

KLA TENCOR CORP
 Form 4
 December 29, 2006

FORM 4

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

OMB APPROVAL

OMB Number: 3235-0287
 Expires: January 31, 2005
 Estimated average burden hours per response... 0.5

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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 *
WALLACE RICHARD P

(Last) (First) (Middle)
 160 RIO ROBLES
 (Street)

SAN JOSE, CA 95130

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
KLA TENCOR CORP [KLAC]

3. Date of Earliest Transaction
 (Month/Day/Year)
 12/28/2006

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)
 Chief Executive Officer

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 Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership Indirect Beneficial Ownership (Instr. 4)
				(A) or (D)	Code V Amount (D) Price		

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
 (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	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities Acquired	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Underlying Security (Instr. 3 and 4)
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(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8) Code	(A) or Disposed of (D) (Instr. 3, 4, and 5)		Date Exercisable	Expiration Date	Title
				V	(A)			
Non-Qualified Stock Option (right to buy)	\$ 26.25	12/28/2006	D ⁽¹⁾		3,209	⁽²⁾	11/10/2010	Common Stock
Non-Qualified Stock Option (right to buy)	\$ 32.88	12/28/2006	A ⁽¹⁾	3,209		⁽²⁾	11/10/2010	Common Stock
Non-Qualified Stock Option (right to buy)	\$ 32.75	12/28/2006	D ⁽¹⁾		4,667	⁽²⁾	04/04/2011	Common Stock
Non-Qualified Stock Option (right to buy)	\$ 50.82	12/28/2006	A ⁽¹⁾	4,667		⁽²⁾	04/04/2011	Common Stock
Non-Qualified Stock Option (right to buy)	\$ 29.31	12/28/2006	D ⁽¹⁾		16,500	⁽²⁾	10/02/2011	Common Stock
Non-Qualified Stock Option	\$ 45.25	12/28/2006	A ⁽¹⁾	16,500		⁽²⁾	10/02/2011	Common Stock

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
WALLACE RICHARD P 160 RIO ROBLES SAN JOSE, CA 95130	X		Chief Executive Officer	

Signatures

/s/ Jeff Hall, Attorney in fact for Richard
Wallace

12/29/2006

__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) The reported transactions are exempt under SEC Rule 16-b-3, and the related disposition and acquisition transactions for each option involved an amendment of a portion of that option increasing the exercise price per share of such portion to comply with the requirements of Section 409A of the Internal Revenue Code. Such amendment is deemed the cancellation of the portion of the lower-priced option and the grant a replacement option at the higher exercise price per share.

(2) The option is currently exercisable for vested shares.

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