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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A

(Mark One)

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2003

OR

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER: 0-26824

TEGAL CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	68-0370244
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

2201 SOUTH MCDOWELL BLVD.
PETALUMA, CALIFORNIA 94954
(Address of Principal Executive Offices)

TELEPHONE NUMBER (707) 763-5600
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file reports) and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No |_|

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange List. Yes |_| No |X|

As of June 24, 2004, there were 44,261,309 shares of our common stock outstanding.

EXPLANATORY NOTE

This amendment is being filed to amend Part I, Items 1 and 2 of the registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2003 to correct interest expense, net loss, and net loss per share, reflected on the registrant's unaudited condensed consolidated statements of operations for the three and nine-month periods ended December 31, 2003 and other current assets, additional paid-in capital and accumulated deficit as of December 31, 2003. Restated unaudited condensed consolidated financial statements for the three and nine-month periods ending December 31, 2003 reflecting these corrections appear in Part I, Item 1 of this amendment. Interest expense, net did not accurately reflect the impact of the acceleration of the amortization of the beneficial

conversion feature and the appropriate accounting for debt issuance costs relating to the portion of our 2% convertible debentures converted into common stock during the quarter ended December 31, 2003. The corrections impact previously reported interest expense, net loss, and net loss per share, current assets, additional paid-in capital and accumulated deficit, but do not impact previously reported revenue, operating expenses or operating loss during the three and nine-month periods ended December 31, 2003. This amendment is also being filed to amend Exhibit No. 31 and Exhibit No. 32 to reflect the changes resulting from this restatement and to file required certifications regarding this amendment.

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TEGAL CORPORATION AND SUBSIDIARIES

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PART I -- FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TEGAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(IN THOUSANDS)

ASSETS

	DECEMBER 31, 2003 AS RESTATED	MARCH 31, 2003
Current assets:		
Cash and cash equivalents	$ 5,089	$ 912
Trade receivables, net	2,985	2,681
Inventories	4,914	7,032

Prepaid expenses and other current assets	1,703	465
	------------	------------
Total current assets	14,691	11,090
Property and equipment, net	4,093	4,916
Intangible assets, net	1,251	959
Other assets	267	244
	------------	------------
Total assets	$ 20,302	$ 17,209
	============	============
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 166	$ 389
2% convertible debentures, net	66	--
Accounts payable	1,494	1,923
Accrued product warranty	286	734
Customer deposits	1,142	--
Accrued expenses and other current liabilities	2,997	2,679
Deferred revenue	331	324
	------------	------------
Total current liabilities	6,482	6,049
Other long-term obligations	111	--
Long-term portion of capital lease obligation	54	37
	------------	------------
Total liabilities	6,647	6,086
	------------	------------
Stockholders' equity:		
Common stock	300	161
Additional paid-in capital	82,452	68,806
Accumulated other comprehensive income	254	465
Accumulated deficit	(69,351)	(58,309)
	------------	------------
Total stockholders' equity	13,655	11,123
	------------	------------
	$ 20,302	$ 17,209
	============	============

</TABLE>

See accompanying notes.

ITEM 2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TEGAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED DECEMBER 31,		NINE MONTHS ENDED DECEMBER 31,	
	2003 AS RESTATED	2002	2003 AS RESTATED	2002
<S>	<C>	<C>	<C>	<C>
Revenue	$ 3,276	$ 3,701	$ 10,371	$ 10,098
Cost of revenue	3,331	3,613	8,397	11,439
	------------	-----------	------------	-----------
Gross profit (loss)	(55)	88	1,974	(1,341)
	------------	-----------	------------	-----------

Operating expenses:				
Research and development	951	1,102	2,490	3,397
Sales and marketing	592	855	1,760	2,260
General and administrative	812	1,452	2,764	3,776
In-process research and development	2,202	--	2,202	--
Total operating expenses	4,557	3,409	9,216	9,433
Operating loss	(4,612)	(3,321)	(7,242)	(10,774)
Other income (expense), net				
Interest expense, net	(3,513)	(54)	(3,866)	(360)
Other income , net	6	66	204	113
Total other income (expense), net	(3,507)	59	(3,800)	(156)
Net loss	$ (8,119)	$ (3,262)	$ (11,042)	$ (10,930)
Net loss per share, basic and diluted	$ (0.35)	$ (0.20)	$ (0.59)	$ (0.73)
Shares used in per share computation:				
Basic	23,234	16,002	18,588	15,048
Diluted	23,234	16,002	18,588	15,048

</TABLE>

See accompanying notes.

TEGAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

<TABLE>
<CAPTION>

<S>	NINE MONTHS ENDED DECEMBER 31, 2003 AS RESTATED <C>	2002 <C>
Cash flows from operating activities:		
Net loss	$ (11,042)	$ (10,930)
Adjustments to reconcile net loss to cash used in operating activities:		
Non cash in-process research & development charge	2,202	--
Depreciation and amortization	987	743
Non cash interest expense - accretion of debt discount and amortization of debt issuance costs	3,804	--
Fair value of warrants and options issued for services rendered	159	121
Provision for doubtful accounts and sales returns allowances	90	(116)
Excess and obsolete inventory provision	967	1,922
Changes in operating assets and liabilities:		
Receivables	(444)	1,822
Inventories	1,114	2,538
Prepaid expenses and other assets	(487)	753
Accounts payable	(474)	465
Accrued expenses and other liabilities	88	(653)
Accrued product warranty	(540)	(166)
Customer deposits	1,142	574
Deferred revenue	6	(864)
Net cash used in operating activities	(2,428)	(3,791)
Cash flows used in investing activities:		
Purchases of property and equipment	(19)	(323)

Cash flows from financing activities:		
Gross proceeds from the issuance of 2% convertible debentures	7,165	--
2% convertible debentures issuance costs	(982)	--
Net proceeds from issuance of common stock	609	27
Borrowings under notes payable	183	5,467
Repayment of borrowings under notes payable	(416)	(6,209)
Capitallease financing	28	(5)
Net cash provided by (used in) financing activities	6,587	(720)
Effect of exchange rates on cash and cash equivalents	37	98
Net increase (decrease) in cash and cash equivalents	4,177	(4,736)
Cash and cash equivalents at beginning of period	912	8,100
Cash and cash equivalents at end of period	$ 5,089	$ 3,364

</TABLE>

See accompanying notes.

SUPPLEMENTAL SCHEDULE OF NON CASH INVESTING ACTIVITIES (IN THOUSANDS):

On November 11, 2003, the Company purchased certain assets and assumed certain liabilities of Simplus Systems. Consideration totaled $2,522 and consisted of 1,499,994 shares of the Company's common stock valued at $2,310, fully vested Tegal employee stock options to purchase 58,863 shares of the Company's common stock at an exercise price of $3.09 per share, valued at $32 and transaction costs of $180. The purchase price was allocated as follows:

Assets acquired:	
Fixed assets	48
Identifiable intangible assets	389
In-process research and development	2,202
Total assets	2,639
Liabilities assumed:	
Current liabilities	(117)
Net assets acquired	$ 2,522

See accompanying notes.

TEGAL CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(ALL AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

1. BASIS OF PRESENTATION:

In the opinion of management, the unaudited condensed consolidated interim financial statements have been prepared on the same basis as the March 31, 2003 audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary to fairly state the information set forth herein. The statements have been prepared in accordance with the regulations of the Securities and Exchange Commission (the "SEC"), but omit certain information and footnote disclosures necessary to present the statements in accordance with generally accepted accounting principles. These interim financial statements should be read in conjunction with the consolidated financial statements and footnotes included in the Annual Report on Form 10-K of

Tegal Corporation (the "Company") for the fiscal year ended March 31, 2003. The results of operations for the three and nine months ended December 31, 2003 are not necessarily indicative of results to be expected for the entire year.

The unaudited condensed consolidated financial statements contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. The Company incurred net losses of $11,042 (as restated-see Note 2) and $10,930 for the nine months ended December 31, 2003 and 2002, respectively. The Company generated negative cash flows from operations of $2,428 (as restated-see Note 2) and $3,791 for the periods ended December 31, 2003 and 2002, respectively. To finance its operations, the Company raised approximately $6,183 in net proceeds from the sale of 2% convertible debentures and the issuance of common stock as a result of the exercise of warrants during the nine-month period ended December 31, 2003 (see Note 10). Management believes that these proceeds, combined with the effects of its cost compression program, will be adequate to fund operations through fiscal year 2005. However, projected sales may not materialize and unforeseen costs may be incurred. Additionally, the 2% convertible debentures agreement includes a material adverse change clause which allows the debenture holders to demand the immediate payment of all outstanding balances upon the debenture holders' determination of the occurrence of deemed material adverse changes to the Company's financial condition, business or operations as determined by the debenture holders based on required financial reporting and other criteria. These issues raise substantial doubt about the Company's ability to continue as a going concern. Our independent accountants have included a going concern uncertainty explanatory paragraph in their latest auditors' report dated June 10, 2003 which is included in our 10-K for the year ended March 31, 2003.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. Substantially all of the Company's cash equivalents are invested in highly liquid money market accounts. The Company's accounts receivables are derived from sales to customers located in the U.S., Europe, and Asia. The Company performs ongoing credit evaluations of its customers and generally requires no collateral. The Company maintains allowances for potential credit losses. Write-offs during the periods presented have been insignificant. As of December 31, 2003 and March 31, 2003, three customers accounted for approximately 57% and one customer accounted for approximately 38% respectively, of the accounts receivable balance.

During the three months ended December 31, 2003, two customers accounted for 38% of total revenues. During the nine months ended December 31, 2003 and December 31, 2002, two customers accounted for 29% and one customer accounted for 14% of total revenues, respectively.

2. RESTATEMENT OF QUARTERLY FINANCIAL STATEMENTS:

The Company's unaudited condensed consolidated financial statements for the third quarter of fiscal 2004 have been restated to correct interest expense, net loss, net loss per share, other current assets, additional paid-in capital and accumulated deficit as of December 31, 2003. The restatement corrects the accounts listed above by accurately reflecting the acceleration of the amortization of the beneficial conversion feature and the appropriate accounting for debt issuance costs associated with debentures converted during the quarter ended December 31, 2003. The net impact of these corrections on the Company's

unaudited condensed consolidated balance sheet as of December 31, 2003 and statements of operations for the three and nine months ended December 31, 2003 is presented in the following tables:

<TABLE>
<CAPTION>

	THREE MONTHS ENDED DECEMBER 31, 2003 (AS RESTATED)		NINE MONTHS ENDED DECEMBER 31, 2003 (AS RESTATED)
	As Originally	As	As Originally

	Reported	Adjustments	As Restated	Reported	Adjustments	As Restated
Operating loss:	$ (4,612)	--	$ (4,612)	$ (7,242)	--	$ (7,242)
Other income (expense), net						
Interest expense, net	(2,055)	(1,458)	(3,513)	(2,408)	(1,458)	(3,866)
Other income, net	6	--	6	66	--	66
Total other expense, net	(2,049)	(1,458)	(3,507)	(2,342)	(1,458)	(3,800)
Net loss	$ (6,661)	$ (1,458)	$ (8,119)	$ (9,584)	$ (1,458)	$ (11,042)
Net loss per share basic and diluted	$ (0.29)	$ (0.06)	$ (0.35)	$ (0.52)	$ (0.07)	$ (0.59)
Shares used in per share computation						
Basic	23,234	23,234	23,234	18,588	18,588	18,588
Diluted	23,234	23,234	23,234	18,588	18,588	18,588

</TABLE>

AS OF DECEMBER 31, 2003 (AS RESTATED)

<TABLE>
<CAPTION>

	As Originally Reported	Adjustments	As Restated
Other current assets	$ 2,983	$ (1,280)	$ 1,703
Additional paid-in capital	82,268	184	82,452
Accumulated deficit	$ (67,893)	$ (1,458)	$ (69,351)

</TABLE>

3. STOCK-BASED COMPENSATION:

The Company accounts for stock-based employee compensation under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, (APB No. 25) and related interpretations. Under APB No. 25, compensation cost is equal to the difference, if any, on the date of grant between the fair value of the Company's stock and the amount an employee must pay to acquire the stock. SFAS No. 123, Accounting for Stock-based Compensation, established accounting and disclosure requirements using a fair value based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123 and related SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure.

The following table illustrates the effect on net loss and net loss per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation (in thousands, except per share data):

<TABLE>
<CAPTION>

	THREE MONTHS ENDED DECEMBER 31,		NINE MONTHS ENDED DECEMBER 31,	
	2003 AS RESTATED	2002	2003 AS RESTATED	2002
Net loss as restated	$ (8,119)	$ (3,262)	$ (11,042)	$ (10,930)
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards	(32)	(91)	$ (121)	$ (357)
Proforma net loss	$ (8,151)	$ (3,353)	$ (11,163)	$ (11,287)
Basic net loss per share:				
As reported	$ (.35)	$ (.21)	$ (.59)	$ (.75)
Proforma	$ (.35)	$ (.21)	$ (.60)	$ (.75)

============ ============ ============ ============

</TABLE>

The Company accounts for stock-based employee compensation arrangements in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, (APB No. 25) and related interpretations, and complies with the disclosure provisions of SFAS No. 123, Accounting for Stock-based Compensation and SFAS No. 148 Accounting for Stock-Based Compensation - Transition and Disclosure. The disclosure provisions of SFAS No. 123 and SFAS No. 148 require judgments by management as to the estimated lives of the outstanding options. Management has based the estimated life of the options on historical option exercise patterns. If the estimated life of the options increases, the valuation of the options will increase as well.

On October 28, 2003, the Board of Directors granted options to purchase 3,410,000 shares of the Company's common stock at an exercise price of $1.03 per share, which was the closing price of the Company's common stock on October 28, 2003, to certain employees and directors of the Company. On December 18, 2003, the Company granted options to purchase 500,000 shares of the Company's common stock at an exercise price of $2.14 per share to certain employees, which was the closing price of the Company's common stock on December 18, 2003.

4. INVENTORIES:

	DECEMBER 31, 2003	MARCH 31, 2003
Raw materials	$ 1,777	$ 3,218
Work in progress	1,887	1,937
Finished goods and spares	1,250	1,877
	$ 4,914	$ 7,032

The Company recorded a $967 provision for excess and obsolete raw materials and spare parts inventory during the quarter ended December 31, 2003 as a result of reduced revenue projections which reflect the continued slow-down of the semiconductor sector. Additionally, the spares requested by customers do not necessarily match those parts that are in inventory, which has created an excess of spare parts.

5. PRODUCT WARRANTY:

The Company provides for estimated product warranty costs on all system sales based on the estimated cost of product warranties at the time revenue is recognized. The warranty obligation is affected by product failure rates, material usage rates, and the efficiency by which the product failure is corrected. Should actual product failure rates, material usage rates and labor efficiencies differ from estimates, revisions to the estimated warranty liability may be required.

Warranty activity for the three-month and nine-month periods ended December 31, 2003 and 2002 was:

<TABLE>
<CAPTION>

	WARRANTY ACTIVITY FOR THE THREE MONTHS ENDED DECEMBER 31,		WARRANTY ACTIVITY FOR THE NINE MONTHS ENDED DECEMBER 31,	
	2003	2002	2003	2002
<S>	<C>	<C>	<C>	<C>
Balance at the beginning of the period................	$ 386	$ 1,064	$ 734	$ 1,205
Additional warranty accruals for warranties issued during the period....................................	43	92	188	303
Accruals related to pre-existing warranties..........	-	-	(227)	-
Less settlements made during the period..............	(143)	(117)	(409)	(469)

Balance at the end of the period.....................	$ 286	$ 1,039	$ 286	$ 1,039

</TABLE>

Certain sales contracts of the Company include provisions under which customers would be indemnified by the Company in the event of, among other things, a third-party claim against the customer for intellectual property rights infringement related to the Company's products. There are no limitations on the maximum potential future payments under these guarantees. The Company has accrued no amounts in relation to these provisions as no such claims have been made and the Company believes it has valid, enforceable rights to the intellectual property embedded in its products.

6. NET LOSS PER COMMON SHARE:

Basic Net Loss Per Share ("EPS") is calculated by dividing net loss for the period by the weighted average common shares outstanding for that period. Diluted EPS takes into account the number of additional common shares that would have been outstanding if the dilutive potential common shares ("common stock equivalents") had been issued.

Common stock equivalents for the three months ended December 31, 2003 and December 31, 2002, and the nine months ended December 31, 2003 and December 31, 2002 were 19,477,218 and 220,513, and 18,766,218 and 408,873, respectively, and have been excluded from shares used in calculating diluted loss per share because their effect would be antidilutive. The antidilutive securities excluded from shares used in calculating diluted loss per share are as follows (in thousands):

<TABLE>
<CAPTION>

	THREE MONTHS ENDED DECEMBER 31,		NINE MONTHS ENDED DECEMBER 31,	
	2003	2002	2003	2002
<S>	<C>	<C>	<C>	<C>
Antidilutive common equivalent shares:				
Options and warrants	9,917	220	9,206	409
Shares issuable upon conversion of convertible debentures	9,560	--	9,560	--
Total antidilutive shares	19,477	220	18,766	409

</TABLE>

7. NOTES PAYABLE AND BANK LINES OF CREDIT:

On June 30, 2003, the Company entered into an Amended Letter Agreement and Subordination Agreement with Silicon Valley Bank, which subordinated the bank's interest in Tegal's intellectual property to the investors in the Convertible Debt Financing (See Note 10). The Company agreed not to request, until such time as the investors' security interest in the intellectual property was terminated, any loan, letter of credit, foreign exchange forward contract, cash management service or credit accommodation under the Company's current line of credit with Silicon Valley Bank. As of December 31, 2003, the Company had no amounts outstanding under this domestic line of credit, which had been collateralized by substantially all of the Company's domestic assets and which was further limited by the amounts of accounts receivable and inventories on the Company's balance sheet. The facility had a maximum borrowing capacity of $10.0 million, and bore interest at prime plus 1.0 %, or 5.25 % as of December 31, 2003. On January 19, 2004, the Company entered into a new line of credit with Silicon Valley Bank that will be available until January 19, 2005. The new line of credit has a maximum borrowing capacity of $3.5 million, bears interest of prime plus 1.0%

and is collateralized by substantially all of the Company's domestic and Japanese assets.

As of December 31, 2003, the Company's Japanese subsidiary had $6 outstanding under its bank line of credit which is collateralized by Japanese customer promissory notes held by such subsidiary in advance of payment on customers' accounts receivable. The Japanese bank line bears interest at Japanese prime (1.375 % as of December 31, 2003) plus 1.0%, and has a total capacity of 150 million yen (approximately $1,401 at exchange rates prevailing on December 31, 2003). As of March 31, 2003, the Company's Japanese subsidiary had approximately $70 outstanding under its bank line of credit which was collateralized by Japanese customer promissory notes held by such subsidiary in advance of payment on customers' accounts receivable.

Notes payable as of December 31, 2003 consisted primarily of one outstanding note, to the California Trade and Commerce Agency for $139. The unsecured note from the California Trade and Commerce Agency carries an annual interest rate of 5.75% with monthly interest only payments of approximately $4.2 per month. Although the payment deadlines are being met, the note is currently in technical default due to the merger of Sputtered Films and Tegal Corporation.

The default could result in the California Trade and Commerce Agency calling the note, therefore the notes payable is classified as a current liability.

8. COMPREHENSIVE LOSS:

The components of comprehensive loss for the three and nine-month periods ended December 31, 2003 (as restated) and 2002 are as follows:

<TABLE>
<CAPTION>

<S>	THREE MONTHS ENDED DECEMBER 31, 2003 AS RESTATED	THREE MONTHS ENDED DECEMBER 31, 2002	NINE MONTHS ENDED DECEMBER 31, 2003 AS RESTATED	NINE MONTHS ENDED DECEMBER 31, 2002
	<C>	<C>	<C>	<C>
Net loss	(8,119)	$ (3,262)	$ (11,042)	$ (10,930)
Foreign currency translation adjustment	111	(33)	211	(27)
	$ (8,008)	$ (3,295)	$ (10,831)	$ (10,957)

</TABLE>

9. ACQUISITIONS:

Simplus Systems Corporation:

On November 11, 2003, the Company acquired substantially all of the assets and certain liabilities of Simplus Systems Corporation, ("Simplus"), a development stage company, pursuant to an asset purchase agreement. Simplus had developed a deposition cluster tool and certain processes for barrier, copper seed and high-K dielectric applications. The purchase consideration of $2,522 includes 1,499,994 shares of the Company's common stock valued at $2,310; 58,863 fully vested employee stock options to purchase Tegal common stock at an exercise price of $3.09 per share valued at $32, and acquisition costs of $180. This transaction was accounted for as a purchase of assets in accordance with EITF Issue No. 98-3, "Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or of a Business".

During the three months ended December 31, 2003, the Company completed the preliminary allocation of the purchase price of Simplus. The following table represents the preliminary allocation of the purchase price for Simplus. In estimating the fair value of the assets acquired and liabilities assumed, management considered various factors, including an independent appraisal.

Fair value fixed assets acquired	$ 48
Work Force	50
Patents	339
In-process research and development	2,202
Assumed liabilities	(117)
	$ 2,522

The assets will be amortized over a period of years shown on the following table:

Fixed assets acquired	1 year
Work Force	2 years
Patents	5 years

The fair value underlying the $2.2 million assigned to acquired in-process research and development ("IPR&D") in the Simplus acquisition was charged to the Company's results of operations during the quarter ended December 31, 2003 and was determined by identifying research projects in areas for which technological feasibility had not been established and for which there was no alternative future use. Projects in the IPR&D category are certain design change improvements on the existing 150 mm and 200 mm systems and the development of a 300 mm system. The design change improvements on the existing systems is estimated to cost approximately $500,000 to $1 million, is approximately 90% complete and will be completed by December 31, 2004. The development of a 300 mm system is estimated to be approximately 10% complete, and to cost between $2 and $4 million over the next two to four years, as market demand materializes.

The IPR&D value of $2.2 million was determined by an income approach where fair value is the present value of projected free cash flows that will be generated by the products incorporating the acquired technologies under development, assuming they are successfully completed. The estimated net free cash flows generated by the products over a seven-year period were discounted at a rate of 32% in relation to the stage of completion and the technical risks associated with achieving technological feasibility. The net cash flows for such projects were based on management's estimates of revenue, expenses and asset requirements. Any delays or failures in the completion of these projects could impact expected return on investment and future results of operations. In addition, the Company's financial condition would be adversely affected if the value of other intangible assets acquired became impaired.

All of these projects have completion risks related to functionality, architecture performance, process technology availability, continued availability of key technical personnel, product reliability and availability of software support. To the extent that estimated completion dates are not met, the risk of competitors' product introductions is greater and revenue opportunity may be permanently lost.

Sputtered Films, Inc:

On August 30, 2002, the Company acquired Sputtered Films, Inc., a California corporation ("Sputtered Films") pursuant to an Agreement and Plan of Merger Agreement dated August 13, 2002. The following unaudited proforma financial results of Tegal Corporation and Sputtered Films for the three and nine months ended December 31, 2002 give effect to the acquisition of Sputtered Films as if the acquisition had occurred on April 1, 2002 and includes adjustments such as amortization of intangible assets directly attributable to the acquisition, and expected to have a continuing impact on the combined Company.

These unaudited proforma financial results are provided for comparative purposes only and are not necessarily indicative of what the Company's actual results would have been had the forgoing transaction been consummated on April 1, 2002, nor does it give effect to the synergies, cost savings and other charges expected to result from the acquisition. Accordingly, the proforma financial results do not purport to be indicative of the Company's results of operations as of the date hereof or for any period ended on the date hereof or for any other future date or period.

Unaudited actual and proforma financial Information (in thousands, except share and per share amounts):

	THREE MONTHS ENDED DECEMBER 31,		NINE MONTHS ENDED DECEMBER 31,	
	2003	2002	2003	2002
Revenue	$ 3,276	$ 3,701	$ 10,371	$ 11,763
Net loss	$ (8,119)	$ (3,262)	$ (11,042)	$ (11,473)
Net loss per share, basic and diluted...............	$ (0.35)	$ (0.20)	$ (0.59)	$ (0.72)
Shares used in per share computations:				
Basic..	23,233	16,002	18,588	15,881
Diluted..	23,233	16,002	18,588	15,881

10. 2% CONVERTIBLE DEBENTURES: (AS RESTATED)

On June 30, 2003, the Company signed definitive agreements with investors to raise up to $7,165 in a private placement of convertible debt financing to be completed in two tranches. The first tranche, which closed on June 30, 2003, involved the sale of debentures in the principal amount of $929. The Company received $424 in cash on June 30, 2003 and the remaining balance of $505 on July 1, 2003, which was recorded as an other receivable as of June 30, 2003. The closing of the second tranche, which occurred on September 9, 2003 following shareholder approval on September 8, 2003, resulted in the receipt of approximately $6,236 in cash on September 10, 2003.

The debentures agreement includes a Material Adverse Change ("MAC") clause which allows the debenture holders to demand the immediate payment of all outstanding balances upon the debenture holders' determination of the occurrence of deemed material adverse changes to the Company's financial condition, business or operations as determined by the debenture holders. Potential material adverse changes that may cause the Company to default on the debentures include any significant adverse effect on the Company's financial condition arising from an event not previously disclosed in the Company's filings with the Securities and Exchange Commission ("SEC"), such as a significant litigation judgment against the Company, bankruptcy, or termination of the majority of the Company's customer relationships. The MAC clause is effective until the conversion of all outstanding debentures. As a result of the MAC clause, the debentures are classified as current liabilities.

The Company was required to pay a cash fee of up to 6.65% of the gross proceeds of the debentures to certain financial advisors upon the closing of the second tranche. A fee of $448 has been recorded as a debt issuance cost and was paid in September 2003. The financial advisors also were granted warrants to purchase 1,756,127 shares of the Company's common stock at an exercise price of $0.35 per share. These warrants were valued at $1,387 using the Black-Scholes option pricing model with the following variables: stock fair value of $0.93, term of five years, volatility of 95% and risk-free interest rate of 2.5%. During the three-month period ended December 31, 2003, the financial advisors exercised warrants for 763,870 shares, leaving advisor warrants for 992,257 shares unexercised at the end of the quarter.

The debentures accrue interest at the rate of 2% per annum. Both the principal of, and the accrued interest on, the debentures are convertible at the rate of $0.35 per share. The principal of the debentures is convertible into 20,471,428 shares of the Company's common stock. The closing prices of the Company's common stock on June 30, 2003 and September 9, 2003, the closing dates for the first and second tranches, respectively, were $0.55 and $1.49. Therefore, a beneficial conversion feature exists which needs to be accounted for under the provisions of EITF 00-27, Application of Issue 98-5 to Certain Convertible Instruments. A beneficial feature also exists in connection with the conversion of the interest on the debentures into shares of common stock.

As of December 31, 2003, several debenture holders converted debentures in the principal amount of $3,759 into 10,740,534 shares of the Company's common stock. In addition, 46,197 shares were issued which represented interest payable

to the debenture holders at the time of the conversions. As of December 31, 2003, there remained convertible debentures in the principal amount of $3,406 convertible into 9,730,894 shares of the Company's common stock.

In addition, the debenture holders were granted warrants to purchase 4,094,209 shares of the Company's common stock at an exercise price of $0.50. The warrants expire after eight years. The warrants were valued using the Black-Scholes model with the following variables: fair value of common stock of $0.35 for the first tranche debentures and $0.93 for the second tranche debentures, volatility of 37% and risk-free interest rate of 2.5%. As of December 31, 2003, the debenture holders had exercised warrants to purchase 437,133 (1,770 of these shares were remitted as payment) shares of the Company's common stock. As of December 31, 2003, there remained unexercised warrants held by the debenture holders for 3,657,076 of the Company's common stock.

The relative fair value of the warrants has been classified as equity with the beneficial conversion feature because it meets all the equity classification criteria of EITF 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock.

The following table presents the amounts originally allocated to the beneficial conversion feature and warrants and the outstanding balance of debt at December 31, 2003 (as restated) after accounting for these two equity instruments and conversions (in thousands):

<TABLE>
<CAPTION>

<S>	FIRST TRANCHE <C>	SECOND TRANCHE <C>	TOTAL <C>
2% convertible debentures - principal amount	$ 929	$ 6,236	$ 7,165
Beneficial conversion feature (included in equity)	(605)	(4,585)	(5,190)
Warrants (included in equity)	(73)	(1,651)	(1,724)
Conversions to common stock	(627)	(1,890)	(2,517)
Accretion of debt discount	425	1,907	2,332
Net amount of 2% convertible debentures	$ 49	$ 17	$ 66

</TABLE>

The value of the beneficial conversion feature, warrants and debt issuance costs are being amortized as interest expense over the life of the debt using the effective interest method. Related interest expense for the nine month period ended December 31, 2003 amounted to $3,804. This amount is comprised of nominal interest, amortization of beneficial conversion feature and amortization of debt issuance costs.

The debt issuance costs associated with the debentures amounted to $2,369 and are comprised of $982 in cash issuance costs and $1,387 associated with warrants issued to financial advisors. Approximately $603 of these costs were allocable to the warrants and were therefore offset into equity. The remaining balance of $1,766 has been recorded as an asset to be amortized over the life of the debt. As of December 31, 2003, $697 is remaining in current assets.

Amortization accelerates if the Company repays the debt early, upon conversion, if the material adverse change clause is invoked, or if it is deemed that such invocation is probable given the presence of negative factors or if the debt is converted into common stock. The Company will assess the probability of the occurrence of the material adverse change clause on a quarterly basis.

11. SUBSEQUENT EVENT:

Convertible Debenture Financing

As of June 15, 2004, all of the outstanding debentures associated with the Convertible Debenture Financing as described in Note 7 above had been converted into the Company's common stock. The principal and interest amount of the

debentures converted between April 1, 2004 and June 15, 2004 was $1,688, which was converted into 4,825,118 shares of the Company's common stock.

Acquisition of First Derivative Systems, Inc.

On May 28, 2004, Tegal purchased substantially all of the assets of First Derivative Systems, Inc. ("FDSI") for 1,410,622 shares of common stock and approximately $200,000 in assumed liabilities, pursuant to a purchase agreement dated April 29, 2004. All of the shares of common stock are subject to a registration rights agreement in which the Company has agreed to register the shares with the Securities and Exchange Commission for resale. In addition, the Company entered into employment agreements with key FDSI personnel. FDSI, a privately held development stage company based in Goleta, CA, was founded in 1999 as a spin-off of Sputtered Films, Inc., which itself was acquired by Tegal in August 2002. FDSI had developed a high-throughput, low cost-of-ownership physical vapor deposition ("PVD") system with highly differentiated technology for leading edge memory and logic device production on 300 millimeter wafers.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information herein contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, which can be identified by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "estimate," or "continue" or the negative thereof or other

variations thereon or comparable terminology or which constitute projected financial information. The forward-looking statements relate to the near-term semiconductor capital equipment industry outlook, demand for our products, our quarterly revenue and earnings prospects for the near-term future and other matters contained herein. Such statements are based on current expectations and beliefs and involve a number of uncertainties and risks that could cause the actual results to differ materially from those projected. Such uncertainties and risks include, but are not limited to, the cyclicality of the semiconductor industry, impediments to customer acceptance, fluctuations in quarterly operating results, competitive pricing pressures, the introduction of competitor products having technological and/or pricing advantages, product volume and mix and other risks detailed from time to time in our SEC reports. For further information, refer to the business description and risk factors sections included in our Form 10-K for the year ended March 31, 2003 and the risk factors section included in this Form 10-Q (Part II, Item 5) as filed with the SEC.

RESULTS OF OPERATIONS

Tegal designs, manufactures, markets and services plasma etch systems used in the fabrication of integrated circuits, memory devices, read-write heads for the disk drive industry, printer heads, telecommunications equipment, small flat panel displays, device-level packaging, mask/reticle formation and MEMS. With the acquisition of Sputtered Films on August 30, 2002, and the acquisition of Simplus on November 11, 2003, the Company now also provides deposition capabilities. The acquisition of Sputtered Films and Simplus secured a source for a complementary deposition technology for our new materials strategy. The continuation of Moore's Law is dependent on the adoption of a variety of new materials that, because of their composition, are extremely difficult to deposit an etch uniformly. Since the mid-1990's Tegal has focused on developing and implementing process solutions for the new materials being adopted by the makers of advanced semiconductor and nanotechnology devices.

The following table sets forth certain financial items as a percentage of revenue for the three and nine-month periods ended December 31, 2003 (as restated) and 2002:

<TABLE>
<CAPTION>

	THREE MONTHS ENDED DECEMBER 31,	NINE MONTHS ENDED DECEMBER 31,
	2003	2003

	AS RESTATED	2002	AS RESTATED	2002
<S>	<C>	<C>	<C>	<C>
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of sales	101.7	97.6	81.0	113.4
Gross profit (loss)................................	(1.7)	2.4	19.0	(13.4)
Operating expenses:				
Research and development...........................	29.0	29.8	24.0	33.6
Sales and marketing................................	18.1	23.1	17.0	22.4
General and administrative..........................	24.8	39.2	26.6	37.4
In-process research and development................	67.2	--	21.2	--
Total operating expenses.........................	139.1	92.1	88.9	93.4
Operating loss...............................	(140.8)	(89.7)	(69.8)	(106.8)
Other income, net				
Interest expense, net..............................	(107.2)	(1.5)	(37.3)	(3.6)
Other income (expense), net........................	0.2	3.1	0.6	2.1
Other income (expense), net...........................	(107.0)	1.6	(36.7)	(1.5)
Net loss...	(247.8%)	(88.1%)	(106.5%)	(108.3%)

</TABLE>

Revenue. System revenue for the three and nine-months ended December 31, 2003 was $3,276 and $10,371 respectively, a decrease for the three-months and an increase for the nine-months of $425 and $273, respectively, over the comparable periods in 2002. The decrease for the three months ended December 31, 2003 was principally due to the sale of a 6500 series system upgrade as compared to the sale of one full 6500 series systems for the same period in the prior year. The increase for the nine months ended December 31, 2003 was principally due to the systems sales product mix as compared to the same period in the prior year. As of December 31, 2003 and 2002, our backlog was $5,189 and $2,774, respectively.

Revenue from spare parts and service sales for the three months ended December 31, 2003 and December 31, 2002 were $1,930 and $1,860, respectively. The increase of spare parts and service revenue during the three months ended December 31, 2003 was primarily due to increased sales of spare parts as compared to the same period in the prior year. For the nine months ended December 31, 2003, service and spare parts revenue was $5,701, down from $5,809

for the nine-month period ended December 31, 2002. The decrease of spare parts and service revenue in the nine months ended December 31, 2003 was as a result of slow service and spare parts sales at the beginning of the current fiscal year, that is partially offset by an increase in the three months ended December 31, 2003, which the Company believes is due to increased usage of systems in the customers' facilities during the last three-month period.

International sales as a percentage of the Company's revenue for the three and nine months ended December 31, 2003 were approximately 79.1% and 81.0%, respectively, and for the three and nine months ended December 31, 2002 were 83.2% and 77.2%, respectively. We believe that international sales will continue to represent a significant portion of our revenue.

Gross profit (loss). Gross profit (loss) as a percentage of revenue (gross margin) was (1.7)% and 2.4% for the three-months ended December 31, 2003 and 2002, respectively, and 19.0% and (13.4)% for the nine-months ended December 31, 2003 and 2002, respectively. The decrease in gross margin for the three-months ended December 31, 2003 compared to the same period in the prior year was principally attributable to a $967 excess and obsolete inventory provision based on reduced revenue projections and recent changes in product mix of spare parts creating an excess of the spare parts currently in inventory. The increase in gross margin for the nine months ended December 31, 2003 compared to the same period in the prior year was principally attributable to a $1,922 excess and obsolete inventory provision based on reduced revenue projections during the prior year, which reflected the slow-down of the semiconductor sector.

Research and development. Research and development expenses consist primarily of salaries, prototype material and other costs associated with our ongoing systems and process technology development, applications and field process support efforts. Research and development expenses were $951 and $1,102 for the three months and $2,490 and $3,397 for the nine months ended December 31, 2003 and 2002, respectively, representing 29.0% and 29.8% of revenue for the three-months and 24.0% and 33.6% of revenue for the nine months ended December 31, 2003 and 2002, respectively. The decrease in research and development spending is primarily due to the completion and implementation of specific projects and the Company's continued cost reduction efforts.

Sales and marketing. Sales and marketing expenses consist primarily of salaries, commissions, trade show promotion and travel and living expenses associated with those functions. Sales and marketing expenses were $592 and $855 for the three months and $1,760 and $2,260 for the nine months ended December 31, 2003 and 2002, respectively, representing 18.1% and 23.1% of revenue for the three months and 17.0% and 22.4% of revenue for the nine months ended December 31, 2003 and 2002, respectively. The decrease in sales and marketing spending is due to the Company's continued cost reduction efforts.

General and administrative. General and administrative expenses consist primarily of compensation for general management, accounting and finance, human resources, information systems and investor relations functions and for legal, consulting and accounting fees of the Company. General and administrative expenses were $812 and $1,452 for the three months and $2,764 and $3,776 for the nine months ended December 31, 2003 and 2002, respectively, representing 24.8% and 39.2% of revenue for the three months and 26.7% and 37.4% of revenue for the nine months ended December 31, 2003 and 2002, respectively. The decrease in general and administrative spending for the three-month period ended December 31, 2003, compared to the same periods in the prior year, was primarily attributable to the operating expenses that are incurred by Sputtered Films in the prior year. The decrease in general and administrative spending for the nine month period ended December 31, 2003, compared to the same periods in the prior year, was primarily attributable to Company's continued cost reduction efforts.

In-process research & development. In-process research & development ("IPR&D") consists of those products obtained through acquisition that are not yet proven to be technologically feasible but have been developed to a point where there is value associated with them in relation to potential future revenue. Because technological feasibility was not yet proven and no alternative future uses are believed to exist for the in-process technologies, the assigned value of $2,202 was expensed immediately upon the date of the acquisition.

The fair value underlying the $2.2 million assigned to IPR&D in the Simplus acquisition was determined by identifying research projects in areas for which technological feasibility had not been established and for which there was no alternative future use. Projects in the IPR&D category are certain design change improvements on the existing 150 mm and 200 mm systems and the development of a 300 mm system. The design change improvements on the existing systems is estimated to cost approximately $500,000 to $1 million, is approximately 90% complete and will be completed by December 31, 2004. The development of a 300 mm system is estimated to be approximately 10% complete, and to cost between $2 and $4 million over the next two to four years, as market demand materializes.

The IPR&D value of $2.2 million was determined by an income approach where fair value is the present value of projected free cash flows that will be generated by the products incorporating the acquired technologies under development, assuming they are successfully completed. The estimated net free cash flows generated by the products over a seven-year period were discounted at a rate of 32% percent in relation to the stage of completion and the technical risks associated with achieving technological feasibility. The net cash flows for such projects were based on management's estimates of revenue, expenses and asset requirements. Any delays or failures in the completion of these projects could impact expected return on investment and future results of operations. In addition, the Company's financial condition would be adversely affected if the value of other intangible assets acquired became impaired.

All of these projects have completion risks related to functionality, architecture performance, process technology availability, continued

availability of key technical personnel, product reliability and availability of software support. To the extent that estimated completion dates are not met, the risk of competitors' product introductions is greater and revenue opportunity may be permanently lost.

Interest expense, net. Interest expense consists primarily of interest expense on the debenture financing and the domestic line of credit offset in part by interest income on outstanding cash balances.

Other income (expense), net. Other income (expense), net consists primarily of gains and losses on foreign exchange.

LIQUIDITY AND CAPITAL RESOURCES

For the nine-month period ended December 31, 2003, we financed our operations through the use of outstanding cash balances, the sale of convertible debentures, and borrowings against our promissory note borrowing facilities in Japan, as well as our domestic line of credit.

Net cash used in operations was $2,428 during the nine months ended December 31, 2003, due principally to a net loss of $11,042 (as restated) offset by non cash expense from depreciation and amortization, warrants issued for services rendered, and non cash amortization of debt discount, and a non cash charge for acquired IPR&D related to the Simplus acquisition. Additionally, the net loss is offset by a net decrease in inventory and an increase in accounts receivable offset by a net decrease in accounts payable and accrued liabilities, offset by an increase in prepaid expenses and other assets. We expect to incur additional costs in connection with the completion of certain projects as a result of the acquisition of Simplus. Net cash used in operations was $3,791 during the nine months ended December 31, 2002, due principally to a net loss of $10,930 offset by non cash expense for depreciation and amortization, a non cash related provision for inventory and warrants issued for services rendered. Additionally, the net loss was offset by a decrease in accounts receivable and inventory offset, in part, by a decrease in deferred revenue and increase in prepaid expenses and other assets, and a decrease in accounts payable and other accrued liabilities.

There were minimal capital expenditures for the nine months ended December 31, 2003. Capital expenditures totaled approximately $19 and $323 for the nine months ended December 31, 2003 and December 31, 2002, respectively. Capital expenditures in 2002 were incurred principally for leasehold improvements and to acquire design tools, analytical equipment and computers.

Cash proceeds from financing activities totaled $6,587 for the nine months ended December 31, 2003 and were primarily from the sale of 2% convertible debentures and the subsequent exercise of common stock warrants by service providers and debenture holders, partially offset by the repayment of the Japanese line of credit. Net cash used in financing activities totaled $720 for the nine months ended December 31, 2002 primarily related to the repayment of the domestic and Japanese lines of credit.

On June 30, 2003, the Company entered into an Amended Letter Agreement and Subordination Agreement with Silicon Valley Bank, which subordinated the bank's interest in Tegal's intellectual property to the investors in the Convertible Debt Financing (See Note 10). The Company agreed not to request, until such time as the investors' security interest in the intellectual property was terminated, any loan, letter of credit, foreign exchange forward contract, cash management service or credit accommodation under the Company's current line of credit with Silicon Valley Bank. As of December 31, 2003, the Company had no amounts outstanding under this domestic line of credit, which had been collateralized by substantially all of the Company's domestic assets and which was further limited by the amounts of accounts receivable and inventories on the Company's balance sheet. The facility had a maximum borrowing capacity of $10.0 million, and bore interest at prime plus 1.0 %, or 5.25 % as of December 31, 2003. On January 19, 2004, the Company entered into a new line of credit with Silicon Valley Bank that will be available until January 19, 2005. The new line of credit has a

maximum borrowing capacity of $3.5 million, bears interest of prime plus 1.0% and is collateralized by substantially all of the Company's domestic and

Japanese assets.

As of December 31, 2003, the Company's Japanese subsidiary had $6 outstanding under its bank line of credit which is collateralized by Japanese customer promissory notes held by such subsidiary in advance of payment on customers' accounts receivable. The Japanese bank line bears interest at Japanese prime (1.375% as of December 31, 2003) plus 1.0%, and has a total capacity of 150 million yen (approximately $1,401 at exchange rates prevailing on December 31, 2003).

Notes payable as of December 31, 2003 consisted primarily of one outstanding note to the California Trade and Commerce Agency for $139. The unsecured note from the California Trade and Commerce Agency carries an annual interest rate of 5.75% with monthly interest only payments of approximately $4.2 per month. Although the payment deadlines are being met, the note is currently in technical default due to the merger of Sputtered Films and Tegal Corporation.

The Company also entered into a convertible debenture financing, which is described in Note 10 to the financial statements.

The unaudited condensed consolidated financial statements contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. The Company incurred net losses of $11,042 (as restated) and $10,930 for the nine months ended December 31, 2003 and 2002, respectively. The Company generated negative cash flows from operations of $2,428 and $3,791 for the periods ended December 31, 2003 and 2002, respectively. To finance its operations, the Company raised approximately $6,183 in net proceeds from the sale of 2% convertible debentures and exercise of warrants during the nine-month period ended December 31, 2003 (see Note 10). Management believes that these proceeds, combined with the effects of its cost compression program, will be adequate to fund operations through fiscal year 2005. However, projected sales may not materialize and unforeseen costs may be incurred. Additionally, the convertible debentures agreement includes a material adverse change clause which allows the debenture holders to demand the immediate payment of all outstanding balances upon the debenture holders' determination of the occurrence of deemed material adverse changes to the Company's financial condition, business or operations as determined by the debenture holders based on required financial reporting and other criteria. These issues raise substantial doubt about the Company's ability to continue as a going concern.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and, in reaching reasonable level of assurance management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the quarter covered by this report. The evaluation also took into account a written confirmation of a reportable condition recently provided by our independent accountants stating that they noted certain matters involving the accounting of our convertible debentures and related debt issuance costs. The reportable condition arose from the accounting for our convertible debentures with warrants and related measurement and recognition of beneficial conversion and warrant discounts and issuance costs. As a result of the above, the Company restated its unaudited condensed consolidated financial statements for the three and nine-month periods ended December 31, 2003, included here in.

The letter acknowledges the accounting for convertible debentures with warrants and related measurement and recognition of beneficial conversion and warrant discounts and issuance costs requires a deep understanding of complex

evolving areas of generally accepted accounting principles that are subject to interpretations and where applications of such principles requires judgment.

The reportable condition letter recommends the Company expand and enhance its accounting function to include sufficient knowledge of accounting for complex financing transactions including the convertible debenture financing referred above.

Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer conclude that our controls and procedures over financial reporting as of the end of the period covered by this report were effective, except with respect to the reportable condition, refer to above.

SIGNATURES

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

TEGAL CORPORATION
(Registrant)

/s/ THOMAS R. MIKA

Thomas R. Mika
Chief Financial Officer

Dated: June 25, 2004

EXHIBIT 31

CERTIFICATIONS

I, Thomas R. Mika, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A (as restated) of Tegal Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 25, 2004 /s/ THOMAS R. MIKA

Thomas R. Mika
Chief Financial Officer

I, Michael L. Parodi, certify that:

1. I have reviewed this report on Form 10-Q/A (as restated) of Tegal Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue

statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 25, 2004 /s/ MICHAEL L. PARODI

Michael L. Parodi
Chief Executive Officer

EXHIBIT 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to 18 U.S.C. ss. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Tegal Corporation (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q/A of the Company for the quarterly period ended December 31, 2003 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 25, 2004 /s/ MICHAEL L. PARODI

Michael L. Parodi
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. ss. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Tegal Corporation (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q/A (as restated) of the Company for the quarterly period ended December 31, 2003 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 25, 2004 /s/ THOMAS R. MIKA

Thomas R. Mika
Chief Financial Officer