

UNITED STATES DISTRICT COURT FOR THE  
NORTHERN DISTRICT OF CALIFORNIA – SAN FRANCISCO DIVISION

IN RE KLA-TENCOR CORPORATION  
SECURITIES LITIGATION

Master Case No. 06-cv-04065 CRB

**NOTICE OF CLASS ACTION CERTIFICATION, PROPOSED SETTLEMENT,  
MOTION FOR ATTORNEYS' FEES AND EXPENSES AND HEARING THEREON**

**IF YOU PURCHASED KLA-TENCOR CORPORATION SECURITIES (INCLUDING COMMON STOCK AND  
CALL OPTIONS) DURING THE PERIOD BEGINNING JUNE 30, 2001 THROUGH JANUARY 29, 2007,  
YOU COULD GET MONEY FROM A CLASS ACTION SETTLEMENT.**

***A Federal Court authorized this notice. This is not a solicitation from a lawyer.  
This is not a notice that you have been sued.***

- A settlement of a lawsuit will provide \$65 million in cash, plus interest, to pay claims from investors who bought KLA-Tencor Corporation (“KLA”) securities between June 30, 2001 and January 29, 2007 and suffered losses. Depending on the number of eligible shares purchased by investors who elect to participate in the settlement and when those shares were purchased and sold, the average distribution is estimated to be \$0.506 per share purchased in the Settlement Class Period and damaged on May 22, 2006 — before deduction of Court-approved fees and expenses described below. A further description of the Plan of Allocation is on pages 12-14 below.
- The settlement, subject to court approval, resolves a class action lawsuit in federal court over whether KLA and individual defendants misled investors about KLA's stock option grants and KLA's earnings, expenses and other financial information. The settlement avoids costs and risks to you and the class from continuing the lawsuit, it pays money to investors like you, and it releases KLA and the individual defendants from liability.
- If the settlement is approved by the Court, the Court-appointed lawyers for investors, Berman DeValerio Pease Tabacco Burt & Pucillo; Kohn, Swift & Graf, P.C.; Berger & Montague, P.C.; and Trujillo Rodriguez & Richards, LLC, will ask the Court for an award of attorneys' fees of \$10,750,000, which amounts to approximately 16.5% of the settlement fund, and expenses of up to \$280,000 incurred in investigating the facts, litigating the case, and negotiating the settlement. In addition, the Lead Plaintiffs will also ask the Court to award them collectively up to \$30,000 in payment of their expenses in this case. These payments, if approved, will come out of the \$65 million settlement fund and are estimated to be an average of 8.6¢ per share purchased in the Settlement Class Period and damaged on May 22, 2006.
- Lead Plaintiffs and KLA do not agree on the average amount of damages per share that would be recoverable if the Lead Plaintiffs were to have prevailed on each claim alleged. The issues on which the parties disagree include: (1) the amount by which KLA securities were allegedly artificially inflated (if at all) during the Settlement Class Period; (2) the effect of various market forces influencing the trading price of KLA securities at various times during the Settlement Class Period; (3) the extent to which external factors, such as general market and industry conditions, influenced the trading price of KLA securities at various times during the Settlement Class Period; (4) the extent to which the various matters that Lead Plaintiffs alleged were materially false or misleading influenced (if at all) the trading price of KLA securities at various times during the Settlement Class Period; (5) the extent to which the various allegedly adverse material facts that Lead Plaintiffs alleged were omitted influenced (if at all) the trading price of KLA securities at various times during the Settlement Class Period; (6) whether the statements made or facts allegedly omitted were material, false, misleading or otherwise actionable under the securities laws; (7) whether the claims alleged by Lead Plaintiffs are barred, in whole or in part, by the statutes of limitations; (8) whether any of the defendants acted with the wrongful intent alleged by Lead Plaintiffs; and (9) whether, even if liability could be proven, total damages would be more than \$0 per damaged share. KLA and the individual defendants deny all liability and believe they would win the case at trial.
- If you are a Settlement Class Member (as the term is defined below), your legal rights are affected by the settlement, regardless of whether you act or do not act. **Read this notice carefully.**

QUESTIONS? CALL 1-800-768-8450 TOLL FREE, OR VISIT [WWW.HRSCLAIMSADMINISTRATION.COM](http://WWW.HRSCLAIMSADMINISTRATION.COM)

## YOUR LEGAL RIGHTS AND OPTIONS

YOU CAN:	THAT MEANS:
<b>SUBMIT A CLAIM FORM</b>	You can show that you are a member of the Class and can get payment from the settlement. If the proposed settlement is finally approved by the Court, you may share in the proceeds if your claim is received, timely and valid and you meet the other requirements of the Plan of Allocation described on pages 12 to 14 below. This is the only way to get a payment. You will be bound by the Judgment and release described below if you stay in the Class regardless of whether you submit a claim.
<b>EXCLUDE YOURSELF</b>	You can ask to be excluded from the Settlement Class. If excluded, you will get no payment from this settlement and will not be part of the Settlement Class, and will not be bound by any Judgment. This is the only option that allows you to ever be part of any other separate lawsuit, including your own lawsuit against KLA, or any of the other defendants about the legal claims being settled in this case.
<b>OBJECT</b>	If you remain part of the Class and you don't like the settlement, or any part of it, or the application for attorneys' fees or expenses, you can write to the Court and counsel to explain why.
<b>GO TO A HEARING</b>	If you remain part of the Class, you can write to the Court and ask to speak at the Settlement Fairness Hearing on September 26, 2008 when the Court considers the fairness of the settlement and the request for attorneys' fees and reimbursement of litigation expenses of Plaintiffs' Lead Counsel.
<b>Do NOTHING</b>	You will get no payment and give up your rights to sue KLA and the individual defendants about the claims that are resolved by this settlement. You will be bound by any Judgment entered by the Court.

- These rights and options — **and the deadlines to exercise them** — are explained in this Notice.
- The Court in charge of this case, which has given preliminary approval to the settlement, still has to decide whether to give final approval of the settlement (subject to any appeals) as fair, reasonable, and adequate.

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## BASIC INFORMATION

### 1. Why did I get this Notice package?

You or someone in your family may have purchased KLA securities (including common stock and call options) during the period beginning June 30, 2001 through January 29, 2007.

The Court caused this Notice to be sent to you because you have a right to know about a proposed settlement of a class action lawsuit, a hearing to be held by the Court to consider the fairness, reasonableness and adequacy of the settlement, and about all of your options, before the Court decides whether to approve the settlement. If the Court approves it and after any objections or appeals are resolved, a claims administrator appointed by the Court will make the payments that the settlement allows.

This Notice explains this lawsuit, the settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them. It is not an expression of any opinion by the Court with respect to the truth of the allegations of the litigation or the merits of the claims or defenses asserted.

The Court in charge of the case is the United States District Court for the Northern District of California, and the case is known as *In re KLA-Tencor Corp. Securities Litigation*, Master File No. 06-cv-04065-CRB (the "Lawsuit"). U.S. District Judge Charles R. Breyer is the Judge in charge of this class action. The people who sued are called the "Lead Plaintiffs." The company being sued, KLA, and the persons who are being sued, KLA current and former officers and directors: Edward W. Barnholt, H. Raymond Bingham, Robert T. Bond, Gary E. Dickerson, Richard J. Elkus, Jr., Jeffrey L. Hall, Stephen P. Kaufman, John H. Kispert, Kenneth Levy, Michael E. Marks, Dean O. Morton, Stuart J. Nichols, Lida Urbanek, Kenneth L. Schroeder, Jon D. Tompkins, and Richard P. Wallace, are called the "Defendants."

### 2. What is this lawsuit about?

In the Lawsuit, Lead Plaintiffs allege that Defendants unlawfully manipulated stock option grant dates in order to provide officers, directors and employees of KLA with more favorable option exercise prices with the benefit of hindsight, in violation of the publicly disclosed terms of KLA's shareholder-approved incentive stock option plans. Lead Plaintiffs also allege that Defendants issued a series of false and misleading statements from 2001 through 2006 regarding the terms of the grants, the expenses associated with the grants, KLA's earnings and other financial information, and the strength of KLA's internal controls. Lead Plaintiffs allege that the misleading nature of these statements remained hidden until a May 22, 2006 article in *The Wall Street Journal* listed KLA as one of five companies with a questionable pattern of options granting dates. Defendants deny Lead Plaintiffs' claims, deny that any harm to shareholders occurred, and assert various defenses.

Beginning on June 29, 2006, three actions were filed in the United States District Court for the Northern District of California, *Garber v. KLA-Tencor Corp., et al.*, No. C 06-4065 CRB; *Police & Fire Retirement System of the City of Detroit and the Louisiana Municipal Police Employees' Retirement System v. KLA-Tencor Corp., et al.*, No. C 06-4709 MHP; and *Spilman v. KLA-Tencor Corp., et al.*, No. C 06-5225 WHA, which were consolidated under case number 06-4065 for all purposes by an order filed on or about October 13, 2006. In that same Order, the Court appointed the KLA Pension Fund Group, comprised of the Police and Fire Retirement System of the City of Detroit ("PFRS"), the Louisiana Municipal Police Employees' Retirement System ("MPERS"), and the City of Philadelphia Board of Pensions and Retirement ("Philadelphia"), as Lead Plaintiffs and approved Lead Plaintiffs' choice of the law firms of Berman DeValerio Pease Tabacco Burt & Pucillo; Kohn, Swift & Graf, P.C.; Berger & Montague, P.C.; and Trujillo Rodriguez & Richards, LLC as Plaintiffs' Lead Counsel (collectively, "Plaintiffs' Lead Counsel") in the class action.

On March 6, 2007, Lead Plaintiffs, individually and on behalf of all other persons and entities similarly situated, filed and served a Consolidated Class Action Complaint ("Complaint") against KLA and the individual defendants. The Complaint alleges violations of Sections 10(b) and 14(a) of the Securities Exchange Act and Securities Exchange Commission Rules 10b-5 and 14a-9 against all Defendants; violations of Section 20(a) of the Securities Exchange Act against the individual defendants; and violations of Section 20A of the Securities Exchange Act against all Defendants except former defendant Robert Boehlke ("Boehlke").

On May 21, 2007, seven separate motions to dismiss the Complaint were filed by: (1) KLA; (2) Schroeder; (3) Nichols; (4) Levy; (5) Dickerson; (6) Tompkins; and (7) the remaining Individual Defendants (Wallace, Kaufman, Hall, Kispert, Urbanek, Marks, Barnholt, Bond, Elkus, Bingham, Morton and Boehlke). Lead Plaintiffs filed a consolidated opposition to Defendants' motions on September 7, 2007. Defendants filed their respective replies to the opposition on October 12, 2007. Lead Plaintiffs and KLA reached an agreement to settle the case before the Court decided the motions to dismiss.

### 3. What is a class action?

In a class action, the plaintiffs are called Class Representatives, and they sue on behalf of numerous people who have similar claims. All these people with similar claims are a class, and each one is a class member. One court resolves the claims of all class members, except for those who properly exclude themselves from the class.

### 4. Why is there a settlement?

Instead of litigating the Lawsuit through trial, Lead Plaintiffs and the Defendants, after negotiating for several months, agreed to a compromise of the claims for \$65 million. The Court did not decide in favor of Lead Plaintiffs or Defendants. Lead Plaintiffs think they could have obtained money if they won a trial; the Defendants think the Lead Plaintiffs would not have won anything from a trial. But there was no trial. Instead, both sides agreed to a settlement. That way, they avoid the risks and cost of a trial and possible appeals, and the people affected will get compensation. The Class Representatives and the attorneys think the settlement is best for all Settlement Class Members.

The Lead Plaintiffs believe that the proposed settlement is an excellent recovery and is in the best interests of the Settlement Class. At the time this settlement was reached, Defendants had filed seven separate motions to dismiss the Complaint. Because of risks associated with continuing to litigate and proceeding to trial, it was possible that the Settlement Class would not have prevailed on any of its claims, in which case the Settlement Class would receive nothing. The amount of damages recoverable by the Settlement Class was and is challenged by Defendants. Recoverable damages in this case are limited to losses caused by conduct actionable under applicable law and, had the litigation gone to trial, KLA would have asserted that all or most of the losses of Settlement Class Members were caused by non-actionable market, industry or general economic factors. In fact, KLA has argued that the absence of loss causation for damages required complete dismissal of the case. KLA also would have asserted that Lead Plaintiffs had not and could not meet their pleading requirements under the Private Securities Litigation Reform Act, that Lead Plaintiffs had not and could not have plead the essential elements of their claims, and that the majority of Lead Plaintiffs' claims were time-barred because they concern alleged events occurring more than five years before the case was filed.

Plaintiffs' Lead Counsel have thoroughly investigated and litigated the case since filing it in the summer of 2006. Based upon their extensive investigation, their consultation with experts and their evaluation of the claims of the Settlement Class Members against the Defendants and defenses that might be asserted, Plaintiffs' Lead Counsel believe that the settlement is fair, reasonable and adequate and in the best interests of the Settlement Class Members. The settlement provides an immediate and certain recovery. By settling, Lead Plaintiffs and Defendants avoid the cost, uncertainty, and delay of continued litigation. The parties engaged in extensive negotiations that led to the settlement described in this Notice. Plaintiffs' Lead Counsel believe the settlement is fair because they were not certain that the Settlement Class would win on any of the claims and, even if they did win, they might not get any more money than the \$65 million, plus interest, that KLA has agreed to pay to settle the lawsuit, for a number of reasons. KLA's lawyers believe the settlement is fair because even though Defendants deny Lead Plaintiffs' claims, Defendants avoid the cost of continued litigation and risk of losing at trial.

## WHO IS INCLUDED IN THE SETTLEMENT

### 5. How do I know if I am a Settlement Class Member?

For the purposes of settlement, everyone who fits the following description is a Settlement Class Member:

Lead Plaintiffs and all persons and entities in any capacity (whether individual, class, representative, legal equitable, or otherwise) who purchased or otherwise acquired KLA securities (including common stock and call options) between June 30, 2001 through January 29, 2007 (the "Settlement Class Period"), either directly or through dividend re-investment. The Settlement Class shall exclude: Defendants; all individuals who are either current executive officers and/or directors, or who served as executive officers and/or directors of KLA at any time during the Settlement Class Period; members of the immediate families and heirs, successors or assigns of the foregoing; and any firm, trust, corporation, or other entity in which any Defendant has a controlling interest. Also excluded from the Settlement Class are persons who request exclusion from the Settlement Class pursuant to the terms of the Stipulation of Settlement or order of the Court.

"Person" means an individual, corporation, partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated organization, and any other type of legal entity, and their respective executors, administrators, representatives, agents, attorneys, heirs, successors, and/or assigns.

In other words, you are a Settlement Class Member and part of the settlement if you purchased KLA securities between and including June 30, 2001 and January 29, 2007 and you are not excluded from the Settlement Class for the reasons set forth in the description above. *See also* "Are there any exceptions to being included as a Settlement Class Member?" below.

## 6. Are there any exceptions to being included as a Settlement Class Member?

Yes. As mentioned in the description above, you are **not** a Settlement Class Member if **any one** of the following applies to you:

- You exclude yourself from the Settlement Class.
- You are a Defendant.
- You are a current executive officer and/or director, or have served as an executive officer and/or director of KLA at any time during the Settlement Class Period.
- You are a member of the immediate family or an heir, successor or assign of the foregoing.
- You are a firm, trust, corporation, or other entity in which any Defendants have a controlling interest.

## 7. I am still not sure if I'm included.

If you are still not sure whether you are included, you can ask for free help. You can contact the Claims Administrator at: *In re KLA-Tencor Corp. Securities Litigation*, Claims Administrator, c/o Heffler, Radetich & Saitta LLP, P.O. Box 400, Philadelphia, PA 19105-0400 or you can fill out the claim form described in question 10, to see if you qualify. You may also contact Plaintiffs' Lead Counsel at the addresses listed on page 9 below.

## THE SETTLEMENT BENEFITS

### 8. What does the settlement provide?

KLA has paid \$65 million into an escrow account that is earning interest for the benefit of the Settlement Class (the "Settlement Fund"). Depending on the number of eligible shares purchased by Settlement Class Members who elect to participate in the settlement and when those shares were purchased and sold, the average distribution is estimated to be approximately \$0.506 per share purchased in the Settlement Class Period and damaged on May 22, 2006 — before deduction of Court-approved fees and expenses. A further description of the Plan of Allocation is on pages 12 to 14 below.

A portion of the proceeds will be used for the costs of printing and mailing this Notice, the cost of publishing a newspaper notice, payment of taxes assessed against the Settlement Fund and costs associated with the processing of claims submitted. In addition, as explained in response to question number 17 below, a portion of the Settlement Fund may be awarded by the Court to Lead Plaintiffs and Plaintiffs' Lead Counsel as attorneys' fees and for reimbursement of expenses. The balance of the Settlement Fund (the "Net Settlement Fund") will be distributed according to the Plan of Allocation described on pages 12 to 14 below to Settlement Class Members who submit valid and timely Proof of Claim and Release forms with required supporting material. In exchange for KLA's payment, the claims described in response to question number 12 below, "*What am I giving up to get a payment or stay in the Settlement Class?*" will be released, discharged, and dismissed with prejudice.

The proposed settlement represents a compromise of disputed claims and does not mean that any of the Defendants have been found liable for any claims asserted by Lead Plaintiffs. The Defendants specifically deny any liability on their part and settled this case to avoid the expense and uncertainty of complex litigation. The Settlement Agreement is subject to approval by the Court following the Settlement Fairness Hearing.

### 9. How much will my payment be?

As indicated in response to question number 8 above, your share of the Net Settlement Fund will depend on the number of valid and timely claim forms that Settlement Class Members send in, how many shares of KLA stock you bought, and when you bought and sold them. You should look at the Plan of Allocation section of this notice that appears on pages 12 to 14 below for a description of the calculations to be made in computing the amounts to be paid to the "Authorized Claimants," who are those investors who submit valid and timely Proof of Claim and Release forms establishing that they are Settlement Class Members.

### 10. How can I get a payment?

To qualify for payment, you must timely send in a Proof of Claim and Release form that is received by the Claims Administrator. A Proof of Claim and Release form is attached to this Notice. Read the instructions carefully, fill out the form, include all the documents the form asks for, sign it, and mail it postmarked no later than September 25, 2008. Unless the Court orders otherwise, if you do not timely submit a Proof of Claim, you will be barred from receiving any payments from the Net Settlement Fund, but will in all other respects be bound by the Final Judgment in this case.

## 11. When would I get my payment?

The settlement is conditioned on two main events: (1) the entry of the Final Judgment by the Court, as provided for in the Stipulation of Settlement, after the Court holds a hearing to decide whether to approve the settlement; and (2) the expiration of the applicable period to file all appeals from the judgment. If the settlement is approved, it is possible there may be an appeal by someone. It's always uncertain whether these appeals can be resolved, and resolving them can take time, perhaps more than a year. Also, if certain conditions of the settlement described in the Stipulation of Settlement are not met, the settlement will be terminated and become null and void. In addition, the Claims Administrator will need time to process all of the timely claims before any distribution can be made. Please be patient.

## 12. What am I giving up to get a payment by staying in the Settlement Class?

Unless you exclude yourself, you are staying in the Settlement Class. That means that you will give up any claims relating to and cannot sue any of the Defendants for any of the claims brought by Lead Plaintiffs in this matter, as described more fully below. It also means that all of the Court's orders will apply to you and legally bind you. If you sign the Proof of Claim and Release form, you will agree to a "Release of Claims," attached to the Proof of Claim and Release form, which describes exactly the legal claims that you give up if you stay in the Settlement Class. You will not give up, however, any claims you have against the Defendants based on other claims that do not relate to Lead Plaintiffs' claims here.

If the proposed settlement is approved, the Court will enter a Final Judgment and Order of Dismissal with Prejudice ("Judgment"). The Judgment will dismiss the Released Claims with prejudice as to all Released Persons. The Judgment will provide that all Settlement Class Members shall be deemed to have released and forever discharged all Released Claims against all Released Persons and that the Released Persons shall be deemed to have released and discharged all Settlement Class Members and counsel to the Lead Plaintiffs from all claims arising out of the prosecution and settlement of the Lawsuit or the Released Claims.

"Released Claims" means any and all claims, demands, rights, actions or causes of action, liabilities, damages, losses, obligations, judgments, suits, fees, expenses, costs, matters and issues of any kind or nature whatsoever, whether known or unknown, contingent or absolute, suspected or unsuspected, disclosed or undisclosed, hidden or concealed, matured or unmatured, that have been, could have been, or in the future can or might be asserted in the Lawsuit or in any court, tribunal or proceeding (including, but not limited to, any claims arising under federal or state statutory or common law relating to alleged fraud, breach of any duty, negligence, violations of the federal securities laws or otherwise) by or on behalf of Lead Plaintiffs or any Member of the Settlement Class, against the "Released Persons," whether or not any such Released Persons were named, served with process or appeared in the Lawsuit, arising out of, or relating in any manner to the allegations, facts, events, acquisitions, matters, acts, occurrences, statements, representations, misrepresentations, omissions, or any other matter, thing or cause whatsoever, or any series thereof, through and including the Effective Date of this settlement, which have been or could have been alleged in the Lawsuit or which are embraced, involved, set forth in, referred to, or otherwise related in any way to: (i) the Lawsuit and any of the Complaints therein, or any amendment thereto; (ii) the fiduciary obligations of any of the Defendants or Released Persons to Lead Plaintiffs or the Settlement Class; (iii) the negotiations in connection with the Lawsuit, or any amendment thereto; (iv) the disclosures or disclosure obligations of Defendants or Released Persons in connection with the Lawsuit; or (v) the stock option grants that KLA determined through its restatement (as reflected in KLA's Form 10-K filed with the U.S. Securities and Exchange Commission on January 29, 2007) had incorrect measurement dates, were retroactively priced, or otherwise improperly granted. Nothing herein is intended to release the exclusively derivative claims asserted on behalf of KLA in the following pending derivative suits: (i) consolidated case *In re KLA-Tencor Shareholder Derivative Litigation*, Case No. 06-CV-03445 JW (filed May 26, 2006), pending in the United States District Court for the Northern District of California; (ii) *Rabin v. Barnholt*, No. 1-06 CV 064841 (filed June 2, 2006), pending in the California Superior Court for Santa Clara County; and (iii) *Langford v. Barnholt*, No. 2295-VCL (filed July 21, 2006), pending in the Delaware Court of Chancery for New Castle County (with respect to the derivative claims asserted therein only). The Released Claims exclude claims arising out of the Employment Retirement Income Security Act ("ERISA"). The Released Claims include "Unknown Claims" as defined below.

"Released Persons" means each and all of the Defendants and each of their Related Parties. "Related Parties" means each of a Defendant's past or present directors, officers, employees, partners, insurers, co-insurers, reinsurers, controlling shareholders, attorneys, accountants or auditors, personal or legal representatives, predecessors, successors, parents, subsidiaries, divisions, joint ventures, assigns, spouses, heirs, related or affiliated entities, any entity in which a Defendant has a controlling interest, any member of any Individual Defendant's immediate family, or any trust of which any Individual Defendant is the settlor or which is for the benefit of any Individual Defendant's family.

"Unknown Claims" means any Released Claims which any Lead Plaintiff or Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons which, if known by him, her or

it, might have affected his, her or its settlement with and release of the Released Persons, or might have affected his, her or its decision not to object to this settlement or to request exclusion therefrom. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, the Lead Plaintiffs shall expressly and each of the Settlement Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived the provisions, rights and benefits of California Civil Code §1542, which provides:

**A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.**

The Lead Plaintiffs shall expressly and each of the Settlement Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code §1542. The Lead Plaintiffs and Settlement Class Members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but each Lead Plaintiff shall expressly and each Settlement Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. The Lead Plaintiffs acknowledge, and the Settlement Class Members shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the settlement of which this release is a part.

**EXCLUDING YOURSELF FROM THE SETTLEMENT**

If you do not want to be bound by the Judgment or have the opportunity for payment from this settlement, and instead want to keep your claims and the right to sue the Defendants on your own about the legal issues in this case, then you must take steps to get out. This is called excluding yourself from — or opting out of — the Settlement Class.

**13. How do I get out of the settlement?**

If you do not wish to be included in the Settlement Class and you do not wish to participate in the proposed settlement described in this Notice, you may request to be excluded. To do so, you must submit a written request for exclusion that must be received on or before September 11, 2008 and must include: (a) the name, address, and telephone number of the person(s) requesting exclusion; (b) identification of each of the person's purchases and sales of KLA securities made during the Settlement Class Period, including the dates of purchase or sale, the number of shares or call options purchased and/or sold, and the price paid or received per security for each such purchase or sale; (c) provide proper evidence of the person's purchases and sales of KLA securities during the Settlement Class Period; and (d) state that the person wishes to be excluded from the Settlement Class. No request will be considered valid unless all of the information described above is included in the request. The request must be addressed as follows:

KLA-Tencor Securities Litigation  
Claims Administrator  
c/o Heffler, Radetich & Saitta LLP  
P.O. Box 400  
Philadelphia, PA 19105-0400

**You cannot exclude yourself by phone or by e-mail.**

**If you ask to be excluded from the Settlement Class, you will not get any settlement payment, and you cannot object to the settlement.** If you exclude yourself, you will not be legally bound by anything that happens in this Lawsuit. You may be able to sue (or continue to sue) KLA and the other Defendants in the future about the claims in this Lawsuit.

**14. If I don't exclude myself, can I sue Defendants for the same things later?**

No. Unless you exclude yourself, you give up any right to sue any of the Defendants about the claims that this settlement resolves. If you have a pending lawsuit, speak to your lawyer in that case immediately. You must exclude yourself from *this* Settlement Class to continue any lawsuit alleging the same claims as are alleged herein. Remember, the exclusion deadline is September 11, 2008. *See also Question No. 12:* "What am I giving up to get a payment or stay in the Settlement Class?"

### 15. If I exclude myself, can I get money from this settlement?

No. If you exclude yourself, do not send in a Proof of Claim and Release form to ask for any money.

### THE LAWYERS REPRESENTING YOU

### 16. Do I have a lawyer in this case?

The law firms that brought the Lawsuit have been representing you and the other Settlement Class Members. These lawyers are called Plaintiffs' Lead Counsel. The Court has designated the following Lead Counsel for the Class:

Joseph J. Tabacco, Jr.  
Nicole Lavallee  
Berman DeValerio Pease Tabacco Burt & Pucillo  
425 California Street, Suite 2100  
San Francisco, CA 94104-2205

Joseph C. Kohn  
Denis F. Sheils  
William E. Hoesel  
Kohn, Swift & Graf, P.C.  
One South Broad Street, Suite 2100  
Philadelphia, PA 19107

Sherrie R. Savett  
Douglas M. Risen  
Gary E. Cantor  
Berger & Montague, P.C.  
1622 Locust Street  
Philadelphia, PA 19103

Kenneth I. Trujillo  
Ira Neil Richards  
Kathryn C. Harr  
Trujillo Rodriguez & Richards, LLC  
1717 Arch Street, Suite 3838  
Philadelphia, PA 19103

You can send any questions to them at *In re KLA-Tencor Corp. Securities Litigation*, Claims Administrator, c/o Heffler, Radetich & Saitta LLP, P.O. Box 400, Philadelphia, PA 19105-0400. You also have the right to get your own lawyer, at your own expense.

### 17. How will the lawyers be paid?

At the Settlement Fairness Hearing, Plaintiffs' Lead Counsel will ask the Court to approve payment of up to \$10,750,000, which amounts to approximately 16.5% of the settlement fund, to them for attorneys' fees and a payment of up to \$280,000 to them for reimbursement of expenses. These fees and expenses, plus a proportionate share of the interest earned by the settlement fund, would pay Plaintiffs' Lead Counsel for investigating the facts, litigating the case, and negotiating the settlement. The Court may award less than these amounts. In addition, the Lead Plaintiffs will also ask the Court to award them collectively up to \$30,000 in payment of their expenses in serving as Class Representatives. These payments will come out of the \$65 million, plus interest, settlement fund and are estimated to average 8.6¢ per share purchased during the Settlement Class Period and damaged on May 22, 2006. The Court may award less than the amounts requested.

### OBJECTING TO THE SETTLEMENT

If you object to the settlement, you can tell the Court.

### 18. How do I tell the Court that I do not like the settlement?

If you're a Settlement Class Member and do not opt out, you can object to the settlement if you don't like any part of it. You can also object to the request for attorneys' fees and expenses and the proposed Plan of Allocation. Your objection must include: (a) your full name, address, and phone number; (b) a list of your Settlement Class Period transactions in KLA securities, including brokerage confirmation receipts or other documentary evidence of such transactions; (c) a written statement of all grounds for your objection accompanied by any legal support for the objection; (d) copies of any papers, briefs, or other documents upon which the objection is based; (e) a list of all persons who will be called to testify in support of the objection; (f) a statement of whether you intend to appear at the Settlement Fairness Hearing; (g) a list of other cases in which you or your counsel have appeared either as settlement objectors or as counsel for objectors in the preceding five years; and (h) your signature, even if you are represented by counsel. If you intend to appear at the Settlement Fairness Hearing through counsel, your objection must also state the identity of all attorneys who will appear at the Settlement Fairness Hearing. If you do not make your objection in the manner provided, you shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness or adequacy of the proposed settlement as set forth in the Stipulation of Settlement, to the Plan of Allocation, or to the application for an award of attorneys' fees and reimbursement of expenses to counsel for the plaintiffs or expenses of the Lead Plaintiffs, unless otherwise ordered by the Court. The Court will consider your views. To object, you must send a letter including the information above, saying that you object to the settlement in *In re KLA-Tencor Corp. Securities Litigation*, Master File No. 06-cv-04065. You must also include evidence that you purchased securities of KLA between June 30, 2001 and January 29, 2007. The filing of a Proof of Claim by a Settlement Class Member does not preclude a Settlement Class Member from objecting to the settlement. However, if the settlement is approved, you will be bound by the Settlement and the Judgment just as if you had not objected.

In order for your objection to be considered by the Court, it must be received by the Court, Plaintiffs' Lead Counsel and counsel for Defendants at the addresses set forth below no later than **September 11, 2008**:

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
Clerk's Office, 16th Floor  
450 Golden Gate Avenue  
San Francisco, CA 94102

*Co-Lead Counsel for Plaintiffs:*  
Berman DeValerio Pease Tabacco Burt & Pucillo  
Joseph J. Tabacco, Jr.  
425 California Street, Suite 2100  
San Francisco, CA 94101-2205

*Counsel for KLA:*  
Morgan, Lewis & Bockius LLP  
Joseph Floren  
One Market, Spear Street Tower  
San Francisco, CA 94105

The notice of objection must demonstrate the objecting Person's membership in the Settlement Class, including the number of KLA securities purchased and sold during the Settlement Class Period, and contain a statement of the reasons for objection. Only Settlement Class Members who have submitted written notices of objection in this manner will be entitled to be heard at the Settlement Fairness Hearing, unless the Court orders otherwise.

#### **19. What's the difference between objecting and excluding?**

Objecting is simply telling the Court that you don't like something about the settlement. You can object only if you stay in the Settlement Class. Excluding yourself is telling the Court that you don't want to be part of the Settlement Class. If you exclude yourself, you have no basis to object because the case no longer affects you.

### **THE COURT'S SETTLEMENT FAIRNESS HEARING**

The Court will hold a hearing to decide whether to approve the settlement. You do not need to attend that hearing, but are welcome to attend if you so desire.

#### **20. When and where will the Court decide whether to approve the settlement?**

The Court will hold a Settlement Fairness Hearing on September 26, 2008 at 10:00 a.m. before the Honorable Charles R. Breyer, United States District Judge, at the United States District Court for the Northern District of California, Courtroom 8, United States Courthouse, 450 Golden Gate Avenue, San Francisco, CA 94102. At this hearing the Court will consider whether the settlement is fair, reasonable, and adequate, whether the proposed plan to distribute the settlement proceeds (the "Plan of Allocation" described on pages 12 to 14 below) is reasonable; and whether the application by Plaintiffs' Lead Counsel for attorneys' fees and expenses, and awards to the Lead Plaintiffs should be approved. If there are objections, the Court will consider them. The Court will listen to people who have made a written request to speak at the hearing. After the hearing, the Court will decide whether to approve the settlement and the attorneys' fees and reimbursement of expenses request. We do not know how long these decisions will take.

Any member of the Settlement Class who did not request to be excluded from the Class by September 11, 2008 is entitled to appear and be heard at the Settlement Fairness Hearing, in person or through a duly authorized attorney, and to show cause why the settlement should not be approved as fair, reasonable and adequate. However, you may not be heard at the Settlement Fairness Hearing unless, on or before September 11, 2008, you file a notice of intention to appear and a statement of the position that you will assert and the grounds for the position, together with copies of any supporting papers or brief with the Clerk, United States District Court for the Northern District of California, 450 Golden Gate Avenue, 16th Floor, San Francisco, CA 94102, with proof of service upon (and another copy mailed to):

*Co-Lead Counsel for Plaintiffs:*  
Berman DeValerio Pease Tabacco Burt & Pucillo  
Joseph J. Tabacco, Jr.  
425 California Street, Suite 2100  
San Francisco, CA 94101-2205

*Counsel for KLA:*  
Morgan, Lewis & Bockius LLP  
Joseph Floren  
One Market, Spear Street Tower  
San Francisco, CA 94105

The notice of intention to appear must demonstrate your membership in the Settlement Class, including the number of KLA securities purchased and sold during the Settlement Class Period, and contain a statement of the reasons for objection. Only Members of the Settlement Class who have submitted written notices in this manner will be entitled to be heard at the Settlement Fairness Hearing, unless the Court orders otherwise.

## 21. Do I have to come to the Settlement Fairness Hearing?

No. Plaintiffs' Lead Counsel will answer questions the Judge may have. But, you are welcome to come at your own expense. If you send an objection, you don't have to come to Court to talk about it. As long as you mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it's not necessary.

## 22. May I speak at the Settlement Fairness Hearing?

You may ask the Court for permission to speak at the Settlement Fairness Hearing. To do so, you must send a letter saying that it is your "Notice of Intention to Appear in *In re KLA-Tencor Securities Litigation*, Master File No. 06-cv-04065." Be sure to include your name, address, telephone number, and your signature, your evidence of membership in the Settlement Class, including the number of KLA securities purchased and sold during the Settlement Class Period, and a statement of the reasons for your objection. Your Notice of Intention to Appear must be sent to the Clerk of the Court, Plaintiffs' Lead Counsel, and KLA's Counsel, at the three addresses shown above in Section 18. In order for you to speak at the hearing, your Notice of Intention to Appear must be received at each address no later than September 11, 2008. You cannot speak at the hearing if you excluded yourself from the Settlement Class.

## IF YOU DO NOTHING

### 23. What happens if I do nothing at all?

If you do nothing, you'll get no money from this settlement. You must file a Proof of Claim and Release form to be eligible to receive anything from the settlement. But, unless you exclude yourself, you won't be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against the Defendants about the legal issues in this case, ever again.

## GETTING MORE INFORMATION

### 24. Are there more details about the settlement?

Yes. This Notice summarizes the most important aspects of the proposed settlement. You can review a copy of the entire Stipulation of Settlement Agreement and other documents filed in the Lawsuit, during normal business hours, at the office of the Clerk of the Court, United States Courthouse, Northern District of California, 450 Golden Gate Avenue, San Francisco, CA 94102 (refer to case No. 06-cv-04065), or by writing to *In re KLA-Tencor Corp. Securities Litigation*, Claims Administrator, c/o Heffler, Radetich & Saitta LLP, P.O. Box 400, Philadelphia, PA 19105-0400.

You also can call the Claims Administrator at 1-800-768-8450 to find answers to common questions about the settlement and obtain information about the status of the settlement approval process.

**PLEASE DO NOT CALL THE COURT OR THE CLERK'S OFFICE ABOUT THIS SETTLEMENT.**

## SPECIAL NOTICE TO NOMINEES

### 25. Special notice to banks, trustees, brokerage firms or other nominees

If you hold any KLA securities purchased during the Settlement Class Period as nominee for a beneficial owner, then, within ten (10) days after you receive this Notice, you must either: (1) send a copy of this Notice and the Proof of Claim and Release by first class mail to all such Persons; or (2) provide a list of the names and addresses of such Persons to the Claims Administrator:

KLA-Tencor Securities Litigation  
Claims Administrator  
c/o Heffler, Radetich & Saitta LLP  
P.O. Box 400  
Philadelphia, PA 19105-0400

If you choose to mail the Notice and Proof of Claim and Release form yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing. Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for or advancement of reasonable costs actually incurred or expected to be incurred in connection with forwarding the Notice and Proof of Claim and Release and which would not have been incurred but for the obligation to forward the Notice and Proof of Claim and Release, upon submission of appropriate documentation to the Claims Administrator.

## UNDERSTANDING YOUR PAYMENT — THE PLAN OF ALLOCATION

Please note that the approval of the settlement is separate from and not conditioned on the Court's approval of the Plan of Allocation.

You do not need to make any of these calculations yourself. The Claims Administrator will make all of these calculations for you.

### **A. Introduction to the Plan of Allocation:**

1. If you qualify to claim any portion of the Net Settlement Fund, you must complete the accompanying Proof of Claim and Release form, and mail it, postmarked no later than September 25, 2008 to:

KLA-Tencor Securities Litigation  
Claims Administrator  
c/o Heffler, Radetich & Saitta LLP  
P.O. Box 400  
Philadelphia, PA 19105-0400

2. The Plan of Allocation is based upon Plaintiffs' Lead Counsel's assessment of the merits and the relative strengths and weaknesses, including maximum recoverable damages, of the claims of the Members of the Settlement Class. In developing this Plan of Allocation, Plaintiffs' Lead Counsel conferred with their economic consultants, and the specific formulas for computing the "Recognized Loss" described below reflects the input of these consultants. These formulas reflect the differences in the KLA-Tencor Securities (particularly the different features of common stock and call options), the different amounts of estimated maximum recoverable damages and the degree to which the estimated maximum recoverable damages varied during the Settlement Class Period — reflecting changing market conditions, the volatile prices for the KLA-Tencor Securities, and the impact of the disclosures made on May 22, 2006 and January 29, 2007. Defendants dispute that the Settlement Class is entitled to any damages, and particularly anything near the amounts to be recognized in the Plan of Allocation below.
3. In formulating this Plan of Allocation, Plaintiffs' Lead Counsel considered, among other things, the following:
  - (a) The long Settlement Class Period covers a period of 67 months that includes a period of volatility for both the market in general and the price of KLA Securities in particular. Moreover, Plaintiffs' Complaint asserts that the first and principal disclosure of the alleged misrepresentations and omissions occurred on Monday, May 22, 2006.
  - (b) On May 22, 2006, the price of KLA common stock declined 10.4% or \$4.70 per share from a closing price of \$45.24 on May 19, 2006 to a closing price of \$40.54 on May 22, 2006. According to the economic consultants retained by Plaintiffs' Lead Counsel, however, a decline of 7%, or \$3.17 per KLA share, can be attributed to the May 22, 2006 disclosure in *The Wall Street Journal* that a statistical analysis suggested that KLA may have engaged in options back-dating.
  - (c) When KLA restated its earnings to account for the value of the options awarded to KLA personnel on January 29, 2007, the price of KLA stock closed at \$49.21 per share. This price for KLA stock on January 29, 2007 was significantly above the \$45.24 closing price on May 19, 2006, just prior to the principal disclosures on May 22, 2006, and it was \$0.29 above the closing price of KLA stock just prior to the disclosures on January 29, 2007.
  - (d) There were several additional disclosures relating to KLA and the valuation of options awarded to KLA personnel during the period from May 23, 2006 to January 29, 2007. According to the economic consultants retained by Plaintiffs' Lead Counsel, however, it is doubtful that any of these disclosures on or after May 23, 2006 satisfied the loss causation requirements of the Supreme Court's decision in *Dura Pharmaceuticals, Inc. v. Broudo*, 544 U.S. 336 (2005), since none of these disclosures had a statistically significant negative impact on the price of KLA stock.

### **B. Calculating Recognized Losses and Payable Claims:**

4. The Net Settlement Fund will be allocated among the "Authorized Claimants" in accordance with the Plan of Allocation described below. The amount so allocated to each Authorized Claimant is referred to as the Authorized Claimant's "Payable Claim."
5. The Payable Claim will be calculated so that each Authorized Claimant shall receive, on a proportionate basis, that share of the Net Settlement Fund that the Authorized Claimant's Recognized Loss (as defined below) bears to the total Recognized Losses of all Authorized Claimants, subject to the further provisions of this Plan of Allocation set forth below.
6. An Authorized Claimant's Recognized Loss ("Recognized Loss") is determined by the date(s) the Authorized Claimant purchased or sold KLA common stock or KLA call options during the Settlement Class Period, as set forth below.

### Common Stock:

- (a) For shares of KLA-Tencor's common stock that were purchased or acquired from June 30, 2001 to May 19, 2006, inclusive, the Recognized Loss is as follows:
- i. For shares of common stock sold at either a profit or a loss during the same period from July 1, 2001 to May 19, 2006, inclusive, the Recognized Loss is zero. The Recognized Loss is zero because the purchaser of these shares never suffered from any decline in stock prices caused by the May 22, 2006 disclosures. **NOTE: If you sold off your entire position of KLA stock prior to May 22, 2006, and held no shares or made no additional purchases on or after May 22, 2006, you do not have any Recognized Losses on KLA shares, and you do not have to file a claim for any KLA stock purchases.**
  - ii. For shares of common stock held at the close of trading on May 19, 2006, and sold at a profit during the period from May 22, 2006 through August 18, 2006, inclusive, the Recognized Loss is zero.
  - iii. For shares of common stock held at the close of trading on May 19, 2006, and sold at a loss during the period from May 22, 2006 through August 18, 2006, inclusive, or retained after August 18, 2006, the Recognized Loss per share is the smaller of the following:
    - (1) The market loss, representing the difference between: (a) the price paid for the shares and (b) the sales price received for the shares; or
    - (2) 7% of the purchase price paid for the shares; or
    - (3) \$3.17 per share; or
    - (4) For those shares retained at the close of trading on August 18, 2006, the market loss computed as the difference between the purchase price paid for the shares and \$41.06 per share (representing the average closing price for KLA shares in the 90-day period covering trading in the period from May 22, 2006 through August 18, 2006).
- (b) For shares of KLA-Tencor's Common Stock that were purchased or acquired from May 22, 2006, through January 29, 2007, inclusive, the Recognized Loss is as follows:
- i. For shares of common stock sold at a profit during the same period from May 22, 2006 through January 29, 2007, inclusive, the Recognized Loss is zero;
  - ii. For shares of common stock sold at a loss during the period from May 22, 2006 through January 29, 2007, inclusive, or retained after January 29, 2007, the Recognized Loss is as follows:
    - (1) Five percent (5%) of the market loss, representing the difference between: (a) the price paid for the shares and (b) the sales price received for the shares; or
    - (2) For those shares retained at the close of trading on January 29, 2007, the Recognized Loss is five percent (5%) of the amount by which the price paid for the shares exceeds \$52.67 per share (representing the average closing price for KLA shares in the 90-day period starting on January 29, 2007).

### Call Options on KLA-Tencor Stock:

- (a) For call options on KLA-Tencor common stock purchased on or before May 20, 2006 that expired or were exercised, assigned or sold prior to May 20, 2006, the Recognized Loss is zero. **NOTE: If you did not hold any open long positions in KLA call options just prior to the start of trading on May 22, 2006, you do not have any Recognized Losses on KLA call options, and you do not have to file a claim for any KLA call options.**
- (b) For call options on KLA-Tencor common stock that were held in open long positions prior to the start of trading on May 22, 2006, the Recognized Loss is 25% of the difference between: (i) the closing price of these same contracts on May 19, 2006 and (ii) the closing price of the same contracts on May 22, 2006. The calculation of the Recognized Loss for qualifying call option purchases will be made by the Claims Administrator from option pricing information obtained by Plaintiffs' economic consultant.
- (c) For call options on KLA-Tencor common stock that were purchased during the period from May 22, 2006 through January 29, 2007, inclusive, the Recognized Loss is zero.
- (d) For all other derivative KLA securities, including all transactions in put options on KLA-Tencor common stock, the Recognized Loss is zero.

### C. General provisions applicable to the Plan of Allocation:

7. In processing claims, first in, first out ("FIFO") accounting will be applied to holdings at the beginning of the Settlement Class Period and any purchases and sales during the Settlement Class Period. For example, FIFO will be used to match the first KLA shares sold or KLA call options sold against any shares or options held as of June 29, 2001 (prior to the start of the Settlement Class Period) and then on a FIFO basis against any additional purchases of shares of KLA stock or KLA call options with the same expiration date and strike price on the basis of the assumption that the first KLA Securities purchased were the first KLA Securities sold.
8. The price per share or per option contract, paid or received, should exclude of all commissions, taxes and fees.
9. The purchase or sale date of any KLA-Tencor Securities is the trade date, not the settlement date.

10. The restrictions on computing Recognized Losses set out in the 3 bullet points below apply to all claims. As a practical matter, however, they apply primarily to certain transactions engaged in by sophisticated traders or certain corporate or institutional Claimants:
  - “Short” sales will not be recognized for any amount of loss on the cover or purchase transaction, and no Recognized Loss will be computed for any such covering purchase transaction.
  - No Recognized Loss will be computed for any transactions in KLA common shares or KLA call options engaged in by market makers.
  - In computing the Recognized Loss on any KLA common shares, no Recognized Loss will be computed for any option premium paid, or received where the shares of KLA were purchased or sold by reason of having exercised or been assigned an option.
11. If you inherited or received a gift of KLA Securities (stock or call options) during the Settlement Class Period, that inheritance or gift is not considered a purchase of KLA Securities unless your ancestor or donor was the actual purchaser of KLA Securities during the Settlement Class Period. You, as a recipient of a gift or inheritance, and the original purchaser may not both file a claim with regard to the same shares of KLA stock or same KLA call options. If both you and the donor (or you and your ancestor’s estate) make such a claim, only the claim filed by the recipient (or heir) will be honored.
12. Shares or call options “transferred into,” “delivered into” or “received into” the Claimant’s account, will not be considered as a purchase of shares unless the Claimant submits documentation demonstrating that the original purchase of these shares or call options occurred during the Settlement Class Period. Also, shares or call options purchased and subsequently “transferred out” or “delivered out” of Claimant’s account will not be considered part of Claimant’s claim, as the right to file for those shares or options belongs to the person or party receiving the shares or options.
13. Nothing in this Plan of Allocation represents an admission by any of the Defendants that there is liability or damage of any kind as a result of the allegations in the Complaint or that the dollar amounts set forth in this Plan of Allocation reflect actual or potential damages to the Settlement Class.
14. Payment in the manner set forth above will be deemed conclusive compliance with the Stipulation of Settlement as to all Authorized Claimants. All Settlement Class Members who fail to submit valid and timely Proof of Claim and Release forms that are received by the Claims Administrator will be barred from participating in the distribution of the Net Settlement Fund but otherwise will be bound by all of the terms of the Stipulation of Settlement, including the terms of any final orders or judgments entered and the releases given to Defendants and others. If you want confirmation that the Claims Administrator received your Proof of Claim and Release form, you should mail it in way that allows the United States Postal Service to provide you with delivery confirmation.
15. No Authorized Claimant will have any claim against Lead Plaintiffs, Plaintiffs’ Lead Counsel or the Claims Administrator, or any other agent designated by Plaintiffs’ Lead Counsel based on the distributions made substantially in accordance with the Stipulation of Settlement, the Plan of Allocation or further orders of the Court. In addition, in the interest of achieving substantial justice, Plaintiffs’ Lead Counsel will have the right, but not the obligation, to waive what they deem to be formal or technical defects in any Proof of Claim and Release forms filed.

Date: June 27, 2008

THE HONORABLE CHARLES R. BREYER  
Judge, United States District Court for  
The Northern District of California

UNITED STATES DISTRICT COURT FOR THE  
NORTHERN DISTRICT OF CALIFORNIA – SAN FRANCISCO DIVISION

IN RE KLA-TENCOR CORPORATION  
SECURITIES LITIGATION

Master Case No. 06-cv-04065 CRB

CLASS ACTION

**PROOF OF CLAIM AND RELEASE**

**I. GENERAL INSTRUCTIONS**

1. To recover as a Member of the Settlement Class based on your claims in the action entitled *In re KLA-Tencor Corporation Securities Litigation*, Master Case No. C 06-cv-04065 CRB (the “Litigation”), you must complete and, on page 22 hereof, sign this Proof of Claim and Release form. If you fail to timely file a properly addressed (as set forth in paragraph 3 below) Proof of Claim and Release form, your claim may be rejected and you may be precluded from any recovery from the Settlement Fund created in connection with the proposed settlement of the Litigation.

2. Submission of this Proof of Claim and Release form, however, does not assure that you will share in the proceeds of settlement in the Litigation.

**3. YOU MUST MAIL YOUR COMPLETED AND SIGNED PROOF OF CLAIM AND RELEASE FORM POSTMARKED ON OR BEFORE SEPTEMBER 25, 2008, ADDRESSED AS FOLLOWS:**

*KLA-Tencor Securities Litigation*  
Claims Administrator  
c/o Heffler, Radetich & Saitta LLP  
P.O. Box 400  
Philadelphia, PA 19105-0400

If you are NOT a Member of the Settlement Class (as defined in the “Notice of Class Action Certification, Proposed Settlement, Motion for Attorneys’ Fees and Expenses and Hearing Thereon”) DO NOT submit a Proof of Claim and Release form.

4. If you are a Member of the Settlement Class, and you do not timely and validly request exclusion, you are bound by the terms of any judgment entered in the Litigation, WHETHER OR NOT YOU SUBMIT A PROOF OF CLAIM AND RELEASE FORM.

**II. DEFINITIONS**

Terms as defined in the “Notice of Class Action Certification, Proposed Settlement, Motion for Attorneys’ Fees and Expenses and Hearing Thereon” shall also apply herein.

**III. CLAIMANT IDENTIFICATION**

1. If you purchased KLA-Tencor Corporation (“KLA”) securities (including common stock or call options) and held the certificate(s) in your name, you are the beneficial purchaser as well as the record purchaser. If, however, the certificate(s) were registered in the name of a third party, such as a nominee or brokerage firm, you are the beneficial purchaser and the third party is the record purchaser.

2. Use Part I of this form entitled “Claimant Identification” to identify each purchaser of record (“nominee”), if different from the beneficial purchaser of KLA securities (including common stock and call options) which form the basis of this claim. THIS CLAIM MUST BE FILED BY THE ACTUAL BENEFICIAL PURCHASER OR PURCHASERS, OR THE LEGAL REPRESENTATIVE OF SUCH PURCHASER OR PURCHASERS, OF THE KLA SECURITIES UPON WHICH THIS CLAIM IS BASED.

3. All joint purchasers must sign this claim. Executors, administrators, guardians, conservators and trustees must complete and sign this claim on behalf of Persons represented by them and their authority must accompany this claim and their titles or capacities must be stated. The Social Security (or taxpayer identification) number and telephone number of the beneficial owner may be used in verifying the claim. Failure to provide the foregoing information could delay verification of your claim or result in rejection of the claim.

#### **IV. CLAIM FORM**

1. Use Part II of this form entitled “Schedule of Transactions in KLA Securities (including Common Stock and Call Options)” to supply all required details of your transaction(s) in KLA securities (including common stock and call options). If you need more space or additional schedules, attach separate sheets giving all of the required information in substantially the same form. Sign and print or type your name on each additional sheet.

2. On the schedules, provide all of the requested information with respect to **all** of your purchases and **all** of your sales of KLA securities which took place at any time beginning June 30, 2001 through January 29, 2007, inclusive (the “Settlement Class Period”). Failure to report all such transactions may result in the rejection of your claim.

3. List each transaction in the Settlement Class Period separately and in chronological order, by trade date, beginning with the earliest. You must accurately provide the month, day and year of each transaction you list.

4. The date of covering a “short sale” is deemed to be the date of purchase of KLA securities. The date of a “short sale” is deemed to be the date of sale of KLA securities.

5. Broker confirmations or other documentation of your transactions in KLA securities must be attached to your claim. Failure to provide this documentation could delay verification of your claim or result in rejection of your claim. Certain Claimants with a large number of transactions, such as institutional holders, may ask (or be asked) to submit claim information in an electronic format. The Claims Administrator will decide when electronic filing of information will be authorized. In these cases, all Claimants **must** still submit a manually signed paper Proof of Claim and Release form. The Proof of Claim and Release form must list all the data and transactions, whether or not they are also submitted electronically. Only electronic files authorized by the Claims Administrator will be considered properly submitted. The Claims Administrator will issue a written acknowledgement of receipt and acceptance of electronically submitted data to the claimant.

**KLA-TENCOR SECURITIES LITIGATION  
PROOF OF CLAIM AND RELEASE**

**This Proof of Claim and Release Must Be Postmarked on or before: September 25, 2008**

*Please print clearly in block letters or type*

**Part I: Claimant Identification**

Last Name:

First Name:

M.I.:

Second Person (if joint owners): Last Name:

First Name:

M.I.:

If you are a bank or other institution filling on behalf of a third-party, and an account number is needed to identify the claimant for your records, indicate account number here:

Address:

Additional Address:

City:

State:

Zip Code:

Country and Postal Code (if outside United States):

Telephone Number (Day):

Telephone Number (Evening):

E-mail Address:

Record Owner's Name: (if different from beneficial owner listed above)

Taxpayer Identification Number:

Social Security Number:

OR

Employer Identification Number:

The Social Security (or Employer Identification) number and telephone number of the beneficial owner may be used in verifying the claim. Failure to provide any of the foregoing information could delay verification or your claim or result in rejection of your claim.

- Claimant is:  Individual(s)  Partnership  Joint Owners  Corporation  Trust  Estate  
 IRA, Keogh or other type of Retirement Plan (specify type of plan): \_\_\_\_\_  
 Other (specify): \_\_\_\_\_

For informational purposes only, you must also respond to the following questions:

- Check here if Claimant was an officer, director or employee of KLA-TENCOR, at any time from June 30, 2001 through January 29, 2007.

If so, state position(s) held, and dates of employment or affiliation:

I was  / I was not  a Market Maker in KLA-TENCOR Corporation Common Stock or options during the Settlement Class Period.

FOR INTERNAL USE ONLY

C/W           LF  EF  DC

**Part II: Schedule of Transactions in KLA Securities (including common stock and call options)**

**NOTE: If you sold off your entire position of KLA stock prior to May 22, 2006, and held no shares or made no additional purchases on or after May 22, 2006, you do not have any Recognized Losses on KLA shares, and you do not have to file a claim for any KLA stock purchases.**

If you need additional space for any or all Subject Securities, you may list your transactions on sheets of paper in the same format as this Proof of Claim. Check the appropriate box and make sure to put your name, address and signature on each additional sheet. **MAKE SURE YOU ATTACH DOCUMENTATION SHOWING: (1) YOUR OPENING BALANCES AS SET FORTH ON EACH CLAIM FORM SHEET, WHERE APPLICABLE; AND (2) ALL TRANSACTIONS IN THE SUBJECT SECURITIES DURING THE CLASS PERIOD FROM JUNE 30, 2001 THROUGH AND INCLUDING JANUARY 29, 2007; AND (3) YOUR HOLDINGS IN THE SUBJECT SECURITIES AS OF MAY 19, 2006, AUGUST 19, 2006 AND JANUARY 29, 2007 (for which month-end account statements are acceptable).**

A. KLA-TENCOR Common Stock

1. On June 29, 2001, Claimant held  of shares of KLA-TENCOR common stock. If none, check here:  Check here if documentation is enclosed:
2. List all purchases or acquisitions of KLA-TENCOR common stock during the Class Period from June 30, 2001 through and including January 29, 2007. If none, check here:

Date of Purchase (Mo./Day/Yr.)	Number of Shares	Purchase Price Per Share	Total Purchase Price (Excluding Taxes, Commissions, etc.)	IMPORTANT Check all purchases used to cover a "short sale."	Check here if documentations is enclosed
1. <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>

Check here if additional transactions are included on separate schedule(s).

3. List all sales of KLA-TENCOR common stock during the Class Period from June 30, 2001 through and including January 29, 2007. If none, check here:

Date of Sales (Mo./Day/Yr.)	Number of Shares	Sale Price Per Share	Total Sale Price (Excluding Taxes, Commissions, etc.)	IMPORTANT Check all sales used to cover a "short sale."	Check here if documentations is enclosed
1. <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>

Check here if additional transactions are included on separate schedule(s).

4. Number of shares of KLA-TENCOR common stock held as of the close of business on:

- May 19, 2006.  . If none, check here:  Check here if documentation is enclosed:
- August 18, 2006.  . If none, check here:  Check here if documentation is enclosed:
- January 29, 2007.  . If none, check here:  Check here if documentation is enclosed:

B. KLA-TENCOR Call Options

**NOTE: If you did not hold any open long positions in KLA call options just prior to the start of trading on May 22, 2006, you do not have any Recognized Losses on KLA call options, and you do not have to file a claim for any purchase of KLA call options.**

Number of Calls Held  
in Open Long Position  
prior to the start of  
trading on May 22, 2006

Month/Strike Price of Call

Purchase Price Per Call

Date of Purchase (Mo./Day/Yr.)

Check here if  
documentation  
is enclosed

Date Sold (Mo./Day/Yr.)

	Number of Calls Held in Open Long Position prior to the start of trading on May 22, 2006	Month/Strike Price of Call	Purchase Price Per Call	Date of Purchase (Mo./Day/Yr.)	Check here if documentation is enclosed		Date Sold (Mo./Day/Yr.)
					Purchase	Sale	
1.	<input type="text"/>	<input type="text"/> <input type="text"/>	\$ <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
2.	<input type="text"/>	<input type="text"/> <input type="text"/>	\$ <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
3.	<input type="text"/>	<input type="text"/> <input type="text"/>	\$ <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
19 4.	<input type="text"/>	<input type="text"/> <input type="text"/>	\$ <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

Check here if additional transactions are included on separate schedule(s).

## **V. SUBMISSION TO JURISDICTION OF COURT AND ACKNOWLEDGMENTS**

I submit this Proof of Claim and Release under the terms of the Stipulation of Settlement described in the Notice. I also submit to the jurisdiction of the United States District Court for the Northern District of California, with respect to my claim as a Settlement Class Member and for purposes of enforcing the release set forth herein. I further acknowledge that I am bound by and subject to the terms of any Judgment that may be entered in the Litigation. I agree to furnish additional information such as transactions in all KLA securities (including common stock and call options) to the Claims Administrator to support this claim if required to do so. I have not submitted any other claim covering the same purchases or sales of KLA securities during the Settlement Class Period and know of no other Person having done so on my behalf.

## **VI. RELEASE**

1. I hereby acknowledge full and complete satisfaction of, and do hereby fully, finally and forever settle, release and discharge from the Released Claims each and all of the Released Persons and each and all of their "Related Parties," defined as each of a Defendant's past or present directors, officers, employees, partners, insurers, co-insurers, reinsurers, controlling shareholders, attorneys, accountants or auditors, personal or legal representatives, predecessors, successors, parents, subsidiaries, divisions, joint ventures, assigns, spouses, heirs, related or affiliated entities, any entity in which a Defendant has a controlling interest, any member of any Individual Defendant's immediate family, or any trust of which any Individual Defendant is the settlor or which is for the benefit of any Individual Defendant's family.

2. "Settled Class Claims" or "Released Claims" means any and all claims, demands, rights, actions or causes of action, liabilities, damages, losses, obligations, judgments, suits, fees, expenses, costs, matters and issues of any kind or nature whatsoever, whether known or unknown, contingent or absolute, suspected or unsuspected, disclosed or undisclosed, hidden or concealed, matured or unmatured, that have been, could have been, or in the future can or might be asserted in the Action or in any court, tribunal or proceeding (including, but not limited to, any claims arising under federal or state statutory or common law relating to alleged fraud, breach of any duty, negligence, violations of the federal securities laws or otherwise) by or on behalf of Lead Plaintiffs or any member of the Settlement Class, against the "Released Persons", whether or not any such Released Persons were named, served with process or appeared in the Action, arising out of, or relating in any manner to the allegations, facts, events, acquisitions, matters, acts, occurrences, statements, representations, misrepresentations, omissions, or any other matter, thing or cause whatsoever, or any series thereof, through and including the Effective Date of this settlement, which have been or could have been alleged in the Action or which are embraced, involved, set forth in, referred to, or otherwise related in any way to: (i) the Action and any of the Complaints therein, or any amendment thereto; (ii) the fiduciary obligations of any of the Defendants or Released Persons to Lead Plaintiffs or the Settlement Class; (iii) the negotiations in connection with the Action, or any amendment thereto; (iv) the disclosures or disclosure obligations of Defendants or Released Persons in connection with the Action; or (v) the stock option grants that KLA determined through its restatement (as reflected in KLA's Form 10-K filed with the U.S. Securities and Exchange Commission on January 29, 2007) had incorrect measurement dates, were retroactively priced, or were otherwise improperly granted. Nothing herein is intended to release the exclusively derivative claims asserted on behalf of KLA in the following pending derivative suits: (i) consolidated case *In re KLA-Tencor Shareholder Derivative Litigation*, Case No. 06-CV-03445 JW (filed May 26, 2006), pending in the United States District Court for the Northern District of California; (ii) *Rabin v. Barnholt*, No. 1-06 CV 064841 (filed June 2, 2006), pending in the California Superior Court for Santa Clara County; and (iii) *Langford v. Barnholt*, No. 2295-VCL (filed July 21, 2006), pending in the Delaware Court of Chancery for New Castle County (with respect to the derivative claims asserted therein only). The Settled Class Claims exclude claims arising out of the Employment Retirement Income Security Act ("ERISA"). The Released Claims include "Unknown Claims" as defined in paragraph 3 below.

3. "Unknown Claims" means any Released Claims which any Lead Plaintiff or Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Persons, or might have affected his, her or its decision not to object to this settlement or not to seek exclusion from this settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, the Lead Plaintiffs shall expressly and each of the Settlement Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived the provisions, rights and benefits of California Civil Code §1542, which provides:

**A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.**

The Lead Plaintiffs shall expressly and each of the Settlement Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code §1542. The Lead Plaintiffs and Settlement Class Members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but each Lead Plaintiff shall expressly and each Settlement Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. The Lead Plaintiffs acknowledge, and the Settlement Class Members shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the settlement of which this release is a part.

4. This release shall only be in force when the Court approves the Stipulation of Settlement and the Stipulation becomes effective on the Effective Date (as defined in the Stipulation).

5. I (We) hereby warrant and represent that I (we) have not assigned or transferred or purported to assign or transfer, voluntarily or involuntarily, any matter released pursuant to this release or any other part or portion thereof.

6. I (We) hereby warrant and represent that I (we) have included information about all of my (our) transactions in KLA securities (including common stock and call options) which occurred during the Settlement Class Period as well as the number of shares of KLA securities held by me (us) at the the close of trading on January 29, 2007.

**Substitute Form W-9**

**Request for Taxpayer Identification Number**

YOU MUST ENTER YOUR TAXPAYER IDENTIFICATION NUMBER AND SIGNATURE BELOW IN THE APPROPRIATE PLACES. For most individual taxpayers, this is the Social Security Number.

Social Security Number

OR

Employer Identification Number

Input field for Social Security Number

Input field for Employer Identification Number

Please enter here the name of the taxpayer whose identification number is written above exactly as it appears in the records of the Social Security Administration or the Internal Revenue Services:

Input field for taxpayer name

Check here if you are a U.S. Taxpayer with a foreign mailing address.

NOTE: If you require the Instructions for Completing Substitute Form W-9, please make a written request to us at: *In re KLA-TENCOR Securities Litigation*, c/o Heffler, Radetich & Saitta LLP, Claims Administrator, Post Office Box 400, Philadelphia, Pennsylvania 19105-0400. Please note that your accountant should also be able to provide you with the Instructions.

I certify that I am (we are) **NOT** subject to backup withholding under the provisions of Section 3406(a)(1)(C) of the Internal Revenue Code.

NOTE: If you have been notified by the I.R.S. that you are subject to backup withholding, strike out the word "NOT" in the previous sentence and check here:

UNDER THE PENALTIES OF PERJURY, I CERTIFY THAT ALL OF THE INFORMATION PROVIDED ON THIS FORM IS TRUE, CORRECT AND COMPLETE.

Input field for Date

(Date)

Input field for Signature

(Signature of taxpayer whose identification number is written above)

**YOU MUST MAIL THIS FORM AND YOUR SUPPORTING DOCUMENTATION**

The Internal Revenue Service does not require your consent to any provision of this document other than the certification required to avoid backup withholding.

I declare under penalty of perjury under the laws of the United States of America that the foregoing information supplied by the undersigned is true and correct.

Executed this \_\_\_\_\_ day of \_\_\_\_\_ (Month / Year)

in \_\_\_\_\_ (City), \_\_\_\_\_ (State / Country).

Input field for Signer Name

(Sign your name here)

Input field for Printed Name

Type or print your name here)

Input field for Joint Owner Name

Joint Owner Sign your name here)

Input field for Joint Owner Printed Name

(Type or print your name here)

Input field for Capacity

(Capacity of person(s) signing, e.g., Beneficial Purchaser, Executor or Administrator)

**Reminder Checklist:**

1. Please sign both the Proof of Claim and Release Form on page 22 and the Substitute Form W-9 on page 22.
2. If this claim is being made on behalf of joint claimants, then both must sign.
3. Please remember to attach copies of supporting documents. **These must include documentation of: (a) all opening balances, as set forth in the specific claims form; (b) all purchase and sales of the Subject Securities during the Class Period from June 30, 2001 through January 29, 2007; and (c) all holdings of the Subject Securities as of January 29, 2007.**
4. If you move, please send us your new address.
5. DO NOT SEND ORIGINALS OF ANY SUPPORTING DOCUMENTS.
6. Keep a copy of your Proof of Claim and Release form and all documentation submitted for your records.
7. You will not receive confirmation that your Proof of claim and Release form have been received **unless** you send it via Certified Mail, Return Receipt Requested or by some other means that provides you with proof of receipt.

**ACCURATE CLAIMS PROCESSING TAKES A SIGNIFICANT AMOUNT OF TIME, POSSIBLY UP TO ONE YEAR FROM THE DATE THAT PROOF OF CLAIM AND RELEASE FORMS ARE DUE TO BE FILED.**

**THANK YOU FOR YOUR PATIENCE.**

KLA-Tencor Securities Litigation  
Claims Administrator  
c/o Heffler, Radetich & Saitta LLP  
P.O. Box 400  
Philadelphia, PA 19105-0400



**FIRST CLASS MAIL**

**PLEASE FORWARD—IMPORTANT LEGAL NOTICE**