
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): August 14, 2007

Tegal Corporation

(Exact name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation)

000-26824
(Commission
File Number)

68-0370244
(I.R.S. Employer
Identification No.)

2201 South McDowell Boulevard
Petaluma, California 94954
(Address of Principal Executive Offices)

(707) 763-5600
(Registrant's telephone number, including area code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

“ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

- “ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- “ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- “ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

On August 14, 2007, Tegal Corporation (the “Company”) issued its first quarter fiscal year 2008 press release, a copy of which is furnished as Exhibit 99.1 to this Form 8-K and incorporated by reference herein. On August 14, 2007, the Company held a conference call announcing its financial results for the first quarter fiscal year 2008. The transcript of this conference call is furnished as Exhibit 99.2 to this Form 8-K and is incorporated by reference herein.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits.

Exhibit No. Description

99.1 Press Release dated August 14, 2007

99.2 Transcript of Tegal Corporation’s year end, 2007 conference call held on August 14, 2007

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 14, 2007 TEGAL CORPORATION

By: /s/ Christine T. Hergenrother

Name: Christine T. Hergenrother

Title: Chief Financial Officer

EXHIBIT INDEX

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Exhibit 99.1

Exhibit 99.2

TEGAL CORPORATION REPORTS FIRST QUARTER FISCAL 2008 FINANCIAL RESULTS

San Jose, Calif., August 14, 2007 — Tegal Corporation (Nasdaq:TGAL), a leading designer and manufacturer of plasma etch and deposition systems used in the production of integrated circuits and nanotechnology devices, today announced financial results for the First Quarter Fiscal Year 2008, which ended June 30, 2007. Senior management will conduct an investor conference call to discuss these results and the company's financial outlook in more detail today at 2pm Pacific Time, Tuesday, August 14, 2007. More information about the conference call is provided below.

First Quarter Highlights

- During the first quarter of fiscal 2008, the company recorded new bookings of \$20.7 million in systems revenue, approximately equal to all revenue recorded for fiscal year 2007. Systems billings during the quarter were \$3.2 million. The system backlog as of June 30, 2007 was \$18.0 million.

- Tegal's net losses narrowed substantially from the same quarter last year and from the prior quarter, aided by both structural improvements and one-time events. Net loss was \$0.6 million or (\$0.09) per share during the first quarter of fiscal 2008, compared to a net loss of \$1.8 million or (\$0.26) per share in the same quarter last year and a net loss of \$2.0 million or (\$0.28) per share during the previous quarter.

- Shipments during the quarter included an advanced etch system for high volume manufacturing of integrated active - passive devices in Europe and a 901ACS etch tool to a leading European opto-semiconductor / LED manufacturer to support capacity expansion for lighting and optical sensor device production.

- The Company announced a gift of \$350,000 to establish the Peter J. Clarke Professorship for the Director of the California NanoSystems Institute at the University of California, Santa Barbara.

- The Company announced that it will hold its Annual Meeting at 10:00 a.m. PDT on Tuesday, September 18, 2007 at its facility located at 51 Daggett Drive, San Jose, California. Stockholders of record as of July 18, 2007 are invited to attend.

"During the first quarter our focus was mainly on manufacturing as the many orders that we received in the past few months must all be delivered within this calendar year," said Thomas Mika, President and CEO of Tegal Corporation. "We have a great team in place, and I am confident that we can deliver, install and qualify these systems efficiently and on time. Our ability to execute and our presence in some fast growing markets position us well for additional new order opportunities during the year. While the recent demands that manufacturing and field support are placing on our engineering and process development resources have been significant, we continue to make progress on our new product developments. We are very excited about the growth we will demonstrate during the year driven by our recent new order momentum and our continued progress towards achieving profitability. I look forward to seeing many of our stockholders at our upcoming annual meeting in San Jose."

Financial Results

Revenues for the first quarter of fiscal 2008 were \$4.6 million, a decrease of 30% from the \$6.6 million for the same quarter last year. Tegal reported a net loss of (\$0.6) million, or (\$0.09) per share, for the quarter, compared to a net loss of (\$1.8) million, or (\$0.26) per share in the comparable quarter one year ago.

Gross profits for the first quarter of fiscal 2008 were 35.3% compared to 38.0% in the same quarter one year ago, but better than the 31.6% reported for the fourth quarter of fiscal 2007.

Operating losses for the first quarter were \$1.4 million, including approximately \$0.6 million of non-cash charges. This was an improvement over the \$1.8 million loss in the same period last year and the \$2.0 million loss for the fourth quarter of fiscal 2007, which included \$0.7 million and \$0.6 million of non-cash charges, respectively.

Cash at the end of the fiscal first quarter of 2008 was \$23.3 million, a \$2.4 million decrease from the end of the March

quarter. Over the same 3 month period, inventories increased by \$3 million to \$8.6 million, while accounts payable increased by \$1.7 million to \$3.7 million, both reflecting the investment required to fulfill orders coming in during the quarter.

\$19.5 million remains in a Litigation Suspense liability account, pending resolution of the company's dispute with its attorneys over the amount payable under the settlement agreement.

Investor Conference Call

Tegal Corporation will discuss these results and further details of its first quarter of fiscal 2008 during a conference call today, August 14, 2007, at 5:00 p.m. EST / 2:00 p.m. PST. The call is open to all interested investors. The call-in numbers are (866) 543-6408 or (617) 213-8899. For either dial-in number, Investors should reference passcode: 83466850. A digital recording will be made available two hours after the completion of the conference call, and it will be accessible through midnight on Tuesday, August 21, 2007. To access, investors should dial (888) 286-8010 or (617) 801-6888 and enter passcode: 79968707. The conference call also will be available online via the Investor Section of the Company's website at: www.tegal.com. An online replay of the teleconference, along with a copy of the Company's earnings release, will also be available on the Company's website.

Safe Harbor Statement

Except for historical information, matters discussed in this news release contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements, which are based on assumptions and describe our future plans, strategies and expectations, are generally identifiable by the use of the words "anticipate," "believe," "estimate," "expect," "intend," "project" or similar expressions. These forward-looking statements are subject to risks, uncertainties and assumptions about the Company including, but not limited to industry conditions, economic conditions, acceptance of new technologies and market acceptance of the Company's products and services. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements in this paragraph. For a further discussion of these risks and uncertainties, please refer to the Company's periodic filings with the Securities and Exchange Commission.

About Tegal

Tegal provides process and equipment solutions to leading edge suppliers of advanced semiconductor and nanotechnology devices. Incorporating unique, patented etch and deposition technologies, Tegal's system solutions are backed by over 35 years of advanced development and over 100 patents. Some examples of devices enabled by Tegal technology are energy efficient memories found in portable computers, cellphones, PDAs and RFID applications; megapixel imaging chips used in digital and cellphone cameras; power amplifiers for portable handsets and wireless networking gear; and MEMS devices like accelerometers for automotive airbags, microfluidic control devices for ink jet printers; and laboratory-on-a-chip medical test kits.

More information is available on the Internet at: www.tegal.com.

Contact:

Tegal Corporation
Christine Hergenrother (VP and CFO), 707/763-5600
or
The Blue Shirt Group
Rakesh Mehta or Chris Danne, 415/217-7722

TEGAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share data)

	<u>June 30</u> <u>2007</u>	<u>March 31</u> <u>2007</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 23,349	\$ 25,776
Accounts receivable, net of allowances for sales returns and doubtful accounts of \$318 and \$413 at June 30, 2007 and March 31, 2007, respectively	6,883	6,634
Inventories, net	8,640	5,567
Prepaid expenses and other current assets	1,350	991
Total current assets	40,222	38,968
Property and equipment, net	1,312	1,351
Intangible assets, net	1,087	1,161
Other assets	108	176
Total assets	<u>\$ 42,729</u>	<u>\$ 41,656</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and bank lines of credit	\$ —	\$ 10
Accounts payable	3,705	1,974
Accrued product warranty	1,191	1,101
Deferred revenue	968	1,064
Litigation suspense	19,500	19,500
Accrued expenses and other current liabilities	3,244	3,590
Total current liabilities	28,608	27,239
Total long term liabilities	—	—
Total liabilities	28,608	27,239
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock; \$0.01 par value; 5,000,000 shares authorized; none issued and outstanding	—	—
Common stock; \$0.01 par value; 200,000,000 shares authorized; 7,113,372 and 7,106,867 shares issued and outstanding at June 30, 2007 and March 31, 2007, respectively	71	71
Additional paid-in capital	122,871	122,473
Accumulated other comprehensive income (loss)	184	240
Accumulated deficit	(109,005)	(108,367)
Total stockholders' equity	14,121	14,417
Total liabilities and stockholders' equity	<u>\$ 42,729</u>	<u>\$ 41,656</u>

TEGAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	<u>Three</u> <u>Months</u> <u>Ended</u> <u>June 30,</u> <u>2007</u>	<u>Three</u> <u>Months</u> <u>Ended</u> <u>June 30,</u> <u>2006</u>
Revenue	\$ 4,598	\$ 6,576
Cost of sales	2,977	4,078
Gross profit	1,621	2,498
Operating expenses:		
Research and development expenses	778	996
Sales and marketing expenses	1,006	1,044
General and administrative expenses	1,203	2,302
Total operating expenses	2,987	4,342

Operating loss	(1,366)	(1,844)
Other income (expense), net	728	42
Net loss	<u>\$ (638)</u>	<u>\$ (1,802)</u>
Net loss per share, basic and diluted	<u>\$ (0.09)</u>	<u>\$ (0.26)</u>
Shares used in per share computation:		
Basic and diluted	7,110	7,023

Note: Shares used in per share computation for Basic and Diluted reflect a 1 to12 reverse stock split effected by the Company on July 25, 2006

Aug. 14, 2007 / 2:00PM PT , TGAL - Q1 2008 Tegal Corporation Earnings
Conference Call

CORPORATE PARTICIPANTS

Christine Hergenrother
Tegal Corporation - CFO

Tom Mika
Tegal Corporation - President, CEO

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Tegal Corporation first quarter fiscal 2008 earnings conference call. My name is Antwan and I will be your operator for today. At this time all participants are in a listen-only mode. We will conduct a question-and-answer session towards the end of this conference. (OPERATOR INSTRUCTIONS) I would now like to turn the call over to Christine Hergenrother, Tegal's Chief Financial Officer. Please proceed, ma'am.

Christine Hergenrother - Tegal Corporation - CFO

Thank you. Good afternoon and welcome to Tegal's investor conference for the first quarter of fiscal 2008, which ended June 30, 2007. Before I review the financial results for the quarter, I have two housekeeping items. The first is a reminder that a digital recording of this conference call will be available two hours after the completion of the call and it will be available through midnight on Tuesday, August 21, 2007. To access, investors should dial 888-286-8010 or 617-801-6888 and enter pass code 79968707. An online replay of the call along with a copy of the Company's earnings release will be available on the Company's website as well.

The second housekeeping item is a reminder about the important Safe Harbor statement that should be taken into consideration when listening to comments that will be made on this call. Except for historical information, matters discussed on this call are forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties, including but not limited to industry conditions, economic conditions, acceptance of new technology, the growth of target markets as well as other risks. Actual operations and financial results may differ materially from Tegal's expectations as a result of these factors or unanticipated events. Specifically, we refer you to the risks and uncertainties as set forth in the Company's periodic filings with the Securities and Exchange Commission.

Following my review of the financial performance for the quarter, I will introduce Tom Mika, President and Chief Executive Officer of Tegal, who will have some additional comments. After that, we will entertain questions from the dial-in audience. Revenues for the fiscal first quarter were \$4.6 million, a decrease of 30% from \$6.6 million in the fiscal first quarter of 2007 and a sequential decrease of 26% from the \$6.2 million recorded for the fourth quarter of 2007. Our reported net loss for the first quarter is \$638,000 or (\$0.09) per share compared to a net loss of \$1.8 million or (\$0.26) per share in the comparable quarter one year ago.

Sequentially, Tegal's reported loss also decreased from \$2 million or (\$0.28) per share in the fiscal fourth quarter of 2007. Gross profits for the first quarter came in at 35% compared to 38% in the comparable quarter one year ago and 32% in Q4 of last fiscal year. The sequential improvement in gross profits was mainly attributable to a favorable product mix during the quarter. Overall operating expenses for the first quarter were \$3 million, a decrease of \$1.4 million over the same quarter last year and a decrease of \$1 million compared to the last quarter. The resulting operating loss for the first quarter was \$1.4 million compared to a loss of \$1.8 million in the same quarter one year ago and \$2 million in the fourth quarter of the last fiscal year.

Included in the operating loss were non-cash charges of approximately \$600,000, which included \$380,000 of stock compensation expense for options vesting during the quarter. The remaining non-cash expenses were depreciation, amortization, and warrant expenses. The large majority of our decrease in operating expenses compared to the same quarter last year and last quarter came from a decrease in engineering and G&A expense. Sales and marketing expense remains flat quarter to quarter at approximately \$1 million and should continue in the \$1 to \$1.2 million per quarter level going forward, depending on the level of sales commissions paid.

Overall, R&D spending was down about \$180,000 from the same quarter last year, coming in at just under \$1 million for the quarter, which represented a reduction of \$729,000 compared to just last quarter. The prior quarter included inventory write-offs and nonrecurring engineering expenses paid to contract vendors for work related to our compact Etch and NLD development programs. In addition, this quarter included approximately \$271,000 in payments from customers for nonrecurring development work. Going forward, R&D spending should be in the \$1 million to \$1.2 million range per quarter.

G&A expense for the quarter were down about \$1 million from the same quarter last year and sequentially about \$200,000. Last year the quarter included \$700,000 in litigation expenses, as well as higher than normal audit and warrant expenses. The decline from last quarter came primarily from the timing of audit and legal expenses. Going forward, we expect G&A expense in the range of \$1.2 to \$1.5 million per quarter, including stock-based compensation. Nonoperating expenses netted out to a gain for the quarter of \$728,000, including net interest income of \$297,000 and other income of \$278,000, which was a one-time payment arising from the AMS settlement. Cash at the end of the first quarter was \$23.3 million, a decrease of \$2.4 million from last quarter. Accounts receivable increased by \$249,000 from last quarter, coming in at \$6.9 million. Inventories increased by \$3 million from \$5.6 million to \$8.6 million. PP&E, intangibles, and other assets decreased a combined \$181,000, mainly consisting of depreciation and amortization.

Total current liabilities increased by \$1.4 million over the last quarter, resulting from a \$1.7 million increase in accounts payable and offset by a \$300,000 decrease in accrued expenses. The Company had no long-term liabilities at the end of the quarter. The Company's book-to-bill ratio was 6.4 to 1 during the quarter and the backlog as of today stands at \$18.2 million. Total shares outstanding as of June 30, 2007, were 7,113,372. I would now like to introduce Tom Mika, our President and Chief Executive Officer.

Tom Mika - Tegal Corporation - President, CEO

Thanks, Christine. I think our first quarter demonstrates some of the significant improvements we have made to our overall cost structure. Over the next two to three quarters, revenue will increase significantly over the June results. From a business update standpoint, since it has been just seven weeks since the last conference call, many of the important events during the quarter, most especially the significant new order flow during the quarter, were previously discussed.

On our last conference call, we reported a backlog of \$22 million and at the present time the backlog stands at \$18.2 million, which reflects shipments we made during Q1. The new orders that came in during the first quarter were mainly for new advanced Etch and PVD systems. I reviewed them in some detail during the last call, so I'll simply summarize them again. We received two purchase orders for a total of six 6500 Advanced Etch Systems. These are repeat orders for the high volume manufacturing of integrated passive devices for cell phones.

We received purchase orders for two Endeavor PVD systems. The first was from a top tier MEMS foundry located in Europe. The second Endeavor order came from the preeminent maker of commercial MEMS accelerometers and inertia sensors in the United States. We received a multitool order for plasma Etch system upgrades from a leading global manufacturer of hard disc drives. Finally, we reported that we had received an order for a TGAL AMS, aluminum nitride deposition system which will be installed in the University of Pennsylvania, Wolf Mammoth Fabrication Laboratory.

The overall demand for our tools remains good and we expect to receive some additional orders in the near-term. We will follow our customary policy of announcing these orders once the purchase orders have been approved. On occasion, public announcement of orders are delayed if customer approval of the press release is required. Such review is typically only required when the customer name is mentioned in the release.

During the first quarter, we shipped the first system of the six-system order to our customer in Europe. In addition, we shipped a 901 ACS Etch tool to a leading European opto-semiconductor LED manufacturer to support their capacity expansion for lighting and optical sensor device production. Both of these shipments are included in the \$4.6 million revenue number recorded for the first quarter.

As quoted in the press release, our focus during the first quarter was mainly on ramping up manufacturing in Petaluma. We were able with the great team that we have in place to build and deliver the first of the six-system order within two months of receiving the purchase order. We have the second of the six system order shipping this week and four remaining systems are scheduled for delivery between now and mid-October. Manufacturing also has an Endeavor PVD system shipping this week and another one shipping next month. Add a few 900 Etch tools and you can see why our focus has been on manufacturing and will soon shift to field support.

The progress that we have made in containing our expenses was evident during the first quarter. In each of the operating expense departments, the actual expenses came in under or at the low end of the guidance that we had been giving in the past few conference calls. This reflects the fact that most of the one-time restructuring and litigation-related expenses are behind us. Combined with some one-time gains during the quarter, including a credit of about \$270,000 in R&D expense and about \$300,000 in other income related to the settlement of the litigation, both our operating loss and our net loss were lower than expected. Our operating loss of \$1.4 million included approximately \$600,000 of non-cash expense for depreciation, amortization, and stock compensation expense. Net-net, our cash loss for the quarter was under \$100,000, which is much better than I had expected for a sales quarter of only \$4.6 million.

I am pleased with the significant improvements we have made to our overall cost structure. We feel that our restructuring has led to good leverage in our operating model so that now, as we grow revenues, we have a much clearer road to reporting improved bottom line results as we work towards reaching profitability. Our worldwide employee count as of June 30, stood at 81 full-time equivalents, including approximately 10 temporary or contract employees. This is the lowest that our head count has been in many years. We do have a few unfilled requisitions outstanding, but I do not anticipate the need to add significant numbers to our payroll, either to fulfill the outstanding orders and win new business or make progress on our product development efforts. Speaking of new product development, we are making

progress, but we are doing so within a strict budget and within the priorities that we have established.

At the present time, priority for engineering support goes to existing customers, to gaining new customers for our existing products and to support manufacturing. Nevertheless, our NLD program does have a dedicated team and they are making progress in demonstrating our capabilities to customers in several application areas. We are confident that these efforts will pay off soon.

I reviewed in the last conference call the details of our gift to establish the Peter J. Clarke Professorship for the Director of the California NanoSystems Institute at the University of California, Santa Barbara. Since then, the Regents of the University of California have approved the endowment.

Regarding a dispute with our attorneys on the fee notes, the settlement of a litigation with AMS, Agilent, and Avago, I can report to you that we have applied for and are pursuing this matter in nonbinding arbitration before the Bar Association of San Francisco. While the income is in a liability expense account, we have received the cash from the settlement and it is reflected in our cash balance of \$23 million at the end of the quarter.

In summary, then, in Q1 of fiscal '08, we demonstrated the leverage resulting in improvements in our cost structure. Going forward over the next few quarters, we expect revenues to climb substantially without corresponding increases in costs. At this point in time, based on our current shipment schedule, I am very optimistic about Q2 being both cash positive and profitable. I'll now be happy to answer any questions that you may have.

QUESTION AND ANSWER

Operator

(OPERATOR INSTRUCTIONS) There are no questions at this time. I would now like to turn the call back over to Mr. Thomas Mika.

Tom Mika - Tegal Corporation - President, CEO

Can you give it just another minute to see if any additional questions pop up? Just like 30 seconds.

Operator

Yes, sir. (OPERATOR INSTRUCTIONS)

Tom Mika - Tegal Corporation - President, CEO

Still no questions?

Operator

There are no questions at this time.

Tom Mika - Tegal Corporation - President, CEO

Okay. I would just like to remind everyone that if you do have any questions, you can either call me or call Blueshirt Group directly and we can set up individual conference calls or visits. I would also like to remind everyone that we are going to be holding our annual meeting at 10:00 a.m. Pacific daylight time on Tuesday September 18, 2007, at our facility located at 51 Dagget Drive, San Jose, California, stockholders of record as of July 18, 2007, are invited to attend. This concludes today's conference call. Thank you for joining us today.

Operator

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect.