

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): March 19, 2010

---

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, CA 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 communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
- 
- 
-

#### **ITEM 1.01. Entry Into a Material Definitive Agreement.**

On March 19, 2010, Tegal Corporation (the "Company"), Sputtered Films, Inc., a wholly owned subsidiary of the Company ("SFI" and together with the Company, the "Sellers"), OEM Group Inc. ("OEM Group") and OEG-TEG, LLC ("Purchaser") entered into an Asset Purchase Agreement (the "Purchase Agreement") pursuant to which the Sellers sold to the Purchaser (the "Disposition") certain inventory, equipment, intellectual property and other assets of the Sellers primarily related to the Sellers' Etch and PVD products (the "Etch and PVD Products").

The Purchaser assumed certain liabilities arising after the closing of the Disposition in connection with the ownership of the purchased assets. The Sellers retained all liabilities not expressly assumed by the Purchaser. OEM Group has guaranteed all obligations of the Purchaser under the Purchase Agreement.

The Disposition was closed immediately after execution of the Purchase Agreement. In connection with the Disposition, the Sellers and the Purchaser entered into related agreements for the transfer and licensing of patents, trademarks and other intellectual property associated with the Etch and PVD Products, including a Trademark Assignment Agreement for certain trademarks used in the Etch and PVD Products, a royalty-free Trademark License Agreement allowing for the limited use of the Tegal trademark by the Purchaser solely in connection with future sales of Etch and PVD Products and solely in combination with the trademarks transferred to Purchaser, a Patent Assignment Agreement for the transfer of certain patents related to the Etch and PVD Products, and a perpetual, irrevocable, non-exclusive, worldwide, fully-paid, royalty-free, Intellectual Property Cross License Agreement, pursuant to which the Sellers granted Purchaser a license to certain intellectual property owned by the Sellers for use in Purchaser's manufacture and sale of the Etch and PVD Products, and Purchaser licensed back to Seller certain intellectual property sold to Purchaser as part of the Disposition for the Sellers' continued use.

The consideration paid by Purchaser for the Disposition consisted of the following:

- Cash in the amount of \$250,000 paid at closing, which occurred on March 19, 2010;
  - An aggregate of \$1,750,000 cash payable to the Company by four installment payments of \$250,000, \$500,000, \$500,000 and \$500,000 each on July 1, 2010, October 1, 2010, January 1, 2011 and April 1, 2011, respectively; and
  - A contingent payment in cash of up to \$1,000,000 payable to the Company by April 15, 2011 based on the following percentage of applicable bookings of Etch and PVD Products in excess of \$6,000,000 received by the Sellers or the Purchaser during the period beginning March 19, 2010 through March 31, 2011:
    - (i) if applicable bookings are greater than or equal to \$6,000,000 but less than \$8,000,000, the contingent payment will be 5% of the applicable bookings in excess of \$6,000,000;
-

- (ii) if applicable bookings are greater than or equal to \$8,000,000 but less than \$10,000,000, the contingent payment will be \$100,000 *plus* 10% of the applicable bookings in excess of \$8,000,000;
- (iii) if applicable bookings are greater than or equal to \$10,000,000 but less than \$12,000,000, the contingent payment will be \$300,000 *plus* 15% of the applicable bookings in excess of \$10,000,000; and
- (iv) if applicable bookings are greater than or equal to \$12,000,000, the contingent payment will be \$600,000 *plus* 20% of the applicable bookings in excess of \$12,000,000.

In no case will the contingent payment exceed \$1,000,000.

The descriptions of the Purchase Agreement, the Trademark Assignment Agreement, the Trademark License Agreement, the Patent Assignment Agreement and the Intellectual Property Cross-License Agreement provided above are qualified in their entirety by reference to the full text of such agreements, copies of which will be filed as exhibits to the Company's Annual Report on Form 10-K for the year ended March 31, 2010, which the Company intends to file with the Securities and Exchange Commission or before June 14, 2010.

**ITEM 2.01. Completion of Acquisition or Disposition of Assets.**

On March 19, 2010, the Company completed the Disposition. The information in Item 1.01 above is incorporated herein by reference. On March 22, 2010, the Company issued a press release regarding the Disposition, a copy of which is attached as Exhibit 99.1 hereto and is incorporated herein by reference.

**ITEM 9.01. Financial Statements and Exhibits.**

(d) Exhibits

<b>Exhibit No.</b>	<b>Description</b>
99.1	Press release issued by Tegal Corporation, dated March 22, 2010.

---

**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.

TEGAL CORPORATION

Date: March 22, 2010

By: /s/ Christine T. Hergenrother

Name: Christine T. Hergenrother

Title: Chief Financial Officer

---

**EXHIBIT INDEX**

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
99.1	Press release issued by Tegal Corporation, dated March 22, 2010.

**TEGAL SELLS THIN FILM ETCH AND PVD ASSETS TO OEM GROUP**

*Tegal retains and will continue to sell and support its Deep Reactive Ion Etch (DRIE) systems globally while continuing to pursue strategic alternatives for the Company*

**PETALUMA, Calif., March 22, 2010**—Tegal Corporation, (Nasdaq: TGAL) an innovator of specialized production solutions for the fabrication of advanced MEMS, power ICs and optoelectronic devices, today announced that it has sold its legacy thin film etch and physical vapor deposition (PVD) product lines to OEM Group, Inc. for aggregate consideration of up to \$3 million, of which a maximum of \$1 million is subject to OEM Group's achievement of certain target sales levels.

Tegal sold to OEM Group the Tegal 900ACS™, 980ACS™, 6500 HRe™ and 6500 Spectra™ series Thin Film Etch products, along with the Sputtered Films Endeavor™ and AMS™ PVD series products, intellectual property and process know-how. OEM Group will bring continued global support to existing Tegal Thin Film Etch and PVD customers, and will integrate these world class technologies into their LEGENDS™ offering, which already includes the MRC Eclipse (PVD), AG Heatpulse® (RTP), Lam AutoEtch™ (Etch), and Varian Sunset (Implant) platforms.

“OEM Group is the perfect company for these Tegal products, which represent an important legacy in semiconductor capital equipment and process technology,” said Thomas Mika, President and CEO, Tegal Corporation. “We are pleased that we have been able to place these products and many of the skilled employees associated with them in a company whose business model is built on the continued sales, service and support of late life cycle technology into new and existing customers and markets.”

“We are honored to continue providing Tegal's world class Thin Film Etch solutions to the market; and, with the addition of the Sputtered Films technologies to our own PVD focus, we believe we will have an unmatched product offering,” said Wayne Jeveli, President of OEM Group. “Over the course of more than 30 years, Tegal's brand has symbolized innovation, quality and customer focus. We believe these attributes will continue on for many years at OEM Group.”

The sale of the Thin Film Etch and PVD product lines to OEM Group represents a significant step in Tegal's execution of its previously announced pursuit of strategic alternatives for the benefit of Tegal's stockholders. While continuing to evaluate strategic alternatives for the Company, Tegal intends to continue to sell and support its full range of Deep Reactive Ion Etch (DRIE) systems that it acquired from Alcatel Micro Machining Systems (AMMS) in September, 2008. Tegal's DRIE systems are critical enablers for etching silicon and dielectric films found in the MEMS, bio-tech, power IC, optoelectronic, and 3D-IC markets. Tegal DRIE tools are employed in MEMS foundries and commercial high volume manufacturing lines world-wide, and can be found in numerous academic and commercial research and development laboratories throughout the world.

**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 Corporation**

Tegal is an innovator of specialized production solutions for the fabrication of advanced MEMS, power ICs and optoelectronic devices found in products like smart phones, networking gear, solid-state lighting, and digital imaging. The Company's plasma etch tools enable sophisticated manufacturing techniques, such as 3D interconnect structures formed by intricate silicon etch, also known as Deep Reactive Ion Etching (DRIE). Tegal combines proven expertise with practical system strategies to deliver application-specific solutions that are robust and reliable, and deliver exceptional process quality and high yields at a lower overall cost of ownership. Headquartered in Petaluma, California, the company has more than 35 years of expertise and innovation in specialized technologies, over 100 patents, and an installed base of more than 1900 systems worldwide. Please visit us on the web at [www.Tegal.com](http://www.Tegal.com).

**About OEM Group:** OEM Group provides new and remanufactured front-end equipment to worldwide makers of Silicon Devices, as well as emerging applications such as MEMS, LED, RFID, Power Devices, and Photovoltaic. Having completed over 1,300 projects since 1999, OEM Group's proven remanufacturing procedures provide the production performance and process confidence today's Fabs require. With the recent addition of the Tegal 900ACS™-Series and 6500™-Series Thin Film Etch, the Sputtered Films Endeavor™ PVD, and AMS™ PVD product lines, OEM Group continues to increase their LEGENDS™ portfolio which also includes the MRC Eclipse (PVD), AG Heatpulse® (RTP), Varian Sunset [Implant], and Lam AutoEtch™ (ETCH) product lines.

In addition to the LEGENDS™ line, OEM Group continues to be the global remanufacturing leader of systems, chambers, and conversions for the Applied Materials® Endura®, Centura® and P5000; Mattson Aspen™ II; and Novellus Concept One® and Two platforms. All Remanufactured systems include installation, start-up, and warranty support. [www.oemgroupinc.com](http://www.oemgroupinc.com)

**Tegal Contact**

Thomas Mika  
President & CEO  
Tel: +1 707 765-5630  
Email: [tmika@tegal.com](mailto:tmika@tegal.com)

or

The Blueshirt Group  
Chris Danne  
Tel: +1 415 217-7722

**OEM Group Contact**

Wayne Jeveli  
President  
Tel: +1 480 609 8565  
[wayne.jeveli@oemgroupinc.com](mailto:wayne.jeveli@oemgroupinc.com)

##

---