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): January 14, 2011

Tegal Corporation
(Exact Name of Registrant as Specified in 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 January 14, 2011, Tegal Corporation (the "Company"), se2quel Partners LLC, a California limited liability company ("se2quel Partners"), and sequel Power LLC, a newly formed Delaware limited liability company ("sequel Power"), entered into a Formation and Contribution Agreement (the "Contribution Agreement"). sequel Power is focused on the promotion of solar power plant development projects worldwide, the development of self-sustaining businesses from such projects, including but not limited to activities relating to and supporting, developing, building and operating solar photovoltaic fabrication facilities and solar farms, and the consideration of other non-photovoltaic renewable energy projects. se2quel Partners is owned by Ferdinand Seemann, who previously served as an independent member of the Company's Board of Directors. Pursuant to the Contribution Agreement, the Company contributed $2 million in cash to sequel Power in exchange for an approximate 25% ownership interest in sequel Power. In addition, the Company issued warrants ("Warrants") to se2quel Partners and se2quel Management GmbH, a German limited liability company, to purchase an aggregate of 928,884 shares of the Company's common stock at an exercise price of $0.63 per share. The Warrants are exercisable for a period of four years.

The descriptions of the Contribution Agreement and the Warrants are qualified in their entirety by reference to the full text of such documents, copies of which are filed as exhibits to this Report on Form 8-K.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

99.1 Press Release dated January 20, 2011
99.2 Formation and Contribution Agreement dated January 14, 2011
99.3 Warrant issued to se2quel Partners LLC
99.4 Warrant issued to se2quel Management GmbH

SIGNATURES

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

Date: January 21, 2011

TEGAL CORPORATION

By: /s/ Christine Hergenrother
Name: Christine Hergenrother
Title: Chief Financial Officer

tegal

News Release

Tegal Corporation 2201 S. McDowell Blvd., Petaluma, CA 94954 [T] (707) 763-5600 [F] (707) 773-2854 **www.tegal.com**

TEGAL AND SE2QUEL PARTNERS FORM NEW COMPANY IN SOLAR UTILITY DEVELOPMENT

sequel Power LLC Focused on Development of Large Scale Photovoltaic-based Solar Utilities

PETALUMA, Calif., January 20, 2011 — Tegal Corporation, (Nasdaq: TGAL) today announced that it has formed, along with se2quel Partners LLC, a new company dedicated to the development and operation of large scale photovoltaic (PV)-based solar utilities in the United States, Latin America, the Middle East and Africa.

Over the past three years, se2quel Partners, under the leadership of Ferdinand Seemann, a solar technology expert and former Independent Director of Tegal, has developed a unique approach (with patents pending) to develop, build and operate PV-based utilities on the scale of 1,000+ megawatts (1GW), which are cost competitive with conventional energy sources. Currently, se2quel Partners has over 10 active projects with major partners in various stages of analyzing and developing solar utilities in six different countries within the global sunbelt.

The global PV market is expected to grow between 20% and 36% annually between 2011 and 2014, with the United States accounting for only 10% of the forecasted total of 40 GW installed annually by 2014. While the utility-scale segment accounted for less than 13% of the total PV market in the USA in 2009, it is the fastest growth segment of the PV industry and is expected to exceed 35% of the total by 2014 (Sources: Navigant Consulting and GTM Research, 2010).

sequel Power, a newly-formed Delaware limited liability company, will take over the existing projects, along with the technology, know-how and related infrastructure of se2quel Partners. Tegal has contributed $2 million in cash for a majority voting interest and an approximate 25% economic stake in the new company. As additional consideration, Tegal has granted warrants to purchase a total of 928,884 shares of Tegal common stock at an exercise price of $0.63 per share to se2quel Partners and se2quel Management GmbH, which represents approximately 11% of Tegal's total shares outstanding. Ferdinand Seemann will serve as the new company's full-time President & CEO, while Thomas Mika, President & CEO of Tegal, will serve as its Executive Chairman.

Prior to founding se2quel Partners in 2003, Ferdinand Seemann held senior positions in several leading technology companies, including Vice President of Lam Research Corporation, Executive Vice President of Mattson Technology, President & CEO of Steag Microtech and President and Owner of Seemann Engineering. Mr. Seemann holds a MSEE from the University of Regensburg in 1985, where he authored a Master's thesis entitled "Novel, Cost Efficient Photovoltaic Systems".

Dr. Stephan Mohren, founder of se2quel Management GmbH, will manage sequel Power's European operations under a management services contract with sequel Power. Dr. Mohren, a senior technology and finance executive, is the former President & CEO of Steag HamaTech AG, and served on the Boards of Directors of Steag Industrie AG and Nawotech GmbH. In addition, Dr. Mohren was a Venture Partner at Wellington Partners GmbH and an investment advisor to WestSteag Partners GmbH and Equita GmbH. He holds an MBA from the University of Sankt Gallen, Switzerland, and a PhD in Business Administration from University Saarbrücken.

Additional key members of the sequel Power team include Steven Bay and Karen Reinhardt, both coming over from se2quel Partners. Steven Bay joins the new company as its Chief Operating Officer. Mr. Bay is the former Representative Director and Executive Vice President at SEN Corporation in Tokyo, VP Marketing & Technology at Mattson Technology, CTO & VP Marketing & Technology at CFM Technologies, and President of RF Services, Inc. Mr. Bay holds a BA in Chemistry/Philosophy from Saint Louis University. Karen Reinhardt, sequel Power's Chief Technology Officer, has led se2quel Partners' efforts in solar process and manufacturing technology, including yield management, developing and implementing significant solar efficiency improvements in mass production lines at many locations throughout the world, including in China and South Korea. Formerly with Novellus Systems, Inc., Ms. Reinhardt is a recognized expert in wet processing for semiconductor manufacturing, having authored over 30 technical papers and two authoritative books on the subject. She is an ITRS roadmap executive and leader with multiple patents and holds a MS in Chemistry from Texas Tech University.

"With this initial investment by Tegal Corporation, we continue our transition from our current position as a third-tier supplier of semiconductor capital equipment to pursuing a leading role in green energy," said Thomas Mika, President & CEO of Tegal Corporation. "After extensive due diligence, we believe the projects in PV-based solar energy that sequel Power is initiating can make a true difference to the future of many countries looking to reduce their dependence on fossil fuels. The sequel Power model for large scale PV-based solar projects is unique in the industry and has won significant acclaim from governments, industrial companies and industry advocates for its innovation and prospect for success. By forming this new company with this talented team, we can capitalize on this opportunity in what we believe to be the most effective way possible for the benefit of our stockholders, which utilizes Tegal's capital equipment know-how, a portion of our cash and even potentially the tax benefits of our NOL's. We look forward to supporting the activities of sequel Power through our direct efforts and through related operations and investments we may make in the future."

"We enthusiastically welcome Tegal Corporation and Tom Mika to our team, said Ferdinand Seemann, President and CEO of sequel Power LLC. "Over the last couple years, we have demonstrated the potential of our unique model for large scale solar projects, while forming alliances with leaders in our field. We believe that sequel Power is in a very promising position to enter into three to four major projects in the United States and Latin America within the next year. We look forward to benefitting from Tom's active involvement in our development projects and in utilizing his extensive expertise in evaluating, structuring and financing complex business arrangements in multiple countries and cultures."

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 of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements, which are based on assumptions and describe our future plans, strategies and expectations, are generally identifiable in some instances 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, including, but not limited to industry conditions, economic conditions, acceptance of new technologies and market acceptance of products and services. All forward-looking statements attributable to Tegal Corporation or persons acting on its 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 Tegal'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.

Tegal-sequel Power Release 20 January 2011
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Tegal Contact:
Thomas Mika
President & CEO
Tel: +1 707 765-5630
Email: tmika@tegal.com
or
The Blueshirt Group
Chris Danne
Tel: +1 415 217-7722

sequel Power contact:
Ferdinand Seemann
President and CEO
Tel: +1 925 227-1190
Email: fseemann@sequelpower.com

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FINAL

FORMATION AND CONTRIBUTION AGREEMENT

by and among

SE2QUEL PARTNERS LLC,

TEGAL CORPORATION

and

SEQUEL POWER LLC

FORMATION AND CONTRIBUTION AGREEMENT

This Formation and Contribution Agreement (collectively with all schedules and exhibits hereto, this "Agreement"), dated as of January 14, 2011, is made and entered into by and among se2quel Partners LLC, a California limited liability company ("se2quel LLC"), Tegal Corporation, a Delaware corporation ("Tegal"), and sequel Power LLC, a newly formed Delaware limited liability company (the "Company"). se2quel LLC, Tegal and the Company are sometimes collectively referred to herein as the "Parties."

RECITALS:

WHEREAS, se2quel LLC has heretofore engaged in the business of promoting solar power plant development projects worldwide;

WHEREAS, Tegal designs, manufactures, markets and services best-of-breed Deep Reactive Ion Etching (DRIE) systems for the fabrication of advanced microelectromechanical systems (MEMS), power integrated circuits (ICs) and optoelectronic devices;

WHEREAS, the Parties have concluded that the endeavors of se2quel LLC and the related business property should be consolidated in a new Delaware limited liability company to be capitalized in accordance with the provisions of this Agreement; and

WHEREAS, in connection with the transactions contemplated by this Agreement, the Parties will enter into certain additional agreements as described herein.

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual promises of the parties hereto, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, intending to be legally bound, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

1.1 Defined Terms. As used in this Agreement:

"Action" means any action, claim, suit, litigation, proceeding (including, without limitation, any in front of the U.S. Patent and Trademark Office), hearing, labor dispute, arbitral action, governmental audit, inquiry, criminal prosecution, investigation, or unfair labor practice charge or complaint.

"Affiliate" means, with respect to any Person, any Person directly or indirectly controlling, controlled by or under common control with such Person. "Control", when used with respect to any Person, shall mean the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have the meanings correlative to the foregoing.

"Ancillary Agreements" mean the LLC Agreement, the Warrants, the Tegal Services Agreement, the Escrow Agreement, the Bill of Contribution, Transfer and Assignment, the Assumption Document and the other agreements and documents required hereunder to convey the se2quel LLC Assets to the Company.

"Assets" mean all right, title and interest in and to the properties, assets and rights of any kind, whether tangible or intangible, real or personal, including all of the right, title and interest in the following:

(a) all Contract Rights;

(b) all Books and Records;

(c) all Proprietary Rights;

(d) all Permits; and

(e) all goodwill related to the Business, as conducted prior to the Closing.

"Books and Records" means, with respect to any Person, (a) all records and lists pertaining primarily to the Assets or the business of such Person (including records and lists of customers, distributors, suppliers or), (b) all product, business and marketing plans, sales and promotional literature and artwork pertaining primarily to, or necessary for the operation of, the Assets or the business of such Person, (c) all books, ledgers, financial data, files, reports, product and design manuals, plans, drawings, technical manuals and operating records of every kind relating primarily to, or necessary for the operation of, the Assets or the business of such Person and (d) telephone and fax numbers used in the business of such Person, in each case whether maintained as hard copy or stored in computer memory.

"Business" means all activities proposed to be conducted by the Company after the Closing Date primarily associated with the promotion of solar power plant development projects worldwide and the development of self-sustaining businesses from such projects, including but not limited to activities relating to and supporting developing, building and operating solar photovoltaic fabrication facilities and solar farms and the consideration of other non-photovoltaic renewable energy projects.

"Closing Date" means the actual date that the Closing shall occur, which shall be the date of this Agreement or such other date as the Parties shall mutually agree upon.

"Code" means the Internal Revenue Code of 1986, as amended.

"Contract Rights" mean all rights and obligations under the Contracts.

"Contracts" means those agreements, contracts, leases, purchase orders, undertakings, covenants not to compete, employment agreements, confidentiality agreements, licenses, instruments, obligations and commitments required to be set forth in Section 4.8 of the se2quel LLC Disclosure Schedule.

"Court Order" means any judgment, decision, consent decree, injunction (whether preliminary, temporary or final), ruling or order of any United States federal, state or local or foreign court or governmental agency, department or authority that is binding on any Person or its property under applicable law.

"Default" means (a) a breach of or default under any Contract, (b) the occurrence of an event that with the passage of time or the giving of notice or both would constitute a breach of or default under any Contract or (c) the occurrence of an event that with or without the passage of time or the giving of notice or both would give rise to a right of termination, renegotiation or acceleration under any Contract or result in a modification of the terms thereof.

"Designated Employees" means those individuals required to be set forth in Section 4.12 of the se2quel LLC Disclosure Schedule.

"Escrow Agreement" means the Escrow Agreement, dated as of the date of this Agreement, among the Company, se2quel LLC, Tegal and Wells Fargo Bank, National Association, as Escrow Agent in the form attached hereto as Exhibit A.

"Encumbrance" means any claim, lien, pledge, option, charge, easement, security interest, deed of trust, mortgage, right-of-way, encroachment, building or use restriction, conditional sales agreement, encumbrance or other similar right, whether voluntarily incurred or arising by operation of law, and includes any agreement to give any of the foregoing in the future, and any contingent sale or other title retention agreement or lease in the nature thereof.

"LLC Agreement" means the Restated LLC Agreement of the Company dated as of the date of this Agreement.

"Liabilities" mean any direct or indirect liability, indebtedness, obligation, commitment, expense, claim, deficiency, guaranty or endorsement of or by any Person of any type, whether accrued, absolute, contingent, matured, unmatured, liquidated, unliquidated, known or unknown.

"Material Adverse Effect" or "Material Adverse Change" means any effect, circumstance or change which has, or is reasonably likely to have, a material adverse effect on the condition (financial or other), business, results of operations, prospects, assets, liabilities or operations of the Business.

"Nonvoting Units" shall have the meaning set forth in the LLC Agreement.

"Permits" mean, with respect to any Person, all licenses, permits, franchises, approvals, authorizations, consents or orders of, or filings with, any governmental authority, whether foreign, federal, state or local, necessary for the conduct or operation of the business or ownership of the Assets of such Person.

"Person" shall mean any natural person, partnership, trust, estate, association, limited liability company, corporation, Gesellschaft mit beschränkter Haftung, custodian, nominee, governmental instrumentality or agency, body politic or any other entity in its own or any representative capacity.

"Proprietary Rights" mean any or all of, and all rights in, arising out of, or associated with, the following: (a) U.S. and foreign patents and applications therefor and all reissues, divisions, renewals, extensions, provisionals, continuations and continuations-in-part thereof, (b) U.S. and foreign trademarks, service marks, trade dress, logos, trade names and corporate names and the goodwill associated therewith and registrations and applications for registration thereof, (c) U.S. and foreign copyrights and registrations and applications for registration thereof, (d) U.S. and foreign mask work rights and registrations and applications for registration thereof, (e) trade secrets, ideas, formulas, compositions, inventions (whether patentable or unpatentable and whether or not reduced to practice), know-how, technical data, works of authorship and confidential business information (including financial, marketing and business data, pricing and cost information, business and marketing plans and customer and supplier lists and information), (f) all computer software, including all source code, object code, firmware, development tools, files, records and data, all media on which any of the foregoing is recorded, all Web addresses, sites and domain names; (g) all databases and data collections and all rights therein throughout the world; (h) any similar, corresponding or equivalent rights to any of the foregoing, (i) licenses granting any rights with respect to any of the foregoing and (j) all drawings, designs, renderings, specifications and other documentation embodying or related to any of the foregoing.

"Regulations" mean any laws, statutes, ordinances, regulations, rules, notice requirements, court decisions, agency guidelines, principles of law and orders of any United States federal, state or local or foreign government and any other governmental department or agency, including, without limitation, environmental laws, energy, public utility, zoning, building and health codes, occupational safety and health and laws respecting employment practices, employee documentation, terms and conditions of employment and wages and hours.

"Representative" means any officer, director, partner, member, principal, attorney, agent, accountant, investment banker, employee or other representative.

"se2quel LLC Assets" means all Assets of se2quel LLC and its Affiliates used primarily in, or necessary to the operation of, the Business including, without limitation, the Assets set forth in Exhibit B.

"se2quel LLC Disclosure Schedule" means a schedule delivered by se2quel LLC which sets forth the exceptions to the representations and warranties contained in Article IV and certain other information called for by this Agreement attached to this Agreement as Exhibit C.

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

"Tax Return" means any report, return, document, declaration or other information or filing required to be supplied to any taxing authority or jurisdiction (foreign or domestic) with respect to Taxes, including information returns, any documents with respect to or accompanying requests for the extension of time in which to file any such report, return, document, declaration or other information.

"Taxes" mean any and all taxes, charges, fees, levies or other assessments, including without limitation, those imposed with respect to income, gross receipts, real, personal or intangible property, sales, value-added, withholding, employment, social security, retirement, unemployment, occupation, use, payroll, franchise and transfer, imposed by the Internal Revenue Service or any taxing authority (whether domestic or foreign, including any federal, state, county, local or foreign government or any subdivision or taxing agency thereof (including a U.S. possession)), whether computed on a separate, consolidated, unitary, combined or any other basis; and such term shall include any interest whether paid or received, fines, penalties or additional amounts attributable to, or imposed upon, or with respect to, any such taxes, charges, fees, levies or other assessments.

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

"Tegal Disclosure Schedule" means a schedule delivered by Tegal which sets forth the exceptions to the representations and warranties contained in Article VI and certain other information called for by this Agreement attached to this Agreement as Exhibit D.

"Tegal SEC Reports" means the quarterly, annual and other filings made by Tegal with the United States Securities Exchange Commission ("SEC") and available on the SEC's EDGAR database.

"Tegal Services Agreement" means the Services Agreement, dated as of the date of this Agreement, between the Company and Tegal in the form attached hereto as Exhibit E.

"Voting Units" shall have the meaning set forth in the LLC Agreement.

"Units" shall have the meaning set forth in the LLC Agreement.

"Warrant" means a warrant to purchase shares of Tegal Common Stock in the form attached hereto as Exhibit F.

1.2 Other Defined Terms. The following terms shall have the meanings defined for such terms in the Sections set forth below:

Term	Section
Agreement	Preamble
Assumed Liabilities	2.2
Assumption Document	3.2(a)(iii)
Bill of Contribution, Transfer and Assignment	3.2(a)(ii)
Closing	3.1
Company	Preamble
Confidential Information	13.12(b)
Damages	12.3(a)
Parties	Preamble
se2quel LLC	Preamble
se2quel LLC Proprietary Rights	4.16
se2quel LLC Securities	4.4(a)
Tegal	Preamble
Tegal Securities	5.4(a)

ARTICLE II

CONTRIBUTION OF ASSETS; CAPITALIZATION OF THE COMPANY

2.1 Contribution of Assets. Upon the terms and subject to the conditions contained in this Agreement, at the Closing, se2quel LLC will contribute, and effective as of the Closing, shall contribute, assign, convey, transfer and grant, to the Company, the se2quel LLC Assets free and clear of all Encumbrances, in exchange for the assumption of certain liabilities by the Company as provided in Section 2.2 and certain Units of the Company as provided in Section 2.3. Upon the terms and subject to the conditions contained in this Agreement, at the Closing, Tegal will contribute $2,000,000 in cash to the Company for working capital purposes in exchange for certain Units of the Company as provided in Section 2.3.

2.2 Assumption of Liabilities. Upon the terms and subject to the conditions contained in this Agreement, at the Closing, the Company shall assume the following, and only the following, Liabilities of se2quel LLC (the "Assumed Liabilities"):

(a) All Liabilities accruing, arising out of, or relating to events or occurrences happening after the Closing under the Contracts (but not including any Liability under any such Contract accruing, arising out of, or relating to events or occurrences happening, at or prior to the Closing);

(b) All Liabilities accruing, arising out of, or relating to events or occurrences happening after the Closing with respect to the Business (but not including any Liability with respect to the se2quel LLC Assets accruing, arising out of, or relating to events or occurrences happening, at or prior to the Closing); and

(c) All employment obligations identified in Section 8.6(a).

The Company will not assume or have any responsibility with respect to any other obligation or Liability of se2quel LLC or Tegal, including, without limitation, any indebtedness for borrowed money, any guaranty obligations, any professional fees and expenses related to the transactions contemplated by this Agreement, and any brokerage or investment banking fees.

2.3 Units. Upon the terms and subject to the conditions contained in this Agreement, at the Closing the Company shall issue:

(a) to se2quel LLC, (i) 25,000 Voting Units and (ii) 49,990 Nonvoting Units; and

(b) to Tegal, 25,010 Voting Units.

Upon the issuance of such Units, the holders thereof shall be entitled to the rights, privileges and preferences set forth in the LLC Agreement. At Closing, the capitalization of the Company shall be as set forth in Schedule A to the LLC Agreement.

2.4 Closing Costs; Transfer Taxes and Fees; Pro-ration. se2quel LLC shall be responsible for (i) any documentary and transfer taxes and any sales, use or other taxes (including withholding taxes) imposed by reason of the transfers of the se2quel LLC Assets provided hereunder and any deficiency, interest or penalty asserted with respect thereto, and (ii) the fees and costs of recording or filing all applicable conveyancing instruments described in Section 3.2. Except as expressly provided herein to the contrary, the Parties shall otherwise bear their own expenses as specified in Section 13.7. No filing regarding documentary, transfer, sales, use or other taxes imposed by reason of transfer of se2quel LLC Assets shall be made by the Company or any other Party without the prior review of the other Parties. The Company, on the one hand, and each of the Parties, on the other, shall negotiate in good faith to mutually agree on the basis of any allocations of basis or deemed purchase price required to arrive at any valuations upon which such taxes are based.

ARTICLE III

CLOSING

3.1 Closing. The Closing of the transactions contemplated herein (the "Closing") shall be held at 10:00 a.m. on the Closing Date at the offices of Goodwin Procter LLP located at 135 Commonwealth Drive, Menlo Park, CA 94025.

3.2 Conveyances at Closing.

(a) se2quel LLC Deliveries. To effect the contribution of the se2quel LLC Assets referred to in Section 2.1, se2quel LLC will, at the Closing, execute and deliver to the ther Parties:

(i) the LLC Agreement;

(ii) a bill of contribution, transfer and assignment, substantially in the form attached as Exhibit G ("Bill of Contribution, Transfer and Assignment"), conveying the se2quel LLC Assets;

(iii) an assumption document, substantially in the form attached as Exhibit H, evidencing the Company's assumption, pursuant to Section 2.2 of the Assumed Liabilities of se2quel LLC (the " Assumption Document"):

(iv) subject to Section 11.1, copies of all third party consents required for the valid contribution and transfer of the se2quel LLC Assets as contemplated by this Agreement;

(v) the Escrow Agreement; and

(vi) such other instruments as shall be reasonably required to vest in the Company title in and to the se2quel LLC Assets contributed and transferred to the Company in accordance with the provisions hereof.

(b) Tegal Deliveries. At the Closing, Tegal will execute and deliver to the other Parties:

(i) the LLC Agreement;

(ii) the Escrow Agreement; and

(iii) the Tegal Services Agreement.

In addition, at the Closing, Tegal will deliver (x) to the Company $2,000,000 in cash and (y) to each of se2quel LLC and se2quel Management GmbH a Warrant.

(c) The Company Deliveries. At the Closing, the Company shall execute and deliver to the other Parties:

(i) the LLC Agreement;

(ii) the Escrow Agreement;

(iii) the Tegal Services Agreement;

(iv) counterpart Assumption Document as described above;

(v) counterpart Bill of Contribution, Transfer and Assignment as described above; and

(vi) such other instruments as shall be reasonably required by this Agreement.

(d) Form of Instruments. To the extent that a form of any document to be delivered hereunder is not attached as an exhibit, such documents shall be in form and substance, and shall be executed and delivered in a manner, mutually satisfactory to the Parties.

(e) Affiliated Parties. To the extent a counterparty of any agreement required by this Agreement is an Affiliate of any party hereto, such party shall use its reasonable best efforts to cause its Affiliate to make the deliveries required by this Agreement.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SE2QUEL LLC

se2quel LLC hereby represents and warrants to the Company and Tegal as follows, which representations and warranties are, as of the date hereof, and will be, as of the Closing Date, true and correct, except as set forth in the se2quel LLC Disclosure Schedule:

4.1 Organization of se2quel LLC. se2quel LLC is a California limited liability company duly organized, validly existing and in good standing under the laws of California and has full power and authority to conduct its business as it is presently being conducted and to own and lease its properties and assets. se2quel LLC is duly qualified to do business as a foreign company and is in good standing in each jurisdiction where the character of its properties owned or leased or the nature of its activities make such qualification necessary, except where the failure to be so qualified or in good standing would not have a Material Adverse Effect.

4.2 Authorization. se2quel LLC has all requisite power and authority, and has taken all action necessary, to execute and deliver this Agreement and the Ancillary Agreements to which se2quel LLC is a party, to consummate the transactions contemplated hereby and thereby and to perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and the Ancillary Agreements to which it is a party by se2quel LLC and the consummation by se2quel LLC of the transactions contemplated hereby and thereby have been duly approved in accordance with its charter documents. No other proceedings on the part of se2quel LLC are necessary to authorize this Agreement and the Ancillary Agreements to which se2quel LLC is a party and the transactions contemplated hereby and thereby. This Agreement has been duly executed and delivered by se2quel LLC and is, and upon execution and delivery of the Ancillary Agreements to which se2quel LLC is a party each will be, legal, valid and binding obligations of se2quel LLC enforceable against se2quel LLC in accordance with its terms, as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally.

4.3 No Conflict or Violation; Consents. None of the execution, delivery or performance of this Agreement or any Ancillary Agreement to which se2quel LLC is a party, the consummation of the transactions contemplated hereby or thereby, nor compliance by se2quel LLC with any of the provisions hereof or thereof, will (a) violate or conflict with any provision of the charter documents of se2quel LLC, (b) violate, conflict with, result in a breach of or constitute a default (with or without notice of passage of time) under, or result in the termination of, or accelerate the performance required by, or result in a right to terminate, accelerate or modify under, or require a notice under, or result in the creation of any Encumbrance upon any of the se2quel LLC Assets under, any contract, lease, sublease, license, sublicense, franchise, patent, permit, indenture, agreement or mortgage for borrowed money, instrument of indebtedness, security interest or other arrangement to which se2quel LLC is a party or by which it is bound or to which any of its assets are subject, (c) violate any Regulation or Court Order or (d) impose any Encumbrance on any se2quel LLC Assets or the Business. No notices to, declaration, filing or registration with, approvals or consents of, or assignments by, any Persons (including any United States federal, state or local or foreign governmental or administrative authorities) are necessary to be made or obtained by se2quel LLC in connection with the execution, delivery or performance of this Agreement or any Ancillary Agreement to which se2quel LLC is a party.

4.4 Securities Law Matters.

(a) se2quel LLC represents that it has satisfied itself as to the full observance of all applicable laws in connection with the acquisition of Units, the Warrant and the Tegal Common Stock issuable upon exercise of the Warrant by it in accordance with this Agreement (collectively, the "se2quel LLC Securities"), including (i) the legal requirements for the purchase thereof, (ii) any governmental or other consents that may need to be obtained and (iii) the income tax and other tax consequences, if any, that may be relevant to the purchase thereof.

(b) se2quel LLC is acquiring the se2quel LLC Securities for investment for its own account and not with a view to, or for resale in connection with, the distribution thereof in contravention of any legal requirement.

(c) se2quel LLC's knowledge and experience in financial and business matters, are such that it is capable of evaluating the merits and risks of its acquisition of the se2quel LLC Securities. se2quel LLC is a sophisticated Person and is relying upon its due diligence investigation.

(d) se2quel LLC's financial condition is such that it can afford to bear the economic risk of holding the se2quel LLC Securities for an indefinite period of time and has adequate means for providing for its current needs and contingencies and to suffer a complete loss of its investment in the se2quel LLC Securities.

(e) se2quel LLC is an "accredited investor" as defined in Rule 501 under the Securities Act.

(f) se2quel LLC has been advised that (i) the se2quel LLC Securities have not been registered under the Securities Act, (ii) the se2quel LLC Securities may need to be held indefinitely, and se2quel LLC must continue to bear the economic risk of the investment in the se2quel LLC Securities unless they are subsequently registered under the Securities Act or an exemption from such registration is available, (iii) there is no a public market for the se2quel LLC Securities and no assurance can be provided that such a market will develop, (iv) when and if the se2quel LLC Securities may be disposed of without registration in reliance on Rule 144 promulgated under the Securities Act, such disposition can be made only in limited amounts in accordance with the terms and conditions of such Rule and (v) if the Rule 144 exemption is not available, public sale without registration will require compliance with an exemption under the Securities Act.

4.5 Absence of Certain Changes or Events. Since January 1, 2010, there has not been any:

(a) Material Adverse Change with respect to any se2quel LLC Assets;

(b) contribution, sale, assignment or transfer of any se2quel LLC Asset;

(c) destruction, damage to, or loss of any se2quel LLC Asset (whether or not covered by insurance) that materially and adversely affects such se2quel LLC Asset; or

(d) agreement by se2quel LLC to do, or that would result in, any of the things described in the preceding clauses (a) through (c) other than as expressly provided for in this Agreement.

4.6 Assets. se2quel LLC has, and will contribute and transfer to the Company, good and marketable title to the se2quel LLC Assets and upon the consummation of the transactions contemplated hereby, the Company will acquire good and marketable title to all of the se2quel LLC Assets, free and clear of any Encumbrances. No other Person has any interest in the se2quel LLC Assets. The se2quel LLC Assets include all property, rights and assets necessary for, and primarily used in, the normal conduct of the Business. All tangible assets and properties which are part of the se2quel LLC Assets are in good operating condition and repair.

4.7 Undisclosed Liabilities. There are no Liabilities relating to the se2quel LLC Assets that have not been disclosed to the Company in the se2quel LLC Disclosure Schedule.

4.8 Contracts and Commitments. se2quel LLC has delivered to the Company and Tegal true, correct and complete copies of all of the Contracts included in the se2quel LLC Assets, including all amendments and supplements thereto. Each such Contract has either been validly assigned to the Company or the Company has been granted a sublicense of sufficient scope under such Contract to operate the Business following the Closing. All of such Contracts are valid, binding and enforceable in accordance with their terms, as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally. To se2quel LLC's knowledge, no existing or threatened Default or dispute exists with respect to any such Contract. se2quel LLC has fulfilled, or taken all action necessary to enable it to fulfill when due, all of its obligations under each of such Contracts to be performed prior to the Closing Date. To se2quel LLC's knowledge, all parties to such Contracts have complied with the provisions thereof, no party is in Default thereunder and no notice of any claim of Default has been given to se2quel LLC. se2quel LLC has no reason to believe that the products and services called for by any unfinished Contract cannot be supplied in accordance with the terms of such Contract, including time specifications. No consent of any third party is required for the assignment of any such Contract to the Company.

4.9 Permits. se2quel LLC possesses all Permits required under any Regulation in its operation of the Business or ownership of the se2quel LLC Assets prior to the Closing, free and clear of all Encumbrances. se2quel LLC is not in Default, nor has se2quel LLC received any notice of any claim of Default, with respect to any such Permit. All such Permits are renewable by their terms or in the ordinary course of business without the need to comply with any special qualification procedures or to pay any amounts other than routine filing fees and will not be adversely affected by the completion of the transactions contemplated by this Agreement or the Ancillary Agreements.

4.10 Books and Records. se2quel LLC has made and kept (and given and will continue to give the Company access to) Books and Records and accounts, which, in reasonable detail, accurately reflect in all material respects the activities of se2quel LLC in connection with the se2quel LLC Assets and the Business.

4.11 Litigation. There are no Actions pending, threatened or anticipated against, related to or affecting the Business or the se2quel LLC Assets or seeking to delay, limit or enjoin the transactions contemplated by this Agreement or any Ancillary Agreement. se2quel LLC is not in Default with respect to or subject to any Court Order, and there are no unsatisfied judgments against se2quel LLC with respect to the Business or the se2quel LLC Assets.

4.12 Labor Matters. Section 4.12 of the se2quel LLC Disclosure Schedule sets forth the names of all present employees of se2quel LLC who will become employees of the Company and their current salary or hourly wages and other compensation from se2quel LLC and all material terms, conditions and other requirements related to the employment or retention of each such person, whether written or oral, including, without limitation, any and all obligations of se2quel LLC with respect to compensation, benefits, term of employment, compensation upon termination, geographical limitations on place of employment and employment policies of general or specific application.

4.13 Compliance with Law. se2quel LLC has conducted the Business in compliance with all applicable Regulations and Court Orders. se2quel LLC has not received any notice to the effect that, or has otherwise been advised that, it is not in compliance with any such Regulations or Court Orders.

4.14 No Brokers. Except for GrowthPoint Technology Partners, neither se2quel LLC nor any of its Affiliates, representatives or employees has employed or made any agreement with any broker, finder or similar agent or any Person in connection with the transactions contemplated hereby.

4.15 No Other Agreements to Contribute, Transfer or Sell the Se2quel LLC Assets. Neither se2quel LLC nor any of its Affiliates, representatives or employees has any commitment or legal obligation, absolute or contingent, to any other Person other than the Company to contribute, sell, assign, transfer or effect a sale of any of the se2quel LLC Assets. se2quel LLC is under no commitment or legal obligation to contribute, sell, assign, transfer or effect a sale or other disposition of any of the se2quel LLC Securities to be received by it pursuant to Section 2.3 of this Agreement to any other Person.

4.16 Proprietary Rights.

(a) General. Section 4.16 of the se2quel LLC Disclosure Schedule lists all Proprietary Rights included in the se2quel LLC Assets (the "se2quel LLC Proprietary Rights"). True and correct copies of all registrations, issued patents, pending applications, file histories, invention disclosures, prototypes, drawings and other documentation and tangible embodiments of works of authorship pertaining to or embodying the se2quel LLC Proprietary Rights have been delivered to the Company and Tegal.

(b) Adequacy. The se2quel LLC Proprietary Rights constitute (i) all those Proprietary Rights used primarily in connection with the Business and (ii) all those Proprietary Rights necessary for the normal conduct of the Business.

(c) Royalties and Licenses; Non-Infringement. There exists no contractual obligation to compensate any Person for the use of any se2quel LLC Proprietary Rights nor has there been granted to any Person any license, option or other rights to use in any manner any of such Proprietary Rights, whether requiring the payment of royalties or not. There exists no contractual obligation, including any covenant not to compete or exclusive license, that would restrict the Company's operation of the Business. To the knowledge of se2quel LLC, the contemplated conduct of the Business from and after the Closing (including, without limitation, exploitation of the se2quel LLC Assets by the Company as presently contemplated) will not infringe, the Proprietary Rights of any third party.

(d) Ownership. se2quel LLC owns or has a valid right to use the se2quel LLC Proprietary Rights and to contribute, transfer or license, as the case may be, such Proprietary Rights to the Company at the Closing, and such Proprietary Rights will not cease to be valid rights of se2quel LLC (or upon the Closing, of the Company) by reason of the execution, delivery and performance of this Agreement or the Ancillary Agreements or the consummation of the transactions contemplated hereby or thereby.

(e) Absence of Claims. se2quel LLC has not received any notice of (A) alleged invalidity with respect to any se2quel LLC Proprietary Rights or (B) alleged infringement of any rights of others due to any activity by se2quel LLC. To se2quel LLC's knowledge, se2quel LLC's use, and the Company's use after the Closing in the conduct of the Business as currently contemplated, of the se2quel LLC Proprietary Rights do not and will not infringe upon or otherwise violate the valid rights of any third party anywhere in the world. No Person (i) has notified se2quel LLC that it is claiming any ownership of or right to use any se2quel LLC Proprietary Rights or (ii) to se2quel LLC's knowledge, is infringing upon any such Proprietary Rights in any way.

(f) Protection of Proprietary Rights. se2quel LLC has taken commercially reasonable and prudent steps to protect the se2quel LLC Proprietary Rights from infringement by any other Person. All of the pending applications for the se2quel LLC Proprietary Rights have been duly filed. se2quel LLC has taken commercially reasonable steps necessary or appropriate to safeguard and maintain the secrecy and confidentiality of, and the proprietary rights in, all se2quel LLC Proprietary Rights. Upon Closing, the Company will succeed to all of se2quel LLC's right, title and interest in the se2quel LLC Proprietary Rights.

4.17 Material Misstatements or Omissions. No representations or warranties by se2quel LLC in this Agreement, nor any Ancillary Agreement, document, written information, exhibit, statement, certificate or schedule heretofore or hereinafter furnished by se2quel LLC or any of its Representatives to Tegal or any of its Representatives pursuant hereto, or in connection with the transactions contemplated hereby or by the Ancillary Agreements, including the se2quel LLC Disclosure Schedule, contains or will contain any untrue statement of a material fact, or omits or will omit to state any material fact necessary to make the statements or facts contained therein not misleading.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF TEGAL

Tegal hereby represents and warrants to se2quel LLC and the Company as follows, which representations and warranties are, as of the date hereof, and will be, as of the Closing Date, true and correct, except as set forth in the Tegal Disclosure Schedule or the Tegal SEC Reports:

5.1 Organization of Tegal. Tegal is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has full power and authority to conduct its business as it is presently being conducted and to own and lease its properties and assets. Tegal is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the character of its properties owned or leased or the nature of its activities make such qualification necessary, except where the failure to be so qualified or in good standing would not have a Material Adverse Effect.

5.2 Authorization. Tegal has all requisite power and authority, and has taken all action necessary, to execute and deliver this Agreement and the Ancillary Agreements to which Tegal is a party, to consummate the transactions contemplated hereby and thereby and to perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and the Ancillary Agreements to which Tegal is a party by Tegal and the consummation by Tegal of the transactions contemplated hereby and thereby have been duly approved in accordance with its certificate of incorporation and bylaws. No other proceedings on the part of Tegal are necessary to authorize this Agreement and the Ancillary Agreements to which Tegal is a party and the transactions contemplated hereby and thereby. This Agreement has been duly executed and delivered by Tegal and is, and upon execution and delivery of the Ancillary Agreements to which Tegal is a party each will be, legal, valid and binding obligations of Tegal enforceable against Tegal in accordance with its terms, as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally.

5.3 No Conflict or Violation: Consents. None of the execution, delivery or performance of this Agreement or any Ancillary Agreement to which Tegal is a party, the consummation of the transactions contemplated hereby or thereby, nor compliance by Tegal with any of the provisions hereof or thereof, will (a) violate or conflict with any provision of the certificate of incorporation or bylaws of Tegal, (b) violate, conflict with, result in a breach of or constitute a default (with or without notice of passage of time) under, or result in the termination of, or accelerate the performance required by, or result in a right to terminate, accelerate or modify under, or require a notice under, any contract, lease, sublease, license, sublicense, franchise, patent, permit, indenture, agreement or mortgage for borrowed money, instrument of indebtedness, security interest or other arrangement to which Tegal is a party or by which it is bound or to which any of its assets are subject, (c) violate any Regulation or Court Order or (d) impose any Encumbrance on the Business. No notices to, declaration, filing or registration with, approvals or consents of, or assignments by, any Persons (including any United States federal, state or local or foreign governmental or administrative authorities) are necessary to be made or obtained by Tegal in connection with the execution, delivery or performance of this Agreement or any Ancillary Agreement to which Tegal is a party.

5.4 Securities Law Matters.

(a) Tegal represents that it has satisfied itself as to the full observance of the laws of its jurisdiction in connection with the acquisition of Units (the "Tegal Securities"), including (i) the legal requirements within its jurisdiction for the purchase thereof, (ii) any governmental or other consents that may need to be obtained and (iii) the income tax and other tax consequences, if any, that may be relevant to the purchase thereof.

(b) Tegal is acquiring the Tegal Securities for investment for its own account and not with a view to, or for resale in connection with, the distribution thereof in contravention of any legal requirement.

(c) Tegal's knowledge and experience in financial and business matters are such that it is capable of evaluating the merits and risks of its acquisition of the Tegal Securities. Tegal is a sophisticated Person and is relying upon its due diligence investigation.

(d) Tegal's financial condition is such that it can afford to bear the economic risk of holding the Tegal Securities for an indefinite period of time and has adequate means for providing for its current needs and contingencies and to suffer a complete loss of its investment in the Tegal Securities.

(e) Tegal is an "accredited investor" as defined in Rule 501 under the Securities Act.

(f) Tegal has been advised that (i) the Tegal Securities have not been registered under the Securities Act, (ii) the Tegal Securities may need to be held indefinitely, and Tegal must continue to bear the economic risk of the investment in the Tegal Securities unless they are subsequently registered under the Securities Act or an exemption from such registration is available, (iii) there is no a public market for the Tegal Securities and no assurance can be provided that such a market will develop, (iv) when and if the Tegal Securities may be disposed of without registration in reliance on Rule 144 promulgated under the Securities Act, such disposition can be made only in limited amounts in accordance with the terms and conditions of such Rule and (v) if the Rule 144 exemption is not available, public sale without registration will require compliance with an exemption under the Securities Act.

5 . 5 Absence of Material Adverse Change Changes or Events. Since January 1, 2010, there has not been any Material Adverse Change with respect to Tegal.

5 . 6 Litigation. There are no Actions pending, threatened or anticipated against Tegal seeking to delay, limit or enjoin the transactions contemplated by this Agreement or any Ancillary Agreement. Tegal is not in Default with respect to or subject to any Court Order.

5.7 No Brokers. Neither Tegal nor any of its officers, directors, employees or Affiliates has employed or made any agreement with any broker, finder or similar agent or any Person in connection with the transactions contemplated hereby.

5.8 Material Misstatements or Omissions. ARTICLE VI No representations or warranties by Tegal in this Agreement, nor any Ancillary Agreement, document, written information, exhibit, statement, certificate or schedule heretofore or hereinafter furnished by Tegal or any of its Representatives to se2quel LLC, and/or the Company pursuant hereto, or in connection with the transactions contemplated hereby or by the Ancillary Agreements, including the Tegal Disclosure Schedule, contains or will contain any untrue statement of a material fact, or omits or will omit to state any material fact necessary to make the statements or facts contained therein not misleading.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to Tegal as follows, which representations and warranties will be, as of the Closing Date, true and correct:

7 . 1 Organization of the Company. The Company is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. The Company has full power and authority to conduct its business as presently conducted by it and to own and lease its properties and assets. The Company is duly qualified to do business as a foreign limited liability company and is in good standing in each jurisdiction where the character of its properties owned or leased or the nature of its activities make such qualification necessary, except where the failure to be so qualified or in good standing would not have a Material Adverse Effect. Prior to the execution of this Agreement, the Company has not engaged in any substantive business activities.

7 . 2 Authorization. The Company has all requisite power and authority, and has taken all action necessary, to execute and deliver this Agreement and the Ancillary Agreements to which the Company is a party, to consummate the transactions contemplated hereby and thereby and to perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and the Ancillary Agreements to which the Company is a party by the Company and the consummation by the Company of the transactions contemplated hereby and thereby have been duly approved in accordance with its operating agreement. No other proceedings on the part of the Company are necessary to authorize this Agreement and the Ancillary Agreements to which the Company is a party and the transactions contemplated hereby and thereby. This Agreement has been duly executed and delivered by the Company and is, and upon execution and delivery the Ancillary Agreements to which the Company is a Party each will be, legal, valid and binding obligations of the Company, enforceable against the Company in accordance with its terms, as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally.

7.3 No Conflict or Violation; Consents. None of the execution, delivery or performance of this Agreement or any Ancillary Agreement to which the Company is a party, the consummation of the transactions contemplated hereby or thereby, nor compliance by the Company with any of the provisions hereof or thereof, will (a) violate or conflict with any provision of the certificate of formation or operating agreement of the Company, (b) violate, conflict with, or result in a breach of or constitute a default (with or without notice of passage of time) under, or result in the termination of, or accelerate the performance required by, or result in a right to terminate, accelerate or modify under, or require a notice under, or result in the creation of any Encumbrance upon any of the Company's assets under, any contract, lease, sublease, license, sublicense, franchise, permit, indenture, agreement or mortgage for borrowed money, instrument of indebtedness, security interest or other arrangement to which the Company is a party or by which it is bound or to which any of its assets are subject or (c) violate any Regulation or Court Order. No notices to, declaration, filing or registration with, approvals or consents of, or assignments by, any Persons (including any United States federal, state or local or foreign governmental or administrative authorities) are necessary to be made or obtained by the Company in connection with the execution, delivery or performance of this Agreement or any Ancillary Agreement to which the Company is a party.

7.4 Litigation. There are no Actions pending, threatened or anticipated against, related to or affecting the Company seeking to delay, limit or enjoin the transactions contemplated by this Agreement or any Ancillary Agreement.

7.5 No Brokers. Neither the Company nor any of its officers, directors, employees or Affiliates has employed or made any agreement with any broker, finder or similar agent or any in connection with the transactions contemplated hereby.

7.6 Material Misstatements or Omissions. No representations or warranties by the Company in this Agreement, nor any Ancillary Agreement, document, written information, exhibit, statement, certificate or schedule heretofore or hereinafter furnished by the Company or any of its Representatives to Tegal or any of its Representatives pursuant hereto, or in connection with the transactions contemplated hereby or by the Ancillary Agreements, contains or will contain any untrue statement of a material fact, or omits or will omit to state any material fact necessary to make the statements or facts contained therein not misleading.

ARTICLE VIII

COVENANTS OF THE PARTIES

se2quel LLC, Tegal and the Company covenant with each other Party as follows:

8.1 Further Assurances. Upon the terms and subject to the conditions contained herein, the Parties agree, in each case both before and after the Closing, (i) to use all reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement and the Ancillary Agreements, (ii) as promptly as practicable to negotiate in good faith, document, and execute any documents, instruments or conveyances of any kind (including, without limitation, the Ancillary Agreements) which may be reasonably necessary or advisable to carry out any of the transactions contemplated hereunder and thereunder, and (iii) to reasonably cooperate with each other in connection with the foregoing. Without limiting the foregoing, the Parties agree to (A) obtain all necessary waivers, consents and approvals from other parties to the Contracts to be assumed by, or transferred to, the Company, (B) obtain all necessary Permits as are required to be obtained under any Regulations, (C) give all notices to, and make all registrations and filings with third parties, including submissions of information requested by governmental authorities, and (D) fulfill all conditions to this Agreement. The undertakings made in this Section 8.1 are a material element of this contract and also constitute the agreement by each Party to cause its controlled Affiliates to comply herewith.

8 . 2 No Solicitation. From the date hereof through the Closing or the earlier termination of this Agreement, none of the Parties nor any of their respective Representatives shall, and each Party shall cause its Representatives not to, directly or indirectly, enter into, solicit, initiate or continue any discussions or negotiations with, or encourage any inquiries or proposals by, or participate in any negotiations with, or provide any information to, or otherwise cooperate in any other way with, any Person or group, other than the Company and its Representatives, concerning any sale of all or any portion of the se2quel LLC Assets or the Business.

8.3 Notification of Certain Matters. From the date hereof through the Closing, each Party shall give prompt notice to all other Parties of (a) the occurrence, or failure to occur, of any event which occurrence or failure would be likely to cause any representation or warranty of such Party contained in this Agreement or in any Ancillary Agreement, exhibit or schedule to be untrue or inaccurate and (b) any failure of any Party or of any of its respective Affiliates or Representatives to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it under this Agreement or any Ancillary Agreement, exhibit or schedule; *provided, however*, that such disclosure shall not be deemed to cure any breach of a representation, warranty, covenant or agreement or to satisfy any condition. Each Party shall promptly notify each other Party of any Default, the threat or commencement of any Action, or any development that occurs before the Closing that could reasonably be expected to result in a Material Adverse Effect.

8 . 4 Investigation by The Company. From the date hereof through the Closing Date the Parties shall, and shall cause their respective officers, employees and agents to, afford the Representatives of the Company and each other Party and its Affiliates and its and their Representatives complete access at all reasonable times to the Business, the se2quel LLC Assets and Assumed Liabilities for the purpose of inspecting the same, and to the officers, employees, agents, attorneys, accountants, properties, Books and Records and Contracts of each Party pertaining thereto, and shall furnish the Company and each other Party and its Affiliates and its and their Representatives all financial, operating and other data and information (including with respect to Proprietary Rights) as such may reasonably request.

8 . 5 Conduct of Business by se2quel LLC. From the date hereof through the Closing, se2quel LLC shall operate the Business, except as contemplated by this Agreement or as consented to by the other Parties in writing, in the ordinary course of business and in accordance with past practice and will not take any action inconsistent with this Agreement, the Ancillary Agreements or the consummation of the Closing.

8.6 Employee Matters.

(a) The Company agrees to make an offer of employment to each Designated Employee on terms no less favorable than presently applicable to such Designated Employee. se2quel LLC shall terminate the employment of all Designated Employees immediately prior to the Closing and shall cooperate with and use their commercially reasonable efforts to assist the Company in its efforts to secure satisfactory employment arrangements with the Designated Employees. In the event any Designated Employee does not accept employment with the Company as provided above, se2quel LLC will be responsible for any related severance obligation or to retain the employment of such person.

(b) Nothing contained in this Agreement shall confer upon any Designated Employee any right with respect to employment, or continuance thereof, with the Company, nor shall anything herein interfere with the right of the Company to terminate the employment of any Designated Employee at any time, with or without cause, or restrict the Company in the exercise of its independent business judgment in modifying any of the terms and conditions of the employment of any Designated Employee.

8.7 Tax Reporting Cooperation. Each Party agrees that it shall treat the transactions contemplated under Article II of this Agreement as a contribution of cash or property, as applicable, to the Company in exchange for Units under Code § 721(a) followed by an exchange of a portion of the Voting Units received by se2quel LLC for the Warrants. No Party shall take a position inconsistent with such treatment except as otherwise required to the contrary by a final determination of a relevant taxing authority. The Parties agree that the fair market value of each Warrant is $115,000, and no Party shall take any position to the contrary.

8.8 Financial Statements. In the event that the Company concludes that it is necessary or advisable to prepare financial statements regarding the Business for any periods prior to Closing, se2quel LLC agrees to cooperate with the Company, provide it with reasonable access to appropriate financial records and personnel in a manner not disruptive to ordinary business activities and direct its independent accountants to assist the Company. Any fees and expenses of the outside independent accountants shall be paid by the Company.

ARTICLE IX

CONDITIONS TO THE OBLIGATIONS OF SE2QUEL LLC

The obligations of se2quel LLC to consummate the transactions provided for hereby are subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions, any of which may be waived in its discretion:

9.1 Representations. Warranties and Covenants. All representations and warranties of Tegal contained in this Agreement and the Ancillary Agreements shall be true and correct at and as of the date of this Agreement and at and as of the Closing as though made on and as of such date. Tegal shall have performed and satisfied in all material respects all agreements and covenants required hereby to be performed by it prior to or on the Closing.

9.2 Consents; Regulatory Compliance and Approval. All consents, approvals and waivers from governmental authorities necessary to permit se2quel LLC to contribute the se2quel LLC Assets to the Company as contemplated hereby shall have been obtained, all approvals required under any Regulations to carry out the transactions contemplated by this Agreement and the Ancillary Agreements shall have been obtained and the Parties shall have complied with all Regulations applicable to the transactions contemplated hereby and thereby.

9.3 No Court Orders. There shall not be any Regulation or Court Order that makes the transactions contemplated hereby and by the Ancillary Agreements illegal or otherwise prohibited.

9.4 Ancillary Agreements. Tegal shall have executed and delivered to se2quel LLC this Agreement and the Ancillary Agreements to which Tegal is a party.

9.5 Other Actions. All actions to be taken by Tegal in connection with the consummation of the transactions contemplated hereby and all certificates, instruments and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to se2quel LLC.

ARTICLE X

CONDITIONS TO THE OBLIGATIONS OF TEGAL

The obligations of Tegal to consummate the transactions provided for hereby are subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions, any of which may be waived in its discretion:

10.1 Representations. Warranties and Covenants. All representations and warranties of se2quel LLC and the Company contained in this Agreement and the Ancillary Agreements shall be true and correct at and as of the date of this Agreement and at and as of the Closing as though made on and as of such date. Each of se2quel LLC and the Company shall have performed and satisfied in all material respects all agreements and covenants required hereby to be performed by it prior to or on the Closing.

10.2 Consents; Regulatory Compliance and Approval. All consents, approvals and waivers from governmental authorities necessary to permit Tegal to perform its obligations under this Agreement shall have been obtained, all approvals required under any Regulations to carry out the transactions contemplated by this Agreement and the Ancillary Agreements shall have been obtained and the Parties shall have complied with all Regulations applicable to the transactions contemplated hereby and thereby,

10.3 No Court Orders. There shall not be any Regulation or Court Order that makes the transactions contemplated hereby and by the Ancillary Agreements illegal or otherwise prohibited.

10.4 Ancillary Agreements. Each of se2quel LLC and the Company shall have executed and delivered to Tegal the Ancillary Agreements to which it is a party.

10.5 Other Actions. All actions to be taken by each of se2quel LLC and the Company in connection with the consummation of the transactions contemplated hereby and all certificates, instruments and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to Tegal.

ARTICLE XI

CONSENTS TO ASSIGNMENT

11.1 Consents to Assignment. Anything in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any Contract, Permit or any claim or right or any benefit arising thereunder or resulting therefrom if an attempted assignment thereof, without the consent of a party thereto, would constitute a Default thereof or in any way adversely affect the rights of the Company thereunder. If such consent is not obtained, or if an attempted assignment thereof would be ineffective or would affect the rights thereunder so the Company would not receive all such rights, the Parties will cooperate, in all reasonable respects, to provide to the Company the benefits under any such Contract, Permit or any claim or right, including enforcement for the benefit of the Company of any and all rights of se2quel LLC against a third party thereto arising out of the Default or cancellation by such third party or otherwise.

ARTICLE XII

ACTIONS BY THE PARTIES AFTER THE CLOSING

12.1 Books and Records; Tax Matters.

(a) Books and Records. Each Party agrees that it will cooperate with and make available to the Company, during normal business hours, all books and records, information and employees (without substantial disruption of employment) retained and remaining in existence after the Closing which are necessary or useful in connection with any tax inquiry, employee matter, audit, investigation or dispute or any other investigation or litigation or for any other appropriate administrative purpose.

(b) Cooperation and Records Retention. The Parties shall (i) each provide the Company with such assistance as may reasonably be requested by any of them in connection with the preparation of any return, audit, or other examination by any taxing authority or judicial or administrative proceedings relating to Liability for Taxes, (ii) each retain and provide the Company with any records or other information that may be relevant to such return, audit or examination, proceeding or determination, and (iii) each provide the Company with any final determination of any such audit or examination, proceeding, or determination that affects any amount required to be shown on any Tax Return of the Company for any period. Without limiting the generality of the foregoing, each Party shall each retain, until the applicable statutes of limitations (including any extensions) have expired, copies of all Tax Returns, supporting work schedules, and other records or information that may be relevant to such returns for all tax periods or portions thereof ending on or before the Closing Date and shall not destroy or otherwise dispose of any such records.

1 2 . 2 Survival of Representations. All of the representations and warranties made by the Parties in this Agreement or in any exhibit, schedule, disclosure schedule or certificate delivered by any such Party pursuant hereto shall survive the Closing until (and claims based upon or arising out of such representations and warranties may be asserted at any time before) the one-year anniversary of the Closing, except with respect to (A) the representations and warranties set forth in Sections 4.2 and 5.2 (Authorization) and Section 4.6 (Assets), which shall survive in perpetuity. The termination of the representations and warranties provided herein shall not affect any claim made in reasonable detail prior to the expiration of the applicable survival period provided herein.

12.3 Indemnification.

(a) By se2quel LLC. se2quel LLC shall indemnify, save and hold harmless Tegal and its Affiliates and Representatives from and against any and all costs, losses (including diminution in value), Taxes, Liabilities, obligations, damages, lawsuits, deficiencies, claims, demands, and expenses (whether or not arising out of third-party claims), including interest, penalties, reasonable attorneys' fees and all amounts paid in investigation, defense or settlement of any of the foregoing, in each case after taking into account any insurance proceeds actually received by any such indemnified Person (herein, "Damages"), incurred in connection with, arising out of, resulting from or incident to:

(i) any breach of any representation or warranty or the inaccuracy of any representation or warranty, made by se2quel LLC or the Company in this Agreement or in any Ancillary Agreement;

(ii) any breach of any covenant or agreement made by se2quel LLC or the Company in this Agreement or in any Ancillary Agreement; and

(iii) any Liability of se2quel LLC, other than Assumed Liabilities.

(b) By Tegal. Tegal shall indemnify, save and hold harmless se2quel LLC and its respective Affiliates and Representatives from and against any and all Damages incurred in connection with, arising out of, resulting from or incident to:

(i) any breach of any representation or warranty or the inaccuracy of any representation or warranty, made by Tegal in this Agreement or in any Ancillary Agreement;

(ii) any breach of any covenant or agreement made by Tegal in this Agreement or in any Ancillary Agreement; and

(iii) any Liability of Tegal.

(c) The term "Damages" as used in this Section 12.3 is not limited to matters asserted by third parties against an indemnified Person, but includes Damages incurred or sustained by the indemnified Person in the absence of third party claims. The indemnification provisions hereof shall be in addition to any other remedy available to any indemnified Person.

(d) Procedure for Claims between Parties. If a claim for Damages is to be made by a Party entitled to indemnification hereunder, the Party claiming such indemnification shall give written notice to the indemnifying Person as soon as practicable after the indemnified Person becomes aware of any fact, condition or event which may give rise to Damages for which indemnification may be sought under this Section 12.3. Any failure to submit any such notice of claim to the indemnifying Person shall not relieve the indemnifying Person of any liability hereunder, except to the extent the indemnifying Person is actually prejudiced by such failure. The indemnifying Person shall be deemed to have accepted the notice of claim and to have agreed to pay the Damages at issue if the indemnifying Person does not send a notice of disagreement to the indemnified Person within 15 days after receiving the notice of claim. In the case of a disputed claim, the Parties shall use commercially reasonable efforts to resolve the matter internally on an expeditious basis and in any event within 45 days after the notice is received by the indemnifying Person.

(e) Defense of Third Party Claims. If any lawsuit or enforcement action is filed against any indemnified Person, written notice thereof shall be given to the indemnifying Person as promptly as practicable (and in any event within 15 days after the service of the citation or summons). The failure of any indemnified Person to give timely notice hereunder shall not affect rights to indemnification hereunder, except to the extent that the indemnifying Person demonstrates that it was actually prejudiced by such failure. After such notice, if the indemnifying Person acknowledges in writing to the indemnified Person that the indemnifying Person shall be obligated under the terms of its indemnity hereunder in connection with such lawsuit or action and demonstrates to the reasonable satisfaction of the indemnified Person the financial capacity to defend and resolve such lawsuit or action, then the indemnifying Person shall be entitled, if it so elects at its own cost, risk and expense, (i) to take control of the defense and investigation of such lawsuit or action, (ii) to employ and engage attorneys of its own choice to handle and defend the same unless the named parties to such action or proceeding include both an indemnifying Person and the indemnified Person and the indemnified Person has been advised by counsel that there may be one or more legal defenses available to such indemnified Person that are different from or additional to those available to the indemnifying Person, in which event the indemnified Person shall be entitled, at the indemnifying Person's cost, risk and expense, to separate counsel of its own choosing, and (iii) to compromise or settle such claim, which compromise or settlement shall be made only with the written consent of the indemnified Person, such consent not to be unreasonably withheld. The indemnified Person shall cooperate in all reasonable respects with the indemnifying Person and its attorneys in the investigation, trial and defense of such lawsuit or action and any appeal arising therefrom; provided, however, that the indemnified Person may, at its own cost, participate in the investigation, trial and defense of such lawsuit or action and any appeal arising therefrom. The Parties shall cooperate with each other in any notifications to insurers. If the indemnifying Person fails to assume the defense of such claim within 15 days after receipt of the notice of claim, the indemnified Person against which such claim has been asserted will (upon delivering notice to such effect to the indemnifying Person) have the right to undertake, at the indemnifying Person's cost, risk and expense, the defense, compromise or settlement of such claim on behalf of and for the account and risk of the indemnifying Person; provided, however, that such claim shall not be compromised or settled without the written consent of the indemnifying Person, which consent shall not be unreasonably withheld. If the indemnified Person assumes the defense of the claim, the indemnified Person will keep the indemnifying Person reasonably informed of the progress of any such defense, compromise or settlement. The indemnifying Person shall be liable for any settlement of any action effected pursuant to and in accordance with this Section 12.3 and for any final judgment (subject to any right of appeal), and the indemnifying Person agrees to indemnify and hold harmless an indemnified Person from and against any Damages by reason of such settlement or judgment.

(f) Brokers and Finders. Pursuant to the provisions of this Section 12.3, each Party shall indemnify, hold harmless and defend each other Party from the payment of any and all brokers' and finders' expenses, commissions, fees or other forms of compensation which may be due or payable from or by the indemnifying Party, or may have been earned by any third party acting on behalf of the indemnifying Party in connection with the negotiation and execution hereof and the consummation of the transactions contemplated hereby. Without limiting the generality of the foregoing, se2quel LLC shall be solely responsible for any Liability to Growth Point Technology Partners.

(g) Certain Limitations. No claim for Damages may be brought against any Party until the claims for Damages asserted against such Person made in accordance with this Article XV exceed $25,000 in the aggregate, in which event, however, any and all such claims for Damages may be asserted without regard to such $25,000 limitation basket.

12.4 Taxes. Except as otherwise provided in Section 2.5, each Party shall pay, or cause to be paid, when due all Taxes with respect to the transactions contemplated hereby for which such Party is liable (including pursuant to Section 2.5). The Company and the other Parties shall prorate personal property taxes for the applicable tax period that includes the Closing Date.

ARTICLE XIII

MISCELLANEOUS

13.1 Termination.

(a) Termination. This Agreement may be terminated at any time prior to Closing:

(i) By mutual written consent of se2quel LLC and Tegal;

(ii) By se2quel LLC or Tegal, in each case if the Closing shall not have occurred on or before January 31, 2011 provided the terminating Party is not then in breach of this Agreement;

(iii) By se2quel LLC if there is a material breach of any representation or warranty or any covenant or agreement to be complied with or performed by Tegal pursuant to the terms of this Agreement, which breach is not cured within 7 days after written notice thereof is delivered to all Parties; or

(iv) By Tegal if there is a material breach of any representation or warranty or any covenant or agreement to be complied with or performed by se2quel LLC or the Company pursuant to the terms of this Agreement, which breach is not cured within 7 days after written notice thereof is delivered to all Parties.

(b) Consequences of Termination. In the event of termination of this Agreement, no Party hereto shall have any liability to any other Party to this Agreement, except for any willful breach of, or knowing misrepresentation made in, this Agreement occurring prior to the termination of this Agreement.

13.2 Assignment. Prior to the Closing, neither this Agreement nor any of the rights or obligations hereunder may be assigned by any Party without the prior written consent of the other Parties. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns, and no other Person shall have any right, benefit or obligation under this Agreement as a third party beneficiary or otherwise.

1 3 . 3 Notices. All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; when transmitted if transmitted by confirmed telecopy; when delivery is confirmed if transmitted via electronic mail; the day after it is sent, if sent for next day delivery to a domestic address by recognized overnight delivery service (e.g., FedEx); and upon receipt, if sent by certified or registered mail, return receipt requested. In each case notice shall be sent:

If to se2quel Partners LLC, addressed to:

se2quel Partners LLC
7901 Stoneridge Dr., #415
Pleasanton, CA 94588
e-mail: fseemann@se2quel.com
Attention: Ferdinand Seemann

With a copy to:

SNR Denton US LLP
1530 Page Mill Road, Suite 200
Palo Alto, CA 94304
e-mail: daniel.zimmermann@snrdenton.com
Attention: Daniel Zimmermann

If to Tegal, addressed to:

Tegal Corporation
2201 S. McDowell Blvd.
Petaluma, CA 94954
e-mail: tmika@tegal.com
Attention: Thomas R. Mika

With a copy to:

Goodwin Procter LLP
135 Commonwealth Drive
Menlo Park, CA 94025
e-mail: wdavisson@goodwinprocter.com
Attention: William Davisson

or to such other place and with such other copies as either party may designate as to itself by written notice to the others.

13.4 Governing Law; Consent to Exclusive Jurisdiction; Dispute Resolution. The laws of the State of Delaware shall govern the validity of this Agreement and the construction and interpretation of its terms. Any legal action or proceeding with respect to this Agreement shall be brought in the Court of Chancery of the State of Delaware. By execution and delivery of this Agreement, each of the Parties accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid court. Each of the Parties irrevocably consents to the service of process of the aforementioned court in any such action or proceeding by the mailing of copies thereof by certified mail, postage prepaid, to the Party pursuant to Section 13.3.

13.5 Entire Agreement: Amendments and Waivers. This Agreement, the Ancillary Agreements, together with all exhibits and schedules hereto and thereto, constitute the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties (including the Memorandum of Understanding dated December 17, 2010). This Agreement may not be amended except by an instrument in writing signed on behalf of each of the Parties. No amendment, supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the Party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

13.6 Multiple Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered by telecopy transmission.

13.7 Expenses. Except as otherwise specified in this Agreement, each Party shall pay its own legal, accounting, out-of-pocket and other expenses incident to this Agreement and the Ancillary Agreements and to any action taken by such Party in preparation for carrying this Agreement and the Ancillary Agreements into effect; provided, however, that the Company shall reimburse each, Tegal and se2quel LLC for the reasonable fees and expenses of their respective legal counsel, incurred by such parties in connection with the negotiation and consummation of this Agreement and the Ancillary Agreements and the transactions contemplated hereby, not to exceed $75,000 for each Tegal and se2quel LLC.

13.8 Invalidity. If any one or more of the provisions contained in this Agreement or in any other instrument referred to herein, shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, then to the maximum extent permitted by law, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any other such instrument.

13.9 Publicity. No Party shall issue any press release or make any public statement regarding the transactions contemplated hereby or by the Ancillary Agreements, without prior written approval of the other Parties, other than any such disclosure which the counsel to a Party believes is legally required to be made (including, with respect to Tegal, all filings required to be made with the SEC in compliance with applicable securities laws).

13.10 Cumulative Remedies. All rights and remedies of each Party are cumulative of each other and of every other right or remedy such Party may otherwise have at law or in equity, and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies.

13.11 Attorneys' Fees. If any Party brings an action to enforce its rights under this Agreement, the prevailing Party shall be entitled to recover its costs and expenses, including, without limitation, reasonable attorneys' fees, incurred in connection with such action, including any appeal of such action.

13.12 Confidential Information.

(a) No Disclosure. Each Party agrees that the terms and conditions, but not the existence, of this Agreement and the related agreements contemplated by this Agreement shall be treated as Confidential Information (as defined below); provided, however, either Party may disclose the terms and conditions of this Agreement: (i) as required by any court or other governmental body; (ii) as otherwise required by law; (iii) to legal counsel of, or advisors to, a Party; (iv) in connection with the requirements of applicable securities law; (v) in confidence, to accountants, banks, and financing sources and their advisors; (vi) in connection with the enforcement of this Agreement or rights under this Agreement; or (vii) in confidence, in connection with a merger or acquisition or proposed merger or acquisition, or the like, of a Party.

(b) Preservation of Confidentiality. se2quel LLC acknowledges that in connection with its historical ownership of the se2quel LLC Assets, it has had access to confidential proprietary information regarding the Business, including technical, manufacturing or marketing information, ideas, methods, developments, inventions, improvements, business plans, trade secrets, scientific or statistical data, diagrams, drawings, specifications, customer and supplier lists, know-how or other proprietary information relating thereto, together with all analyses, compilations, studies or other documents, records or data, as the case may be, or its respective Representatives which contain or otherwise reflect or are generated from such information ("Confidential Information"). The term "Confidential Information" does not include information which is or becomes generally available to the public other than as a result of a disclosure by a Party or its Representatives or becomes available to such Party on a non-confidential basis from a source other than the other Party or any of their respective Representatives. All Confidential Information shall be maintained in confidence by the Parties and not used for any purpose adverse to the interests of the Company.

13.13 Construction. No provision of this Agreement is to be interpreted as a penalty upon, or a forfeiture by, any party to this Agreement. The parties acknowledge that each Party, together with such Party's legal counsel, has shared equally in the drafting and construction of this Agreement and, accordingly, no court construing this Agreement shall construe it more strictly against one Party hereto than any other.

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties hereto have executed this Formation and Contribution Agreement as of the day and year first written above.

SE2QUEL PARTNERS LLC

By: /s/ Ferdinand Seemann
Name: Ferdinand Seemann
Title: President and Chief Executive Officer

TEGAL CORPORATION

By: /s/ Thomas R. Mika
Name: Thomas R. Mika
Title: Chairman, President and CEO

SEQUEL POWER LLC

By: /s/ Ferdinand Seemann
Name: Ferdinand Seemann
Title: Chief Executive Officer

FINAL

WARRANT

THE SECURITIES REPRESENTED HEREBY MAY NOT BE TRANSFERRED UNLESS (I) SUCH SECURITIES HAVE BEEN REGISTERED FOR SALE PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), (II) SUCH SECURITIES MAY BE SOLD PURSUANT TO RULE 144, OR (III) THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH TRANSFER MAY LAWFULLY BE MADE WITHOUT REGISTRATION UNDER THE SECURITIES ACT OR QUALIFICATION UNDER APPLICABLE STATE SECURITIES LAWS.

THIS WARRANT SHALL BE VOID AFTER 5:00 P.M., CALIFORNIA TIME, ON JANUARY 14, 2015 (THE "EXPIRATION DATE").

TEGAL CORPORATION

WARRANT TO PURCHASE 464,442 SHARES OF COMMON STOCK, PAR VALUE $0.01 PER SHARE

For VALUE RECEIVED, se2quel Partners LLC, a California limited liability company ("Warrantholder"), is entitled to purchase, subject to the provisions of this Warrant, from Tegal Corporation, a Delaware corporation ("Company"), at any time not later than 5:00 P.M., California time, on the Expiration Date (as defined above), at an exercise price per share equal to $0.63 (the exercise price in effect being herein called the "Warrant Price"), 464,442 shares ("Warrant Shares") of the Company's common stock, par value $0.01 per share ("Common Stock"). The number of Warrant Shares purchasable upon exercise of this Warrant and the Warrant Price shall be subject to adjustment from time to time as described herein.

Section 1. Registration. The Company shall maintain books for the transfer and registration of this Warrant. Upon the initial issuance of this Warrant, the Company shall issue and register the Warrant in the name of the Warrantholder.

Section 2. Transfers. As provided herein, this Warrant and the Warrant Shares may be transferred only pursuant to a registration statement filed under the Securities Act of 1933, as amended (the "Securities Act"), or an exemption from such registration. Subject to such restrictions, the Company shall transfer this Warrant from time to time upon the books to be maintained by the Company for that purpose, upon surrender thereof for transfer properly endorsed or accompanied by appropriate instructions for transfer and such other documents as may be reasonably required by the Company, including an opinion of counsel to the effect that such transfer is exempt from the registration requirements of the Securities Act, to establish that such transfer is being made in accordance with the terms hereof, and a new Warrant shall be issued to the transferee and the surrendered Warrant shall be canceled by the Company.

Section 3. Exercise of Warrant. Subject to the provisions hereof, the Warrantholder may exercise this Warrant in whole or in part at any time prior to its expiration upon surrender of the Warrant, together with delivery of the duly executed Warrant Exercise Form attached hereto as Appendix A (the "Exercise Agreement") and payment by cash, certified check or wire transfer of funds (or, in certain circumstances, by cash-less exercise as provided below) for the aggregate Warrant Price for that number of Warrant Shares then being purchased, to the Company during normal business hours on any business day at the Company's principal executive offices (or such other office or agency of the Company as it may designate by notice to the Warrantholder). The Warrant Shares so purchased shall be deemed to be issued to the Warrantholder or the Warrantholder's designee, as the record owner of such shares, as of the close of business on the date on which this Warrant shall have been surrendered (or evidence of loss, theft or destruction thereof and security or indemnity satisfactory to the Company), the Warrant Price shall have been paid and the completed Exercise Agreement shall have been delivered. Certificates for the Warrant Shares so purchased, representing the aggregate number of shares specified in the Exercise Agreement, shall be delivered to the Warrantholder within a reasonable time, not exceeding three (3) business days, after this Warrant shall have been so exercised. The certificates so delivered shall be in such denominations as may be requested by the Warrantholder and shall be registered in the name of the Warrantholder or such other name as shall be designated by the Warrantholder, subject to the restrictions on transfer set forth in this Warrant. If this Warrant shall have been exercised only in part, then, unless this Warrant has expired, the Company shall, at its expense, at the time of delivery of such certificates, deliver to the Warrantholder a new Warrant representing the number of shares with respect to which this Warrant shall not then have been exercised. As used herein, "business day" means a day, other than a Saturday or Sunday, on which banks in San Francisco, California are open for the general transaction of business.

Section 4. Compliance with the Securities Act of 1933. The Company may cause the legend set forth on the first page of this Warrant to be set forth on each Warrant or similar legend on any security issued or issuable upon exercise of this Warrant, unless counsel for the Company is of the opinion as to any such security that such legend is unnecessary.

Section 5. Payment of Taxes. The Company will pay any documentary stamp taxes attributable to the initial issuance of Warrant Shares issuable upon the exercise of the Warrant; provided, however, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any transfer involved in the issuance or delivery of any certificates for Warrant Shares in a name other than that of the Warrantholder in respect of which such shares are issued, and in such case, the Company shall not be required to issue or deliver any certificate for Warrant Shares or any Warrant until the person requesting the same has paid to the Company the amount of such tax or has established to the Company's reasonable satisfaction that such tax has been paid. The Warrantholder shall be responsible for income taxes due under federal, state or other law, if any such tax is due.

Section 6. Mutilated or Missing Warrants. In case this Warrant shall be mutilated, lost, stolen or destroyed, the Company shall issue in exchange and substitution of and upon cancellation of the mutilated Warrant, or in lieu of and substitution for the Warrant lost, stolen or destroyed, a new Warrant of like tenor and for the purchase of a like number of Warrant Shares, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction of the Warrant, and with respect to a lost, stolen or destroyed Warrant, reasonable indemnity or bond with respect thereto, if requested by the Company.

Section 7. Reservation of Common Stock. The Company hereby represents and warrants that there have been reserved, and the Company shall at all applicable times keep reserved until issued (if necessary) as contemplated by this Section 7, out of the authorized and unissued shares of Common Stock, sufficient shares to provide for the exercise of the rights of purchase represented by this Warrant. The Company agrees that all Warrant Shares issued upon due exercise of this Warrant shall be, at the time of delivery of the certificates for such Warrant Shares, duly authorized, validly issued, fully paid and non-assessable shares of Common Stock of the Company.

Section 8. Adjustments. Subject and pursuant to the provisions of this Section 8, the Warrant Price and number of Warrant Shares subject to this Warrant shall be subject to adjustment from time to time as set forth hereinafter.

(a) If the Company shall, at any time or from time to time while this Warrant is outstanding, pay a dividend or make a distribution on its Common Stock in shares of Common Stock, subdivide its outstanding shares of Common Stock into a greater number of shares or combine its outstanding shares of Common Stock into a smaller number of shares or issue by reclassification of its outstanding shares of Common Stock any shares of its capital stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing corporation), then the number of Warrant Shares purchasable upon exercise of the Warrant and the Warrant Price in effect immediately prior to the date upon which such change shall become effective, shall be adjusted by the Company so that the Warrantholder thereafter exercising the Warrant shall be entitled to receive the number of shares of Common Stock or other capital stock which the Warrantholder would have received if the Warrant had been exercised immediately prior to such event upon payment of a Warrant Price that has been adjusted to reflect a fair allocation of the economics of such event to the Warrantholder. Such adjustments shall be made successively whenever any event listed above shall occur.

(b) If any capital reorganization, reclassification of the capital stock of the Company, consolidation or merger of the Company with another corporation in which the Company is not the survivor, or sale, transfer or other disposition of all or substantially all of the Company's assets to another corporation shall be effected, then, as a condition of such reorganization, reclassification, consolidation, merger, sale, transfer or other disposition, lawful and adequate provision shall be made whereby each Warrantholder shall thereafter have the right to purchase and receive upon the basis and upon the terms and conditions herein specified and in lieu of the Warrant Shares immediately theretofore issuable upon exercise of the Warrant, such shares of stock, securities or assets as would have been issuable or payable with respect to or in exchange for a number of Warrant Shares equal to the number of Warrant Shares immediately theretofore issuable upon exercise of the Warrant, had such reorganization, reclassification, consolidation, merger, sale, transfer or other disposition not taken place, and in any such case appropriate provision shall be made with respect to the rights and interests of each Warrantholder to the end that the provisions hereof (including, without limitation, provision for adjustment of the Warrant Price) shall thereafter be applicable, as nearly equivalent as may be practicable in relation to any shares of stock, securities or assets thereafter deliverable upon the exercise hereof.

(c) An adjustment to the Warrant Price shall become effective immediately after the effective date of each other event which requires an adjustment.

(d) In the event that, as a result of an adjustment made pursuant to this Section 8, the Warrantholder shall become entitled to receive any shares of capital stock of the Company other than shares of Common Stock, the number of such other shares so receivable upon exercise of this Warrant shall be subject thereafter to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Warrant Shares contained in this Warrant.

Section 9. Fractional Interest. The Company shall not be required to issue fractions of Warrant Shares upon the exercise of this Warrant. If any fractional share of Common Stock would, except for the provisions of the first sentence of this Section 9, be deliverable upon such exercise, the Company, in lieu of delivering such fractional share, shall pay to the exercising Warrantholder an amount in cash equal to the fair market value as determined by the Board of Directors of the Company of such fractional share of Common Stock on the date of exercise.

Section 10. Benefits. Nothing in this Warrant shall be construed to give any person, firm or corporation (other than the Company and the Warrantholder) any legal or equitable right, remedy or claim, it being agreed that this Warrant shall be for the sole and exclusive benefit of the Company and the Warrantholder.

Section 11. Notices to Warrantholder. Upon the happening of any event requiring an adjustment of the Warrant Price, the Company shall promptly give written notice thereof to the Warrantholder at the address appearing in the records of the Company, stating the adjusted Warrant Price and the adjusted number of Warrant Shares resulting from such event and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Failure to give such notice to the Warrantholder or any defect therein shall not affect the legality or validity of the subject adjustment.

Section 12. Notices. Unless otherwise provided, any notice required or permitted under this Warrant shall be given in writing and shall be deemed effectively given as hereinafter described (i) if given by personal delivery, then such notice shall be deemed given upon such delivery, (ii) if given by telex or facsimile, then such notice shall be deemed given upon receipt of confirmation of complete transmittal, (iii) if given by electronic mail, upon confirmation of delivery when directed to the electronic mail address set forth below, (iv) if given by mail, then such notice shall be deemed given upon the earlier of (A) receipt of such notice by the recipient or (B) three days after such notice is deposited in first class mail, postage prepaid, and (v) if given by an internationally recognized overnight air courier, then such notice shall be deemed given one business day after delivery to such carrier. All notices shall be addressed as follows: if to the Warrantholder, at its address as set forth in the Company's books and records and, if to the Company, at the address as follows, or at such other address as the Warrantholder or the Company may designate by ten days' advance written notice to the other: Tegal Corporation, 2201 South McDowell Boulevard, Petaluma, California 94954, Attention: Chief Executive Officer, Fax: (707) 763-0415, e-mail: tmika@tegal.com.

Section 13. Successors. All the covenants and provisions hereof by or for the benefit of the Warrantholder shall bind and inure to the benefit of its respective successors and assigns hereunder.

Section 14. Governing Law; Consent to Exclusive Jurisdiction; Dispute Resolution. The laws of the State of Delaware shall govern the validity of this Warrant and the construction and interpretation of its terms. Any legal action or proceeding with respect to this Warrant shall be brought in the Court of Chancery of the State of Delaware. By delivery or acceptance of this Agreement, each of the Company and Warrantholder accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid court and irrevocably consents to the service of process of the aforementioned court in any such action or proceeding by the mailing of copies thereof by certified mail, postage prepaid, to the Party pursuant to Section 12.

Section 15. Cashless Exercise.Notwithstanding any other provision contained herein to the contrary, the Warrantholder may elect to receive, without the payment by the Warrantholder of the aggregate Warrant Price in respect of the shares of Common Stock to be acquired, shares of Common Stock equal to the value of this Warrant or any portion hereof by the surrender of this Warrant (or such portion of this Warrant being so exercised) together with the Net Issue Election Notice annexed hereto as Appendix B duly executed, at the office of the Company. Thereupon, the Company shall issue to the Warrantholder such number of fully paid, validly issued and nonassessable shares of Common Stock as is computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

where

X = the number of shares of Common Stock which the Warrantholder has then requested be issued to the Warrantholder;

Y = the total number of shares of Common Stock covered by this Warrant which the Warrantholder has surrendered at such time for cash-less exercise (including both shares to be issued to the Warrantholder and shares to be canceled as payment therefor);

A = the average closing price of the Common Stock on its principal trading market or exchange for the 10-trading day period immediately prior to date the net issue election is made; and

B = the Warrant Price in effect under this Warrant at the time the net issue election is made.

Section 16. No Rights as Stockholder. Prior to the exercise of this Warrant, the Warrantholder shall not have or exercise any rights as a stockholder of the Company by virtue of its ownership of this Warrant.

Section 17. Amendment; Waiver. Any term of this Warrant may be amended or waived upon the written consent of the Company and the Warrantholder.

Section 18. Section Headings. The section headings in this Warrant are for the convenience of the Company and the Warrantholder and in no way alter, modify, amend, limit or restrict the provisions hereof.

[*Signature page to follow*]

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed, as of the 14th day of January 2011.

TEGAL CORPORATION

By: /s/ Thomas R. Mika
Name: Thomas R. Mika
Title: Chairman, President and CEO

APPENDIX A
TEGAL CORPORATION
WARRANT EXERCISE FORM

To Tegal Corporation:

The undersigned hereby irrevocably elects to exercise the right of purchase represented by the within Warrant ("Warrant") for, and to purchase thereunder by the payment of the Warrant Price and surrender of the Warrant, _____ shares of Common Stock ("Warrant Shares") provided for therein, and requests that certificates for the Warrant Shares be issued as follows:

_____
Name

_____
Address

_____
Federal Tax ID or Social Security No.

and delivered by certified mail to the above address, or (other (specify): _____).

and, if the number of Warrant Shares shall not be all the Warrant Shares purchasable upon exercise of the Warrant, that a new Warrant for the balance of the Warrant Shares purchasable upon exercise of this Warrant be registered in the name of the undersigned Warrantholder or the undersigned's Assignee as below indicated and delivered to the address stated below.

Dated: _____, _____

_____
Name:

_____

_____
Address

_____
Federal Identification or Social Security No.

Assignee:

_____

_____

_____

Note: The signature must correspond with the name of Warrantholder as written on the first page of the Warrant in every particular, without alteration or enlargement or any change whatsoever, unless the Warrant has been assigned.

APPENDIX B
TEGAL CORPORATION
NET ISSUE ELECTION NOTICE

To Tegal Corporation:

Date: [_____]

The undersigned hereby elects under Section 15 of this Warrant to surrender the right to purchase [_____] shares of Common Stock pursuant to this Warrant and hereby requests the issuance of [_____] shares of Common Stock. The certificate(s) for the shares issuable upon such net issue election shall be issued in the name of the undersigned or as otherwise indicated below.

_____
Signature

_____
Name for Registration

_____
Mailing Address

FINAL

WARRANT

THE SECURITIES REPRESENTED HEREBY MAY NOT BE TRANSFERRED UNLESS (I) SUCH SECURITIES HAVE BEEN REGISTERED FOR SALE PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), (II) SUCH SECURITIES MAY BE SOLD PURSUANT TO RULE 144, OR (III) THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH TRANSFER MAY LAWFULLY BE MADE WITHOUT REGISTRATION UNDER THE SECURITIES ACT OR QUALIFICATION UNDER APPLICABLE STATE SECURITIES LAWS.

THIS WARRANT SHALL BE VOID AFTER 5:00 P.M., CALIFORNIA TIME, ON JANUARY 14, 2015 (THE "EXPIRATION DATE").

TEGAL CORPORATION

WARRANT TO PURCHASE 464,442 SHARES OF COMMON STOCK, PAR VALUE $0.01 PER SHARE

FOR VALUE RECEIVED, se2quel Management GmbH, a German limited liability company (Gesellschaft mit beschränkter Haftung) ("Warrantholder"), is entitled to purchase, subject to the provisions of this Warrant, from Tegal Corporation, a Delaware corporation ("Company"), at any time not later than 5:00 P.M., California time, on the Expiration Date (as defined above), at an exercise price per share equal to $0.63 (the exercise price in effect being herein called the "Warrant Price"), 464,442 shares ("Warrant Shares") of the Company's common stock, par value $0.01 per share ("Common Stock"). The number of Warrant Shares purchasable upon exercise of this Warrant and the Warrant Price shall be subject to adjustment from time to time as described herein.

In partial consideration of the issuance of this Warrant, Stephen Mohren agrees that he shall devote at least 60% of his business time to sequel Power LLC, a Delaware limited liability company.

Section 1. Registration. The Company shall maintain books for the transfer and registration of this Warrant. Upon the initial issuance of this Warrant, the Company shall issue and register the Warrant in the name of the Warrantholder.

Section 2. Transfers. As provided herein, this Warrant and the Warrant Shares may be transferred only pursuant to a registration statement filed under the Securities Act of 1933, as amended (the "Securities Act"), or an exemption from such registration. Subject to such restrictions, the Company shall transfer this Warrant from time to time upon the books to be maintained by the Company for that purpose, upon surrender thereof for transfer properly endorsed or accompanied by appropriate instructions for transfer and such other documents as may be reasonably required by the Company, including an opinion of counsel to the effect that such transfer is exempt from the registration requirements of the Securities Act, to establish that such transfer is being made in accordance with the terms hereof, and a new Warrant shall be issued to the transferee and the surrendered Warrant shall be canceled by the Company.

Section 3. Exercise of Warrant. Subject to the provisions hereof, the Warrantholder may exercise this Warrant in whole or in part at any time prior to its expiration upon surrender of the Warrant, together with delivery of the duly executed Warrant Exercise Form attached hereto as Appendix A (the "Exercise Agreement") and payment by cash, certified check or wire transfer of funds (or, in certain circumstances, by cash-less exercise as provided below) for the aggregate Warrant Price for that number of Warrant Shares then being purchased, to the Company during normal business hours on any business day at the Company's principal executive offices (or such other office or agency of the Company as it may designate by notice to the Warrantholder). The Warrant Shares so purchased shall be deemed to be issued to the Warrantholder or the Warrantholder's designee, as the record owner of such shares, as of the close of business on the date on which this Warrant shall have been surrendered (or evidence of loss, theft or destruction thereof and security or indemnity satisfactory to the Company), the Warrant Price shall have been paid and the completed Exercise Agreement shall have been delivered. Certificates for the Warrant Shares so purchased, representing the aggregate number of shares specified in the Exercise Agreement, shall be delivered to the Warrantholder within a reasonable time, not exceeding three (3) business days, after this Warrant shall have been so exercised. The certificates so delivered shall be in such denominations as may be requested by the Warrantholder and shall be registered in the name of the Warrantholder or such other name as shall be designated by the Warrantholder, subject to the restrictions on transfer set forth in this Warrant. If this Warrant shall have been exercised only in part, then, unless this Warrant has expired, the Company shall, at its expense, at the time of delivery of such certificates, deliver to the Warrantholder a new Warrant representing the number of shares with respect to which this Warrant shall not then have been exercised. As used herein, "business day" means a day, other than a Saturday or Sunday, on which banks in San Francisco, California are open for the general transaction of business.

Section 4. Compliance with the Securities Act of 1933. The Company may cause the legend set forth on the first page of this Warrant to be set forth on each Warrant or similar legend on any security issued or issuable upon exercise of this Warrant, unless counsel for the Company is of the opinion as to any such security that such legend is unnecessary.

Section 5. Payment of Taxes. The Company will pay any documentary stamp taxes attributable to the initial issuance of Warrant Shares issuable upon the exercise of the Warrant; provided, however, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any transfer involved in the issuance or delivery of any certificates for Warrant Shares in a name other than that of the Warrantholder in respect of which such shares are issued, and in such case, the Company shall not be required to issue or deliver any certificate for Warrant Shares or any Warrant until the person requesting the same has paid to the Company the amount of such tax or has established to the Company's reasonable satisfaction that such tax has been paid. The Warrantholder shall be responsible for income taxes due under federal, state or other law, if any such tax is due.

Section 6. Mutilated or Missing Warrants. In case this Warrant shall be mutilated, lost, stolen or destroyed, the Company shall issue in exchange and substitution of and upon cancellation of the mutilated Warrant, or in lieu of and substitution for the Warrant lost, stolen or destroyed, a new Warrant of like tenor and for the purchase of a like number of Warrant Shares, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction of the Warrant, and with respect to a lost, stolen or destroyed Warrant, reasonable indemnity or bond with respect thereto, if requested by the Company.

Section 7. Reservation of Common Stock. The Company hereby represents and warrants that there have been reserved, and the Company shall at all applicable times keep reserved until issued (if necessary) as contemplated by this Section 7, out of the authorized and unissued shares of Common Stock, sufficient shares to provide for the exercise of the rights of purchase represented by this Warrant. The Company agrees that all Warrant Shares issued upon due exercise of this Warrant shall be, at the time of delivery of the certificates for such Warrant Shares, duly authorized, validly issued, fully paid and non-assessable shares of Common Stock of the Company.

Section 8. Adjustments. Subject and pursuant to the provisions of this Section 8, the Warrant Price and number of Warrant Shares subject to this Warrant shall be subject to adjustment from time to time as set forth hereinafter.

(a) If the Company shall, at any time or from time to time while this Warrant is outstanding, pay a dividend or make a distribution on its Common Stock in shares of Common Stock, subdivide its outstanding shares of Common Stock into a greater number of shares or combine its outstanding shares of Common Stock into a smaller number of shares or issue by reclassification of its outstanding shares of Common Stock any shares of its capital stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing corporation), then the number of Warrant Shares purchasable upon exercise of the Warrant and the Warrant Price in effect immediately prior to the date upon which such change shall become effective, shall be adjusted by the Company so that the Warrantholder thereafter exercising the Warrant shall be entitled to receive the number of shares of Common Stock or other capital stock which the Warrantholder would have received if the Warrant had been exercised immediately prior to such event upon payment of a Warrant Price that has been adjusted to reflect a fair allocation of the economics of such event to the Warrantholder. Such adjustments shall be made successively whenever any event listed above shall occur.

(b) If any capital reorganization, reclassification of the capital stock of the Company, consolidation or merger of the Company with another corporation in which the Company is not the survivor, or sale, transfer or other disposition of all or substantially all of the Company's assets to another corporation shall be effected, then, as a condition of such reorganization, reclassification, consolidation, merger, sale, transfer or other disposition, lawful and adequate provision shall be made whereby each Warrantholder shall thereafter have the right to purchase and receive upon the basis and upon the terms and conditions herein specified and in lieu of the Warrant Shares immediately theretofore issuable upon exercise of the Warrant, such shares of stock, securities or assets as would have been issuable or payable with respect to or in exchange for a number of Warrant Shares equal to the number of Warrant Shares immediately theretofore issuable upon exercise of the Warrant, had such reorganization, reclassification, consolidation, merger, sale, transfer or other disposition not taken place, and in any such case appropriate provision shall be made with respect to the rights and interests of each Warrantholder to the end that the provisions hereof (including, without limitation, provision for adjustment of the Warrant Price) shall thereafter be applicable, as nearly equivalent as may be practicable in relation to any shares of stock, securities or assets thereafter deliverable upon the exercise hereof.

(c) An adjustment to the Warrant Price shall become effective immediately after the effective date of each other event which requires an adjustment.

(d) In the event that, as a result of an adjustment made pursuant to this Section 8, the Warrantholder shall become entitled to receive any shares of capital stock of the Company other than shares of Common Stock, the number of such other shares so receivable upon exercise of this Warrant shall be subject thereafter to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Warrant Shares contained in this Warrant.

Section 9. Fractional Interest. The Company shall not be required to issue fractions of Warrant Shares upon the exercise of this Warrant. If any fractional share of Common Stock would, except for the provisions of the first sentence of this Section 9, be deliverable upon such exercise, the Company, in lieu of delivering such fractional share, shall pay to the exercising Warrantholder an amount in cash equal to the fair market value as determined by the Board of Directors of the Company of such fractional share of Common Stock on the date of exercise.

Section 10. Benefits. Nothing in this Warrant shall be construed to give any person, firm or corporation (other than the Company and the Warrantholder) any legal or equitable right, remedy or claim, it being agreed that this Warrant shall be for the sole and exclusive benefit of the Company and the Warrantholder.

Section 11. Notices to Warrantholder. Upon the happening of any event requiring an adjustment of the Warrant Price, the Company shall promptly give written notice thereof to the Warrantholder at the address appearing in the records of the Company, stating the adjusted Warrant Price and the adjusted number of Warrant Shares resulting from such event and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Failure to give such notice to the Warrantholder or any defect therein shall not affect the legality or validity of the subject adjustment.

Section 12. Notices. Unless otherwise provided, any notice required or permitted under this Warrant shall be given in writing and shall be deemed effectively given as hereinafter described (i) if given by personal delivery, then such notice shall be deemed given upon such delivery, (ii) if given by telex or facsimile, then such notice shall be deemed given upon receipt of confirmation of complete transmittal, (iii) if given by electronic mail, upon confirmation of delivery when directed to the electronic mail address set forth below, (iv) if given by mail, then such notice shall be deemed given upon the earlier of (A) receipt of such notice by the recipient or (B) three days after such notice is deposited in first class mail, postage prepaid, and (v) if given by an internationally recognized overnight air courier, then such notice shall be deemed given one business day after delivery to such carrier. All notices shall be addressed as follows: if to the Warrantholder, at its address as set forth in the Company's books and records and, if to the Company, at the address as follows, or at such other address as the Warrantholder or the Company may designate by ten days' advance written notice to the other: Tegal Corporation, 2201 South McDowell Boulevard, Petaluma, California 94954, Attention: Chief Executive Officer, Fax: (707) 763-0415, e-mail: tmika@tegal.com.

Section 13. Successors. All the covenants and provisions hereof by or for the benefit of the Warrantholder shall bind and inure to the benefit of its respective successors and assigns hereunder.

Section 14. Governing Law; Consent to Exclusive Jurisdiction; Dispute Resolution. The laws of the State of Delaware shall govern the validity of this Warrant and the construction and interpretation of its terms. Any legal action or proceeding with respect to this Warrant shall be brought in the Court of Chancery of the State of Delaware. By delivery or acceptance of this Agreement, each of the Company and Warrantholder accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid court and irrevocably consents to the service of process of the aforementioned court in any such action or proceeding by the mailing of copies thereof by certified mail, postage prepaid, to the Party pursuant to Section 12.

Section 15. Cashless Exercise.Notwithstanding any other provision contained herein to the contrary, the Warrantholder may elect to receive, without the payment by the Warrantholder of the aggregate Warrant Price in respect of the shares of Common Stock to be acquired, shares of Common Stock equal to the value of this Warrant or any portion hereof by the surrender of this Warrant (or such portion of this Warrant being so exercised) together with the Net Issue Election Notice annexed hereto as Appendix B duly executed, at the office of the Company. Thereupon, the Company shall issue to the Warrantholder such number of fully paid, validly issued and nonassessable shares of Common Stock as is computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

where

X = the number of shares of Common Stock which the Warrantholder has then requested be issued to the Warrantholder;

Y = the total number of shares of Common Stock covered by this Warrant which the Warrantholder has surrendered at such time for cash-less exercise (including both shares to be issued to the Warrantholder and shares to be canceled as payment therefor);

A = the average closing price of the Common Stock on its principal trading market or exchange for the 10-trading day period immediately prior to date the net issue election is made; and

B = the Warrant Price in effect under this Warrant at the time the net issue election is made.

Section 16. No Rights as Stockholder. Prior to the exercise of this Warrant, the Warrantholder shall not have or exercise any rights as a stockholder of the Company by virtue of its ownership of this Warrant.

Section 17. Amendment; Waiver. Any term of this Warrant may be amended or waived upon the written consent of the Company and the Warrantholder.

Section 18. Section Headings. The section headings in this Warrant are for the convenience of the Company and the Warrantholder and in no way alter, modify, amend, limit or restrict the provisions hereof.

[*Signature page to follow*]

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed, as of the 14th day of January 2011.

TEGAL CORPORATION

By: /s/ Thomas R. Mika
Name: Thomas R. Mika
Title: Chairman, President and CEO

ACKNOWLEDGED AND AGREED:

By: _____
Name: Stephan Mohren

APPENDIX A
TEGAL CORPORATION
WARRANT EXERCISE FORM

To Tegal Corporation:

The undersigned hereby irrevocably elects to exercise the right of purchase represented by the within Warrant ("Warrant") for, and to purchase thereunder by the payment of the Warrant Price and surrender of the Warrant, _____ shares of Common Stock ("Warrant Shares") provided for therein, and requests that certificates for the Warrant Shares be issued as follows:

_____
Name

_____
Address

_____
Federal Tax ID or Social Security No.

and delivered by certified mail to the above address, or (other (specify): _____).

and, if the number of Warrant Shares shall not be all the Warrant Shares purchasable upon exercise of the Warrant, that a new Warrant for the balance of the Warrant Shares purchasable upon exercise of this Warrant be registered in the name of the undersigned Warrantholder or the undersigned's Assignee as below indicated and delivered to the address stated below.

Dated: _____, _____

_____
Name:

_____

_____
Address

_____
Federal Identification or Social Security No.

Assignee:

_____

_____

_____

Note: The signature must correspond with the name of Warrantholder as written on the first page of the Warrant in every particular, without alteration or enlargement or any change whatsoever, unless the Warrant has been assigned.

APPENDIX B
TEGAL CORPORATION
NET ISSUE ELECTION NOTICE

To Tegal Corporation:

Date: [_____]

The undersigned hereby elects under Section 15 of this Warrant to surrender the right to purchase [_____] shares of Common Stock pursuant to this Warrant and hereby requests the issuance of [_____] shares of Common Stock. The certificate(s) for the shares issuable upon such net issue election shall be issued in the name of the undersigned or as otherwise indicated below.

_____
Signature

_____
Name for Registration

_____
Mailing Address