

**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): **December 5, 2003**

TEGAL CORPORATION

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction of
Incorporation)

0-26824
(Commission
File Number)

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

**2201 South McDowell Boulevard
Petaluma, California 94955**
(Address of Principal Executive Offices)

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

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ITEM 5. Other Events.

On December 5, 2003, we closed a transaction in which we purchased substantially all of the assets of Simplus Systems Corporation, a Delaware corporation, for 1,500,000 shares of our common stock and approximately \$117,000 in assumed liabilities. All of the shares of common stock are subject to a registration rights agreement in which we have agreed to register the resale of the shares with the Securities and Exchange Commission. The stockholders of Simplus Systems agreed to the transaction as part of a plan of dissolution in which Simplus Systems intends to liquidate and distribute the shares received in connection with the asset purchase to the creditors and stockholders of Simplus Systems.

Simplus Systems Corporation, privately held and based in Fremont, California, developed deposition cluster tools and processes for barrier, copper seed and high-K dielectric applications.

As of December 8, 2003, we had 27,810,990 shares of our common stock outstanding.

ITEM 7. Financial Statements, *Pro Forma* Financial Information and Exhibits

(c) Exhibits

- 2.1 Asset Acquisition Agreement dated November 10, 2003 by and between Tegal Corporation and Simplus Systems Corporation
- 4.1 Registration Rights Agreement dated December 5, 2003 by and among Tegal Corporation, Simplus Systems Corporation and Kiet Nguyen, as representative of the stockholders of Simplus Systems Corporation

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: December 9, 2003

TEGAL CORPORATION
(registrant)

By: /s/ Thomas R. Mika
Name: Thomas R. Mika
Its: Chief Financial Officer

EXHIBIT INDEX

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- 4.1 Registration Rights Agreement dated December 5, 2003 by and among Tegal Corporation, Simplus Systems Corporation and Kiet Nguyen, as representative of the stockholders of Simplus Systems Corporation

ASSET ACQUISITION AGREEMENT

THIS ASSET ACQUISITION AGREEMENT ("Agreement") is made by and between, TEGAL CORPORATION, a Delaware corporation, with principal offices at 2201 South McDowell Boulevard, Petaluma, California 94954-6903 ("Purchaser"), and SIMPLUS SYSTEMS CORPORATION, a Delaware corporation, with principal offices at 40737 Encyclopedia Circle, Fremont, CA 94538 (the "Seller") effective the 10th day of November 2003 (the "Effective Date"), for the purpose of transferring to Purchaser all of Seller's right, title and interest in and to those assets described in Exhibit A attached hereto (the "Transferred Assets"), as well as the liabilities listed in Exhibit B (the "Assumed Liabilities"). After the consummation of the transactions contemplated by this Agreement (the "Asset Sale"), Seller intends to dissolve and distribute its assets to Seller's creditors and stockholders (the "Dissolution" and together with the Asset Sale, the "Transactions").

In consideration of the mutual obligations specified in this Agreement, the parties agree to the following:

1. DELIVERY. Subject to the terms and conditions set forth in this Agreement, effective as of the Closing (as defined in Section 4 of this Agreement), Seller shall sell, convey, transfer and assign to Purchaser all rights, title and interest in and to the Transferred Assets, free and clear of all liens, claims or encumbrances. Seller shall take all action as may be reasonably necessary, proper or advisable to put Purchaser in ownership, possession, and operating control of the Transferred Assets, without demanding any further consideration therefor, including execution, acknowledgment and recordation of specific assignments, oaths, declarations and other documents on a country-by-country basis and such other instruments of sale, transfer, conveyance, and assignment as Purchaser and its counsel may reasonably request. Subject to the terms and conditions set forth in this Agreement, effective as of the Closing, Seller shall grant to Purchaser the irrevocable power of attorney to represent Seller where such representation is legally permissible, without restrictions towards legal entities and natural persons, public authorities and courts, to do, sign under hand (or, as required, under personal seal), deliver, receive and perform all and any acts, matters, statements and things which may be necessary to put Purchaser in ownership, possession, and operating control of the Transferred Assets, including execution, acknowledgment and recordation of specific assignments, oaths, declarations and other documents on a country-by-country basis and such other instruments of sale, transfer, conveyance, and assignment as may be required for this purpose. Under this power of attorney, Purchaser shall be entitled to enter into transactions on behalf of Seller with itself in its own name or in its capacity as attorney-in-fact of a third party and, therefore, Purchaser shall be released from any prohibition or restriction of self dealing which may exist under any applicable law. Purchaser shall be entitled to delegate the rights granted to it by this power-of-attorney and to grant dispensation from any legal prohibition or restriction of self dealing which may exist.

2. LIABILITIES NOT TO BE ASSUMED. Subject to the terms and conditions set forth in this Agreement, effective as of the Closing (as defined in Section 4 of this Agreement), Purchaser shall assume the Assumed Liabilities. Purchaser shall not assume any other debts,

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liabilities, obligations or contracts of Seller, whether known or unknown and whether due or to become due, and all such debts, liabilities, obligations and contracts shall be and remain the responsibility of Seller. Without limiting the generality of the foregoing, Purchaser shall not assume and Seller shall not be deemed to have transferred to Purchaser the following debts, liabilities, obligations and contracts of Seller:

2.1 TAXES ARISING FROM TRANSACTION. Any United States, foreign, state or other taxes applicable to, imposed upon or arising out of the transfer of the Transferred Assets to Purchaser and the other transactions contemplated by this Agreement, including but not limited to any income, transfer, sales, use, gross receipts or documentary stamp taxes.

2.2 INCOME AND FRANCHISE TAXES. Any liability or obligation of Seller for all taxes of any kind, including, without limitation, those on or

measured by or referred to as income, gross receipts, sales, use, ad valorem, franchise, profits, license, withholding, payroll, employment, excise, severance, stamp, occupation, premium, value added, property or windfall profits taxes, customs, duties or similar fees, assessments or charges of any kind whatsoever, together with any interest, penalty or additions thereto, whether disputed or not ("Tax" or "Taxes").

2.3 INSURED CLAIMS. Any liability of Seller insured against, to the extent such liability is or will be paid by an insurer.

2.4 PRODUCT LIABILITY. Any liability or obligation of Seller arising out of or in any way relating to or resulting from any product licensed or distributed prior to the Effective Date (including any liability or obligation of Seller for claims made for injury to person, damage to property or other damage, whether made in product liability, tort, breach of warranty or otherwise).

2.5 LITIGATION MATTERS. Any liability or obligation with respect to any suits, actions, claims or proceedings to which Seller is a party.

2.6 INFRINGEMENTS. Any liability of Seller to a third party under its intellectual property or other proprietary rights, including, but not limited to, claims arising out of the manufacture, use or sale of goods or apparatus, the performance of services, or the copying, modifying, distributing, performing or displaying of any work.

2.7 TRANSACTION EXPENSES. All liabilities, costs, obligations or expenses incurred by Seller in connection with this Agreement and the transactions contemplated herein, including fees payable to Hultquist Capital for services rendered in connection with this Agreement, except for reasonable accounting and legal expenses associated with negotiation and implementation of this Agreement in an amount not to exceed Sixty Thousand Dollars (\$60,000).

2.8 LIABILITY FOR BREACH. Liabilities and obligations of Seller for any breach or failure to perform any of Seller's covenants and agreements contained in, or made pursuant to, this Agreement, or, prior to the Closing, any other contract.

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2.9 VIOLATION OF LAW. Liabilities and obligations of Seller for any violation of or failure to comply with any statute, law, rule, regulation, order, writ, injunction or decree of any court or governmental authority.

3. PAYMENT.

3.1 PURCHASE PRICE. At the Closing, Purchaser will pay to Seller an aggregate of one million five hundred thousand (1,500,000) shares (the "Tegal Shares") of Purchaser's common stock in exchange for the Transferred Assets and Assumed Liabilities (the "Purchase Price"). Fifteen percent (15%) of the Tegal Shares (the "Escrow Shares") shall be placed in escrow as security for the payment of the indemnification obligation of Seller in accordance with Section 11 of this Agreement.

3.2 TREATMENT OF OPTIONS. Upon the Closing (as defined below), each option (each, a "Simplus Option") to purchase the common stock of Seller which is then outstanding, whether vested or unvested, shall automatically be converted, substantially as indicated in Exhibit C, into an option (each a "Tegal Option") to purchase the common stock of Purchaser (rounded down to the nearest full number of shares) using an exchange rate (the "Exchange Rate") determined by dividing one million five hundred (1,500,000) by the number of fully diluted shares of common stock of Seller as of the Closing Date (as defined below); provided, however, that in no event shall holders of Simplus Options (each a "Simplus Optionee") as a group, receive Tegal Options which, in the aggregate, would allow them to purchase more than sixty thousand (60,000) shares of Purchaser's common stock. The Tegal Options shall (a) have an exercise price equal to the result of dividing the per share exercise price of the Simplus Option by the Exchange Rate, (b) be governed by and subject to the terms of Purchaser's 1998 Equity Participation Plan, as amended to date, and a standard agreement related to such plan and (c) be covered by Form S-8 or such other registration form as will allow holders of Tegal Options to dispose of common stock issuable upon exercise of the Tegal Options on the public markets without having to file an additional registration form or having to rely on an exemption from registration.

4. CLOSING. The closing of the purchase and sale of the Transferred Assets and assumption of the Assumed Liabilities hereunder (the "Closing") shall take place at the offices of Ritchey Fisher Whitman and Klein, 1717 Embarcadero Road, Palo Alto, California 94303, as soon as practicable, but in no event later than three (3) days after satisfaction or waiver of the last of the conditions set forth in Section 8 of this Agreement, or at such other time or place as the parties hereto may agree in writing (the "Closing Date"). At the Closing, Purchaser and Seller shall deliver the documents set forth in Section 8 of this Agreement.

5. REPRESENTATIONS AND WARRANTIES OF SELLER. Seller hereby represents and warrants to Purchaser, subject to such exceptions as are specifically set forth in the disclosure schedules (referencing the appropriate section and paragraph numbers) supplied by Seller to Purchaser (the "Schedules") and dated as of the date hereof, as follows:

5.1 AUTHORIZATION OF TRANSACTION. With the exception of stockholder approval (which Seller intends to solicit as soon as reasonably practicable after the Effective Date), the execution and delivery of this Agreement and the consummation of the transactions

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contemplated hereby have been duly authorized by all necessary corporate action on the part of Seller, and no further actions are required on the part of Seller to authorize the Agreement, any related agreements to which it is a party and the transactions contemplated hereby. This Agreement has been duly executed and delivered by Seller and constitutes the valid and binding obligation of Seller, enforceable against Seller in accordance with its terms.

5.2 NONCONTRAVENTION. The execution and delivery of this Agreement by Seller do not, and, the consummation of the transactions contemplated hereby does not, conflict with or result in any violation of, or default under (with or without notice or lapse of time, or both), or give rise to a right of termination, cancellation, modification or acceleration of any obligation or loss of any benefit under (i) any provision of the charter documents or bylaws (or like document) of Seller, (ii) any contract or other agreement or instrument, permit, concession, franchise or license to which Seller is a party or any of its properties or assets are subject, or (iii) any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Seller or its properties or assets.

5.3 CONSENTS. No consent, waiver, approval, order or authorization of, or registration, declaration or filing with, any court, administrative agency or commission or other federal, state, county, local or other foreign governmental authority, instrumentality, agency or commission is required by or with respect to Seller in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

5.4 RESTRICTIONS ON BUSINESS ACTIVITIES. There is no agreement (not to compete or otherwise), commitment, judgment, injunction, order or decree to which Seller is a party or otherwise binding upon Seller which has or may have the effect of materially prohibiting or impairing the practice or conduct of the Seller's business as currently conducted. Seller has not entered into any agreement under which Seller is restricted in a material manner from selling, licensing or otherwise distributing any of its technology or products associated with or related to its business as currently conducted or providing services to, customers or potential customers or any class of customers, in any geographic area, during any period of time or in any segment of the market.

5.5 TITLE OF PROPERTIES; ABSENCE OF LIENS AND ENCUMBRANCES; CONDITION. Seller has good and valid title to all of the Transferred Assets, and the power to sell the Transferred Assets free and clear of any liens, claims or encumbrances. The tangible Transferred Assets are in good condition and repair, subject to normal wear and tear.

5.6 INTELLECTUAL PROPERTY.

a. There are no proceedings or actions before any court, tribunal (including the PTO or equivalent authority anywhere in the world) related to any of the Seller's intellectual property (including, but not limited to, all patents, patent applications, trademarks, trademark applications, copyrights, copyright applications, trade secrets and know-how) which is part of

the Transferred Assets ("Transferred IP").

b. Each item of Transferred IP is free and clear of any liens.

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c. Seller owns exclusively, and has good title to all works of authorship and mask works and all associated copyrights that are used or embodied in, the Transferred IP.

d. Seller has not transferred ownership of or granted any license of or right to use or authorized the retention of any rights to use any Transferred IP to any other person or entity.

e. The Transferred IP constitutes all of the intellectual property owned by Seller.

f. There are no contracts, licenses or agreements to which Seller is a party with respect to any of the Transferred IP or by which any item of Transferred IP is bound.

g. Each item of Transferred IP is valid and subsisting, all necessary registration, maintenance and renewal fees in connection with Transferred IP have been paid and all necessary documents and certificates in connection with Transferred IP have been filed with the relevant authorities.

h. There are no contracts, licenses or agreements between Seller and any other person or entity with respect to Transferred IP under which there is any dispute, or to the knowledge of the Seller, any threatened dispute regarding the scope of such agreement, or performance under such agreement including any disputes or, to the knowledge of the Seller, threatened disputes in the ordinary course of business.

i. To the knowledge of the Seller, no person or entity is infringing or misappropriating Transferred IP.

j. Seller has taken reasonable steps that are required to protect Seller's rights in confidential information and trade secrets of Seller associated with or related to its business.

k. No Transferred IP is subject to any proceeding or outstanding decree, order, judgment, agreement or stipulation that restricts in any manner the use, transfer or licensing thereof by Seller or may affect the validity, use or enforceability of Transferred IP.

l. Seller is not required to make or accrue any royalty payment, commission, licensing fee or other payment to any third party in connection with the Transferred IP. Neither this Agreement nor the transactions contemplated by this Agreement, including the assignment to Purchaser, by operation of law or otherwise will result in (i) Purchaser granting to any third party any right or license, (ii) Purchaser being bound by, or subject to, any non-compete or other restriction on the operation or scope of its businesses, or (iii) Purchaser being obligated to pay any royalties or other amounts to any third party. Except for the finder's fee payable to Hultquist Capital LLC, Seller has not incurred, nor will it incur, directly or indirectly, any liability for brokerage or finders' fees or agents' commissions or any similar charges in connection with the Agreement or any transaction contemplated hereby. Seller has delivered or made available true and complete copies of each existing document (or summaries of same) that has been requested by counsel to Purchaser.

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m. No order has been made or petition presented, or resolution passed for the winding-up or liquidation of Seller and there is not outstanding: (i) any petition or order for the winding-up of Seller; (ii) any appointment of a receiver over the whole or part of the undertaking of assets of Seller; (iii) to the knowledge of Seller, any petition or order for administration of Seller; (iv) any voluntary arrangement between Seller and any of its creditors; (v) any distress or execution or other process levied in respect of Seller which remains undischarged; and (vi) any unfulfilled or unsatisfied judgment or court order against Seller.

n. There are no circumstances which would entitle any person or entity to present a petition for the winding-up or administration of Seller or to appoint a receiver over the whole or any part of the undertaking or assets of

Seller.

o. Seller is not deemed unable to pay its debts within the meaning of applicable law.

p. No university or government funds or research were used in developing any of the Transferred IP.

q. To Seller's knowledge (but without having performed any patent or trademark search) no use of the Transferred IP consistent with the Seller's use of the Transferred IP prior to its sale hereunder does now or will in the future, infringe, misappropriate or violate the intellectual property rights or other rights of any other person.

5.7 LEGAL AND OTHER COMPLIANCE. Seller is in compliance with all material applicable laws (including rules, regulations, codes, plans, injunctions, judgments, orders, decrees, rulings, and charges thereunder) of foreign, federal, state, local, and foreign governments (and all agencies thereof) applicable to its business, and no action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand, or notice has been filed or commenced against it alleging any failure so to comply.

5.8 TAX MATTERS. Seller has duly and timely filed with the appropriate taxing authorities all tax returns to be filed, and all such tax returns are complete and accurate in all material respects. All material taxes owed by Seller, whether or not shown on any tax return, have been paid. Seller is currently not the beneficiary of any extension of time within which to file any tax return. No material claim has been made by an authority in a jurisdiction where Seller does not file tax returns that such entity is or may be subject to taxation by that jurisdiction. No deficiencies for taxes have been claimed, proposed or assessed by any tax authority against Seller. There are no pending or, to the knowledge of Seller, threatened audits, investigations, disputes or claims or other actions for or relating to any liability for taxes with respect to Seller, and there are no matters under discussion with any governmental entity, or known to Seller, with respect to taxes that are likely to result in a material additional liability for taxes with respect to Seller. Seller has delivered or made available to Purchaser complete and accurate copies of all examination reports and statements of deficiencies assessed against or agreed to by Seller since December 31, 2000. Seller has not waived any statute of limitations in respect of taxes or agreed to any extension of time with respect to a tax assessment or deficiency. There are no liens for taxes (other than for current taxes not yet due and payable) on any of the assets. Seller has no liability for the taxes of any other person, corporation or entity under

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Treasury Regulations Section 1.1502-6 or any other similar provision of state, local, U.S. or foreign law, as a transferee or successor, by contract or otherwise. There are no tax sharing agreements or similar arrangements (including indemnity arrangements) with respect to or involving Seller, the Transferred Assets or Seller's business and after the Effective Date, none of Seller, the Transferred Assets or Seller's business shall be bound by any such tax-sharing agreements or similar arrangements or have any liability thereunder for amounts due in respect of periods prior to the Effective Date.

6. REPRESENTATIONS AND WARRANTIES OF PURCHASER.

6.1 ORGANIZATION OF PURCHASER. Purchaser is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation.

6.2 AUTHORITY FOR AGREEMENT. Purchaser has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Purchaser. This Agreement has been duly executed and delivered by Purchaser and constitutes the valid and binding obligations of Purchaser, enforceable against it in accordance with its terms.

6.3 PUBLIC FILINGS. Purchaser has filed with the Securities and Exchange Commission ("SEC") and made available to Seller all forms, reports and documents required to be filed by Purchaser with the SEC during the two years prior to the Effective Date (collectively, the "Public Filings"). The Public

Filings (i) at the time filed, complied in all material respects with the applicable requirements of the Securities Act of 1933 as amended (the "Securities Act"), and the Securities and Exchange Act of 1934 as amended (the "Exchange Act"), as the case may be and (ii) did not at the time they were filed (or if amended or superseded by a filing prior to the date of the Agreement, then on the date of such filing) contain any untrue statement of a material fact or omit to state a material fact required to be stated in such Public Filings or necessary in order to make the statements in such Public Filings, in the light of the circumstances under which they were made, not misleading.

6.4 FORM S-3 QUALIFICATION. As of the Effective Date, Purchaser qualifies to use Form S-3 under the Securities Act to register the Tegal Shares.

7. TAX FREE REORGANIZATION TREATMENT.

7.1 The parties intend the Transaction to qualify as a reorganization under Section 368(a) of the Code. However, neither Purchaser nor Seller makes any representation or warranty to the other or to any of Seller's stockholders regarding the tax treatment of the Transaction or whether the Transaction will qualify as a reorganization under the Code. Each of Seller, the Seller's stockholders and Purchaser acknowledges that it is relying on its own advisors in connection with the Tax treatment of the Transaction and the other transactions contemplated by this Agreement. Seller, the Seller's stockholders and Purchaser each agree to use their respective best efforts to cause the Transaction to qualify, and will not take any actions

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which to their knowledge could reasonably be expected to prevent the Transaction from qualifying, as a reorganization under Section 368(a) of the Code.

7.2 Each of Seller, the Seller's stockholders and Purchaser shall report the Transaction as a reorganization within the meaning of Section 368 of the Code, unless otherwise required pursuant to a "determination" within the meaning of Section 1313(a) of the Code.

8. CLOSING.

8.1 CONDITIONS TO SELLER'S OBLIGATIONS TO CLOSING. The obligation of Seller to effect the transactions contemplated hereby is subject to the satisfaction at or prior to the Closing Date of each of the following conditions:

a. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or enforced by any governmental entity that prohibits, restrains, enjoins or restricts the consummation of the transactions contemplated hereby;

b. Any notices to, approvals from or other requirements of any governmental entity necessary to consummate the transactions contemplated hereby and to operate the business after the Closing in all material respects as it was operated prior thereto shall have been given, obtained or complied with, as applicable;

c. The representations and warranties of Purchaser contained in this Agreement shall have been true and correct in all material respects at and as of the Effective Date and shall be true and correct in all material respects at and as of the Closing Date with the same effect as if made at and as of the Closing Date (except to the extent such representations specifically related to an earlier date, in which case such representations shall be true and correct in all material respects as of such earlier date) and, at the Closing, Purchaser shall have delivered to Seller a certificate to that effect, executed by two officers of Purchaser (the "Purchaser's Officers' Certificate");

d. Each of the covenants and obligations of Purchaser to be performed at or before the Closing Date pursuant to this Agreement shall have been duly performed in all material respects at or before the Closing Date, and the Purchaser's Officers' Certificate shall contain a statement to that effect;

e. The transactions contemplated by this Agreement shall have been approved by the requisite vote of Seller's stockholders;

f. Purchaser shall have executed and delivered to Seller all of the documents identified in Section 8.3.a. below; and

g. Purchaser shall qualify to use Form S-3 under the Securities Act to register the Tegal Shares.

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8.2 CONDITIONS TO PURCHASER'S OBLIGATION TO CLOSING. The obligation of Purchaser to effect the transactions contemplated hereby is subject to the satisfaction at or prior to the Closing Date of each of the following conditions:

a. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or enforced by any governmental entity that prohibits, restrains, enjoins or restricts the consummation of the transactions contemplated hereby;

b. Any notices to, approvals from or other requirements of any governmental entity necessary to consummate the transactions contemplated hereby and to operate the business after the Closing in all material respects as it was operated prior thereto shall have been given, obtained or complied with, as applicable;

c. The representations and warranties of Seller contained in this Agreement shall have been true and correct in all material respects at and as of the Effective Date and shall be true and correct in all material respects at and as of the Closing Date with the same effect as if made at and as of the Closing Date (except to the extent such representations specifically related to an earlier date, in which case such representations shall be true and correct in all material respects as of such earlier date) and, at the Closing, Seller shall have delivered to Purchaser a certificate to that effect, executed by two officers of Seller (the "Seller's Officers' Certificate");

d. Each of the covenants and obligations of Seller to be performed at or before the Closing Date pursuant to this Agreement shall have been duly performed in all material respects at or before the Closing Date, and the Seller's Officers' Certificate shall contain a statement to that effect; and

e. Seller shall have executed and delivered to Purchaser all of the documents identified in Section 8.3.b. below.

f. Purchaser shall have entered into employment agreements with each of Tue Nguyen and Tai Nguyen substantially in the form attached hereto as Exhibit D.

g. Purchaser shall have received delivery of a certified balance sheet and statement of profits and losses for Seller's fiscal year ended December 31, 2002 and for the nine (9) month period ended September 30, 2003.

h. Purchaser shall have received an Intercreditor Agreement executed between Seller, on one hand, and KLN Precision Machining Corporation, a California corporation, and TMT, LLC, a California limited liability corporation (together, the "Secured Creditors"), on the other hand, in which Secured Creditors acknowledge that any security interest held by either of them in any of the Transferred Assets shall terminate at Closing, and in which Seller and Secured Creditors covenant to take all reasonable measures necessary to assist Purchaser in obtaining unfettered title to the Transferred Assets at Closing and, if necessary, after the Closing.

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8.3 DELIVERIES AT CLOSING.

a. BY PURCHASER. At the Closing, Purchaser shall deliver the following to Seller: (i) a certificate representing the Tegal Shares less the Hultquist Shares (as defined below), (ii) the Purchaser's Officers' Certificate, (iii) the countersigned Indemnity Escrow Agreement (as defined in Section 11 of this Agreement), (iv) the countersigned Bill of Sale and Assignment and Assumption Agreement substantially in the form attached hereto as Exhibit E (the "Bill of Sale") and (v) the countersigned Registration Rights Agreement (as defined in Section 9 of this Agreement). Purchaser shall also deliver (xx) to each Simplus Optionee a countersigned Stock Option Agreement evidencing his or her Tegal Options, (yy) to Ritchey Fisher Whitman & Klein, counsel to Seller, a check for legal expenses associated with negotiation and implementation of this Agreement (not to exceed Sixty Thousand Dollars (\$60,000) less accounting expenses incurred by Seller in connection with the transactions contemplated by

this Agreement) and (zz) to Hultquist Capital LLC, a certificate representing one hundred fifty thousand (150,000) shares of Tegal common stock (the "Hultquist Shares").

b. BY SELLER. At the Closing, Seller shall deliver the following to Purchaser: (i) the Transferred Assets and Assumed Liabilities, (ii) the countersigned Indemnity Escrow Agreement (as defined in Section 11 of this Agreement), (iii) the countersigned Bill of Sale, (iv) the countersigned Registration Rights Agreement (as defined in Section 9 of this Agreement), (v) the Seller's Officers' Certificate; (vi) documentation evidencing the legal and accounting expenses incurred by Seller in connection with the transactions contemplated in this Agreement; (vii) documentation evidencing the approval of the transactions contemplated by this Agreement by Seller's stockholders; and (viii) documents executed by the Secured Creditors which authorize Purchaser to file statements with the Secretary of State of California terminating all of the Secured Creditors' security interests in any of the Transferred Assets.

9. POST-CLOSING COVENANTS REGARDING REGISTRATION OF TEGAL SHARES.

Subject to the terms and conditions set forth in the Registration Rights Agreement substantially in the form attached hereto as Exhibit F (the "Registration Rights Agreement"), Purchaser shall prepare and file a registration statement on Form S-3 with the Securities and Exchange Commission no later than ninety (90) days after the Closing Date to enable Seller and/or its stockholders to sell the Tegal Shares. Purchaser covenants to use its best efforts to remain qualified to use Form S-3 during such ninety (90) days.

10. TERMINATION.

10.1 RIGHT TO TERMINATE. This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Closing:

a. by mutual written consent of Purchaser and Seller;

b. by Purchaser or Seller if (i) any governmental entity shall have issued a final order, decree or ruling, or taken any other final action, restraining, enjoining or otherwise prohibiting the transactions contemplated hereby and such order, decree, ruling or other action is or shall have become nonappealable; or (ii) the transactions contemplated by this Agreement have not been consummated on or before December 12, 2003 (the "Final Date"),

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provided that no party may terminate this Agreement pursuant to this clause (ii) if such party's failure to fulfill any of its obligations under this Agreement shall have been the reason that the Closing Date shall not have occurred on or before the Final Date;

c. by Seller if (i) Purchaser breaches any representation or warranty set forth in this Agreement in any material respect or if any such representation or warranty shall have become untrue such that the condition set forth in Section 8.2.c. would be incapable of being satisfied by the Final Date, provided that Seller has not breached any of its representations and warranties or obligations hereunder in any material respect; or (ii) Purchaser materially breaches any of its covenants or agreements hereunder and Purchaser has not cured such breach within ten (10) business days after notice by Seller thereof, provided that Seller has not breached any of its representations and warranties or obligations hereunder in any material respect;

d. by Purchaser if (i) Seller breaches any representation or warranty set forth in this Agreement in any material respect or if any such representation or warranty shall have become untrue such that the condition set forth in Section 8.1.c. would be incapable of being satisfied by the Final Date, provided that Purchaser has not breached any of its representations and warranties or obligations hereunder in any material respect; or (ii) Seller materially breaches its covenants or agreements hereunder, and Seller has not cured such breach within ten (10) business days after notice by Purchaser thereof, provided that Purchaser has not breached any of its representations and warranties or obligations hereunder in any material respect; or

e. by Purchaser if either of the Secured Creditors at any time make any effort to assert any of their rights under the Business Loan Agreements or Security Agreements to which each Secured Creditor is a party with Seller, including, but not limited to, the submission of a demand to Seller by either

Secured Creditor for the stock or assets of Seller in satisfaction of Seller's liabilities under either of the Business Loan Agreements or either of the Security Agreements.

10.2 EFFECT OF TERMINATION. In the event of the termination and abandonment of this Agreement pursuant to Section 10.1, this Agreement shall forthwith become void and have no effect without any liability on the part of any party hereto or any of its affiliates, directors, officers and stockholders except that Purchaser shall be obligated to pay the legal fees of Ritchey Fisher Whitman and Klein, counsel to Purchaser, associated with the negotiations and implementation of this Agreement (not to exceed Sixty Thousand Dollars (\$60,000) less accounting fees incurred in connection with the consummation of the transactions contemplated by this Agreement regardless of whether the Closing ever occurs.) Nothing contained in this Section 10.2 shall relieve any party from liability for any breach of this Agreement prior to such termination.

11. INDEMNIFICATION.

11.1 GENERAL SURVIVAL. Regardless of any investigation made by Purchaser, the representations and warranties of the Seller contained in this Agreement shall survive the execution and delivery of this Agreement for a period beginning on the date hereof and ending at 5:00 p.m., California time, on November 10, 2004 (the "Survival Period").

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11.2 INDEMNIFICATION OF INDEMNITEES; INDEMNIFICATION GENERALLY.

a. Subject to Section 11.1, from and after the Closing Date, Purchaser and its affiliates, officers, directors, stockholders, representatives and agents (collectively, the "Indemnitees") shall be jointly and severally indemnified and held harmless by the Seller from and against and in respect of any and all losses incurred by, resulting from, arising out of, relating to, imposed upon or incurred by Purchaser or any other Indemnitee by reason of: (i) any inaccuracy in or breach of any of Seller's representations, warranties, covenants or agreements contained in this Agreement as of the date of this Agreement or as of the Closing Date; or (ii) any misrepresentation contained in the attached disclosure schedule or in any other written statement or certificate furnished to Purchaser or any other Indemnitee by or on behalf of Seller in connection with the transactions contemplated by this Agreement. For purposes of this Agreement, the term "Losses" means any and all deficiencies, judgments, settlements, demands, claims, suits, actions or causes of action, assessments, liabilities, losses, damages (whether direct, indirect, incidental or consequential), interest, taxes, fines, penalties, costs, expenses (including reasonable legal, accounting and other costs and expenses of professionals) incurred in connection with investigating, defending, settling or satisfying any and all demands, claims, actions, causes of action, suits, proceedings, assessments, judgments or appeals, and in seeking indemnification therefor, and interest on any of the foregoing from the date incurred until paid at five percent (5%) per annum; provided however, that the Indemnitees may not recover any losses unless or until the amount of all Losses under this Agreement exceeds Twenty Five Thousand Dollars (\$25,000), in which case, Indemnitees shall be entitled to recover all Losses incurred, including those Losses incurred prior to the Twenty Five Thousand Dollar (\$25,000) threshold. For purposes of any Indemnification Claim, the amount of any Losses shall be determined without regard to any reference to any materiality or dollar qualifiers or thresholds contained in the representations, warranties, covenants or agreements of the Seller.

b. Subject to Section 11.1, subsequent to the Closing, the Seller's stockholders shall, jointly and severally, indemnify, defend, save and hold the Indemnitees harmless from and against (i) any and all Taxes of Seller with respect to any Tax year or portion thereof ending on or before the Closing Date (or for any Tax year beginning before and ending after the Closing Date to the extent allocable (as determined in the following sentence) to the portion of such period beginning before and ending on the Closing Date), and (ii) the unpaid Taxes of any person, corporation or entity (other than Seller) under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract, or otherwise, and (iii) any and all Losses incurred in connection with, arising out of, resulting from, or incident to any of the Taxes described in the foregoing clauses (i) and (ii); provided, however, that this Section 11.2(b) shall be the exclusive remedy for indemnification for any of the Taxes described in this Section 11.2(b). For purposes of the preceding sentence, in the case of any Taxes that are imposed on

a periodic basis and are payable for a Tax period that includes (but does not end on) the Closing Date, the portion of such Tax that relates to the portion of such Tax period ending on the Closing Date shall (i) in the case of any Taxes other than Taxes based upon or related to income or receipts, be deemed to be the amount of such Tax for the entire Tax period multiplied by a fraction the numerator of which is the number of days in the Tax period ending on the Closing Date and the denominator of which is the number of days in the entire Tax period, and (ii) in the case of any Tax based upon or

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related to income or receipts be deemed equal to the amount which would be payable if the relevant Tax period ended on the Closing Date.

c. Any claims for indemnification hereunder must be set forth in writing, contain a reasonably detailed description of the nature of and the events or circumstances underlying the claim for indemnification hereunder and be received by Seller not later than the expiration of the applicable Survival Period (an "Indemnification Claim"). The failure of an Indemnitee to give notice of any claim for indemnification promptly, but within the Survival Period, shall not adversely affect such Indemnitee's right to indemnity hereunder except and to the extent that the Seller is prejudiced as a result of such failure. If an Indemnitee makes an Indemnification Claim, such Claim shall be resolved in accordance with the indemnity escrow agreement substantially in the form attached hereto as Exhibit G (the "Indemnity Escrow Agreement"). The Seller's liability for indemnification under this Section 11 shall be limited to the Escrow Shares.

12. EXCLUSIVITY AND CONFIDENTIALITY AGREEMENTS. Purchaser and Seller hereby agree to a period of exclusivity until the Closing or termination of this Agreement, whichever occurs first, in which Seller covenants to refrain from entering into any negotiations, agreements or understandings with any party other than Purchaser with respect to any disposition of the Transferred Assets or any business combination involving Seller, which includes, but is not limited to, an asset sale or merger. Purchaser and Seller additionally hereby agree that the Non-Disclosure Agreement executed between them shall remain in full force and effect until the Closing, and that neither Purchaser or Seller shall disclose the existence of and any terms of this Agreement to the public or any third party; provided, however, that Purchaser is hereby permitted to disclose the existence and terms of this Agreement in connection with (i) its legal obligations, including disclosure in its periodic reports filed with the Securities and Exchange Commission; and (ii) its earnings announcements and any related press releases, conference calls or other earnings-related disclosures.

13. GENERAL. Neither party may assign its rights or obligations under this Agreement without the prior written consent of the other party. Any assignment in violation hereof shall be null and void. This Agreement and exhibits attached hereto constitute the parties' final, exclusive and complete understanding and agreement with respect to the subject matter of this Agreement, and supersede all prior and contemporaneous understandings and agreements relating to its subject matter, including, without limitation, that certain Term Sheet entered into by and between Seller and Purchaser dated May 15, 2003 (which Term Sheet is hereby terminated, regardless of whether the Closing occurs). This Agreement may not be waived, modified, amended unless mutually agreed upon in writing by the parties. In the event any provision of this Agreement is found to be legally unenforceable, such unenforceability shall not prevent enforcement of any other provision of the Agreement. This Agreement shall for all purposes be governed by and interpreted in accordance with the laws of the State of California as those laws are applied to contracts entered into and to be performed entirely in California by California residents. Any judicial action or proceeding arising hereunder or relating hereto shall be brought in, and parties hereby consent to the exclusive, personal jurisdiction of, the State and federal courts located in Petaluma, California. Any notices required or permitted hereunder shall be given to the appropriate party at the address specified below or at such other address as the party shall specify in writing. Such notice shall be deemed given upon personal delivery, or sent

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by facsimile, certified or registered mail, postage prepaid, three (3) days after the date of mailing or immediately upon confirmation of facsimile delivery. The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity without the

necessity of demonstrating the inadequacy of monetary damages. PURCHASER AND SELLER HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). PURCHASER AND SELLER HEREBY (A) CERTIFY THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGE THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

<TABLE>

<S>

SELLER:

<C>

PURCHASER:

SIMPLUS SYSTEMS CORPORATION

TEGAL CORPORATION

/s/ Larry Matheny
Larry Matheny, Ph.D., President
40737 Encyclopedia Circle
Fremont, CA 94538
Fax: (510) 226-4871
email: larrymath@aol.com
</TABLE>

/s/ Thomas R. Mika
Thomas R. Mika, Chief Financial Officer
2201 South McDowell Blvd.
Petaluma, CA 94954-6903
Fax: (707) 763-0436
email: tmika@tegal.com

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (the "Agreement") is made and entered into this 5th day of December, 2003 by and among (i) Tegal Corporation, a Delaware corporation ("Tegal"), (ii) Simplus Systems Corporation, a Delaware corporation ("Simplus"), and (iii) Kiet Nguyen, in his capacity as the representative (the "Stockholders' Representative") of all of the stockholders of Simplus.

RECITALS

A. On November 10, 2003, Tegal and Simplus entered into an Asset Acquisition Agreement (the "Asset Acquisition Agreement") pursuant to which Tegal has agreed to purchase substantially all of the assets, and certain liabilities, of Simplus in exchange for one million five hundred thousand (1,500,000) shares (the "Tegal Shares") of Common Stock (as defined in Section 1 below).

B. In accordance with Section 8 of the Asset Acquisition Agreement, Tegal has agreed to grant certain registration rights to holders of the Tegal Shares and other Registrable Securities (as defined in Section 1 below).

C. Tegal and Simplus enter into this Agreement to memorialize such registration rights.

D. Stockholders' Representative joins this Agreement as a party in accordance with Section 14 of the Stockholder Representation Agreement by and between Tegal and each of the stockholders of Simplus (all of whom are listed on Exhibit A to this Agreement) as Simplus intends to liquidate and distribute the Tegal Shares to its stockholders and creditors soon after the closing of the transactions contemplated in the Asset Acquisition Agreement.

AGREEMENTS

NOW, THEREFORE, in consideration of the premises, and of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions. In addition to capitalized terms defined elsewhere in this Agreement, the following capitalized terms shall have the following meaning when used in this Agreement. Defined terms used, but not defined, herein shall have the meanings ascribed to them as set forth in the Asset Acquisition Agreement.

1.1 "Common Stock" means the common stock, par value \$0.01 per share, of Tegal.

1.2 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

1.3 "Person" means any person or entity, whether an individual, whether in their capacity as a trustee, executor, administrator or other legal representative, sole proprietorship, corporation, limited liability company, general partnership, limited partnership, trust, unincorporated organization, syndicate, business association, firm, joint venture, governmental agency or authority or any similar entity.

1.4 "Public Offering" means any offering by Tegal of its equity securities to the public pursuant to an effective registration statement under the Securities Act or any comparable statement under any comparable federal statute then in effect.

1.5 "Registrable Shares" means at any time (i) the Tegal Shares; (ii) any shares of Common Stock then outstanding which were issued directly or indirectly as a dividend or other distribution with respect to or in replacement of the Tegal Shares; and (iii) any shares of Common Stock then issuable directly or indirectly upon the conversion or exercise of other securities which were issued as a dividend or other distribution with respect to or in replacement of the Tegal Shares or the shares referred to in (ii); provided, however, that Registrable Shares shall not include any shares which have been registered

pursuant to the Securities Act or which have been sold pursuant to Rule 144 of the Securities Act. For purposes of this Agreement, a Person will be deemed to be a holder of Registrable Shares whenever such Person has the right to acquire such Registrable Shares, whether or not such acquisition actually has been effected.

1.6 "SEC" means the Securities and Exchange Commission.

1.7 "Securities Act" means the Securities Act of 1933, as amended.

2. Registration Rights.

2.1 Registration. Within ninety (90) days of the Closing, the holders of Registrable Shares will be entitled to request a single registration under the Securities Act of their Registrable Shares, if available, on Form S-3 or any similar short-form registration (the "Demand Registration"). Within ten (10) days after receipt by Tegal of any request pursuant to this Section 2.1, Tegal will give written notice of such request to all other holders of Registrable Shares and will include in such registration all such shares with respect to which Tegal has received written requests for inclusion within ten (10) days after delivery of Tegal's notice. If the Demand Registration is to be an underwritten Public Offering, and if the underwriters for marketing or other reasons request the inclusion in the registration statement of information which is not required under the Securities Act to be included in a registration statement on the applicable form for the Demand Registration, Tegal will provide such information as may be reasonably requested for inclusion by the underwriters in the Demand Registration.

2.2 Payment of Expenses for the Demand Registration. Tegal will pay all Registration Expenses (as defined in Section 5 below) for the Demand Registration.

2.3 Restrictions. Tegal may postpone for up to ninety (90) days the filing or the effectiveness of a registration statement for the Demand Registration if the Board of Directors of Tegal reasonably and in good faith determines that such filing would be materially

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detrimental to Tegal or require a disclosure of a material fact that might reasonably be expected to have a material adverse effect on Tegal or any plan or proposal by Tegal or any of its subsidiaries to engage in any acquisition of assets (other than in the ordinary course of business) or any merger, consolidation, tender offer or other significant transaction.

2.4 Selection of Underwriters. The holders of a majority of the Registrable Shares included in any Demand Registration shall have the right to select the investment banker(s) and manager(s) to administer the offering, subject to Tegal's approval.

3. Holdback Agreements. Each holder of Registrable Shares agrees not to effect any public sale or distribution of equity securities of Tegal, or any securities convertible into or exchangeable or exercisable for such securities, during the seven (7) days prior to, and during the ninety (90) days following, the effective date of the underwritten Demand Registration in which Registrable Shares are included (except as part of such underwritten registration), unless the underwriters managing the Public Offering otherwise agree. Nothing herein shall prevent a holder of Registrable Shares that is a partnership from making a distribution of Registrable Shares to its partners, a holder of Registrable Shares that is a trust from making a distribution of Registrable Shares to its beneficiaries or a holder of Registrable Shares that is a corporation from making a distribution of Registrable Shares to its stockholders, provided that the transferees of such Registrable Shares agree to be bound by the provisions of this Agreement to the extent the transferor would be so bound.

4. Registration Procedures. Whenever the holders of Registrable Shares have requested that any Registrable Shares be registered pursuant to this Agreement, Tegal will use its reasonable best efforts to effect the registration and sale of such Registrable Shares in accordance with the intended method of disposition thereof and, pursuant thereto, Tegal will as expeditiously as possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Shares and use its reasonable best efforts to cause

such registration statement to become effective (provided that before filing a registration statement or prospectus, or any amendments or supplements thereto, Tegal will furnish copies of all such documents proposed to be filed to the counsel or counsels for the sellers of the Registrable Shares covered by such registration statement);

(b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus(es) used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than one (1) year or such shorter period until such Registrable Shares are no longer Registrable Shares and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement;

(c) furnish to each seller of Registrable Shares such number of copies of such registration statement, each amendment and supplement thereto, the prospectus(es) included in such registration statement (including each preliminary prospectus) and such other

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documents as such seller may reasonably request in order to facilitate the disposition of the Registrable Shares owned by such seller;

(d) use its reasonable best efforts to register or qualify such Registrable Shares under such other securities or blue sky laws of such jurisdictions as any seller reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Registrable Shares owned by such seller (provided that Tegal will not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subparagraph or (ii) consent to general service of process in any such jurisdiction);

(e) notify each seller of such Registrable Shares, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading, and, at the request of any such seller, Tegal will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Shares, such prospectus will not contain any untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading;

(f) cause all such Registrable Shares to be listed on each securities exchange on which similar securities issued by Tegal are then listed or if no such securities are then listed, such securities exchange as the holders of a majority of the Registrable Shares included in such registration may reasonably request;

(g) enter into such customary agreements (including underwriting agreements in customary form) and take all such other customary actions as the holders of a majority of the Registrable Shares being sold or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Shares;

(h) make available for inspection by any seller of Registrable Shares, any underwriter participating in any disposition pursuant to such registration statement, and any attorney, accountant or other agent retained by any such seller or underwriter, all financial and other records, pertinent corporate documents and properties of Tegal, and cause Tegal's officers, directors, employees and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement; and

(i) advise each seller of such Registrable Shares, promptly after it shall receive notice or obtain knowledge thereof, of the issuance of any stop order by the SEC suspending the effectiveness of such registration statement or the initiation or threatening of any proceeding for such purpose and promptly use all reasonable efforts to prevent the issuance of any stop order or to obtain its withdrawal if such stop order should be issued.

5. Registration Expenses. All expenses incident to Tegal's performance of or compliance with this Agreement, including, but not limited to, all registration and filing fees, fees and expenses of compliance with securities or blue sky laws, printing expenses, messenger

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and delivery expenses, and fees and disbursements of counsel for Tegal and all independent certified public accountants, underwriters (excluding discounts and commissions which shall be payable by the holders of Registrable Shares) and other Persons retained by Tegal (all such expenses being herein called "Registration Expenses"), will be borne by Tegal, provided that Tegal shall not be required to pay sales commissions, discounts or transfer taxes. In addition, Tegal will pay its internal expenses (including, but not limited to, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit or quarterly review, the expense of any liability insurance obtained by Tegal and the expenses and fees for listing the securities to be registered on each securities exchange.

6. Indemnification.

6.1 By Tegal. Tegal agrees to indemnify, to the extent permitted by law, each holder of Registrable Shares, its officers, employees and directors and each Person who controls such holder (within the meaning of the Securities Act) against all losses, claims, damages, liabilities and expenses (including, but not limited to, attorneys' fees and expenses) caused by any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus, or any amendment thereof or supplement thereto, or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as the same are caused by or contained in any information furnished in writing to Tegal by such holder expressly for use therein or by such holder's failure to deliver a copy of the prospectus or any amendments or supplements thereto after Tegal has furnished such holder with a sufficient number of copies of the same. In connection with an underwritten offering, Tegal will indemnify such underwriters, their officers and directors and each Person who controls such underwriters (within the meaning of the Securities Act) to the same extent as provided above with respect to the indemnification of the holders of Registrable Shares. The payments required by this Section 6.1 will be made periodically during the course of the investigation or defense, as and when bills are received or expenses incurred.

6.2 By Each Holder. In connection with any registration statement in which a holder of Registrable Shares is participating, each such holder will furnish to Tegal in writing such information as Tegal reasonably requests for use in connection with any such registration statement or prospectus and, to the extent permitted by law, will indemnify Tegal, its directors, employees and officers and each Person who controls Tegal (within the meaning of the Securities Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of material fact contained in the registration statement, prospectus or preliminary prospectus, or any amendment thereof or supplement thereto, or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that such untrue statement or omission is contained in or omitted from any information so furnished in writing by such holder for the acknowledged purpose of inclusion in such registration statement, prospectus or preliminary prospectus; provided that the obligation to indemnify will be several, not joint and several, among such holders of Registrable Shares and the liability of each such holder of Registrable Shares will be in proportion to and limited in all events to the net amount received by such holder from the sale of Registrable Shares pursuant to such registration statement.

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6.3 Procedure. Any Person entitled to indemnification hereunder will (a) give prompt written notice to the indemnifying Person of any claim with respect to which it seeks indemnification and (b) unless in such indemnified Person's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying Person to assume the defense of such claim with counsel reasonably satisfactory to the indemnified Person. If such defense is assumed, the indemnifying Person will not be subject to any liability for any settlement made by the indemnified Person without its consent (but such consent will not be

unreasonably withheld). An indemnifying Person who is not entitled to, or elects not to, assume the defense of a claim will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying Person with respect to such claim, unless in the reasonable judgment of any indemnified Person a conflict of interest may exist between such indemnified Person and any other of such indemnified parties with respect to such claim.

6.4 Survival. The indemnification provided for under this Agreement will remain in full force and effect regardless of any investigation made by or on behalf of the indemnified Person or any officer, director or controlling Person of such indemnified Person and will survive the transfer of securities. Tegal also agrees to make such provisions as are reasonably requested by any indemnified Person for contribution to such Person in the event Tegal's indemnification is unavailable for any reason.

7. Compliance with Rule 144 and Rule 144A. So long as Tegal files reports under Section 13 or 15(d) of the Exchange Act, then at the request of any holder of Registrable Shares who proposes to sell securities in compliance with Rule 144 of the Securities Act, Tegal will (a) forthwith furnish to such holder a written statement of compliance with the filing requirements of the Securities Act as set forth in Rule 144, as such rule may be amended from time to time and (b) make available to the public and such holders such information as will enable the holders of Registrable Shares to make sales pursuant to Rule 144. At any time that Tegal is not subject to Section 13 or 15(d) of the Exchange Act, Tegal will provide to the holder of Registrable Shares and to any prospective purchaser of Registrable Shares under Rule 144A of the Securities Act, the information described in Rule 144A(d)(4) of the Securities Act.

8. Participation in Underwritten Registrations. No Person may participate in any registration hereunder which is underwritten unless such Person (a) agrees to sell its securities on the basis provided in any underwriting arrangements approved by such Person or Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, custody agreements, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements.

9. Miscellaneous.

9.1 No Inconsistent Agreements. Tegal will not hereafter enter into any agreement with respect to its securities which is inconsistent with or which otherwise materially limits, restricts or interferes with the rights granted to the holders of Registrable Shares in this Agreement.

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9.2 Amendments and Waivers. Except as otherwise expressly provided herein, the provisions of this Agreement may be amended or waived at any time only by the written agreement of Tegal and the holders of a majority of the Registrable Shares; provided, however, that the provisions of this Agreement may not be amended or waived without the consent of the holders of all the Registrable Shares adversely affected by such amendment or waiver if such amendment or waiver adversely affects a portion of the Registrable Shares but does not so adversely affect all of the Registrable Shares. Any waiver, permit, consent or approval of any kind or character on the part of any such holders of any provision or condition of this Agreement must be made in writing and shall be effective only to the extent specifically set forth in writing. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of Registrable Shares and Tegal.

9.3 Successors and Assigns. Except as otherwise expressly provided herein, all covenants and agreements contained in this Agreement by or on behalf of any of the parties hereto will bind and inure to the benefit of the respective successors and assigns of the parties hereto, whether so expressed or not. In addition, and whether or not any express assignment has been made, the provisions of this Agreement which are for the benefit of Simplus, the stockholders of Simplus or holders of Registrable Shares are also for the benefit of, and enforceable by, any subsequent holders of such Registrable Shares.

9.4 Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience of reference only and do not constitute a part of and shall not be utilized in interpreting this Agreement.

9.5 Notices. Any notices required or permitted to be sent hereunder shall be delivered personally or mailed, certified mail, return receipt requested, or delivered by overnight courier service to the following addresses, or such other address as any party hereto designates by written notice to Tegal, and shall be deemed to have been given upon delivery, if delivered personally, three (3) days after mailing, if mailed, or one (1) business day after delivery to the courier, if delivered by overnight courier service:

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If to Simplus:

Larry Matheny, Ph.D.
President
Simplus Systems Corporation
40737 Encyclopedia Circle
Fremont, CA 94538
Fax: (510) 226-4871
email: larrymath@aol.com

<C>

With a copy to:

Keith S. Koegler
Ritchey Fisher Whitman & Klein
1717 Embarcadero Road
Palo Alto, CA 94303
Fax: (650) 857-1288
email: kkoegler@rfwk.com

</TABLE>

If to Stockholders' Representative or to the stockholders of Simplus:

Kiet Nguyen
40725 Encyclopedia Circle
Fremont, CA 94538
Fax: (510) 770-5002
email: knugen@klncorp.com

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<S>

If to Tegal:

Thomas R. Mika
Chief Financial Officer
Tegal Corporation
2201 South McDowell Blvd.
Petaluma, CA 94954-6903
Fax: (707) 763-0436
email: tmika@tegal.com

<C>

With a copy to:

Scott Willoughby
Latham & Watkins LLP
505 Montgomery Street, Suite 1900
San Francisco, CA 94111-2562
Fax: (415) 395-8095
email: scott.willoughby@lw.com

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If to holders of the Registrable Shares other than Simplus or the stockholders of Simplus, to the addresses set forth on the stock record books of Tegal.

9.6 Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and such counterparts together shall constitute one instrument.

9.7 Governing Law. This Agreement and the transactions contemplated hereby shall be construed in accordance with, and governed by, the laws of the State of California; provided, however, that matters of Delaware corporate law shall be governed by the Delaware General Corporation Laws.

9.8 Consent to Jurisdiction. Each of the parties hereto (a) consents to submit itself to the personal jurisdiction of the federal and state courts located in Petaluma, California in the event any dispute arises out of this Agreement or any of the transactions contemplated hereby, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, and (c) agrees that it will not bring any action relating to this Agreement in any court other than a federal or state court located in Petaluma, California.

9.9 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY WAIVES ITS RESPECTIVE RIGHT TO A JURY TRIAL OF ANY PERMITTED CLAIM OR CAUSE OF ACTION ARISING OUT OF THIS AGREEMENT, ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY, OR ANY DEALINGS BETWEEN ANY OF THE PARTIES HERETO RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE THE SUBJECT MATTER OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY, INCLUDING, WITHOUT LIMITATION, CONTRACT

CLAIMS, TORT CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, SUPPLEMENTS OR OTHER MODIFICATIONS TO THIS AGREEMENT, ANY OF THE

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TRANSACTIONS CONTEMPLATED HEREBY OR TO ANY OTHER DOCUMENT OR AGREEMENT RELATING TO THE TRANSACTIONS CONTEMPLATED HEREBY.

9.10 Service of Process. Each of the parties hereto irrevocably consents to the service of any process, pleading, notices or other papers by the mailing of copies thereof by registered, certified or first class mail, postage prepaid, to such party at such party's address set forth herein, or by any other method provided or permitted under California law.

9.11 Reproduction of Documents. This Agreement and all documents relating hereto, including, but not limited to, (a) consents, waivers, amendments and modifications which may hereafter be executed and (b) certificates and other information previously or hereafter furnished, may be reproduced by any photographic, photostatic, microfilm, optical disk, micro-card, miniature photographic or other similar process. The parties agree that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding, whether or not the original is in existence and whether or not such reproduction was made by a party in the regular course of business, and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

9.12 Remedies. Each of the parties to this Agreement will be entitled to enforce its rights under this Agreement specifically, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party shall be entitled to immediate injunctive relief or specific performance without bond or the necessity of showing actual monetary damages in order to enforce or prevent any violations of the provisions of this Agreement.

9.13 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

9.14 Final Agreement. This Agreement, together with the Asset Acquisition Agreement and all other agreements entered into by the parties hereto pursuant to the Asset Acquisition Agreement, constitutes the complete and final agreement of the parties concerning the matters referred to herein, and supersedes all prior agreements and understandings.

9.15 No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction will be used against any Person.

* * * * *

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The parties hereto have executed this Registration Rights Agreement as of the date first set forth above.

TEGAL CORPORATION

By: /s/ Thomas R. Mika
Thomas R. Mika
Chief Financial Officer

SIMPLUS SYSTEMS CORPORATION

By: /s/ Lawrence Matheny
Lawrence Matheny, Ph.D.

President

STOCKHOLDERS' REPRESENTATIVE

By: /s/ Kiet Nguyen
Kiet Nguyen

SIGNATURE PAGE TO THE
REGISTRATION RIGHTS AGREEMENT