

KLA TENCOR CORP  
Form 8-K  
September 20, 2006

**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 19, 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))
-

**Item 1.01: Entry into a Material Definitive Agreement**

On September 19, 2006, the Compensation Committee of the Board of Directors of KLA-Tencor Corporation (the Company ) approved awards of restricted stock units covering a total of 2,530,689 shares of the Company s common stock to employees of the Company, including the executive officers. The restricted stock units were awarded under the Company s 2004 Equity Incentive Plan (the Plan ), and each unit will entitle the recipient to one share of common stock when the applicable vesting requirements for that unit are satisfied. However, for each share actually issued under the awarded units, the share reserve under the Plan will be reduced by 1.8 shares, as provided under the terms of such Plan.

The executive officers who were awarded restricted stock units and the maximum number of units awarded to each such officer are as follows:

<u>Name</u>	<u>Maximum Number of Restricted Stock Units</u>
Richard P. Wallace, Chief Executive Officer	62,500
John H. Kispert, President and Chief Operating Officer	62,500
Jeffrey L. Hall, Chief Financial Officer	18,750

The restricted stock units awarded to the executive officers are subject to both performance vesting tied to the Company s operating income for the 2007 fiscal year and service vesting over a four-year period measured from the award date. The actual number of shares to which each executive officer will become entitled under his or her award will be determined as follows:

(i) As soon as practicable following the completion of the Company s audited financial statements for the 2007 fiscal year, the Compensation Committee will determine the level at which the performance goal for that year has been attained and on the basis of that assessment determine the specific number of restricted stock units each executive officer will have the potential to earn based on his or her continued service. Such number may range from 0 restricted stock units (if less than threshold attainment of the performance goal is attained) to the maximum number awarded to such individual (if attainment is at or above the maximum specified goal).

(ii) The executive officer will vest in 50% of the number of restricted stock units determined under subparagraph (i) upon his or her completion of two years of service with the Company measured from the award date and will vest in the remaining 50% upon his or her completion of an additional two years of service. A copy of both the form Restricted Stock Unit Award Notification and the form Restricted Stock Unit Agreement that will be used to evidence the awards made to the executive officers are filed as exhibits to this Form 8-K.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

The following exhibits are filed herewith:

Exhibit Number	Description
10.19	Form Restricted Stock Unit Award Notification.*
10.20	Form Restricted Stock Unit Agreement.*

\* Denotes a management contract, plan or arrangement.

---

**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: September 20, 2006

By: /s/ Jeffrey L. Hall  
Name: Jeffrey L. Hall  
Title: Chief Financial Officer

---

**Exhibit Index**

Exhibit Number	Description
10.19	Form Restricted Stock Unit Award Notification.*
10.20	Form Restricted Stock Unit Agreement.*

\* Denotes a management contract, plan or arrangement.