

KLA TENCOR CORP
Form 424B5
October 30, 2014
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File No. 333-199573

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated October 30, 2014

PRELIMINARY PROSPECTUS SUPPLEMENT

(To prospectus dated October 23, 2014)

\$

KLA-Tencor Corporation

\$ *% Senior Notes due 20*

\$ *% Senior Notes due 20*

\$ *% Senior Notes due 20*

\$ *% Senior Notes due 20*

\$ *% Senior Notes due 20*

We will issue the % Senior Notes due 20 (the 20 notes), % Senior Notes due 20 (the 20 notes), % Senior Notes due 20 (the 20 notes), % Senior Notes due 20 (the 20 notes) and the % Senior Notes due 20 (the 20 notes, and collectively with the 20 notes, the 20 notes, the 20 notes and the 20 notes, the notes) in this offering. Interest on the 20 notes will accrue at the rate of % per annum, interest on the 20 notes will accrue at the rate of % per annum, interest on the 20 notes will accrue at the rate of % per annum, interest on the 20 notes will accrue at the rate of % per annum and interest on the 20 notes will accrue at the rate of % per annum. We will pay interest on the notes on and of each year. Interest will accrue on the notes from , 2014, and the first interest payment date will be , 2015. The 20 notes will mature on , 20 , the 20 notes will mature on , 20 , the 20 notes will mature on , 20 , the 20 notes will mature on , 20 and the 20 notes will mature on , 20 . We may redeem some or all of the notes at any time at the applicable redemption prices. We will be required to make an offer to purchase the notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase, upon the occurrence of a Change of Control Triggering Event (as defined herein). See the section of this prospectus supplement entitled Description of the Notes Redemption Optional Redemption and Description of the Notes Repurchase Upon Change of Control Triggering Event for more information.

The notes will be our unsecured senior obligations and will rank equally in right of payment with all of our unsecured and unsubordinated indebtedness. The notes will not be guaranteed by any of our subsidiaries. The notes will be effectively subordinated to any of our future secured indebtedness and structurally subordinated in right of payment to all indebtedness and other liabilities of our subsidiaries.

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Investing in the notes involves risks that are described in the Risk Factors section beginning on page S-7 of this prospectus supplement. See the Risk Factors sections in our Annual Report on Form 10-K for the fiscal year ended June 30, 2014 and our Quarterly Report on Form 10-Q for the period ended September 30, 2014, respectively, for a discussion of certain risks that should be considered in connection with an investment in the notes.

	Public offering price ⁽¹⁾	Underwriting discount	Proceeds to KLA-Tencor Corporation, before expenses
Per 20 note	%	%	%
Total	\$	\$	\$
Per 20 note	%	%	%
Total	\$	\$	\$
Per 20 note	%	%	%
Total	\$	\$	\$
Per 20 note	%	%	%
Total	\$	\$	\$
Per 20 note	%	%	%
Total	\$	\$	\$
Total	\$	\$	\$

(1) Plus accrued interest from , 2014, if settlement occurs after that date

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company and its direct and indirect participants, including Clearstream Banking, S.A. Luxembourg (Clearstream) and Euroclear Bank S.A./N.V., as operator of the Euroclear System (Euroclear), on or about , 2014.

Sole Book-running Manager

J.P. Morgan

The date of this prospectus supplement is , 2014.

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We have not, and the underwriters have not, authorized anyone to provide any information other than that contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus prepared by or on behalf of us or to which we have referred you. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and the underwriters are not, making an offer of these securities in any jurisdiction where the offer or sale of such securities is not permitted. You should assume that the information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein or therein is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus or in any document incorporated by reference in this prospectus supplement and accompanying prospectus is accurate as of any date other than the date of such document.

Neither the delivery of this prospectus supplement nor the accompanying prospectus nor any sale made hereunder shall under any circumstances imply that the information herein or therein is correct as of any date subsequent to the date of such document.

We expect to deliver the notes against payment for the notes on or about the date specified in the last paragraph of the cover page of this prospectus supplement, which will be the fifth business day following the date of the pricing of the notes (T+5). Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended (the Exchange Act), trades in the secondary market generally are required to settle in three business days, unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the notes initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement.

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In this prospectus supplement, unless otherwise indicated or the context otherwise requires, the terms KLA-Tencor, we, us or our refer to KLA-Tencor Corporation and its direct and indirect subsidiaries. References to underwriters refer to the firms listed on the cover page of this prospectus supplement.

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of notes and also adds to and updates the information contained or incorporated by reference in the accompanying prospectus. The second part is the prospectus, which describes more general information regarding our debt securities, some of which does not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described under the heading Where You Can Find More Information and Incorporation by Reference in this prospectus supplement.

If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus or the information contained in any document incorporated by reference therein, the information contained in the most recently dated document shall control.

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Where you can find more information

This prospectus supplement and accompanying prospectus is part of a registration statement on Form S-3 that we have filed with the SEC. Certain information in the registration statement has been omitted from this prospectus supplement in accordance with the rules of the SEC.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document that we file at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies can be obtained by mail at prescribed rates by writing to the Public Reference Room. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our SEC filings are also available to the public at the SEC's website at <http://www.sec.gov>, as well as our website at <http://www.kla-tencor.com>. Our website and the information contained on, or accessible through, our website are not part of this prospectus supplement or the accompanying prospectus.

Incorporation by reference

The SEC allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus supplement, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act (except the information contained in such documents to the extent furnished and not filed):

- (1) Annual Report on Form 10-K for the year ended June 30, 2014, as filed with the SEC on August 8, 2014;
- (2) Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, as filed with the SEC on October 23, 2014; and
- (3) Current Reports on Form 8-K filed on July 8, 2014, August 7, 2014, August 8, 2014, August 12, 2014 and October 23, 2014 (Item 8.01 only).

You may request a copy of these filings at no cost by contacting KLA-Tencor's Investor Relations department by calling (408) 875-3000 or by writing to Investor Relations, KLA-Tencor Corporation, One Technology Drive, Milpitas, California 95035.

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Special note regarding forward-looking statements

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact may be forward-looking statements. You can identify these and other forward-looking statements by the use of words such as may, will, could, would, should, expects, plans, anticipates, relies, believes, estimates, predicts, intends, potential, continue, thinks, seeks, or the negative of such terms, or other terminology. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements. Such forward-looking statements include, among others:

our ability to consummate some or all of the Recapitalization Transactions described in this prospectus supplement, including this offering, in the anticipated time frame, on the contemplated terms, or at all;

forecasts of the future results of our operations;

orders for our products and capital equipment generally;

sales of semiconductors;

the allocation of capital spending by our customers (and, in particular, the percentage of spending that our customers allocate to process control);

growth of revenue in the semiconductor industry, the semiconductor capital equipment industry and our business;

technological trends in the semiconductor industry;

future developments or trends in the global capital and financial markets;

our future product offerings and product features;

the success and market acceptance of new products;

timing of shipment of backlog;

our future product shipments and product and service revenues;

our future gross margins;

our future research and development expenses and selling, general and administrative expenses;

our ability to successfully maintain cost discipline;

international sales and operations;

our ability to maintain or improve our existing competitive position;

success of our product offerings;

creation and funding of programs for research and development;

attraction and retention of employees;

results of our investment in leading edge technologies;

the effects of hedging transactions;

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the effect of the sale of trade receivables and promissory notes from customers;

our future income tax rate;

future payments of dividends to our stockholders;

the completion of any acquisitions of third parties, or the technology or assets thereof;

benefits received from any acquisitions and development of acquired technologies;

sufficiency of our existing cash balance, investments and cash generated from operations to meet our operating and working capital requirements;

future changes in, and our future compliance with, legal requirements; and

the adoption and impact of new accounting pronouncements.

Our actual results may differ significantly from those projected in the forward-looking statements in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference herein or therein. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in Item 1A, Risk Factors, Item 1, Business and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended June 30, 2014 and Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations in our Quarterly Report on Form 10-Q for the period ended September 30, 2014. You should carefully review these risks and also review the risks described in other documents we file from time to time with the Securities and Exchange Commission. You are cautioned not to place undue reliance on these forward-looking statements, and we expressly assume no obligation and do not intend to update the forward-looking statements in this report after the date hereof.

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Summary

This summary highlights some basic information contained in greater detail elsewhere in this prospectus supplement. This summary may not contain all of the information that may be important to you and is qualified in its entirety by the more detailed information appearing elsewhere, or incorporated by reference, in this prospectus supplement or the accompanying prospectus. You should carefully read the entire prospectus supplement, the accompanying prospectus, as well as the information incorporated by reference herein and therein, before making an investment decision. You should pay special attention to the Risk Factors section beginning on page S-7 of this prospectus supplement to determine whether an investment in the notes is appropriate for you. Unless otherwise specified, references in this prospectus supplement to KLA-Tencor, we, us or our refer to KLA-Tencor Corporation and its direct and indirect subsidiaries.

KLA-Tencor

We are a leading supplier of process control and yield management solutions for the semiconductor and related nanoelectronics industries. Our products are also used in a number of other high technology industries, including the light emitting diode and data storage industries, as well as general materials research.

Within our primary area of focus, our comprehensive portfolio of defect inspection and metrology products, and related service, software and other offerings, helps integrated circuit (IC) manufacturers manage yield throughout the entire semiconductor fabrication process from research and development to final volume production. These products and solutions are designed to help customers accelerate their development and production ramp cycles, to achieve higher and more stable semiconductor die yields, and to improve overall profitability.

Our products and services are used by the vast majority of bare wafer, IC, lithography reticle and disk manufacturers around the world. These customers turn to us for inline wafer and IC defect monitoring, review and classification; reticle defect inspection and metrology; packaging and interconnect inspection; critical dimension metrology; pattern overlay metrology; film thickness, surface topography and composition measurements; measurement of in-chamber process conditions, wafer shape and stress metrology; computational lithography tools; and overall yield and fab-wide data management and analysis systems. Our advanced products, coupled with our unique yield management services, allow us to deliver the solutions our customers need to accelerate their yield learning rates and significantly reduce their risks and costs.

Recent developments

On October 23, 2014, we announced that the Board of Directors has authorized the financing of a leveraged recapitalization, which would feature a special cash dividend of \$16.50 per share, representing approximately 23% of our common stock price as of October 22, 2014, or an aggregate value of approximately \$2.75 billion, which includes the portion of the special cash dividend that could be payable to holders of outstanding equity awards under our 2004 Equity Incentive Plan. Subject to the close of necessary financing, the Board of Directors currently intends to declare and pay the special cash dividend before December 31, 2014. The special cash dividend would be in addition to our regular \$0.50 per share quarterly cash dividend. Our regular \$0.50 per share quarterly cash dividend is expected to be declared and paid following our regularly scheduled Board of Directors meeting in November 2014.

In connection with the leveraged recapitalization, the Board of Directors has approved an increase to our stock repurchase program for up to 3.6 million additional shares of our common stock, which is valued at approximately \$250.0 million based upon the closing price of our common stock as of October 20, 2014. This is

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in addition to the increase of up to 13 million shares previously announced in July 2014. We expect to complete these share repurchases within 12 to 18 months. The repurchases may occur from time to time, in the open market, with consideration given to the market price of the common stock, our other investment opportunities, and general economic conditions.

The intended special cash dividend of \$2.75 billion in the aggregate will be funded in part with a portion of the cash on our balance sheet, and in part with incremental debt. To fund the debt-financed portion of the special cash dividend and subject to market conditions, we intend to add up to \$2.5 billion of incremental debt, consisting of a combination of the notes offered hereby and amortizing term loans under a credit agreement that we plan to enter with JPMorgan Chase Bank, N.A., as administrative agent, and a syndicate of lenders named therein (the Credit Agreement). We also expect to enter into an unfunded revolving credit facility under the Credit Agreement, subject to market conditions. See Description of Other Indebtedness in this prospectus supplement. The declaration and payment of the special cash dividend are conditioned on our ability to obtain requisite debt financing on satisfactory terms and conditions. We intend to manage our capital structure to preserve and maintain our investment grade rating.

We refer to the special cash dividend and stock repurchase program in this prospectus supplement as the Recapitalization Transactions.

Company information

KLA-Tencor Corporation was formed in April 1997 through the merger of KLA Instruments Corporation and Tencor Instruments, two long-time leaders in the semiconductor equipment industry that originally began operations in 1975 and 1976, respectively. Our common stock is listed and traded on The NASDAQ Global Select Market under the symbol KLAC. Our principal executive offices are located at One Technology Drive, Milpitas, California 95035 and our telephone number is (408) 875-3000. Our website is located at <http://www.kla-tencor.com>. The information on, or accessible through, our website is not part of this prospectus supplement or the accompanying prospectus.

Table of Contents**The offering**

The following summary contains certain material information about the notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the notes, please refer to the section of this prospectus supplement entitled Description of the Notes. In this section, we, us, and our refer only to KLA-Tencor Corporation and not any of its subsidiaries.

Issuer	KLA-Tencor Corporation, a Delaware corporation.
Securities offered	\$ aggregate principal amount of 20 notes, \$ aggregate principal amount of 20 notes, \$ aggregate principal amount of 20 notes, \$ aggregate principal amount of 20 notes and \$ aggregate principal amount of 20 notes.
Maturity date	The 20 notes will mature on , 20 , the 20 notes will mature on , 20 , the 20 notes will mature on , 20 , the 20 notes will mature on , 20 and the 20 notes will mature on , 20 .
Interest payment date	and of each year, beginning , 2015.
Ranking	<p>The notes will be our unsecured senior obligations and will:</p> <ul style="list-style-type: none"> rank senior in right of payment to all of our future subordinated indebtedness; rank equally in right of payment with all of our unsecured and unsubordinated indebtedness; be effectively subordinated to all of our future secured indebtedness to the extent of the collateral securing such indebtedness; and be structurally subordinated to all indebtedness and other liabilities of our subsidiaries. <p>As of September 30, 2014, we had \$1.8 billion of consolidated indebtedness, which includes current and non-current liabilities, none of which was secured indebtedness, and our subsidiaries had \$196.2 million of liabilities (including trade payables but excluding intercompany obligations and liabilities of a type not required to be reflected on a balance sheet of such subsidiaries in accordance with U.S. generally accepted accounting principles (GAAP) to which the notes would have been structurally subordinated. After giving effect to the Recapitalization Transactions described in this prospectus supplement under Summary Recent Developments, including the issuance of the notes offered hereby, our total consolidated indebtedness, which includes current and non-current liabilities, would have been \$ billion as of September 30, 2014. For the year ended June 30, 2014, our subsidiaries accounted for approximately 29% of our total revenue and 42% of our total net income. As of June 30, 2014, our subsidiaries accounted for approximately 39% of our total assets.</p>

Further issuances

We may create and issue additional series of notes under the indenture governing the notes. To the extent we do so, the separate series of notes will not vote together as a single series on any matters. We may also create and issue

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additional notes of any series offered hereby equal in rank to the notes of such series in all respects (or in all respects except for the issue price, the payment of interest accruing prior to the issue date of such additional notes, or the first payment of interest following the issue date of such additional notes) so that the additional notes may be consolidated and form a single series with the notes of such series, and have the same terms as to status, redemption and otherwise as the notes of such series. See Description of the Notes Principal, Maturity and Interest.

Guarantees

The notes will not be guaranteed by any of our subsidiaries.

Optional redemption

We may redeem the notes in whole or in part at any time at the applicable redemption prices. See Description of the Notes Redemption Optional Redemption.

Repurchase upon change of control triggering event

Upon the occurrence of a Change of Control Triggering Event (as defined in this prospectus supplement), we will be required to make an offer to purchase the notes at a price equal to 101% of their principal amount plus accrued and unpaid interest to the date of repurchase. See Description of the Notes Repurchase Upon Change of Control Triggering Event.

Listing

The notes will not be listed on any securities exchange or automated quotation system.

No prior market

Each series of notes will be a new issue of securities for which there is currently no market. Although the underwriters have informed us that they intend to make a market in the notes, they are not obligated to do so, and they may discontinue market making activities at any time without notice. Accordingly, we cannot assure you that a liquid market for the notes will develop or be maintained.

Use of proceeds

We intend to use the net proceeds from this offering, together with borrowings under the Credit Agreement and cash on hand, (x) to fund a special dividend to our stockholders (the Special Dividend) of approximately \$2.75 billion and (y) for other general corporate purposes, which may include the redemption of all or a portion of our 6.900% Senior Notes due 2018 (the Existing Notes) (including paying the associated redemption premiums, accrued interest and related fees and expenses) and which will include repurchases of up to 16.6 million shares of our common stock pursuant to our stock repurchase program. See Summary Recent Developments.

Governing Law

New York.

Trustee

Wells Fargo Bank, National Association.

Risk factors

You should carefully consider, along with the other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, the specific factors set forth in this prospectus supplement under Risk Factors before deciding whether to invest in the notes.

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Our summary consolidated financial data presented below as of and for each of the fiscal years ended June 30, 2014, 2013 and 2012 has been derived from our audited consolidated financial statements incorporated by reference in this prospectus supplement. The summary financial data presented below as of and for the three months ended September 30, 2014 and 2013 has been derived from our unaudited consolidated financial statements incorporated by reference in this prospectus supplement. Historical financial information includes, in management's opinion, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our results of operations and financial position for the periods and dates presented. Historical results are not necessarily indicative of future results, and results for the three months ended September 30, 2014 are not necessarily indicative of results for the full fiscal year ending June 30, 2015 or any future period. This information is only a summary and should be read in conjunction with the financial statements and related notes and the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our annual and quarterly report and in conjunction with other information that we have filed with the Securities and Exchange Commission, or the SEC, and incorporated by reference in this prospectus supplement. See "Where You Can Find More Information" beginning on page S-iii of this prospectus supplement.

(In thousands, except per share data)	Three months ended		Year ended June 30,		
	September 30, 2014	2013	2014	2013	2012
Consolidated Statements of Operations:					
Revenues:					
Product	\$ 476,598	\$ 501,740	\$ 2,286,437	\$ 2,247,147	\$ 2,597,755
Service	166,303	156,597	642,971	595,634	574,189
Total revenues	642,901	658,337	2,929,408	2,842,781	3,171,944
Costs and operating expenses:					
Costs of revenues	288,467	227,657	1,232,962	1,237,452	1,330,016
Engineering, research and development	143,637	132,273	539,469	487,832	452,937
Selling, general and administrative	101,644	98,496	384,907	387,812	372,666
Total costs and operating expenses	533,748	508,426	2,157,338	2,113,096	2,155,619
Income from operations	109,153	149,911	772,070	729,685	1,016,325
Interest income and other, net	3,375	3,615	16,203	15,112	11,966
Interest expense	13,521	13,662	53,812	54,176	54,197
Income before income taxes	99,007	139,864	734,461	690,621	974,094
Provision for income taxes	26,774	28,667	151,706	147,472	218,079
Net income	\$ 72,233	\$ 111,197	\$ 582,755	\$ 543,149	\$ 756,015
Net income per share:					
Basic	\$ 0.44	\$ 0.67	\$ 3.51	\$ 3.27	\$ 4.53
Diluted	\$ 0.43	\$ 0.66	\$ 3.47	\$ 3.21	\$ 4.44
Cash dividends declared per share	\$ 0.50	\$ 0.45	\$ 1.80	\$ 1.60	\$ 1.40

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(In thousands)	As of September 30,		As of June 30,	
	2014	2013	2014	2013
Consolidated Balance Sheets:				
Cash, cash equivalents and marketable securities	\$ 2,942,492	\$ 2,951,875	\$ 3,152,637	\$ 2,918,881
Working capital	\$ 3,563,700	\$ 3,519,628	\$ 3,691,219	\$ 3,489,971
Total assets	\$ 5,301,572	\$ 5,283,552	\$ 5,538,664	\$ 5,287,357
Long-term debt	\$ 748,054	\$ 747,511	\$ 747,919	\$ 747,376
Total stockholders' equity	\$ 3,529,720	\$ 3,491,163	\$ 3,669,346	\$ 3,482,152

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Risk factors

*Any investment in the notes involves a high degree of risk. You should consider the risks described below carefully and all of the information included or incorporated by reference in this prospectus supplement and accompanying prospectus before deciding whether to purchase the notes. The risks and uncertainties described below are not the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the events or circumstances described in the following risk factors actually occur, our business, financial condition and results of operations would suffer. In that event, the price of the notes could decline, and you may lose all or part of your investment. The risks discussed below also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements. See *Special Note Regarding Forward-Looking Statements*.*

Risks relating to the notes

The notes are structurally subordinated to any future indebtedness and to the other liabilities of our subsidiaries.

The notes are our obligations exclusively and not of any of our subsidiaries. A significant portion of our operations is conducted through our subsidiaries. For the year ended June 30, 2014, our subsidiaries accounted for approximately 29% of our total revenue and 42% of our total net income. As of June 30, 2014, our subsidiaries accounted for approximately 39% of our total assets. Our subsidiaries are separate legal entities that have no obligation to pay any amounts due under the notes or to make any funds available therefor, whether by dividends, loans or other payments. Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors, including trade creditors, and holders of preferred stock, if any, of our subsidiaries will have priority with respect to the assets of such subsidiaries over our claims (and therefore the claims of our creditors, including holders of the notes), and our subsidiaries may enter into future borrowing arrangements that limit their ability to transfer funds to us. Consequently, the notes will be structurally subordinated to all liabilities, including trade payables, of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish. All borrowings under the Credit Agreement will be guaranteed on an unsecured basis by certain of our material domestic subsidiaries. As of September 30, 2014, our subsidiaries had \$196.2 million of liabilities (including trade payables but excluding intercompany obligations and liabilities of a type not required to be reflected on a balance sheet of such subsidiaries in accordance with GAAP). In addition, the indenture governing the notes permits our subsidiaries to incur additional secured indebtedness, and does not contain any limitation on the amount of unsecured indebtedness or other liabilities, such as trade payables, that may be incurred by our subsidiaries.

The notes will be subject to the prior claims of any future secured creditors.

The notes are unsecured obligations, ranking effectively junior to any secured indebtedness we may incur. As of September 30, 2014, we did not have any outstanding secured indebtedness, although the indenture governing the notes does not limit the amount of additional unsecured debt that we and our subsidiaries may incur and permits us to incur secured debt under specified circumstances. If we incur secured debt, our assets securing any such indebtedness will be subject to prior claims by our secured creditors. In the event of our bankruptcy, insolvency, liquidation, reorganization, dissolution or other winding up, or upon any acceleration of the notes, our assets that secure debt will be available to pay obligations on the notes only after all debt secured by those assets has been repaid in full. Holders of the notes will participate in any remaining assets ratably with all of our other unsecured and unsubordinated creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the notes then outstanding would remain unpaid.

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The terms of the Credit Agreement that we plan to enter into concurrently with, or shortly after the completion of, this offering will restrict our current and future operations, particularly our ability to respond to changes or to take certain actions.

The Credit Agreement that we plan to enter into concurrently with, or shortly after the completion of, this offering will contain restrictive covenants that impose operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including restrictions on our and our subsidiaries' ability to:

incur or issue subsidiary debt or preferred equity;

create liens;

enter into sale and leaseback transactions;

enter into fundamental changes (including mergers, consolidations, transfers of all or substantially all assets and changes in nature of business conducted);

enter into transactions with affiliates; and

create or permit certain restrictive agreements.

The Credit Agreement will contain certain customary representations and warranties, affirmative covenants and events of default.

In addition, the restrictive covenants in the Credit Agreement that we plan to enter into concurrently with, or shortly after the completion of, this offering will require us to maintain specified financial ratios and satisfy other financial condition tests. Our ability to meet those financial ratios and tests may be affected by events beyond our control, and we may be unable to meet them. You should read the discussion under the heading "Description of Other Indebtedness" for further information about these covenants.

A breach of the covenants or restrictions under the Credit Agreement that we plan to enter into concurrently with, or shortly after the completion of, this offering could result in an event of default thereunder. Such a default may allow the lenders thereunder to accelerate the loans and may result in the acceleration of any other debt which has a cross-acceleration or cross-default provision that applies to the Credit Agreement. In addition, an event of default under the Credit Agreement would permit the lenders to terminate all commitments to extend further credit under the Credit Agreement. In the event our lenders or other debt holders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets or liquidity to repay that indebtedness.

The negative covenants in the indenture that governs the notes provide limited protection to holders of the notes.

The indenture governing the notes contains covenants limiting our ability and our subsidiaries' ability to create certain liens, enter into certain sale and lease-back transactions, and consolidate or merge with, or convey, transfer or lease all or substantially all our assets to, another person. The limitation on liens and limitation on sale and lease-back covenants contain exceptions that will allow us and our subsidiaries to incur liens with respect to material assets. See "Description of the Notes—Certain Covenants." In light of these exceptions, holders of the notes may be structurally or effectively subordinated to new lenders.

Despite our increased consolidated debt levels after giving effect to the Recapitalization Transactions, we and our subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in our debt instruments, some of which may be secured debt. We will not be restricted under the terms of the indenture governing the notes from incurring additional unsecured debt or taking a number of other actions that are not limited by the terms of the indenture governing the notes that could have the effect of diminishing our ability to make payments on the notes when due.

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Dividends and repurchases of our common stock under our stock repurchase program will reduce funds available for repayment of the notes.

We have historically paid quarterly dividends and intend to continue to do so subject to capital availability and periodic determinations by our Board of Directors. We also intend to use a portion of the proceeds of this offering to fund the Special Dividend. See Summary Recent Developments. Further, we have repurchased significant amounts of our common stock in the open market and in privately negotiated transactions. We expect to continue these repurchases in the future using either cash or other of our assets. The amount of our future repurchases may be significant, and the indenture governing the notes does not limit our ability to conduct future repurchases in any way. Similarly, the indenture governing the notes does not limit our ability to pay dividends. Any future dividends or repurchases by us would reduce the cash and stockholders' equity that is available to repay the notes.

The provisions of the notes will not necessarily protect you in the event of certain highly leveraged transactions.

Upon the occurrence of a Change of Control Triggering Event (as defined under Description of the Notes Repurchase Upon Change of Control Triggering Event), you will have the right to require us to repurchase the notes. However, the Change of Control Triggering Event provisions will not afford you protection in the event of certain highly leveraged transactions that may adversely affect you. For example, any leveraged recapitalization, refinancing, restructuring or acquisition initiated by us will generally not constitute a Change of Control (as defined herein) that would potentially lead to a Change of Control Triggering Event. As a result, we could enter into any such transaction even though the transaction could increase the total amount of our outstanding indebtedness, adversely affect our capital structure or credit rating or otherwise adversely affect the holders of the notes. These transactions may not involve a change in voting power or beneficial ownership or result in a downgrade in the ratings of the notes, or, even if they do, may not necessarily constitute a Change of Control Triggering Event that affords you the protections described in this prospectus supplement. If any such transaction were to occur, the value of your notes could decline.

You may not be entitled to require us to repurchase your notes in certain circumstances involving our Board of Directors, including in connection with a proxy contest, where our Board of Directors does not endorse a dissident slate of directors, but approves such directors as Continuing Directors (as defined herein) for purposes of the indenture governing the notes. This may result in a change in the composition of the Board of Directors that, but for such subsequent approval, would have otherwise constituted a Change of Control that would potentially lead to a Change of Control Triggering Event, in which case you will not have the right to require us to repurchase all or a portion of your notes.

We may not be able to repurchase all of the notes upon a Change of Control Triggering Event, which would result in a default under the notes.

We will be required to offer to repurchase the notes upon the occurrence of a Change of Control Triggering Event as provided in the indenture governing the notes. However, we may not have sufficient funds to repurchase the notes in cash at that time. In addition, our ability to repurchase the notes for cash may be limited by law or the terms of other agreements relating to our indebtedness outstanding at the time, which agreements may provide that a Change of Control Triggering Event constitutes an event of default or prepayment under such indebtedness. Our failure to make such a repurchase would result in a default under the notes and our Credit Facility, and may constitute an event of default under our future debt instruments.

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Our substantial leverage could have a significant effect on our operations and on our ability to secure additional financing when needed.

After giving effect to the Recapitalization Transactions (including the issuance of the notes offered hereby, borrowings under the Credit Agreement that we plan to enter into concurrently with, or shortly after the completion of, this offering and any potential redemption of all or a portion of our Existing Notes), we will have up to approximately \$3.25 billion of long-term debt. Our ability to repay or refinance our indebtedness or to secure additional capital resources to fund our business, will depend upon, among other things, our operating performance. Such future operating results may be affected by general economic, competitive, business and other factors beyond our control. Although we believe that our future cash flow from operating activities, together with available financing arrangements, will be sufficient to fund our operating, strategic growth, capital expenditure and debt service requirements, if we fail to meet our financial obligations or if supplemental financing is not available to us on satisfactory terms when needed, our business could be harmed.

We will be required to dedicate a substantial portion of our cash flow to the payment of principal and interest on our indebtedness, which could reduce the amount of discretionary funds available for our other operational needs and growth objectives.

We may also be more vulnerable in the event of a deterioration of our business or changes in the semiconductor industry or the economy in general, because of our increased need for cash flow.

In the event of a default, we may be forced to pursue one or more alternative strategies, such as restructuring or refinancing our indebtedness, selling assets, reducing or delaying capital expenditures or seeking additional equity capital. There can be no assurances that any of these strategies could be effectuated on satisfactory terms, if at all, or that sufficient funds could be obtained to make the requisite debt service payments.

Federal and state fraudulent transfer laws may permit a court to void the notes and, if that occurs, you may not receive any payments on the notes.

Federal and state fraudulent transfer and conveyance statutes may apply to the issuance of the notes, viewed on a stand-alone basis and in the context of the Recapitalization Transactions. Under federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, which may vary from state to state, the notes could be voided as a fraudulent transfer or conveyance if we (a) issued the notes with the intent of hindering, delaying or defrauding creditors or (b) received less than reasonably equivalent value or fair consideration in return for issuing the notes and, in the case of (b) only, one of the following is also true at the time thereof:

we were insolvent or rendered insolvent by reason of the issuance of the notes;

the issuance of the notes left us with an unreasonably small amount of capital or assets to carry on our business;

we intended to, or believed that we would, incur debts beyond our ability to pay as they mature; or

we were a defendant in an action for money damages, or had a judgment for money damages docketed against us if the judgment is unsatisfied after final judgment.

We cannot be certain as to the standards a court would use to determine whether or not we were insolvent at the relevant time or, regardless of the standard that a court uses, whether the notes would be subordinated to our other debt. In general, however, a court would deem an entity insolvent if:

the sum of its debts, including contingent and unliquidated liabilities, was greater than the fair saleable value of all of its assets;

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the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

it could not pay its debts as they became due.

If a court were to find that the issuance of the notes was a fraudulent transfer or conveyance, the court could void the payment obligations under the notes or could subordinate the notes to presently existing and future indebtedness of ours. In the event of a finding that a fraudulent transfer or conveyance occurred, you may not receive any repayment on the notes. Further, the avoidance of the notes could result in an event of default with respect to our and our subsidiaries' other debt that could result in acceleration of that debt.

Changes in our credit ratings may adversely affect the value of the notes.

Any ratings of the notes are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the view of each rating agency at the time the rating is issued. An explanation of the significance of such rating may be obtained from such rating agency. There can be no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, could affect the market value of the notes and increase our corporate borrowing costs.

There may not be an active trading market for the notes.

There is no existing market for the notes, and we do not intend to apply for listing of the notes on any securities exchange or any automated quotation system. Accordingly, there can be no assurance that a trading market for the notes will ever develop or will be maintained. Further, there can be no assurance as to the liquidity of any market that may develop for the notes, your ability to sell your notes or the price at which you will be able to sell your notes. Future trading prices of the notes will depend on many factors, including, but not limited to, prevailing interest rates, our financial condition and results of operations, prospects for companies in our industry generally, the then-current ratings assigned to the notes and the market for similar securities. Any trading market that develops would be affected by many factors independent of and in addition to the foregoing, including:

time remaining to the maturity of the notes;

outstanding amount of the notes;

the terms related to the optional redemption of the notes; and

level, direction and volatility of market interest rates generally.

Risks related to our business

We operate in a rapidly changing economic and technological environment that presents numerous risks, many of which are driven by factors that we cannot control or predict. The risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended June 30, 2014 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, which are incorporated by reference into this prospectus supplement and the accompanying prospectus, highlight some of these risks. You should read our Annual Report on Form 10-K and our Quarterly Report on Form 10-Q, including the respective sections entitled Risk Factors.

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Use of proceeds

We estimate that we will receive net proceeds from the offering of the notes of approximately \$ million after deducting underwriting discounts and commissions and other estimated offering expenses payable by us and structuring fees payable by us in connection with the Recapitalization Transactions. See Underwriting. We plan to enter into the Credit Agreement concurrently with, or shortly after the completion of, this offering. The Credit Agreement will include a commitment for amortizing term loans and a revolving credit facility.

We intend to use the net proceeds from this offering together with borrowings under our Credit Agreement and cash on hand (x) to fund the Special Dividend of approximately \$2.75 billion and (y) for other general corporate purposes, which may include the redemption of all or a portion of our Existing Notes (including paying the associated redemption premiums, accrued interest and related fees and expenses) and which will include repurchases of up to 16.6 million shares of our common stock pursuant to our stock repurchase program. See Summary Recent Developments.

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Table of Contents**Ratio of earnings to fixed charges**

Our ratio of earnings to fixed charges was as follows for the respective periods indicated.

Three Months Ended		Fiscal Year Ended June 30,				
September 30,		2014	2013	2012	2011	2010
2014	2013	13.9	13.1	18.0	20.4	6.0
7.9	10.7					

For purposes of calculating the ratio of earnings to fixed charges, earnings refers to the amount resulting from adding earnings before income taxes, plus fixed charges. Fixed charges for these purposes include interest expense, amortization of bond issuance costs, amortization of bond discount, and one-third of rental expense, which we consider to be a reasonable approximation of the interest factor included in rental expense.

Table of Contents**Capitalization**

The following table sets forth our cash, cash equivalents and marketable securities, restricted cash and consolidated capitalization as of September 30, 2014:

on an actual basis; and

on an as adjusted basis to give effect to (i) this offering; and (ii) paying the Special Dividend of \$2.75 billion. The table does not give effect to (x) any share repurchases contemplated by the Recapitalization Transactions, (y) any redemption or repurchase of our Existing Notes or (z) any borrowings under the term loans to be provided under the Credit Agreement.

This table should be read in conjunction with our consolidated financial statements and the notes thereto included or incorporated by reference herein.

	As of September 30, 2014 (unaudited)	
(in thousands, except per share data)	Actual	As adjusted
Cash, cash equivalents and marketable securities	\$ 2,942,492	\$
Long-term debt:		
6.900% Senior Notes due 2018 ⁽¹⁾	750,000	
% Senior Notes due 20 ⁽²⁾		
% Senior Notes due 20 ⁽²⁾		
% Senior Notes due 20 ⁽²⁾		
% Senior Notes due 20 ⁽²⁾		
% Senior Notes due 20 ⁽²⁾		
Total long-term debt	\$ 750,000	\$
Stockholders' equity:		
Preferred stock, \$0.001 par value, 1,000 shares authorized, none outstanding, as of September 30, 2014	\$	\$
Common stock, \$0.001 par value, 500,000 shares authorized, 258,281 shares issued, 164,472 shares outstanding	164	
Capital in excess of par value	1,235,822	
Retained earnings	2,329,936	
Accumulated other comprehensive income (loss)	(36,202)	
Total stockholders' equity	\$ 3,529,720	
Total capitalization	\$ 4,279,720	

(1) Balance reflects the principal amount of the Existing Notes, not including an unamortized discount of \$1.9 million.

(2) As adjusted amount does not reflect debt discount and reflects the principal amounts outstanding.

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Description of the notes

General

For purposes of this section, references to KLA-Tencor, we, us and our are references to KLA-Tencor Corporation only and not to any of its subsidiaries. We will issue the % Senior Notes due 20 (the 20 notes), % Senior Notes due 20 (the 20 notes), % Senior Notes due 20 (the 20 notes), % Senior Notes due 20 (the 20 notes) and the % Senior Notes due 20 (the 20 notes, and collectively with the 20 notes, the 20 notes, the 20 notes and the 20 notes, the notes) as separate series of debt securities under an indenture to be dated as of , 2014 (the Indenture) between us and Wells Fargo Bank, National Association, as trustee (the Trustee). The term Indenture, as used herein, includes any Officer s Certificate (as defined in the Indenture) or supplemental indenture establishing the form and terms of the Securities pursuant to the Indenture.

The following is a summary of the material provisions of the Indenture. It does not include all of the provisions of the Indenture. We urge you to read the Indenture because it defines your rights. The terms of the notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended, or the TIA. A copy of the Indenture may be obtained from us. You can find definitions of certain capitalized terms used in this description under Certain Definitions.

We will issue the notes of each series in fully registered form in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. The Trustee will initially act as Paying Agent and Registrar for the notes. The notes may be presented for registration of transfer and exchange at the offices of the Registrar. We may change any Paying Agent and Registrar without notice to holders of the notes (the Holders). We will pay principal (and premium, if any) on notes in global form at the Trustee s corporate office in Los Angeles, California. Interest on certificated notes will be paid by wire transfer of immediately available funds to the account specified by the Holder thereof to the paying agent or, if no such account is specified, by mailing a check to such Holder s registered address.

Principal, maturity and interest

We will issue \$ in aggregate principal amount of the 20 notes in this offering, \$ in aggregate principal amount of the 20 notes in this offering, \$ in aggregate principal amount of the 20 notes in this offering and \$ in aggregate principal amount of the 20 notes in this offering. The 20 notes will mature on , 20 , the 20 notes will mature on , 20 , the 20 will mature on , 20 , the 20 notes will mature on , 20 and the 20 notes will mature on , 20 . Interest on the 20 notes will accrue at the rate of % per annum, interest on the 20 notes will accrue at the rate of % per annum, interest on the 20 notes will accrue at the rate of % per annum, interest on the 20 notes will accrue at the rate of % per annum and interest on the 20 notes will accrue at the rate of % per annum. Interest on each series of the notes will be payable semiannually in arrears on each and , commencing on , 2015, to the persons who are registered Holders of each series of the notes at the close of business on the and , whether or not a Business Day, immediately preceding the applicable interest payment date.

Interest on each series of notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the issue date. If any interest payment date, redemption date, repurchase date or maturity date falls on a day which is not a Business Day, payment of interest, principal and premium, if any, with respect to such notes will be made on the next Business Day with the same force and

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effect as if made on the due date and no interest on such payment will accrue from and after such due date. Interest for each series of notes will be computed on the basis of a 360-day year composed of twelve 30-day months.

We may from time to time without notice to, or the consent of, any Holder, create and issue additional series of notes under the Indenture. To the extent we do so, the separate series of notes will not vote together as a single series on any matters. We may also from time to time without notice to, or the consent of, any Holder, create and issue additional notes of any series offered hereby under the Indenture equal in rank to the notes of such series in all respects (or in all respects except for the issue price, the payment of interest accruing prior to the issue date of such additional notes, or the first payment of interest following the issue date of such additional notes) so that the additional notes may be consolidated and form a single series with the notes of such series, and have the same terms as to status, redemption and otherwise as the notes of such series; *provided* that if any such additional notes are not fungible with the notes of the relevant series initially offered hereby for U.S. federal income tax purposes, such additional notes will have one or more separate CUSIP numbers.

The notes will not be guaranteed by any of our subsidiaries. The notes will not be entitled to the benefit of any mandatory sinking fund.

We will pay interest (including post-petition interest in any proceeding under any bankruptcy law) on overdue payments of the principal, purchase price and redemption price of the notes of any applicable series from time to time on demand at the rate then borne by the notes of that series; and will pay interest (including post-petition interest in any proceeding under any bankruptcy law) on overdue installments of interest, if any (without regard to any applicable grace periods), on the notes of that series from time to time on demand at the same rate to the extent lawful.

Ranking

The notes will be our unsecured senior obligations and will:

rank senior in right of payment to all of our future subordinated indebtedness;

rank equally in right of payment with all of our unsecured indebtedness that is not so subordinated;

be effectively subordinated in right of payment to all of our future secured indebtedness to the extent of the collateral securing such indebtedness; and

be structurally subordinated in right of payment to all indebtedness and other liabilities of our subsidiaries.

As of September 30, 2014, we had \$1.8 billion of consolidated indebtedness, which includes current and non-current liabilities, none of which was secured indebtedness, and our subsidiaries had \$196.2 million of liabilities (including trade payables but excluding intercompany obligations and liabilities of a type not required to be reflected on a balance sheet of such subsidiaries in accordance with GAAP) to which the notes would have been structurally subordinated. After giving effect to the Recapitalization Transactions described in this prospectus supplement under Summary Recent Developments, including the issuance of the notes offered hereby, our total consolidated indebtedness, which includes current and non-current liabilities, would have been \$ billion as of September 30, 2014. For the year ended June 30, 2014, our subsidiaries accounted for approximately 29% of our total revenue and 42% of our total net income. As of June 30, 2014, our subsidiaries accounted for approximately 39% of our total assets.

Interest rate adjustment based on rating events

The Indenture provides that the interest rate payable on each series of notes will be subject to adjustment from time to time if Moody's or S&P (or, if applicable, any nationally recognized statistical rating organization

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as such term is defined in Section 3(a)(62) of the Exchange Act that is selected by us (as certified by a resolution of our Board of Directors) as a replacement for Moody's or S&P, as the case may be, (each, a Substitute Rating Agency)) downgrades (or subsequently upgrades) its rating assigned to the respective series the notes, as set forth below. Each of Moody's, S&P and any Substitute Rating Agency is an Interest Rate Rating Agency, and together they are Interest Rate Rating Agencies.

If the rating of any series of notes from Moody's (or, if applicable, any Substitute Rating Agency) with respect to such series of notes is decreased to a rating set forth in the immediately following table, the interest rate on such series of notes will increase from the interest rate set forth on the cover page of this prospectus applicable to such series of notes by an amount equal to the percentage set forth opposite that rating:

Moody's Rating Percentage*

Ba1	0.25%
Ba2	0.50%
Ba3	0.75%
B1 or below	1.00%

If the rating of any series of notes from S&P (or, if applicable, any Substitute Rating Agency) with respect to such series of notes is decreased to a rating set forth in the immediately following table, the interest rate on such series of notes will increase from the interest rate set forth on the cover page of this prospectus supplement applicable to such series of notes by an amount equal to the percentage set forth opposite that rating:

S&P Rating Percentage*

BB+	0.25%
BB	0.50%
BB-	0.75%
B+ or below	1.00%

* Including the equivalent ratings of any Substitute Rating Agency.

Each adjustment required by any decrease or increase in a rating set forth above, whether occasioned by the action of Moody's or S&P (or, in either case, any Substitute Rating Agency), shall be made independent of any and all other adjustments.

No adjustment in the interest rate on any series of notes shall be made solely as a result of an Interest Rate Rating Agency ceasing to provide a rating on such series of notes. If at any time less than two Interest Rate Rating Agencies provide a rating on a series of notes for reasons beyond our control, we will use commercially reasonable efforts to obtain a rating on such notes from a Substitute Rating Agency for purposes of determining any increase or decrease in the per annum interest rate on a series of notes pursuant to the tables above, (1) such Substitute Rating Agency will be substituted for the last Interest Rate Rating Agency to provide a rating on such series of notes but which has since ceased to provide such rating, (2) the relative ratings scale used by such Substitute Rating Agency to assign ratings to senior unsecured debt will be determined in good faith by an independent investment banking institution of national standing appointed by us and, for purposes of determining the applicable ratings included in the applicable table above with respect to such Substitute Rating Agency, such ratings shall be deemed to be the equivalent ratings used by Moody's or S&P, as applicable, in such table, and (3) the per annum interest rate on such notes will increase or decrease, as the case may be, such that the interest rate equals the interest rate with respect to such notes set forth on the cover page of this prospectus supplement plus the appropriate percentage, if any, set forth opposite the rating from such Substitute Rating Agency in the applicable table above (taking into account the provisions of clause (2) above) (plus any applicable percentage resulting from a decreased rating by the other Interest Rate Rating Agency). For so long as (a) only one Interest Rate Rating Agency provides a rating on a series of notes, any increase or

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decrease in the interest rate on such notes necessitated by a reduction or increase in the rating by that Interest Rate Rating Agency shall be twice the applicable percentage set forth in the applicable table above and (b) no Interest Rate Rating Agency provides a rating on such notes, the interest rate on that series of notes will increase to, or remain at, as the case may be, 2.00% above the interest rate set forth on the cover page of this prospectus supplement applicable to such series of notes. If Moody's or S&P ceases to rate a series of notes or make a rating of such notes publicly available for reasons within our control, we will not be entitled to obtain a rating from a Substitute Rating Agency and the increase or decrease in the per annum interest rate on the notes of such series shall be determined in the manner described above as if either only one or no Interest Rate Rating Agency provides a rating on such notes, as the case may be.

If at any time the interest rate on any series of notes has been adjusted upward and any of the Interest Rate Rating Agencies subsequently increases its rating of such notes, the interest rate on the notes of that series will be decreased such that the interest rate on such notes equals the interest rate set forth on the cover page of this prospectus supplement with respect to such series of notes plus the applicable percentages set forth opposite the ratings in effect immediately following the increase in the tables above; provided that if Moody's or any Substitute Rating Agency subsequently increases its rating on any series of notes to Baa3 (or its equivalent if with respect to any Substitute Rating Agency) or higher and S&P or any Substitute Rating Agency subsequently increases its rating on such series of notes to BBB- (or its equivalent if with respect to any Substitute Rating Agency) or higher, the per annum interest rate on such notes will be decreased to the interest rate set forth on the cover page of this prospectus supplement with respect to such notes.

Any interest rate increase or decrease described above will take effect from the first day of the interest period during which a rating change occurs requiring an adjustment in the interest rate.

If any Interest Rate Rating Agency changes its rating of any series of notes more than once during any particular interest period, the last such change by such agency to occur will control in the event of a conflict for purposes of any interest rate increase or decrease with respect to such series of notes described above.

The interest rates on any series of notes will permanently cease to be subject to any adjustment described above (notwithstanding any subsequent decrease in the ratings by any Interest Rate Rating Agency) if such notes become rated Baa1 (or its equivalent) or higher by Moody's (or any Substitute Rating Agency) and BBB+ (or its equivalent) or higher by S&P (or any Substitute Rating Agency), or one of those ratings if rated by only one Interest Rate Rating Agency, in each case with a stable or positive outlook.

If the interest rate payable on any series of notes is increased as described above, the term "interest," as used with respect to such series of notes, will be deemed to include any such additional interest unless the context otherwise requires.

Redemption

Optional Redemption

Each series of notes will be redeemable, in whole or in part, at our option, at any time prior to maturity on at least 30 but not more than 60 days prior notice to each Holder of the notes to be redeemed. The redemption price will be equal to the greater of (1) 100% of the principal amount of the notes to be redeemed or (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months), at a rate equal to the sum of the Treasury Rate (as defined below) plus _____ basis points in the case of the 20 _____ notes, _____ basis points in the case of the 20 _____ notes, _____ basis points in the case of the 20 _____ notes, _____ basis points in the case of the 20 _____ notes and _____ basis points in the case of the 20 _____ notes, plus, in the case of each of clauses (1) and (2), accrued and unpaid interest to, but not including, the redemption date; provided that (i) if we redeem any 20 _____ notes on or after _____, 20 _____ (_____ months prior to the maturity date of the

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20 notes), (ii) if we redeem any 20 notes on or after , 20 (months prior to the maturity date of the 20 notes), (iii) if we redeem any 20 notes on or after , 20 (months prior to the maturity date of the 20 notes) or (iv) if we redeem any 20 notes on or after , 20 (months prior to the maturity date of the 20 notes), the redemption price for those notes will equal 100% of the aggregate principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but not including, the redemption date.

Treasury Rate means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolation (on a day count basis) of the interpolated Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Comparable Treasury Issue means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the applicable series of notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such notes.

Independent Investment Banker means one of the Reference Treasury Dealers, appointed by KLA-Tencor.

Comparable Treasury Price means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if KLA-Tencor obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

Reference Treasury Dealer means J.P. Morgan Securities LLC and its affiliates, their respective successors and three other nationally recognized investment banking firms that are primary U.S. government securities dealers as selected by KLA-Tencor. If any of the foregoing or their affiliates shall cease to be a primary U.S. government securities dealer in The City of New York (a Primary Treasury Dealer), we will substitute therefor another Primary Treasury Dealer.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by KLA-Tencor, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to KLA-Tencor by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such redemption date.

Remaining Scheduled Payments means, with respect to notes of each series to be redeemed, the remaining scheduled payments of principal of and interest on such notes that would be due after the related redemption date but for the redemption. If that redemption date is not an interest payment date with respect to any notes subject to redemption, the amount of the next succeeding scheduled interest payment on such notes will be reduced by the amount of interest accrued on such notes to the redemption date.

On and after the redemption date, interest will cease to accrue on the notes of the applicable series or any portion thereof called for redemption, unless we default in the payment of the redemption price and accrued interest. On or before the redemption date, we will deposit with a paying agent or the Trustee money sufficient to pay the redemption price of, and accrued interest on, the notes of each series to be redeemed on that date.

Selection and notice of redemption

In the event that we choose to redeem less than all of a series of notes, selection of the notes for redemption will be made by the Trustee on a *pro rata* basis, by lot or by such method as the Trustee shall deem fair and

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appropriate and, in the case of global notes, in accordance with the applicable procedures of the Depository (as defined below).

No notes of a principal amount of \$2,000 or less shall be redeemed in part. Notice of redemption will be mailed by first-class mail at least 30 but not more than 60 days before the redemption date to each Holder of notes to be redeemed at its registered address, in the case of certificated notes, or delivered in accordance with the applicable procedures of the Depository, in the case of global notes. If any note is to be redeemed in part only, the notice of redemption that relates to such note shall state the portion of the principal amount thereof to be redeemed. A new note in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original note or in the case of a global note the new principal amount will be reflected on the schedule to the global note. On and after the redemption date, interest will cease to accrue on notes of each series or portions thereof called for redemption as long as we have deposited with the Paying Agent funds in satisfaction of the applicable redemption price.

Repurchase upon change of control triggering event

If a Change of Control Triggering Event (as defined below) occurs with respect to a series of notes, unless we have exercised our right to redeem the notes of such series as described above, we will be required to make an offer to repurchase all or, at the Holder's option, any part (equal to \$2,000 or any integral multiple of \$1,000 in excess thereof), of each Holder's notes of that series pursuant to the offer described below (the

Change of Control Offer) on the terms set forth in the notes. In the Change of Control Offer, we will be required to offer payment in cash equal to 101% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest, if any, on the notes repurchased, to, but not including, the date of purchase (the Change of Control Payment).

Within 30 days following any Change of Control Triggering Event with respect to a series of notes, we will be required to give notice to Holders of notes of that series, with a copy to the Trustee, describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase the notes on the date specified in the notice, which date will be no earlier than 30 and no later than 60 days from the date such notice is given (the Change of Control Payment Date), pursuant to the procedures required by the notes and described in such notice. We must comply with the requirements of applicable securities laws and regulations in connection with the repurchase of the notes as a result of a Change of Control Triggering Event.

On the Change of Control Payment Date, we will be required, to the extent lawful, to:

accept for payment all notes of the applicable series or portions of notes properly tendered pursuant to the Change of Control Offer;

deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all notes of such series or portions of notes properly tendered; and

deliver or cause to be delivered to the Trustee the notes properly accepted together with an officer's certificate stating the aggregate principal amount of notes of such series or portions of notes being purchased by us.

The Paying Agent will be required to promptly give, to each Holder who properly tendered notes, the purchase price for such notes, and the Trustee will be required to promptly authenticate and mail (or cause to be transferred by book entry) to each such Holder a new note equal in principal amount to any unpurchased portion of the notes surrendered, if any; provided that each new note will be in a principal amount of \$2,000 or an integral multiple of \$1,000 in excess thereof.

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We will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by us and such third party purchases all notes properly tendered and not withdrawn under its offer. In the event that such third party terminates or otherwise fails to complete its offer, we will be required to make a Change of Control Offer treating the date of such termination or default as though it were the date of the Change of Control Triggering Event.

We will comply with the requirements of Rule 14e-1 under the Exchange Act, and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control Triggering Event. To the extent that the provision of any such securities laws or regulations conflicts with the Change of Control Offer provisions of the notes, we will comply with those securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control Offer provisions of the notes by virtue of any such conflict. For purposes of the repurchase provisions of the notes, the following terms will be applicable:

Change of Control means the