

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): January 15, 1999

TEGAL CORPORATION  
(Exact name of registrant as specified in its charter)

<TABLE>  
<CAPTION>  
Delaware 0-26824 68-0370244  
<S> <C> <C>  
(State or other jurisdiction (Commission File Number) (IRS Employer  
of incorporation or organization) Identification No.)  
</TABLE>

2201 South McDowell Boulevard  
P.O. Box 6020  
Petaluma, California 94955-6020

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(Address of principal executive offices) (Zip Code)

(707) 763-5600

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(Registrant's telephone number, including area code)

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(former name or former address, if changed since last report)

ITEM 5. OTHER EVENTS.

On January 15, 1999, Tegal Corporation, a Delaware corporation, (the "Company") amended its stockholders' rights plan. The First Amendment to Rights Agreement between the Company and ChaseMellon Shareholder Services, L.L.C. as Rights Agent is filed as an exhibit hereto and is incorporated by reference herein.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(c) Exhibits.

<TABLE>  
<CAPTION>  
Exhibit  
No. Description  
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<S> <C>  
99.1 First Amendment to Rights Agreement dated January 15, 1999

</TABLE>

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.

Dated: January 15, 1999

TEGAL CORPORATION

By: /s/ David Curtis

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Name: David Curtis  
Title: Vice President, Finance and  
Administration and Chief  
Financial Officer

EXHIBIT 99.1

FIRST AMENDMENT TO RIGHTS AGREEMENT

FIRST AMENDMENT, dated as of January 15, 1999 ("First Amendment"), to Rights Agreement dated as of June 11, 1996 (the "Rights Agreement"), between Tegal Corporation (the "Company"), and ChaseMellon Shareholder Services, L.L.C. (the "Rights Agent"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Rights Agreement.

WHEREAS, the Company and the Rights Agent previously entered into the Rights Agreement; and

WHEREAS, pursuant to Section 26 of the Rights Agreement, the Company and the Rights Agent may from time to time supplement or amend any provision of the Rights Agreement in accordance with the terms of such Section 26.

NOW, THEREFORE, in consideration of the foregoing premises and mutual agreements set forth in this Amendment, the parties hereby amend the Rights Agreement as follows:

1. Section 1.7 of the Rights Agreement is hereby deleted in its entirety.

2. The second sentence of Section 1.11 of the Rights Agreement is hereby amended to (a) add the words "prior to the time that any Person has become an Acquiring Person and" after the word "determines," and before the word "after" and (b) delete the words "; provided, however, that there must be Continuing Directors then in office and any such determination shall require the concurrence of a majority of such Continuing Directors".

3. The first sentence of Section 2 of the Rights Agreement is hereby amended to delete the words "and the holders of the Rights (who, in accordance with Section 3, shall prior to the Distribution Date also be the holders of the Common Shares)".

4. The second sentence of Section 3.1 of the Rights Agreement is hereby amended in its entirety to read as follows:

"The preceding sentence notwithstanding, prior to the occurrence of a Distribution Date specified as a result of an event described in clause (ii) specified therein (or such later Distribution Date as the Board of Directors of the Company may select pursuant to this sentence), the Board of Directors of the Company may postpone, one or more times, the Distribution Date specified as a result of an event described in clause (ii) beyond the earlier of the date set forth in such clause (ii)."

5. The first sentence of Section 11.1.2 is hereby amended to delete the words "(or, if applicable, the Continuing Directors)" and "or to extend the period during which the

Rights may be redeemed pursuant to Section 23.1".

6. The last sentence of Section 11.4.1 of the Rights Agreement and the penultimate sentence of Section 11.4.2 of the Rights Agreement are hereby amended, in each case, by deleting the words ", by a majority of the Continuing Directors then in office, or if there are no Continuing Directors".

7. The second sentence of Section 22 of the Rights Agreement is hereby amended to read in its entirety as follows:

"In addition, in connection with the issuance or sale of Common Shares following the Distribution Date and prior to the redemption, exchange, termination or expiration of the Rights, the Company shall, with respect to Common Shares so issued or sold pursuant to the exercise of stock options or under any employee plan or arrangement, granted or

awarded, or upon exercise, conversion or exchange of securities hereinafter issued by the Company, in each case existing prior to the Distribution Date, issue Right Certificates representing the appropriate number of Rights in connection with such issuance or sale; PROVIDED, HOWEVER, that (i) no such Right Certificate shall be issued if, and to the extent that, the Company shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Company or the Person to whom such Right Certificate would be issued and (ii) no such Right Certificate shall be issued if, and to the extent that, appropriate adjustment shall otherwise have been made in lieu of the issuance thereof."

8. Section 23.1 of the Rights Agreement is hereby amended and restated in its entirety as follows:

"23.1 Right to Redeem. The Board of Directors of the Company may, at its option, at any time prior to a Trigger Event, redeem all but not less than all of the then outstanding Rights at a redemption price of \$.01 per Right, appropriately adjusted to reflect any stock split, stock dividend, recapitalization or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"), and the Company may, at its option, pay the Redemption Price in Common Shares (based on the "current per share market price," determined pursuant to Section 11.4, of the Common Shares at the time of redemption), cash or any other form of consideration deemed appropriate by the Board of Directors. The redemption of the Rights by the Board of Directors may be made effective at such time, on such basis and subject to such conditions as the Board of Directors in its sole discretion may establish."

9. Section 26 of the Rights Agreement is hereby amended by deleting clause (ii) of the second sentence thereof in its entirety, renumbering clause (iii) of the second sentence to (ii), adding the word "or" immediately prior to the new clause (ii) and deleting the

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words "or Redemption Date" and substituting therefor the words "pursuant to the second sentence of Section 3.1" in the proviso of the second sentence thereof.

10. Section 34 of the Rights Agreement is hereby added in its entirety as follows:

"Section 34. Determination and Actions by the Board of Directors. The Board of Directors of the Company shall have the exclusive power and authority to administer this Agreement and to exercise the rights and powers specifically granted to the Board of Directors of the Company or to the Company, or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power to (i) interpret the provisions of this Agreement and (ii) make all determinations deemed necessary or advisable for the administration of this Agreement (including, without limitation, a determination to redeem or not redeem the Rights or amend this Agreement). All such actions, calculations, interpretations and determinations (including, for purposes of clause (y) below, all omissions with respect to the foregoing) that are done or made by the Board of Directors of the Company in good faith shall (x) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights, as such, and all other parties, and (y) not subject the Board of Directors to any liability to the holders of the Rights. The Rights Agent is entitled to assume that the Company's Board of Directors acted in good faith and shall be fully protected and incur no liability in reliance thereon in accordance with this Agreement."

11. The fourth paragraph of Exhibit B to the Rights Plan (Form of Right Certificate) is hereby amended and restated in its entirety as follows:

"Subject to the provisions of the Agreement, the Board of Directors may, at its option, (i) redeem the Rights evidenced by this Right Certificate at a redemption price of \$.01 per Right or (ii)

exchange Common Shares for the Rights evidenced by this Certificate, in whole or in part."

12. (a) The third paragraph of Exhibit C ("Exhibit C") to the Rights Plan (SUMMARY OF RIGHTS TO PURCHASE PREFERRED SHARES) is hereby amended to delete the words " the Board of Directors of the Company, with the concurrence of a majority of the Continuing Directors (as defined below), may postpone the Distribution Date and that," (b) the tenth paragraph of Exhibit C is hereby amended to (i) delete the words "close of business on the tenth business day following the first date of public announcement that a Person has become an Acquiring Person" and replace them with the words "time that an Acquiring Person has become such" and (ii) delete the second and third sentences in their entirety, (c) the eleventh paragraph of Exhibit C is hereby deleted in its entirety and (d) the thirteenth paragraph of Exhibit C is hereby amended to delete the words "(so long as, under certain circumstances, a majority of Continuing Directors approve such shortening or lengthening)".

13. This First Amendment shall be effective as of the date hereof and, except

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as expressly set forth herein, the Rights Agreement shall remain in full force and effect and be otherwise unaffected hereby.

14. This First Amendment may be executed in any number of counterparts, each of which, when executed, shall be deemed to be an original and all such counterparts shall together constitute one and the same document.

IN WITNESS WHEREOF, the parties have executed this First Amendment as of the date first written above.

TEGAL CORPORATION

By: /s/ David Curtis

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Name: David Curtis  
Title: Chief Financial Officer,  
Treasurer and Secretary

CHASEMELLON SHAREHOLDER SERVICES, L.L.C.

By: /s/ Gloria Pouncil

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Name: Gloria Pouncil  
Title: Relationship Manager

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