
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): November 13, 2008

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))
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Item 2.02. Results of Operations and Financial Condition

On November 13, 2008, Tegal Corporation (the "Company") issued its second quarter fiscal year 2009 press release, a copy of which is furnished as Exhibit 99.1 to this Form 8-K and incorporated by reference herein. On November 13, 2008, the Company held a conference call announcing its financial results for the second quarter fiscal year 2009. 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 November 13, 2008

99.2 Transcript of Tegal Corporation's second quarter fiscal year 2009 conference call held on November 13, 2008.

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: November 13, 2008 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
SECOND QUARTER FISCAL 2009 FINANCIAL RESULTS

Petaluma, Calif., November 13, 2008 — 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 Second Quarter Fiscal Year 2009, which ended September 30, 2008. 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, Thursday, November 13, 2008. More information about the conference call is provided below.

Second Quarter Highlights

- Due to general economic weakness and a slowdown in capital expenditures, revenue declined to \$2.0 million with a GAAP net loss of \$2.5 million.
- Late in the quarter, the Company signed and closed its agreement with Alcatel Micro Machining Systems (AMMS) and Alcatel-Lucent to acquire their Deep Reactive Ion Etch (DRIE) and Plasma Enhanced Chemical Vapor Deposition (PECVD) products, and the related intellectual property.
- Backlog increased during and subsequent to the end of the quarter and included new orders for its recently acquired DRIE systems.
- The Company initiated a 10% reduction in its workforce and other measures to reduce spending during the coming quarter.

Financial Results

Revenues for the second quarter of fiscal 2009 were \$2.0 million, a decrease of 81% from \$10.8 million in the same period last year. Tegal reported a net loss of (\$2.5) million, or (\$0.34) per share, for the quarter, compared to net income of \$0.7 million, or \$0.10 per share in the same period last year, and a net loss of (\$0.8) million, or (\$0.11) per share in the prior quarter.

Gross profits for the second quarter of fiscal 2009 were 50.8% compared to 39.3% in the same period last year, and up from 49.2% in the prior quarter.

Operating loss for the second quarter was (\$2.4) million, including approximately \$0.5 million of non-cash charges. Operating income in the same period last year was \$0.5 million. That period's operating expenses included \$0.6 million of non-cash charges. The operating loss for Q1 of this fiscal year was (\$1.0) million, which included \$0.5 million of non-cash charges.

Backlog at the end of the quarter was \$1.1 million, and is currently \$3.3 million.

Cash at the end of the fiscal second quarter of 2009 was \$14.0 million, a \$4.2 million decrease from the end of the June quarter. Over the same three month period, inventories increased by \$2.6 million to \$13.7 million, related primarily to the acquisition.

Under the terms of the Asset Purchase Agreement with AMMS and Alcatel Lucent, dated September 2, 2008, Tegal paid \$1,000,000 in cash and issued 1,044,386 shares of Tegal common stock at a value of \$3.83 per share.

As of September 30, 2008, the Company's total shares outstanding were 8,321,496.

"During the final month of the quarter we signed and closed our acquisition of the DRIE and LTPECVD products from Alcatel, and we are pleased with our progress to date on integrating the acquisition," said Thomas Mika, President and CEO of Tegal Corporation. "We recently announced two system orders for both cluster and stand-alone versions of the DRIE systems, one of which has already been installed at our customer. These orders and a promising pipeline strengthen our belief in the long-term prospects for this business and we will pursue this opportunity aggressively. During the quarter, we took measures to reduce our workforce and other expenses, while preserving our ability to properly transition and support our key growth opportunities. In the current tougher economic environment, we believe these steps, along with all of the profitability initiatives we have made in recent years, will help position the Company to weather the storm and emerge as a stronger company. We believe that so long as the business environment does not significantly worsen, we can improve our results measurably on a sequential basis and we look forward to an improved financial forecast in the coming quarters."

Investor Conference Call

Tegal Corporation will discuss these results and further details of its second quarter of fiscal 2009 during a conference call today, November 13, 2008, 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) 510-0711 or (617) 597-5379. For either dial-in number, Investors should reference passcode: 90211158. A digital recording will be made available two hours after the completion of the conference call, and it will be accessible through midnight on Thursday, November 20, 2008. To access, investors should dial (888) 286-8010 or (617) 801-6888 and enter passcode: 50476559. 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 Blueshirt Group
Chris Danne, 415/217-7722

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

	September, 30 2008	March 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,017	\$ 19,271
Accounts receivable, net of allowances for sales returns and doubtful accounts of \$213 and \$191 at September 30, 2008 and March 31, 2008, respectively	4,609	6,758
Inventories, net	13,690	11,056
Prepaid expenses and other current assets	659	788
Total current assets	32,975	37,873
Property and equipment, net	1,210	1,213
Intangible assets, net	3,856	903
Other assets	75	90
Total assets	\$ 38,116	\$ 40,079
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and bank lines of credit	\$ 6	\$ 14
Accounts payable	602	1,469
Accrued product warranty	947	1,770
Deferred revenue	260	252
Accrued expenses and other current liabilities	1,966	3,644
Total current liabilities	3,781	7,149
Total liabilities	3,781	7,149
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; 50,000,000 shares authorized; 8,321,496 and 7,242,736 shares issued and outstanding at September 30, 2008 and March 31, 2008, respectively	83	72
Additional paid-in capital	128,217	123,567
Accumulated other comprehensive income (loss)	(412)	(446)
Accumulated deficit	(93,553)	(90,263)
Total stockholders' equity	34,335	32,930
Total liabilities and stockholders' equity	\$ 38,116	\$ 40,079

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

	Three Months Ended September 30		Six Months Ended September 30	
	2008	2007	2008	2007
Revenue	\$ 2,010	\$ 10,800	\$ 6,739	\$ 15,398
Cost of sales	989	6,560	3,391	9,537
Gross profit	1,021	4,240	3,348	5,861
Operating expenses:				
Research and development expenses	1,145	1,057	2,281	1,835
Sales and marketing expenses	839	1,279	1,682	2,285
General and administrative expenses	1,471	1,448	2,801	2,651
Total operating expenses	3,455	3,784	6,764	6,771
Operating income (loss)	(2,434)	456	(3,415)	(910)
Other income (expense), net	(65)	237	125	964
Net income (loss)	\$ (2,499)	\$ 693	\$ (3,290)	\$ 54
Net income (loss) per share:				
Basic	\$ (0.34)	\$ 0.10	\$ (0.45)	\$ 0.01
Diluted	\$ (0.34)	\$ 0.10	\$ (0.45)	\$ 0.01
Shares used in per share computation:				
Basic	7,339	7,119	7,338	7,111
Diluted	7,339	7,276	7,338	7,217

Note: Shares used in per share computation for Basic and Diluted reflect a 12 to 1 reverse stock split effected by the Company on July 25, 2006

Nov. 13. 2008 / 2:00PM PT, TGAL - Q2 2009 Tegal Corporation Earnings Conference Call

CORPORATE PARTICIPANTS

Christine Hergenrother
Tegal Corporation - CFO

Tom Mika
Tegal Corporation - President & CEO

CONFERENCE CALL PARTICIPANTS

Nicholas Bilkey
Growth Securities, Inc. - Analyst

PRESENTATION

Operator

Good day, everyone, and welcome to the Tegal second quarter fiscal 2009 earnings conference call. Today's call is being recorded. At this time I would like to turn the call over to Ms. Christine Hergenrother, Tegal's Chief Financial Officer. Please go ahead, Ms. Hergenrother.

Christine Hergenrother - Tegal Corporation - CFO

Thank you. Good afternoon, and welcome to Tegal's investor conference call for the second quarter of fiscal 2009, which ended September 30, 2008. Before I review the financial results for the quarter end, I have two housekeeping items. The first is a reminder that a digital recording on this conference call will be made available two hours after the completion of the call and it will be available through midnight on Thursday, November 20, 2008. To access investors should dial 888-286-8010 or 617-801-6888 and enter passcode 50476559. An online replay of the call, along with the Company's earnings release, will be available on the Company's website, as well.

The second 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 f these factors or unanticipated events. Specifically, we refer you to the risks and uncertainties as set forth in the Company's period filings with Securities and Exchange Commission. Following my review of the financial performance for 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 second quarter were \$2 million, a sequential decrease of 58% from \$4.7 million in the fiscal first quarter of 2008 and a decrease of 81% from \$10.8 million recorded for the same quarter a year ago. Our reported net loss for the second quarter of \$2.5 million, or \$0.34 per share, compared to a net income of \$693,000, or \$0.10 per share in the comparable quarter one year ago. Last quarter Tegal reported a loss of \$792,000, or \$0.11 per share. Gross profits for the second quarter came in at 50.8% compared to 39.3% in the comparable quarter one year ago and 49.2% in Q1 of this fiscal year. The improvement in the gross margin was mainly attributable to product mix. This quarter's revenue consists mainly of spares, service and upgrades. Overall operating expenses for the second quarter were \$3.5 million, an increase of about \$300,000 from the same quarter last year, and an increase of \$146,000 compared to last quarter. Sales and marketing expense came in at \$839,000, a slight decrease from \$844,000 last quarter and a decrease of approximately \$400,000 from the same quarter last year. The difference between last year and this year is largely due to lower commissions paid on lower revenue.

Overall R&D spending was flat from the same quarter last year and the previous quarter, coming in just over \$1 million. The increase of \$141,000 in G&A expense from last quarter was due largely to legal expense paid in connection with the acquisition of the AMMS assets. Transactions costs, including legal fees, appraisals and due diligence, were approximately \$370,000 over a six-month timeframe. Nonoperating expenses netted out to a loss for the quarter of \$65,000, including net interest income of \$96,000 offset by foreign exchange loss and other income of \$161,000. The resulting operating loss for the second quarter was \$2.4 million compared to income of \$456,000 in the same quarter one year ago and a loss of \$982,000 in the first quarter of this fiscal year. Included in operating income were noncash charges of approximately \$500,000 which included \$344,000 of stock-compensation expense for options invested -- vesting during the quarter. The remaining noncash

were depreciation and amortization.

Now moving to the balance sheet. Cash at the end of the second quarter was \$14 million, an decrease of \$4.2 million from last quarter. The decrease resulted from a combination of a cash operating loss of about \$2 million for the quarter, the cash portion of the AMMS asset purchase of \$1 million, and a net negative change in working capital. Specifically for working capital, accounts receivable decreased by \$1.4 million from last quarter, coming in at \$4.6 million. Inventories increased by \$2.6 million from \$11 million to \$13.7 million. \$1.9 million of the increase in inventory was the amount allocated to the inventory portion of the AMMS asset. The allocation of the total \$5 million in acquisition costs accounted for an increase in PP&E, intangibles and other assets for a combined total of \$3.1 million. The \$3.1 million plus the \$1.9 million in inventory equals the \$5 million purchase price.

Total current liabilities decreased by \$1.9 million from last quarter. The decreases were in accounts payable, deferred revenue and other current liabilities and product warranty. The Company had no long-term liabilities at the end of the quarter. The Company's book-to-bill ratio is greater than one during the quarter and the backlog as of today stands at \$3.3 million. Total outstanding shares as of September 30, 2008 were 8,321,496.

I would now like to introduce Tom Mika, President and Chief Executive Officer.

Tom Mika - Tegal Corporation - President & CEO

Thanks, Christine. Good afternoon, everyone, and thank you for joining the call. As expected, this quarter was very challenging for Tegal, as well as for most companies in semiconductor capital equipment sector and many companies throughout the world's developed economies. Anyone on this call certainly knows the situation well enough, so I won't spend much more time on doom and gloom except to point out the obvious. The planning horizons are very short and the outlook is uncertainty. Nevertheless, there are several bright spots and I would prefer to focus on those during this call.

First, late in the quarter we completed our acquisition of the Alcatel products. This acquisition significantly increased Tegal's addressable market opportunity and more than doubled our pipeline of sales prospects. Second, providing further validation of the value of this acquisition there are recent sales of Alcatel systems resulting in the improved backlog for Tegal. The third bright spot, the appointment of a very experienced executive, Peter Dykstra, as our global sales Vice President. And fourth and finally, while we certainly would have liked an improved economic environment, we believe that we have rebuilt Tegal over the last five years, not just to survive but to prosper. We have a good strategy, as well as the flexibility and determination to overcome this weakness in the industry and in our economy. We intend to win.

We completed the acquisition of the Alcatel product lines in September and have been working very hard on transitioning the technology to Petaluma. During this period, we have been contacting customers to notify them of our commitment to support, maintain and improve the Alcatel product lines, to participate in several major joint development projects, and bring the very best of both companies capabilities to meet customers production and development needs. Reception from customers has been very positive. Both Tegal and Alcatel allocated six months, beginning in September, to the transition effort and we are well along in coming up to speed on this world-class technology and its potential. Even in these difficult economic times the expanding array of applications for MIM space sensors, gyroscopes, timers, BIOMEMS and similar devices is fueling growth. A phrase often heard among our MEMS customers is beyond more; the notion that large parts of the semiconductor industry are moving beyond Moore's law through the use of new materials, new architectures, the coupling of semiconductor devices to MEMS for novel applications.

We believe this is the place to be and we at Tegal are at its forefront. Not only with the deep silicon etch technology that we acquired from Alcatel, but from the years of development effort that we put into learning to etch and deposit the long list of novel new materials. This is why in my last two conference calls I've emphasized these newly-acquired products are not incremental. They are central to our strategy and will be for many years to come. Clear evidence of our product -- progress, is the two major orders that we announced in the past couple of days. One was for a 200SE system, which is a stand-alone, single-chamber tool that is the mainstay of the Alcatel product line. We shipped and installed this tool at a leading supplier of substrates and services in the integrated circuit and MEMS sensor markets. This customer has been operating a MEMS foundry for a number of years and selected Tegal 200SE as its newest Deep Reactive Ion Etching system.

The second order came from a leading analog and mixed signal device manufacturer that selected the Tegal 4200 Advanced Multichamber ICP plasma etching system for Deep Reactive Ion Etching applications in Power Device and MEMS Sensor Fabrication. The system is scheduled to be delivered and installed by the end of the calendar year. We are doing a significant amount of demo work at the Alcatel facility in France while we bring up our own applications lab in Petaluma. This level of cooperation with Alcatel has helped to restore and build the sales pipeline.

On the legacy etch and PDC side of the business, our 900 product line continues to demonstrate significant strength. We recently announced a follow-on order with a leading LED manufacturer whose markets and manufacturing facilities are continuing to expand, even in this economic downturn. We expect further orders from this customer over the next several quarters. In PCD we have several major opportunities that have been developing over a long period of qualification and we expect that one or two of these will mature over the next two quarters. Overall, while the tenor is cautious, we see a lot of activity and great opportunities in the Silicon Etch arena and we expect that our backlog will continue to grow as we improve our demo capability, see more potential new customers and show them our technical capabilities and our relative financial strength.

I was very pleased to announce this afternoon the employment of Peter Dykstra, as Vice President of global sales for Tegal. He will lead the team to recapture the attention of customers that may have thought that Alcatel's commitment to these products was waning the past several months. Most recently Peter was the director of world wide and customer support for Alcatel Micro Machining Systems. Peter's career at Alcatel spanned almost 20 year and he has been instrumental in their success as a field engineer, sales support engineer and sales manager. Peter is the consummate sales executive. He will be a real asset to Tegal. With Peter's experience and the recognized technical superiority of

the Alcatel products we're in the position to attract a large number of customers that we have never sold to at Tegal and would have had a lot of trouble penetrating on our own. For example, both of the recent orders for Deep Silicon Etch systems are from new accounts at Tegal.

Now to my fourth point, that we have the capability and determination to whether this challenging environment and to emerge even stronger when it passes. Given the uncertainty of the next few quarters I decided to take steps to lower our fixed cost and to reduce our cash burn to a minimum. Remember that we are already starting from the point of having at 76, the lowest head count in the Company since its founding. I recently cut over 10% of our positions at several levels and expect to make further reductions in the next few weeks. I have intentionally slowed our hiring of new personnel into open positions, reduced travel expenses across the board, and instituted a referral load during the Thanksgiving and Christmas holidays. As I have emphasized to our customers and employee, Tegal is in control of its own destiny. We are lean, strong and have a proven track record of surviving hard times. This time will be no exception.

Thanks for your attention and I'll be happy to answer any questions that you may have.

QUESTION AND ANSWER

Operator

(OPERATOR INSTRUCTIONS) Your first question comes from [Nicholas Bilkey] with [Growth Securities, Inc.]. Please proceed.

Nicholas Bilkey - Growth Securities, Inc, - Analyst

Good afternoon, folks. I know things are tough and you want to conserve your cash, but any chance with the stock at its current level we could see at least some kind of nominal buy back?

Tom Mika - Tegal Corporation - President & CEO

I would say the likelihood is very, very low. I canvassed our major investors and the word that I'm getting from most of our stockholders is that we should do everything possible to preserve cash. This is an environment in which raising additional equity capital is impossible, and in the micro cap world we're advised by those who actively manage portfolios in that world, that they're uncertain about when that situation may turn around. I realize that our stock is at a hugely depressed price, but I'm also looking at the opportunities and the requirements for investing in new technologies that we've just acquired and the opportunities out there and I can tell you that the return on investment to the Company and eventually to its shareholders is much greater than a stock buy back.

Nicholas Bilkey - Growth Securities, Inc, - Analyst

Thank you very much.