



**2201 South McDowell Boulevard
Petaluma, California 94954**

Dear Fellow Stockholders:

Just a few weeks ago, Tegal announced our investment in sequel Power, LLC, a newly formed 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. Following extensive due diligence, we concluded that projects in PV-based solar energy that sequel Power has been developing can potentially drive significant value to our shareholders and 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.

In order to put this change in our long-term strategy into proper perspective, I thought it would be useful to review at a high level the developments over the past several years that led Tegal's Board of Directors to approve our new business strategy.

Following a brief but successful turnaround in 2007, in which we saw our revenue return to levels that allowed us to achieve an operating profit, we faced the most challenging set of circumstances in our history over the last three years. The sharp decline in semiconductor capital spending that started mid-year in calendar 2007 deepened further in the financial crisis that engulfed the global economy in 2008 and 2009 and many semiconductor capital equipment companies went out of business or were sold for fractions of their prior value.

In the face of real threats to our survival, Tegal's Board of Directors took a very hard look at our position within the semiconductor capital equipment industry and concluded that we needed to make a fundamental change, through an acquisition, merger, consolidation or sale of the Company to a third-party. When by late 2009 it became clear that such options were not available to us, our Board made the decision to offer specific product lines to companies that had expressed interest in those assets.

During a two year sales process, we conducted a continuous review of our business strategy, and made several attempts to develop a model that could successfully compete in semiconductor and MEMS capital equipment without the high fixed costs for product development and manufacturing that were representative of our historic business model. Simultaneously, to establish the strongest basis for preserving the Company's capital and future options, we began an intense process of downsizing and discharging our liabilities to our customers, vendors and employees. In March of 2010, we sold our "legacy" etch and PVD products to OEM Group, and in February 2011 we sold our Deep Reactive Ion Etch products to Sumitomo Process Technology Systems (SPTS).

With these divestitures behind us, we believe that Tegal has a bright future and we will continue to pursue opportunities where the capital requirements, concentration and growth prospects are more favorable to a company of our size. We believe that sequel Power represents such an opportunity and we will look for additional opportunities to expand our involvement if we see the potential for a strong return to our shareholders.

I want to thank our customers, partners and shareholders for their continued support of Tegal. I also want to thank our employees for their hard work and perseverance during this challenging but transformational time in our Company's history.

Sincerely,

A handwritten signature in black ink, appearing to read "T. Mika".

THOMAS R. MIKA
President, Chief Executive Officer and Chairman of the Board