumstances, nor is it intended to apply to all option holders. It also does not address any state, provincial or other local law, any wealth tax, or the treatment of any dividends. In addition, you should note that tax laws change frequently and occasionally on a retroactive basis. Because you are also subject to taxation in the United States, you may have additional or different tax consequences from those described below.

We recommend that you consult with your tax advisor with respect to the tax consequences of your particular participation in the Offer, as the tax consequences to you depend on your individual tax situation.

Acceptance of Offer. If you tender your Eligible Option, you should not recognize taxable income at the time of your tender.

Amendment of Option. You should not be subject to income tax at the time of the amendment of your Eligible Option to increase the exercise price per share to the Adjusted Exercise Price determined for that option.

Cancellation and Grant of New Options. The cancellation of a tendered Eligible Option and the grant of a New Option in replacement should not be a taxable event.

Option Exercise. When you exercise your Amended Option or New Option, you will recognize taxable income in an amount equal to the difference between the fair market value of the purchased shares on the exercise date and the exercise price paid for those shares. KLA-Tencor will withhold all applicable social taxes with respect to such income. You must directly pay the income taxes with respect to this income.

Sale of Acquired Shares. The subsequent sale of the acquired shares may result in taxable capital gain.

Cash Bonus. The Cash Bonus will be subject to income tax and social taxes. KLA-Tencor will withhold all applicable social taxes and you will receive the portion of the Cash Bonus net of such amounts. You will be responsible for directly paying the income taxes with respect to such income.

**MATERIAL INCOME TAX CONSEQUENCES FOR INDIVIDUALS SUBJECT TO
TAXATION IN GERMANY**

The following is a general summary of the income tax consequences under current law applicable to the amendment of the Eligible Options and the payment of the Cash Bonuses or the cancellation of tendered options and the grant of New Options in replacement for those individuals who are subject to taxation in Germany. This summary is only intended to alert you to some of the material tax consequences you may want to consider in making your decision about the Offer. It does not discuss all of the tax consequences that may be relevant to you in your particular circumstances, nor is it intended to apply to all option holders. It also does not address any state, provincial or other local law, any wealth tax, or the treatment of any dividends. In addition, you should note that tax laws change frequently and occasionally on a retroactive basis. Because you are also subject to taxation in the United States, you may have additional or different tax consequences from those described below.

We recommend that you consult with your tax advisor with respect to the tax consequences of your particular participation in the Offer, as the tax consequences to you depend on your individual tax situation.

Acceptance of Offer. If you tender your Eligible Option, you should not recognize taxable income at the time of your tender.

Amendment of Option. You should not be subject to income tax at the time of the amendment of your Eligible Option to increase the exercise price per share to the Adjusted Exercise Price determined for that option.

Cancellation and Grant of New Options. It is unlikely that the cancellation of a tendered Eligible Option and the grant of a New Option in replacement will be a taxable event.

Option Exercise. When you exercise your Amended Option or New Option, you will recognize taxable income in an amount equal to the difference between the fair market value of the purchased shares on the exercise date (as determined under German tax rules) and the exercise price paid for those shares. KLA-Tencor will withhold all applicable income and social security taxes with respect to such income.

Sale of Acquired Shares. The subsequent sale of the acquired shares may result in taxable capital gain.

Cash Bonus. The Cash Bonus will be subject to income tax and social security taxes. KLA-Tencor will withhold all applicable taxes and you will receive the portion of the Cash Bonus net of such amounts.

**MATERIAL INCOME TAX CONSEQUENCES FOR INDIVIDUALS SUBJECT TO
TAXATION IN INDIA**

The following is a general summary of the income tax consequences under current law applicable to the amendment of the Eligible Options and the payment of the Cash Bonuses or the cancellation of tendered options and the grant of New Options in replacement for those individuals who are subject to taxation in India. This summary is only intended to alert you to some of the material tax consequences you may want to consider in making your decision about the Offer. It does not discuss all of the tax consequences that may be relevant to you in your particular circumstances, nor is it intended to apply to all option holders. It also does not address any state, provincial or other local law, any wealth tax, or the treatment of any dividends. In addition, you should note that tax laws change frequently and occasionally on a retroactive basis. Because you are also subject to taxation in the United States, you may have additional or different tax consequences from those described below.

We recommend that you consult with your tax advisor with respect to the tax consequences of your particular participation in the Offer, as the tax consequences to you depend on your individual tax situation.

Acceptance of Offer. If you tender your Eligible Option, you should not recognize taxable income at the time of your tender.

Amendment of Option. You should not be subject to income tax at the time of the amendment of your Eligible Option to increase the exercise price per share to the Adjusted Exercise Price determined for that option.

Cancellation and Grant of New Options. It is not clear whether the cancellation of a tendered Eligible Option and the grant of a New Option in replacement will be a taxable event.

Option Exercise. When you exercise your Amended Option or New Option, you will recognize taxable income in an amount equal to the difference between the fair market value of the purchased shares on the exercise date and the exercise price paid for those shares. KLA-Tencor will withhold all applicable income and social security taxes with respect to such income.

Sale of Acquired Shares. The subsequent sale of the acquired shares may result in taxable capital gain.

Cash Bonus. The Cash Bonus will be subject to income tax and social security taxes. KLA-Tencor will withhold all applicable taxes and you will receive the portion of the Cash Bonus net of such amounts.

**MATERIAL INCOME TAX CONSEQUENCES FOR INDIVIDUALS SUBJECT TO
TAXATION IN ISRAEL**

The following is a general summary of the income tax consequences under current law applicable to the amendment of the Eligible Options and the payment of the Cash Bonuses or the cancellation of tendered options and the grant of New Options in replacement for those individuals who are subject to taxation in Israel. This summary is only intended to alert you to some of the material tax consequences you may want to consider in making your decision about the Offer. It does not discuss all of the tax consequences that may be relevant to you in your particular circumstances, nor is it intended to apply to all option holders. It also does not address any state, provincial or other local law, any wealth tax, or the treatment of any dividends. In addition, you should note that tax laws change frequently and occasionally on a retroactive basis. Because you are also subject to taxation in the United States, you may have additional or different tax consequences from those described below.

We recommend that you consult with your tax advisor with respect to the tax consequences of your particular participation in the Offer, as the tax consequences to you depend on your individual tax situation.

Amendment of Option. It is likely that you will be subject to income tax at the time of the amendment of your Eligible Option to increase the exercise price per share to the Adjusted Exercise Price determined for that option.

Cancellation and Grant of New Options. The cancellation of a tendered Eligible Option and the grant of a New Option in replacement will likely be a taxable event.

Option Exercise. When you exercise your Amended Option or New Option, you will recognize taxable income in an amount equal to the difference between the fair market value of the purchased shares on the exercise date and the exercise price paid for those shares. KLA-Tencor will withhold all applicable income and social security taxes with respect to such income.

Sale of Acquired Shares. The subsequent sale of the acquired shares may result in taxable capital gain.

Cash Bonus. The Cash Bonus will be subject to income tax and social security taxes. KLA-Tencor will withhold all applicable taxes and you will receive the Cash Bonus net of such amounts.

**MATERIAL INCOME TAX CONSEQUENCES FOR INDIVIDUALS SUBJECT TO
TAXATION IN JAPAN**

The following is a general summary of the income tax consequences under current law applicable to the amendment of the Eligible Options and the payment of the Cash Bonuses or the cancellation of tendered options and the grant of New Options in replacement for those individuals who are subject to taxation in Japan. This summary is only intended to alert you to some of the material tax consequences you may want to consider in making your decision about the Offer. It does not discuss all of the tax consequences that may be relevant to you in your particular circumstances, nor is it intended to apply to all option holders. It also does not address any state, provincial or other local law, any wealth tax, or the treatment of any dividends. In addition, you should note that tax laws change frequently and occasionally on a retroactive basis. Because you are also subject to taxation in the United States, you may have additional or different tax consequences from those described below.

We recommend that you consult with your tax advisor with respect to the tax consequences of your particular participation in the Offer, as the tax consequences to you depend on your individual tax situation.

Acceptance of Offer. If you tender your Eligible Option, you should not recognize taxable income at the time of your tender.

Amendment of Option. You should not be subject to income tax at the time of the amendment of your Eligible Option to increase the exercise price per share to the Adjusted Exercise Price determined for that option.

Cancellation and Grant of New Options. It is not clear whether the cancellation of a tendered Eligible Option and the grant of a New Option in replacement will be a taxable event.

Option Exercise. When you exercise your Amended Option or New Option, you will recognize taxable income in an amount equal to the difference between the fair market value of the purchased shares on the exercise date and the exercise price paid for those shares. KLA-Tencor will not withhold any income or social security taxes with respect to such income. You must directly pay all applicable taxes.

Sale of Acquired Shares. The subsequent sale of the acquired shares may result in taxable capital gain.

Cash Bonus. The Cash Bonus will be subject to income tax and social security taxes. You will be responsible for directly paying the applicable taxes.

**MATERIAL INCOME TAX CONSEQUENCES FOR INDIVIDUALS SUBJECT TO
TAXATION IN MALAYSIA**

The following is a general summary of the income tax consequences under current law applicable to the amendment of the Eligible Options and the payment of the Cash Bonuses or the cancellation of tendered options and the grant of New Options in replacement for those individuals who are subject to taxation in Malaysia. This summary is only intended to alert you to some of the material tax consequences you may want to consider in making your decision about the Offer. It does not discuss all of the tax consequences that may be relevant to you in your particular circumstances, nor is it intended to apply to all option holders. It also does not address any state, provincial or other local law, any wealth tax, or the treatment of any dividends. In addition, you should note that tax laws change frequently and occasionally on a retroactive basis. Because you are also subject to taxation in the United States, you may have additional or different tax consequences from those described below.

We recommend that you consult with your tax advisor with respect to the tax consequences of your particular participation in the Offer, as the tax consequences to you depend on your individual tax situation.

Acceptance of Offer. If you tender your Eligible Option, you should not recognize taxable income at the time of your tender.

Amendment of Option. You should not be subject to income tax at the time of the amendment of your Eligible Option to increase the exercise price per share to the Adjusted Exercise Price determined for that option.

Cancellation and Grant of New Options. The cancellation of a tendered Eligible Option and the grant of a New Option in replacement should not be a taxable event.

Option Exercise. When you exercise your Amended Option or New Option, you will recognize taxable income in an amount equal to the difference between the fair market value of the purchased shares on the exercise date and the exercise price paid for those shares. In certain cases, it may be possible to elect to be taxed on the difference between the fair market value of the shares on the date of vesting and the exercise price paid for the shares. KLA-Tencor will withhold all applicable income and social security taxes with respect to such income.

Sale of Acquired Shares. You should not be subject to tax on the subsequent sale of the acquired shares.

Cash Bonus. The Cash Bonus will be subject to income tax and social security taxes. KLA-Tencor will withhold all applicable taxes and you will receive the portion of the Cash Bonus net of such amounts.

**MATERIAL INCOME TAX CONSEQUENCES FOR INDIVIDUALS SUBJECT TO
TAXATION IN PEOPLE'S REPUBLIC OF CHINA**

The following is a general summary of the income tax consequences under current law applicable to the amendment of the Eligible Options and the payment of the Cash Bonuses or the cancellation of tendered options and the grant of New Options in replacement for those individuals who are subject to taxation in the People's Republic of China. This summary is only intended to alert you to some of the material tax consequences you may want to consider in making your decision about the Offer. It does not discuss all of the tax consequences that may be relevant to you in your particular circumstances, nor is it intended to apply to all option holders. It also does not address any state, provincial or other local law, any wealth tax, or the treatment of any dividends. In addition, you should note that tax laws change frequently and occasionally on a retroactive basis. Because you are also subject to taxation in the United States, you may have additional or different tax consequences from those described below.

We recommend that you consult with your tax advisor with respect to the tax consequences of your particular participation in the Offer, as the tax consequences to you depend on your individual tax situation.

Acceptance of Offer. If you tender your Eligible Option, you should not recognize taxable income at the time of your tender.

Amendment of Option. You should not be subject to income tax at the time of the amendment of your Eligible Option to increase the exercise price per share to the Adjusted Exercise Price determined for that option.

Cancellation and Grant of New Options. It is not clear whether the cancellation of a tendered Eligible Option and the grant of a New Option in replacement will be a taxable event.

Option Exercise. When you exercise your Amended Option or New Option, you will recognize taxable income in an amount equal to the difference between the fair market value of the purchased shares on the exercise date and the exercise price paid for those shares. KLA-Tencor will withhold all applicable any income and social security taxes with respect to such income.

Sale of Acquired Shares. You should not be subject to tax on the subsequent sale of the acquired shares.

Cash Bonus. The Cash Bonus will be subject to income tax and social security taxes. KLA-Tencor will withhold all applicable taxes and you will receive the Cash Bonus net of such amounts.

**MATERIAL INCOME TAX CONSEQUENCES FOR INDIVIDUALS SUBJECT TO
TAXATION IN SINGAPORE**

The following is a general summary of the income tax consequences under current law applicable to the amendment of the Eligible Options and the payment of the Cash Bonuses or the cancellation of tendered options and the grant of New Options in replacement for those individuals who are subject to taxation in Singapore. This summary is only intended to alert you to some of the material tax consequences you may want to consider in making your decision about the Offer. It does not discuss all of the tax consequences that may be relevant to you in your particular circumstances, nor is it intended to apply to all option holders. It also does not address any state, provincial or other local law, any wealth tax, or the treatment of any dividends. In addition, you should note that tax laws change frequently and occasionally on a retroactive basis. Because you are also subject to taxation in the United States, you may have additional or different tax consequences from those described below.

We recommend that you consult with your tax advisor with respect to the tax consequences of your particular participation in the Offer, as the tax consequences to you depend on your individual tax situation.

Acceptance of Offer. If you tender your Eligible Option, you should not recognize taxable income at the time of your tender.

Amendment of Option. You should not be subject to income tax at the time of the amendment of your Eligible Option to increase the exercise price per share to the Adjusted Exercise Price determined for that option.

Cancellation and Grant of New Options. It is unlikely that the cancellation of a tendered Eligible Option and the grant of a New Option in replacement will be a taxable event.

Option Exercise. When you exercise your Amended Option or New Option, you will recognize taxable income in an amount equal to the difference between the fair market value of the purchased shares on the exercise date and the exercise price paid for those shares. KLA-Tencor will report the income but will not withhold any income or social security taxes with respect to such income. You must directly pay all applicable taxes.

Sale of Acquired Shares. You should not be subject to tax on the subsequent sale of the acquired shares.

Cash Bonus. The Cash Bonus will be subject to income tax and social security taxes. You will be responsible for directly paying the applicable taxes.

**MATERIAL INCOME TAX CONSEQUENCES FOR INDIVIDUALS SUBJECT TO
TAXATION IN SOUTH KOREA**

The following is a general summary of the income tax consequences under current law applicable to the amendment of the Eligible Options and the payment of the Cash Bonuses or the cancellation of tendered options and the grant of New Options in replacement for those individuals who are subject to taxation in South Korea. This summary is only intended to alert you to some of the material tax consequences you may want to consider in making your decision about the Offer. It does not discuss all of the tax consequences that may be relevant to you in your particular circumstances, nor is it intended to apply to all option holders. It also does not address any state, provincial or other local law, any wealth tax, or the treatment of any dividends. In addition, you should note that tax laws change frequently and occasionally on a retroactive basis. Because you are also subject to taxation in the United States, you may have additional or different tax consequences from those described below.

We recommend that you consult with your tax advisor with respect to the tax consequences of your particular participation in the Offer, as the tax consequences to you depend on your individual tax situation.

Acceptance of Offer. If you tender your Eligible Option, you should not recognize taxable income at the time of your tender.

Amendment of Option. You should not be subject to income tax at the time of the amendment of your Eligible Option to increase the exercise price per share to the Adjusted Exercise Price determined for that option.

Cancellation and Grant of New Options. It is unlikely that the cancellation of a tendered Eligible Option and the grant of a New Option in replacement will be a taxable event.

Option Exercise. When you exercise your Amended Option or New Option, you will recognize taxable income in an amount equal to the difference between the fair market value of the purchased shares on the exercise date and the exercise price paid for those shares. KLA-Tencor will not withhold any income or social security taxes with respect to such income. You must directly pay all applicable taxes.

Sale of Acquired Shares. The subsequent sale of the acquired shares may result in taxable capital gain.

Cash Bonus. The Cash Bonus will be subject to income tax and social security taxes. You will be responsible for directly paying all applicable taxes.

**MATERIAL INCOME TAX CONSEQUENCES FOR INDIVIDUALS SUBJECT TO
TAXATION IN TAIWAN**

The following is a general summary of the income tax consequences under current law applicable to the amendment of the Eligible Options and the payment of the Cash Bonuses or the cancellation of tendered options and the grant of New Options in replacement for those individuals who are subject to taxation in Taiwan. This summary is only intended to alert you to some of the material tax consequences you may want to consider in making your decision about the Offer. It does not discuss all of the tax consequences that may be relevant to you in your particular circumstances, nor is it intended to apply to all option holders. It also does not address any state, provincial or other local law, any wealth tax, or the treatment of any dividends. In addition, you should note that tax laws change frequently and occasionally on a retroactive basis. Because you are also subject to taxation in the United States, you may have additional or different tax consequences from those described below.

We recommend that you consult with your tax advisor with respect to the tax consequences of your particular participation in the Offer, as the tax consequences to you depend on your individual tax situation.

Acceptance of Offer. If you tender your Eligible Option, you should not recognize taxable income at the time of your tender.

Amendment of Option. You should not be subject to income tax at the time of the amendment of your Eligible Option to increase the exercise price per share to the Adjusted Exercise Price determined for that option.

Cancellation and Grant of New Options. The cancellation of a tendered Eligible Option and the grant of a New Option in replacement should not be a taxable event.

Option Exercise. When you exercise your Amended Option or New Option, you will recognize taxable income in an amount equal to the difference between the fair market value of the purchased shares on the exercise date and the exercise price paid for those shares. KLA-Tencor will report the income but will not withhold any income or social security taxes with respect to such income. You must directly pay all applicable taxes.

Sale of Acquired Shares. You should not be subject to tax on the subsequent sale of the acquired shares.

Cash Bonus. The Cash Bonus will be subject to income tax and social security taxes. You will be responsible for directly paying all applicable taxes.

**MATERIAL INCOME TAX CONSEQUENCES FOR INDIVIDUALS SUBJECT TO
TAXATION IN THE UNITED KINGDOM**

The following is a general summary of the income tax consequences under current law applicable to the amendment of the Eligible Options and the payment of the Cash Bonuses or the cancellation of tendered options and the grant of New Options in replacement for those individuals who are subject to taxation in the United Kingdom. This summary is only intended to alert you to some of the material tax consequences you may want to consider in making your decision about the Offer. It does not discuss all of the tax consequences that may be relevant to you in your particular circumstances, nor is it intended to apply to all option holders. It also does not address any state, provincial or other local law, any wealth tax, or the treatment of any dividends. In addition, you should note that tax laws change frequently and occasionally on a retroactive basis. Because you are also subject to taxation in the United States, you may have additional or different tax consequences from those described below.

We recommend that you consult with your tax advisor with respect to the tax consequences of your particular participation in the Offer, as the tax consequences to you depend on your individual tax situation.

Acceptance of Offer. If you tender your Eligible Option, you should not recognize taxable income at the time of your tender.

Amendment of Option. You should not be subject to income tax at the time of the amendment of your Eligible Option to increase the exercise price per share to the Adjusted Exercise Price determined for that option.

Cancellation and Grant of New Options. The cancellation of a tendered Eligible Option and the grant of a New Option in replacement should not be a taxable event.

Option Exercise. When you exercise your Amended Option or New Option, you will recognize taxable income in an amount equal to the difference between the fair market value of the purchased shares on the exercise date and the exercise price paid for those shares. KLA-Tencor will withhold all applicable income taxes and employee national insurance contributions with respect to such income. In addition, to the extent provided in the terms of your Eligible Option and/or any joint election you have entered into, you will be required to pay all employer national insurance contributions with respect to this income.

Sale of Acquired Shares. The subsequent sale of the acquired shares may result in taxable capital gain.

Cash Bonus. The Cash Bonus will be subject to income tax and employee national insurance contributions. KLA-Tencor will withhold all applicable taxes and contributions and you will receive the Cash Bonus net of such amounts.

March 13, 2007

As you know, KLA-Tencor Corporation is conducting an offer to amend or replace certain outstanding options, as described in more detail in the Offer to Amend or Replace Eligible Options, dated February 27, 2007 (the "Offer").

As described in the Offer, each Eligible Optionee whose Eligible Options are amended to increase the exercise prices in effect for such options will be entitled to receive a cash bonus. We have stated in the Offer and related documents that the cash bonuses will be paid on January 2, 2008; *however, we have decided to delay the payment of the cash bonuses to coincide with our first regularly scheduled payroll date after January 1, 2008, which is scheduled to be January 10, 2008.*

If you have any questions regarding the Offer or the payment of the cash bonus, please contact Tracy Laboy at (408) 875-7131 or tracy.laboy@kla-tencor.com.