

ALTAIR NANOTECHNOLOGIES INC
Form DEF 14A
November 15, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

Altair Nanotechnologies Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
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ALTAIR NANOTECHNOLOGIES INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a special meeting (the "Meeting") of the shareholders of Altair Nanotechnologies Inc. (the "Corporation") will be held at the Grand Sierra Resort, 2500 E. 2nd Street, Reno, Nevada 89502, Monday, the 27th day of December 2010, at the hour of 10:00 o'clock in the morning (Pacific time) for the following purposes:

- (1) To approve the issuance and sale of common shares of the Corporation to Canon Investment Holdings Limited ("Canon") pursuant to the Share Subscription Agreement dated as of September 20, 2010 by and between Canon and the Corporation, in an amount such that, immediately following the share issuance, Canon will be the beneficial owner of 51% of the Corporation's outstanding common shares on a fully diluted basis;
- (2) To approve the adjournment of the Meeting, if necessary, to solicit additional proxies, if there are not sufficient votes at the time of the special meeting to approve proposal No. 1; and
- (3) To authorize our Board of Directors, in its discretion, to implement a one-time fair value stock option exchange program for eligible employees.

The proposals to approve the share issuance to Canon and to approve the stock option exchange program are not related and are not conditioned on obtaining shareholder approval of any other proposal at the Meeting.

This notice is accompanied by a form of proxy and a management proxy circular.

Proxies to be used at the Meeting must be deposited at the office of the transfer agent not later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting.

Shareholders of record as of November 5, 2010, the record date established by the Corporation, are entitled to notice of, and to vote at, the Meeting or any adjournment or postponement thereof. Shareholders who are unable to attend the Meeting in person are requested to complete, date, sign and return the enclosed form of proxy so that as large a representation as possible may be had at the Meeting.

DATED at Toronto, Ontario as of the 15th day of November, 2010.

BY: ORDER OF THE BOARD

Terry M. Copeland
President and Chief Executive Officer

ALTAIR NANOTECHNOLOGIES INC.

204 Edison Way
Reno, Nevada 89502
U.S.A.

MANAGEMENT PROXY CIRCULAR

SPECIAL MEETING OF SHAREHOLDERS

This Management Proxy Circular (this “Circular”) relates to a special meeting (the “Meeting”) of shareholders of Altair Nanotechnologies Inc., a Canadian corporation (“Altair” or the “Corporation”) to be held at the Grand Sierra Resort, 2500 E. 2nd Street, Reno, Nevada 89502, on December 27, 2010, at 10:00 o’clock in the morning, Pacific time. At this Meeting, you will be asked to vote on three proposals.

The first proposal is to approve the issuance and sale of common shares of the Corporation to Canon Investment Holdings Limited (“Canon”) pursuant to the Share Subscription Agreement dated as of September 20, 2010 by and between Canon and Altair (the “Share Subscription Agreement”), in an amount such that, immediately following the share issuance, Canon will be the beneficial owner of 51% of Altair’s outstanding common shares on a fully diluted basis. The purchase price for the shares specified in the Share Subscription Agreement is \$0.3882 per share, which will be adjusted to approximately \$1.5528 per share as a result of the 4:1 consolidation of our common shares to take effect on 11:59 p.m. on November 15, 2010 (as described below). Taking into account the effect of the 4:1 consolidation, the total number of common shares to be issued is estimated to be 31,479,499, and the total gross proceeds from the share issuance are estimated to be \$48,881,366. The exact number of common shares to be issued to Canon will be determined based on the number of outstanding common shares of Altair on a fully-diluted basis as of the closing date. We are seeking shareholder approval for such action in compliance with NASDAQ Marketplace Rules 5635(b) and 5635(d).

The second proposal is to approve adjournment of the Meeting if necessary in order to solicit additional proxies, if there are not sufficient votes at the Meeting to approve the first proposal.

The third proposal is to authorize our Board of Directors in its discretion to implement a one-time fair value stock option exchange program for eligible employees. Pursuant to this stock option exchange program, employees would be offered stock options with an exercise price equal to the market price on the date of the closing of the offer in exchange for their existing out-of-the-money stock options. The exchange ratio would not be one-for-one; rather, the employees would be offered a number of new options with a value that approximately equals the value of the out-of-the-money options they are giving up.

The proposals to approve the share issuance to Canon and to approve the stock option exchange program are not related and are not conditioned upon obtaining shareholder approval of any other proposal at the Meeting.

As previously announced, Altair is implementing a consolidation (or reverse split) of its common shares, in which every four (4) outstanding common shares are being consolidated into (1) common share, as of 11:59 p.m. on November 15, 2010 subject to rounding up of fractional shares (the “Consolidation”). In this Circular, certain share and per-share numbers, other than those contained in the financial statements and the Exhibits, have been adjusted to reflect the Consolidation (without taking into account the rounding up of fractional shares).

Our Board of Directors unanimously recommends that you vote FOR each of the proposals described in this management proxy circular. We urge you to read these proxy materials in their entirety and to consider them carefully, including the effect that adopting or failing to adopt the proposals will have on shareholders. It is important

that your shares be represented at the special meeting, regardless of the size of your holdings. Accordingly, whether or not you expect to attend the special meeting, we urge you to vote promptly by returning the enclosed proxy card. You may revoke your proxy at any time before it has been voted.

This Management Proxy Circular is dated November 15, 2010 and is first being mailed to shareholders on or about November 26, 2010

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ANNEX A: Share Subscription Agreement dated as of September 20, 2010 by and between Canon Investment Holdings Limited and Altair Nanotechnologies Limited (without Schedules or Exhibits)

ANNEX B: Opinion of JMP Securities LLC

QUESTIONS AND ANSWERS ABOUT THE MEETING AND PROPOSALS

Set forth below in a question and answer format is general information regarding the Meeting on December 27, 2010 to which this Circular relates.

Q. Where and when will the Meeting be held?

A. The Meeting will be held at the Grand Sierra Resort, 2500 E. 2nd Street, Reno, Nevada 89502, Monday, the 27th day of December 2010, at the hour of 10:00 o'clock in the morning (Pacific time).

Q. What are the purposes of the Meeting?

A. The purposes of the Meeting are to consider and vote on the following proposals:

To approve the issuance and sale of common shares of the Corporation (the "Common Share Issuance") to Canon pursuant to the Share Subscription Agreement in an amount such that, following the share issuance, Canon will be the beneficial owner of 51% of the Corporation's outstanding common shares on a fully-diluted basis. The purchase price for the shares specified in the Share Subscription Agreement is \$0.3882 per share, which will be adjusted to approximately \$1.5528 per share as a result of the Consolidation. Taking into account the effect of the Consolidation, the total number of common shares to be issued is estimated to be 31,479,499, and the total gross proceeds from the share issuance are estimated to be \$48,881,366. The exact number of common shares to be issued to Canon will be determined based on the number of outstanding common shares of Altair on a fully-diluted basis as of the closing date.

To approve adjournment of the Meeting, if necessary, to solicit additional proxies, if there are not sufficient votes at the time of the Meeting to approve proposal No. 1; and

To authorize our Board of Directors (our "Board"), in its discretion, to implement a one-time fair value stock option exchange program for eligible employees (the "Stock Option Exchange Program").

Q. Will any other matters be voted on?

A. The Board does not intend to present any other matters at the Meeting. The Board does not know of any other matters that will be brought before our shareholders for a vote at the Meeting. If any other matter is properly brought before the Meeting, your signed proxy card gives authority to Terry M. Copeland and, failing him, John Fallini, or your indicated nominee as proxies, with full power of substitution, to vote on such matters at their discretion.

Q. Who is soliciting my vote?

A. Our Board is soliciting your proxy to vote at the Meeting. Your vote is important. We encourage you to vote as soon as possible after carefully reviewing this Circular, including Annexes hereto.

Q. Who is entitled to vote?

A. The record date for the determination of shareholders entitled to receive notice of, and to vote at, the Meeting is the close of business on November 5, 2010. In accordance with the provisions of the Canada Business Corporations Act (the "CBCA"), we will prepare a list of the holders of our common shares as of the record date. Each holder of common shares as of the record date will be entitled to vote the common shares held of record by such holder as of the record date. Because the Consolidation has not taken effect as of the record date, the number of common shares

entitled to vote at the meeting will be based on the number of common shares outstanding on November 5, 2010, prior to the Consolidation.

Q. Does the Consolidation affect the number of votes or who can vote?

A. No. Each holder of common shares as of the record date will be entitled to vote the number of common shares held of record by such holder as of the record date. The record date is November 5, 2010. Because the Consolidation has not taken effect as of the record date, the number of common shares each shareholder is entitled to vote, and the identity of those who can vote, is not affected by the Consolidation.

Q. How does the Consolidation affect the purchase price paid under the Share Subscription Agreement and the number of shares purchased.

A. The per-share purchase price specified in the Share Subscription Agreement is \$0.3882 per share. Under the Share Subscription Agreement, the per-share purchase price will first be adjusted to account for the 4:1 consolidation ratio, which will cause an increase in the per share purchase price by a multiple of four to \$1.5528 per share. At the same time, the number of common shares representing 51% of outstanding issue on a fully diluted based will be reduced by a multiple of $\frac{1}{4}$, resulting in the same aggregate purchase price, but for the effect of rounding up fractional shares. The Company has agreed that aggregate purchase price for all of the shares will not increase solely as a result of the Consolidation. In the Consolidation, if a fractional share remains after the 4:1 consolidation of all shares held by any shareholder, the fraction will be rounded up to the nearest whole share. Because Altair has agreed that the aggregate purchase price will not be increased as a result of the Consolidation, the per-share purchase price will be adjusted so that the additional shares issued as a result of the rounding up of fractional shares will not result in an increase in the aggregate purchase price.

As of the date of this Circular, Altair is uncertain how many shareholders hold a number of common shares that is not evenly divisible by four and, as a result, will be entitled to have a fractional share rounded up to a whole share. There are approximately 27,500 beneficial holders of Altair's common shares. The increase in shares as a result of rounding could be as many as 27,500; however, because the aggregate holdings of many shareholders are divisible by four, and because each incidence of rounding will result in only a partial increase in the number of shares (for example, if the fraction of .6 is rounded up to one, the increase as a result of the rounding is only .4), Altair estimates that the aggregate increase as a result of rounding up will be approximately 10,000 shares. To illustrate the effect of rounding up on the per-share price, if the number of common shares outstanding on a fully diluted basis prior to the Consolidation is 120,980,035 common shares (consolidating to 31,479,499 common shares prior to rounding), an increase of 27,500 shares as a result of rounding up would result in a per-share purchase price of approximately \$1.5514 per share, and an increase of 10,000 shares as a result of rounding up would result in a per-share purchase price of approximately \$1.5523 per share. The aggregate purchase price would remain at \$48,881,366. The actual per-share price and aggregate purchase price will be determined at closing based upon the number of common shares outstanding on a fully diluted basis on that date and the number of common shares issued as a result of rounding up in the Consolidation.

Q. What are the voting recommendations of the Board of Directors?

A. Our Board recommends the following votes:

“FOR” Proposal No. 1, the Common Share Issuance;

“FOR” Proposal No. 2, to adjourn the Meeting if necessary to solicit additional votes in favor of Proposal No. 1; and

“FOR” Proposal No. 3, the Stock Option Exchange Program.

Q. What is the difference between holding shares as a shareholder of record and as a beneficial owner?

A. Many shareholders hold their shares through a broker or bank rather than directly in their own names. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

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Shareholder of Record – If your shares are registered directly in your name with our transfer agent, you are considered, with respect to those shares, the shareholder of record, and these Circular materials are being sent directly to you by us. You may vote the shares registered directly in your name by completing and mailing the proxy card or by written ballot at the Meeting.

Beneficial Owner – If your shares are held in a stock brokerage account or by a bank, you are considered the beneficial owner of shares held in street name, and these Circular materials are being forwarded to you by your bank or broker, which is considered the shareholder of record of these shares. As the beneficial owner, you have the right to direct your bank or broker how to vote and are also invited to attend the Meeting. However, since you are not the shareholder of record, you may not vote these shares in person at the Meeting unless you bring with you a legal proxy from the shareholder of record. Your bank or broker has enclosed a voting instruction card providing directions for how to vote your shares.

Q. How do I vote?

A. If you are a shareholder of record, there are two ways to vote:

- By completing and mailing your proxy card or
- By written ballot at the Meeting.

Shareholders who are not shareholders of record and who wish to deliver proxies should follow the instructions of their intermediary with respect to the procedure to be followed. Generally, shareholders who are not shareholders of record will either: (i) be provided with a proxy executed by the intermediary, as the shareholder of record, but otherwise uncompleted and the beneficial owner may complete the proxy and return it directly to our transfer agent; or (ii) be provided with a request for voting instructions by the intermediary, as the shareholder of record, and then the intermediary must send to our transfer agent an executed proxy form completed in accordance with any voting instructions received by it from the beneficial owner.

Q. Can I change my vote or revoke my proxy?

A. A shareholder who has given a proxy has the power to deliver a substitute proxy or revoke a prior proxy prior to the commencement of the Meeting by depositing an instrument in writing, including another proxy bearing a later date, executed by the shareholder or by the shareholder's attorney authorized in writing either at the office of the transfer agent indicated on the enclosed envelope not later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting, or by delivering the instrument to the chairman of the Board of Directors on the day of the Meeting or adjournment thereof.

Q. How are proxies being solicited and who pays for the solicitation of proxies?

A. Proxies will be solicited by mail and also may be solicited personally, by email, by facsimile or by telephone. Proxies will be solicited by officers and employees of the Corporation without additional compensation. In addition, we have retained D. F. King & Co., Inc. (the "Soliciting Agent") to assist with the solicitation of proxies.

The cost of solicitation by management will be borne directly by the Corporation. We have agreed to pay the Soliciting Agent a fee of \$7,500, plus \$5.00 for each incoming call and reasonable out-of-pocket expenses. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation materials to the beneficial owners of the common shares of the Corporation held of

record by such persons, and we will reimburse them for their reasonable out-of-pocket expenses incurred by them in connection therewith.

Q. What is the quorum requirement of the Meeting?

A. One-third of the outstanding common shares as of the record date of November 5, 2010, represented in person or by properly executed proxy, is required for a quorum at the Meeting.

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Q. What vote is required to approve each proposal?

A. Proposal No. 1, approval of the Common Share Issuance, requires the affirmative vote of the holders of a majority of the votes cast on the proposal.

Proposal No. 2, authorizing adjournment of the Meeting if necessary to solicit additional proxies, if there are not sufficient votes at the time of the Meeting to approve the Common Share Issuance, requires the affirmative vote of the holders of a majority of the votes cast on the proposal.

Proposal No. 3, authorizing our Board to implement the Stock Option Exchange Program, requires the affirmative vote of the holders of a majority of the votes cast on the proposal.

Brokers do not have discretionary authority to vote shares on any of the proposals without instructions from the beneficial owner. With respect to each of the proposals, abstentions and broker non-votes are not counted as votes cast and will have no effect on the vote.

Q. Are the proposals related or conditioned on the approval of other proposals?

A. Proposal No. 1, approval of the Common Share Issuance, is not conditioned on approval of either of the other two Proposals. The Common Share Issuance is unrelated to the Stock Option Exchange Program and approval of one is not dependent on approval of the other. Proposal No. 2, authorizing adjournment of the Meeting if necessary to solicit additional proxies, is related to Proposal No. 1 only in the sense that it will only become effective if there are not sufficient votes at the time of the Meeting to approve the Common Share Issuance.

Q. What are broker non-votes and how will they affect the vote?

A. Broker non-votes occur when holders of record, such as banks and brokers holding shares on behalf of beneficial owners, do not receive voting instructions from the beneficial holders at least ten days before the Meeting and do not have authority under governing rules to vote with respect to the proposal in question on behalf of beneficial holders without instructions. Broker non-votes will not affect the outcome of any of the proposals, assuming that a quorum is obtained.

Q. Who can attend the Meeting?

A. All registered shareholders as of the record date of November 5, 2010, their duly appointed representatives, our directors and our auditors are entitled to attend the Meeting.

Q. I own my shares indirectly through my broker, bank, or other nominee, and I receive multiple copies of this Circular, and other mailings because more than one person in my household is a beneficial owner. How can I change the number of copies of these mailings that are sent to my household?

A. If you and other members of your household are beneficial owners, you may eliminate this duplication of mailings by contacting your broker, bank, or other nominee. Duplicate mailings in most cases are wasteful for us and inconvenient for you, and we encourage you to eliminate them whenever you can. If you have eliminated duplicate mailings, but for any reason would like to resume them, you must contact your broker, bank, or other nominee. If you are a shareholder of record contact John Fallini, Chief Financial Officer, by phone at (775) 858-3750 or by mail to P.O. Box 10630, Reno, Nevada, U.S.A. 89510-0630.

Q. Multiple shareholders live in my household, and together we received only one copy of this Circular. How can I obtain my own separate copy of those documents for the Meeting?

A. You may pick up copies in person at the Meeting or download them from our Internet web site, www.altairannualmeeting.com. If you want copies mailed to you and are a beneficial owner, you must request them from your broker, bank, or other nominee. If you want copies mailed to you and are a shareholder of record, we will mail them promptly if you request them from John Fallini, Chief Financial Officer by phone at (775) 858-3750 or by mail to P.O. Box 10630, Reno, Nevada, U.S.A. 89510-0630. We cannot guarantee you will receive mailed copies before the Meeting.

Q. Where can I find the voting results of the Meeting?

A. We are required to file the voting results on the System for Electronic Document Analysis and Retrieval (SEDAR) promptly following the meeting, and thereafter they can be found on the SEDAR website at www.sedar.com. We are also required to file the voting results on a Current Report on Form 8-K with the U.S. Securities and Exchange Commission (the "SEC") promptly following the meeting, and thereafter they can be found on our website at www.altairnano.com (select the link to SEC Filings on the Investor Relations page).

Q. Who can help answer my questions?

A. If you have questions about the Meeting or if you need additional copies of the Circular or the enclosed proxy card you should contact:

John Fallini, Chief Financial Officer
P.O. Box 10630
Reno, Nevada 89510-0630 U.S.A.
(775) 858-3750

or

D.F. King & Co., Inc.
48 Wall Street, 22nd Floor
New York, NY 10005
Banks and Brokers Call Collect: (212) 269-5550
All Others Call Toll-Free: (800) 967-4604

SUMMARY

This summary highlights selected information from the Circular. To understand the proposals fully, you should read carefully this entire document and the documents to which we refer. The Share Subscription Agreement is attached as Annex A to this Circular; we encourage you to read the Share Subscription Agreement because it is the legal document that governs the Common Share Issuance. Unless otherwise provided in this Circular or as evident from the context, references to “Altair,” the “Corporation,” “we,” “us,” and “our” refer to Altair Nanotechnologies Inc. and all of its consolidated subsidiaries. All dollar amounts set forth herein are United States Dollars unless otherwise specified.

As previously announced, Altair is implementing a Consolidation (or reverse split) of its common shares, in which every four (4) outstanding common shares are being consolidated into (1) common share, as of 11:59 p.m. on November 15, 2010. In this Circular, certain share and per-share numbers, other than those contained in the financial statements and the Exhibits, have been adjusted to reflect the Consolidation (without taking into account the rounding up of fractional shares).

Proposals

You are being asked to vote on three proposals: (1) to approve the Common Share Issuance, (2) to adjourn the Meeting to solicit additional proxies if necessary to approve the first proposal, and (3) to approve the Stock Option Exchange Program. The proposals to approve the Common Share Issuance and to approve the Stock Option Exchange Program are not related and are not conditioned on obtaining shareholder approval of any other proposal at the Meeting.

Parties to the Common Share Issuance

Altair Nanotechnologies Inc.

Headquartered in Reno, Nevada with manufacturing in Anderson, Indiana, Altair Nanotechnologies Inc. is a leading provider of fast response battery systems technology. Altair’s lithium-titanate based battery systems are among the highest performing in the world, and are used primarily to provide frequency regulation and the integration of renewable power generation sources into the electric grid, and in mass transit. Altair Nanotechnologies Inc. was incorporated under the laws of the Province of Ontario, Canada in April 1973 for the purpose of acquiring and exploring mineral properties. It was redomesticated in July 2002 from the Business Corporations Act (Ontario) to the Canada Business Corporations Act, a change that causes Altair to be governed by Canada’s federal corporate statute.

Canon Investment Holdings Limited.

Canon is organized under the laws of Hong Kong. Through its indirect, wholly-owned subsidiary in China, Zhuhai Yingtong Energy Company Ltd. (“YTE”), Canon is a company engaged in the manufacture and sale of high-capacity and high-power lithium ion power batteries, energy-storage batteries, as well as batteries for general uses. YTE commenced production in August 2010. YTE’s battery products have wide application in different areas, including lighting equipment, medical facilities, power tools, electric bicycles, electric vehicles, smart grid, domestic energy-storage, and peak-load regulation.

The Common Share Issuance

If Altair’s shareholders approve the Common Share Issuance, Altair would issue common shares to Canon in an amount such that, immediately following the share issuance, Canon will be the beneficial owner of 51% of Altair’s outstanding common shares on a fully-diluted basis. The purchase price for the shares specified in the Share

Subscription Agreement is \$0.3882 per share, which will be adjusted to approximately \$1.5528 per share as a result of the Consolidation. Taking into account the effect of the Consolidation, the total number of common shares to be issued is estimated to be 31,479,499, and the total gross proceeds from the share issuance are estimated to be \$48,881,366. The exact number of common shares to be issued to Canon will be determined based on the number of outstanding common shares of Altair on a fully-diluted basis as of the closing date.

The proceeds received by Altair from the transactions contemplated hereby will be used, in part, to construct a proprietary nano-lithium titanate (“nLTO”) production facility in China (the “China Production Facility”) that is expected to have an initial annual production capacity of up to 2,000 to 3,000 tons of nLTO, and the remainder of the proceeds will be used to fund Altair’s working capital needs and ongoing operations in the United States. Promptly following the closing of the Common Share Issuance and prior to the first meeting of Altair’s newly-constituted Board (the “New Board”), Altair’s executive officers will prepare a capital and operating budget for approval by the New Board. Other than for the payment of fees and expenses incurred in relation to the Common Share Issuance, Altair is prohibited from using the proceeds received from Canon pursuant to the Common Share Issuance until such budget is approved by the New Board.

The Proposal to Adjourn the Meeting

If it becomes necessary to obtain additional votes in favor of Proposal No. 1, regarding the Common Share Issuance, a motion may be made to adjourn the Meeting to a later time to permit further solicitation of proxies.

The Stock Option Exchange Program

We are asking our shareholders to approve the Stock Option Exchange Program with the following features:

Exclusion of Our Directors. The Stock Option Exchange Program will be available to all employees holding Eligible Stock Options (as defined below), excluding non-employee directors.

Eligible Stock Options. The Stock Option Exchange Program will be offered only with respect to stock options with a purchase (exercise) price above the highest daily adjusted closing price of our common shares over the 52 weeks (52-week high) preceding the beginning of the exchange offer period (“Eligible Stock Options”). This approach seeks to remove stock options that had intrinsic value in the recent past from being eligible for the Stock Option Exchange Program, as they would be considered likely to have intrinsic value in the near future.

Offer an Approximate Value-for-Value Exchange. The value of an employee’s new stock option grant received as part of the Stock Option Exchange Program is not expected to exceed the value of such employee’s surrendered stock options. The exercise price of the new stock options will be the closing price of our common shares on the grant date of the new stock options, which will be at the close of the Stock Option Exchange Program. The exchange ratios of shares associated with surrendered Eligible Stock Options into new stock options will be established shortly before the start of the Stock Option Exchange Program.

Establishment of a New Vesting Period with a Term of Ten Years. New stock option awards will receive a renewed vesting period that will vest 50% on each of the first and second anniversary of the grant date.

Timing of Implementation of the Stock Option Exchange Program. We expect that the Stock Option Exchange Program will begin within three months of the shareholder approval, if received, following the closing of the Common Share Issuance or termination of the Share Subscription Agreement. The actual implementation date within that three-month period, and whether we actually implement this program, will be determined by our Board following the closing of the Common Share Issuance or earlier termination of the Share Subscription Agreement. If the Stock Option Exchange Program does not commence within 180 days of the date of the Meeting, Altair will not conduct the Stock Option Exchange Program without again seeking shareholder approval. Our Board reserves the right to amend, postpone, or under certain circumstances cancel the Stock Option Exchange Program once it has commenced.

THE MEETING

Important Notice Regarding the Availability of Proxy Materials for the Meeting to be held on December 27, 2010. This Circular is available on the Internet at [http:// www.altairannualmeeting.com](http://www.altairannualmeeting.com).

Solicitation of Proxies

THIS CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY OUR BOARD OF PROXIES TO BE USED AT THE SPECIAL MEETING OF SHAREHOLDERS OF THE CORPORATION TO BE HELD AT THE TIME AND PLACE AND FOR THE PURPOSES SET FORTH IN THE ENCLOSED NOTICE OF MEETING. This Circular, the Notice of Meeting and the accompanying form of proxy are first being mailed to the shareholders of the Corporation on or about November 26, 2010. Solicitation will be by mail, but proxies may also be solicited personally, by email, by facsimile or by telephone by officers and employees of the Corporation without additional compensation.

The cost of solicitation will be borne directly by the Corporation. We have retained D. F. King & Co. Inc., our Soliciting Agent, to assist with the solicitation of proxies for a fee of \$7,500, plus \$5.00 for each incoming and outgoing call and reasonable out-of-pocket expenses. Arrangements will also be made with brokerage firms and other custodians, nominees and fiduciaries for the forwarding of solicitation materials to the beneficial owners of the common shares of the Corporation held by such persons, and the Corporation will reimburse such brokerage firms, custodians, nominees and fiduciaries for the reasonable out-of-pocket expenses incurred by them in connection therewith.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are officers and/or directors of the Corporation. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT THE SHAREHOLDER AT THE MEETING MAY DO SO either by inserting such person's name in the blank space provided in that form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the office of the transfer agent indicated on the enclosed envelope not later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting, or by delivering the completed proxy to the chairman of the Board of Directors on the day of the Meeting or adjournment thereof.

A proxy given pursuant to this solicitation may be revoked by instrument in writing, including another proxy bearing a later date, executed by the shareholder or by his attorney authorized in writing, and deposited at the office of the transfer agent indicated on the enclosed envelope not later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting, or by delivering revocation to the chairman of the Board of Directors on the day of the Meeting or adjournment thereof, or in any other manner permitted by law.

Voting of Proxies

THE COMMON SHARES REPRESENTED BY A DULY COMPLETED PROXY WILL BE VOTED OR WITHHELD FROM VOTING IN ACCORDANCE WITH THE INSTRUCTIONS OF THE SHAREHOLDER ON ANY BALLOT THAT MAY BE CALLED FOR, AND IF THE SHAREHOLDER SPECIFIES A CHOICE WITH RESPECT TO ANY MATTER TO BE ACTED UPON, SUCH COMMON SHARES WILL BE VOTED ACCORDINGLY. UNLESS OTHERWISE INDICATED ON THE FORM OF PROXY, SHARES REPRESENTED BY PROPERLY EXECUTED PROXIES IN FAVOR OF PERSONS DESIGNATED IN THE PRINTED PORTION OF THE ENCLOSED FORM OF PROXY WILL BE VOTED (1) TO APPROVE THE COMMON SHARE

ISSUANCE, (II) TO AUTHORIZE THE ADJOURNMENT OF THE MEETING, IF REQUIRED AND (III) TO APPROVE THE STOCK OPTION EXCHANGE PROGRAM.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of Meeting, or other matters which may properly come before the Meeting. At the time of printing this Circular, the Corporation's Board knows of no such amendments, variations or other matters to come before the Meeting.

Record Date; Quorum; Votes Required

The authorized capital of the Corporation consists of an unlimited number of common shares. As of November 5, 2010, the record date for the Meeting, the Corporation had 108,062,315 common shares issued and outstanding.

The Corporation shall make a list of all persons who are registered holders of common shares as of the close of business on November 5, 2010, the record date, and the number of common shares registered in the name of each such person on the record date. Each shareholder is entitled to one vote for each common share registered in his name as it appears on the list.

One-third of the outstanding common shares entitled to vote on the record date, represented in person or by properly executed proxy, is required for a quorum at the meeting. Abstentions will be counted as “represented” for purposes of determining the presence or absence of a quorum. Complete broker non-votes, which are indications by a broker that it does not have discretionary authority to vote on any of the matters to be considered at the meeting, will not be counted as “represented” for the purpose of determining the presence or absence of a quorum.

Shareholder approval of the Common Share Issuance is being requested in order to comply with NASDAQ Marketplace Rule 5635(b) (requiring shareholder approval prior to an issuance of securities that will result in a change of control of the company) and NASDAQ Marketplace Rule 5635(d) (requiring shareholder approval for private placements at a price less than the greater of book or market value which equal 20% or more of the common shares outstanding prior to such issuance). Shareholder approval of the Stock Option Exchange Program is being requested to comply with NASDAQ Marketplace Rule 5635(c) (requiring shareholder approval in connection with any material amendment to an equity compensation arrangement, including a stock option repricing program). Shareholder approval of the Common Share Issuance and the Stock Option Exchange Program is not required under the CBCA. Under the NASDAQ Marketplace Rules,

approval of the Common Share Issuance, requires the affirmative vote of the holders of a majority of the votes cast on the proposal; and

authorizing our Board to implement the Stock Option Exchange Program requires the affirmative vote of the holders of a majority of the votes cast on the proposal.

Under the CBCA, authorizing adjournment of the Meeting if necessary to solicit additional proxies, if there are not sufficient votes at the time of the Meeting to approve the Common Share Issuance, requires the affirmative vote of the holders of a majority of the votes cast on the proposal.

Under the NASDAQ Marketplace Rules and the CBCA, abstentions and broker non-votes will not have the effect of being considered as votes cast against any of the matters considered at the meeting.

Principal Holders of Voting Securities

To the knowledge of the directors and executive officers of the Corporation, as of the date of this Circular, and not taking into account the proposed Common Share Issuance or the Voting Agreements signed in connection therewith, only one holder, Al Yousuf LLC, directly or indirectly exercises control or direction of over more than 10% of the common shares outstanding. According to an Amendment No. 2 on Schedule 13D filed by Al Yousuf LLC and its affiliates on October 8, 2010, the affiliate group beneficially owns 20,395,863 pre-Consolidation common shares representing 18.9% of the outstanding common shares as of the record date for the Meeting.

Officers and directors of the Corporation holding an aggregate of 972,268 common shares on a pre-Consolidation basis, or 0.9% of the total outstanding common shares of the Corporation as of the record date for the Meeting, have entered into Voting Agreements with Canon pursuant to which they have agreed to vote, and have granted to Canon an irrevocable proxy to vote, their shares in favor of the Common Share Issuance. Additionally, Al Yousuf LLC, the largest single shareholder of the Corporation, has entered into a similar voting agreement pursuant to which it has agreed to vote, and has granted an irrevocable proxy to Canon to vote, its shares in favor of the Common Share Issuance (the voting agreements described in this paragraph are collectively referred to in this Circular as the "Voting Agreements"). As of October 8, 2010, Al Yousuf LLC reports that it beneficially owns 20,395,863 common shares of the Corporation (approximately 5,098,966 following the Consolidation) representing 18.9% of the outstanding common shares as of the date of such filing.

Interests of Certain Persons in Matters to be Acted Upon

Other than as disclosed in this Circular, no person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's most recently completed financial year, or any associate or affiliate of any such director or officer, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

PROPOSAL NO. 1 – APPROVAL OF ISSUANCE AND SALE OF COMMON SHARES TO CANON INVESTMENT HOLDINGS LIMITED

Introduction

On September 20, 2010, Altair entered into a Share Subscription Agreement with Canon pursuant to which it agreed to issue and sell its common shares in an amount such that, immediately following the share issuance, Canon will be the beneficial owner of 51% of Altair's outstanding common shares on a fully-diluted basis. The purchase price for the shares specified in the Share Subscription Agreement is \$0.3882 per share, which will be adjusted to approximately \$1.5528 per share as a result of the Consolidation. Taking into account the effect of the Consolidation, the total number of common shares to be issued is estimated to be 31,479,499, and the total gross proceeds from the share issuance are estimated to be \$48,881,366. The exact number of common shares to be issued to Canon will be determined based on the number of outstanding common shares of Altair on a fully-diluted basis as of the closing date. Under the Share Subscription Agreement, Canon may designate one of its affiliates to purchase the common shares on its behalf. In connection with the Share Subscription Agreement, Altair and Canon also entered into an Investor Rights Agreement; officers and directors of Altair entered into Voting Agreements; Al Yousuf LLC, the largest single shareholder of the Corporation, entered into a Waiver and Rights Agreement and Voting Agreement; and Altair, Altairnano, Inc., an indirect subsidiary of the Corporation, and YTE entered into a Conditional Supply and Technology Licensing Agreement (the "Supply Agreement"), each of which is described in greater detail below.

Vote Required

Because Altair's common shares are listed on The NASDAQ Capital Market, Altair is subject to the NASDAQ Marketplace Rules. NASDAQ Marketplace Rule 5635(b) requires shareholder approval prior to an issuance of securities that will result in a change of control of the company, and NASDAQ Marketplace Rule 5635(d) requires shareholder approval for private placements at a price less than the greater of book or market value which equal 20% or more of the common shares outstanding prior to such issuance. The issuance of Altair's common shares to Canon as described herein will result in a change of control and will be a private placement of 20% or more of the pre-transaction outstanding common shares because Canon will acquire common shares that will constitute 51% of the common shares on a fully-diluted basis immediately following the issuance and sale and the acquisition will be at a price that is below the greater of book or market value. As a result, shareholder approval is required for the Common Share Issuance under the NASDAQ Rules.

A quorum being present, the affirmative vote of a majority of the votes cast on the proposal is required to approve the Common Share Issuance to Canon. Abstentions and broker non-votes are not counted as votes cast and will have no effect on the outcome of the vote.

Each of Altair's directors and executive officers, and Al Yousuf LLC, the largest single shareholder of Altair, have entered into Voting Agreements with Canon pursuant to which each has agreed, and granted Canon an irrevocable proxy, to vote all shares of Altair's common shares owned by each of them in favor of this proposal. As of November 5, 2010, the record date, such directors and officers, together with Al Yousuf LLC, held an aggregate of 21,368,131 pre-Consolidation common shares representing 19.8% of the 108,062,315 outstanding common shares on that date. The 21,368,131 common shares held by such directors and officers and Al Yousuf LLC will correspond to approximately 5,342,033 common shares following the Consolidation. See the section of this Circular entitled "Security Ownership of Certain Beneficial Owners and Management" for information regarding the beneficial ownership of Altair's common shares of Altair's directors and executive officers and significant shareholders.

The Companies

Altair Nanotechnologies Inc.

Altair Nanotechnologies Inc.

Headquartered in Reno, Nevada with manufacturing in Anderson, Indiana, Altair Nanotechnologies Inc. is a leading provider of fast response battery systems technology. Altair's lithium-titanate based battery systems are among the highest performing in the world, and are used primarily to provide frequency regulation and the integration of renewable power generation sources into the electric grid, and in mass transit. Altair Nanotechnologies Inc. was incorporated under the laws of the Province of Ontario, Canada in April 1973 for the purpose of acquiring and exploring mineral properties. It was redomesticated in July 2002 from the Business Corporations Act (Ontario) to the Canada Business Corporations Act, a change that causes Altair to be governed by Canada's federal corporate statute.

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Canon Investment Holdings Limited.

Canon is organized under the laws of Hong Kong. Through YTE, its indirect, wholly-owned subsidiary in China, Canon is a company engaged in the manufacture and sale of high-capacity and high-power lithium ion power batteries, energy-storage batteries, as well as batteries for general uses. YTE commenced production in August, 2010. YTE's battery products have wide application in different areas, including lighting equipment, medical facilities, power tools, electric bicycles, electric vehicles, smart grid, domestic energy-storage, and peak-load regulation.

Background to the Transaction

Beginning in 2009, Altair's management and Board began exploring the potential advantages of entering into a strategic partnership. Recognizing that Altair's advanced lithium-titanate energy storage technology had not been fully commercialized, its management and Board believed that Altair's sales prospects would be enhanced by a strategic partner with complementary technology or capabilities. In addition, given Altair's reliance on the issuance of equity securities to raise capital to fund continued development of its products and operations, they believed that Altair would benefit significantly from entering into a relationship with a strategic partner that could provide a significant amount of capital.

In August 2009, with the aim of pursuing a significant commercial customer relationship or strategic partnership with a Chinese photovoltaic solar or wind manufacturer, state-owned power generator or transmission and distribution operator or privately owned battery manufacturer, Altair engaged Zhiyuan (Charles) Cheng, Ph.D. as a consultant to lead Altair's business efforts in The People's Republic of China ("PRC").

On December 13, 2009, Altair's Vice President of Corporate Strategy, Mr. Robert Pedraza, traveled to Zhuhai, China to meet with Mr. Yincang Wei, the Chairman of Canon (the parent company of YTE), to introduce Altair and provide an overview of Altair's technology, solutions and applications. Mr. Wei provided an overview of YTE. Mr. Pedraza also visited YTE's facilities to understand YTE's overall capability and strength.

From January 2010 to March 2010, Mr. Cheng had several telephone calls with YTE to discuss Altair's material science technology, nano-scale manufacturing capability and the range of commercial applications for its energy storage solutions.

On March 18, 2010, Mr. Cheng traveled to Zhuhai, China to meet with Mr. Wei to further discuss Altair's technology, solutions and applications at an in-depth scientific and technical level. Mr. Cheng also visited YTE's battery manufacturing facility and research and development facility for an initial assessment of YTE's technical and manufacturing capabilities.

From May 17 to 19, 2010, Mr. Cheng traveled to Zhuhai, China to meet with Mr. Wei for a further in-depth review of Altair's material science, battery performance, systems engineering and application engineering capabilities. Mr. Cheng had an in-depth discussion with Mr. Wei about a potential commercial customer relationship and strategic partnership for the purpose of entering into the Chinese market.

On May 24, 2010, Altair's Board determined that, among other financing and strategic options, Altair should commence seeking a relationship with a significant strategic investor. Altair's Board authorized management to search for a financial advisor in connection with exploring possible strategic transactions.

From May 31 to June 2, 2010, Mr. Cheng traveled to Zhuhai, China to meet with Mr. Wei to further discuss a potential commercial or strategic relationship, jointly tapping into the Chinese market through participation in selected wind-solar-energy-storage technology demonstration pilot projects in China, and potential sales of Altair's ALTI-ESS energy storage systems, battery cells and nLTO to YTE.

On June 1, 2010, Altair and Mr. Cheng entered into a formal advisory service agreement documenting the compensation and other terms associated with his consulting services.

From June 4 to 5, 2010, Mr. Pedraza and Mr. Cheng traveled to Zhuhai, China to meet with Mr. Wei and other senior members of YTE and their financial, legal and business advisors to discuss potential strategic and commercial collaboration options and visited YTE's manufacturing facility.

On June 9, 2010, Altair received a Letter of Intention from YTE proposing two new strategic options: first, that YTE purchase 51% of Altair's shares and second, that Altair purchase YTE's shares with YTE's lithium-ion phosphate battery business merging into Altair. Altair also received a Product Protection Agreement signed by YTE as a condition to receiving certain samples of Altair's product for testing.

A mutual Non-Disclosure Agreement was signed by Altair and YTE on June 16, 2010.

From June 24 to 25, 2010, Mr. Pedraza and Mr. Cheng traveled to Zhuhai, China to meet with Mr. Wei and other management and advisors of Canon and YTE. During the meetings, the parties discussed potential strategic investment between Altair and YTE, potential product sale by Altair and product/technology demonstration in China.

On July 8, 2010, Altair engaged JMP Securities LLC ("JMP Securities") to act as its financial advisor.

On July 8, 2010, Altair received a draft Non-Binding Indicative Proposal (the "Summary of Terms") from Canon, which contemplated the purchase by Canon of 51% of Altair's share capital on a fully-diluted basis.

On July 15, 2010, Altair's Board met and, among other topics, discussed the status of the discussions between Altair and Canon. Mr. Cheng joined the Board for this portion of the meeting and provided his perspective on the overall discussions, how the Chinese market differs from the U.S. market, the terms of the draft Summary of Terms and next steps to move the discussions forward. Mr. Jeff Johnson, Managing Director of JMP Securities and outside legal counsel participated in relevant portions of this meeting. Altair's Board also considered an alternative strategic offer from a third party and considered continuing with its at-the-market offering and a potential registered direct offering. After considering the alternatives, the financial status of Altair, potential business opportunities, and the terms of the Summary of Terms, Altair's Board authorized face-to-face negotiations regarding the Summary of Terms. Altair's Board also created a committee of independent directors consisting of its Board chairman, Mr. Pierre Lortie, Mr. Robert van Schoonenberg and Mr. Alexander Lee (the "Committee") to actively oversee the negotiation of the Summary of Terms, with authority to authorize its execution if deemed appropriate, and to actively oversee the negotiation of any definitive agreements with Canon and YTE. Subsequent to this meeting, the Committee determined, and the Board approved, the replacement of Mr. Lee with Mr. Jon Bengtson, in order to ensure that the Committee was independent with respect to negotiations involving Al Yousuf LLC in connection with the transaction. Mr. Lee, however, did participate as an observer in a number of meetings of the Committee to provide his perspective and that of Al Yousuf LLC.

From July 20 to 21, 2010, Mr. Lortie, Mr. Copeland, Mr. Pedraza and Mr. Cheng were in Zhuhai, China to meet with Mr. Wei, Chairman of Canon, Mr. Guohua Sun, General Manager of Canon, other senior members of Canon and YTE, and their financial, legal and business advisors to continue the discussions relating to the Summary of Terms. Topics discussed and negotiated included the terms of the proposed investment, use of proceeds,

management, registration rights, exclusivity, confidentiality, financing standstill, break-up fee, expected timing, due diligence, potential exemptions from NASDAQ listing requirements, review of the proposed transaction by the Committee on Foreign Investment in the United States (“CFIUS”), conditions to signing, as well as potential sales of products to YTE. On July 21, 2010, the Committee, together with Mr. Copeland, Mr. Pedraza and outside counsel, met by telephone, reviewed the proposed revised Summary of Terms, discussed the course of negotiations, relevant issues and positions in detail and authorized the execution of the revised Summary of Terms. On July 21, 2010, Altair and Canon signed the Summary of Terms and commenced with mutual due diligence. The Summary of Terms was nonbinding, except for terms prohibiting Altair from soliciting or considering other offers, or selling securities, during an exclusivity period and confidentiality provisions.

On August 12, 2010, Mr. Copeland, Mr. Pedraza, Mr. Dan Volker, Altair's Vice President of Operations & Engineering, Mr. Tom Kieffer, Altair's Vice President of Sales & Marketing, Mr. Cheng and Mr. Johnson of JMP Securities met at Altair's facility in Anderson, Indiana with Mr. Sun, Mr. Xue and Mr. Choy, who were conducting due diligence on Altair's operations. The topics discussed included due diligence, proposed transaction agreements, board and corporate governance, proposed transaction timeline, and regulatory review and requirements of applicable laws and regulations, including Section 721 of Title VII of the Defense Production Act of 1950 (50 U.S.C. App. 2170), as amended ("Exon-Florio") and the International Traffic In Arms Regulations (22 C.F.R. parts 120-130) ("ITAR").

On August 13, 2010, Mr. Copeland, Mr. John Fallini, Altair's Chief Financial Officer, Dr. Bruce Sabacky, Altair's Chief Technology Officer, Mr. Pedraza and Mr. Stephen Balogh, Altair's Vice President of Human Resources, and Mr. Johnson of JMP Securities met at Altair's facility in Reno, Nevada to meet with Mr. Sun, Mr. Xue and Mr. Choy, who were conducting due diligence on Altair's operations.

On August 19, 2010, Altair's Board conducted a telephonic board meeting to discuss the status of the discussions with Canon and YTE. Participants also included outside legal counsel. Topics covered included the status of the Canon due diligence efforts, Canon's investment objectives, the desirability of entering into a commercial off-take agreement, the status of the draft transaction documents, regulatory hurdles associated with the transaction and next steps.

On August 19 and 20, 2010, Mr. Lortie, Mr. Copeland and Mr. Pedraza met in Vancouver, British Columbia with Sheldon Trainor, managing director of PacBridge Capital Partners, financial advisor to Canon. The parties engaged in extensive negotiations regarding the proposed transaction, based on the general terms of the Summary of Terms.

From August 23 to 27, 2010, Mr. Lortie, Mr. Pedraza and Mr. Cheng traveled to Zhuhai, China to meet with Mr. Wei, Mr. Sun, Mr. Trainor, Mr. Choy, and other representatives of Canon and YTE and their financial and legal advisors. The parties engaged in extensive negotiations regarding the terms of the proposed transaction documents.

On August 24, 2010 at 7:00 a.m. Pacific time, August 24, 2010 at 4:30 p.m. Pacific time and August 25 at 7:00 a.m., the Committee, together with Mr. Pedraza, Mr. Copeland, Mr. Fallini and outside counsel, conducted telephone meetings to discuss the status of negotiations being conducted by Mr. Lortie, Mr. Copeland and Mr. Pedraza in Zhuhai, China and to provide direction on issues being negotiated, particularly with respect to the Share Subscription Agreement.

In the evening of August 25, 2010, Altair's Board conducted a telephonic board meeting to discuss the status of the negotiations with Canon. Participants also included outside legal counsel and Mr. Fallini. Topics covered included the terms of the proposed Share Subscription Agreement, Investor Rights Agreement, Voting Agreements and Waiver and Rights Agreement, the Supply Agreement and other ancillary documents, the effect of government regulations on the proposed transaction; the concerns and positions of Canon; possible alternatives and next steps. Altair's Board authorized Mr. Lortie and management to continue negotiations with Canon consistent with terms discussed by the Board.

On September 1, 2010, Altair's Board met in person in San Francisco to discuss and approve, if appropriate, the proposed Share Subscription Agreement and related transaction documents. Attendees at the meeting also included Mr. Copeland, Mr. Fallini, Mr. Pedraza, Mr. Johnson and outside legal counsel. At the meeting, the Board reviewed and discussed the draft transaction agreements in detail, considered input from Mr. Johnson of JMP Securities and discussed a request by YTE to include certain licenses, or agreements to license, in the Supply Agreement. After a full day of thorough discussion covering all of the relevant transaction documents, open issues and potential challenges, the Board expressed its continuing interest in the transaction, subject to satisfactory resolutions of the open issues, and authorized management and the Committee to continue negotiations consistent with the terms and principles discussed.

From September 2 to 3, 2010, Mr. Copeland met in Zhuhai, China with Mr. Wei, Mr. Sun, and representatives of Canon's financial and legal advisors to continue negotiations regarding the various agreements, with a particular focus on the Supply Agreement.

On September 5, 2010, at 7:00 a.m. Pacific Time, Altair's Board conducted a telephonic meeting to discuss the status of the negotiations with Canon and YTE and open issues. Participants also included Mr. Fallini. Topics covered included an update on the use of proceeds sections of the Share Subscription Agreement, proposed licensing terms in the Supply Agreement and issues related to compliance with ITAR. The meeting was then adjourned until September 5, 2010 at 2:00 p.m. Pacific Time in order to permit outside legal counsel and a representative of JMP Securities to join. At the 2:00 p.m. meeting, attendees in addition to the directors included Mr. Fallini, outside legal counsel and Mr. Johnson. Topics of discussion included, without limitation, the terms of an updated draft of the Supply Agreement and a detailed discussion of principal open issues on the Share Subscription Agreement, as well as ancillary agreements and related issues.

From September 2 to September 11, 2010, negotiations among the parties and their advisors and legal counsel continued, including several telephone conferences between Mr. Lortie and Mr. Trainor regarding open issues on the agreements, as well as the exchange of draft documents and negotiations among legal counsel.

On September 11, 2010, the Committee conducted an extended telephonic meeting to review the status of the transactions documents and open issues in detail. Outside legal counsel, Mr. Copeland and Mr. Fallini also participated in the meeting. The Committee identified a number of specific open issues related to the Share Subscription Agreement and the Supply Agreement and provided Mr. Lortie and Mr. Copeland with direction on those issues. It determined that the various agreements were otherwise in a form that it supported. The Committee determined that, subject to satisfactory resolutions of the key open issues, it would recommend execution of the agreements to the Board.

On September 12, 2010, Altair's Board conducted a telephonic board meeting to discuss the status of the negotiations with Canon and YTE. Outside legal counsel and Mr. Fallini also participated in the meeting. Consistent with the position of the Committee, the Board identified a number of specific open issues related to the Share Subscription Agreement and the Supply Agreement and provided Mr. Lortie and Mr. Copeland with direction on those issues. The Board also discussed open issues remaining in the Waiver and Rights Agreement. The Board determined that, in light of the various open issues, it was not in a position to approve the transaction.

From September 13 to September 16, 2010, negotiations among the parties and their advisors and legal counsel continued. During this period, there were several telephone conferences between Mr. Lortie and Mr. Trainor, and telephone conferences among Mr. Lortie, Mr. Copeland, Mr. Fallini, Mr. Trainor, Mr. Choy and legal counsel for each of Altair and Canon regarding open issues on the agreements, particularly the Supply Agreement and the Share Subscription Agreement, as well as the exchange of draft documents and negotiations among legal counsel.

On September 16, 2010, Altair's Board conducted a telephonic board meeting to discuss and approve, if appropriate, the proposed Share Subscription Agreement and all related transaction documents. Mr. Johnson of JMP Securities, Mr. Fallini and outside legal counsel also participated in the meeting. Each document was reviewed individually and the Board received an update as to how the open issues it had identified had been resolved. JMP Securities delivered its oral opinion, which was subsequently confirmed in writing, to the effect that, as of September 16, 2010 and based upon and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by JMP Securities in preparing its opinion, the consideration to be received by Altair pursuant to the Share Subscription Agreement for the common shares issuable to Canon pursuant to the Share Subscription Agreement is fair, from a financial point of view, to Altair. After consideration of all relevant information, the Board unanimously approved the transaction and all transaction documents. From September 16,

2010 to September 19, 2010, outside counsel for Altair and Canon worked to resolve certain technical issues associated with the agreements and related disclosure schedules and, on September 20, 2010, the parties signed the Shares Subscription Agreement and related transaction documents.

Reasons Considered by Our Board in Evaluating the Transaction

Our Board has unanimously determined that the Share Subscription Agreement and the related transaction agreements and the transactions contemplated thereby are advisable, fair to, and in the best interests of Altair and its shareholders, and it unanimously recommends that the shareholders vote “FOR” the approval of the Common Share Issuance. In reaching its determination, our Board consulted with our management, financial advisers and legal counsel and considered a number of factors, including the following:

Altair’s need for a significant capital infusion by the end of 2010 in order to continue as a going concern, in light of its limited current cash levels and current and projected monthly cash burn rates;

the financial terms of the transaction, including the fact that the consideration of \$0.3882 per share (approximately \$1.5528 if adjusted to reflect the Consolidation) represented a 44% discount to the closing price of Altair’s common shares on September 17, 2010, the last trading day prior to the announcement of the transaction, and a 9.7% discount to the average of the closing price of Altair’s common shares during the prior 60 trading-day period;

the judgment of our Board that, based on arm’s-length negotiations with Canon, the consideration of \$0.3882 per share (approximately \$1.5528 if adjusted to reflect the Consolidation) was the highest price that could be negotiated with Canon;

the judgment of our Board that searching for an alternative investor instead of entering into an agreement with Canon would be unlikely to yield a superior proposal on a timely basis, if at all;

the judgment of our Board that other financing options, including Altair’s at-the-market offering or possible registered direct or other offerings considered by the Board, would be unlikely to raise a significant amount of capital on a timely basis, if at all, in light of general market and liquidity conditions, the market price and trading volume of Altair’s common shares, and the business prospects of Altair if there are no significant additional orders for Altair’s products announced soon;

the possible terms of a registered direct or other offerings considered by the Board, including the likelihood that the offering price may be at a discount to the market price of Altair’s common shares and the likelihood that the offering may need to be coupled with the issuance of additional warrants to make it attractive to investors;

that the significant capital infusion from the Common Share Issuance would enable Altair to continue as a going concern and is anticipated to improve its short-term and long-term business prospects;

the Board’s assessment of the competitive and market environments in which Altair operates and the near-term and long-term business prospects for Altair;

that the significant capital infusion from the Common Share Issuance would enable Altair to purchase inventory and respond in a timely manner to projected orders;

that the proceeds of the Common Share Issuance will be used, in part, to construct an nLTO manufacturing facility in China, which is expected to significantly lower Altair’s current battery manufacturing cost structure through reduced labor costs, improved raw material procurement and transport, proximity to market and increased economies of scale;

the anticipated benefits of possible strategic cooperation between Altair and Canon, and the desirability of Altair's entering into the Asian markets (and in particular, China) with a strategic partner such as Canon, which has strong presence and relationships in the region (including through its subsidiary YTE);

the Board's assessment of the potential positive effect of Altair's strengthened capital position, as well of the potential positive effects of having Canon and YTE as affiliates, on potential and existing customer orders;

that Canon, by becoming a majority shareholder of Altair, will demonstrate its confidence in Altair and its products and prospects, which may in turn help generate overall confidence in Altair and its products and prospects in potential and existing customers and investors;

the purchases made by YTE, a subsidiary of Canon, under the Supply Agreement, and the \$2,000,000 advance payment made by YTE for these purchases, in each case, subject to cancellation or refund if the Common Share Issuance does not close or the Share Subscription Agreement is terminated under certain circumstances;

that the Common Share Issuance will result in a change of control of Altair, with Canon becoming the beneficial owner of 51% of Altair's outstanding common shares on a fully-diluted basis immediately after the transaction;

the likelihood of future related party transactions with Canon, the protections and approval requirements under, and the disclosure obligations imposed by, applicable securities and other laws and the Nasdaq listing rules with respect to related party transactions;

the provisions of the Share Subscription Agreement requiring material related party transactions with Canon to be overseen by the audit committee of the board of directors (or a comparable body of independent directors) for a period of two years and so long as Canon remains the beneficial owner of 51% or more of Altair's outstanding common shares on a fully-diluted basis, and the fact that such provision in the Share Subscription Agreement cannot be amended or waived without the approval of the audit committee of the board of directors (or a comparable body of independent directors);

the provisions of the Share Subscription Agreement designed to limit Altair's ability to entertain third-party acquisition proposals, the provisions of the Share Subscription Agreement allowing our Board to engage in discussions with respect to superior proposals, change its recommendation to the shareholders and/or terminate the Share Subscription Agreement, and the provisions providing for the payment of a termination fee under certain circumstances;

the requirement of Altair shareholder approval for the transaction and the likelihood that such approval would be obtained;

the regulatory approvals sought in connection with the transaction and other closing conditions to the transaction, including those relating to Exon-Florio review and compliance with ITAR, and the likelihood that such approvals would be received, and such conditions would be satisfied, in a timely manner;

the provisions of the Share Subscription Agreement requiring Altair to cease the manufacture and export of "defense articles" and the provision of "defense services", as those terms are defined under the ITAR, prior to the closing, which provisions effectively require that Altair abandon pursuit of substantially all future military contracts, including certain contracts that had been preliminarily approved by the U.S. military;

the likelihood that the Common Share Issuance would result in the loss of, or limitation of, Altair's ability to carry forward U.S. and Canadian operating and capital losses for tax purposes;

the possibility of shareholder derivative suits and the potential risks such suits may pose to the closing of the transaction;

the possibility that, if the transaction does not close on a timely basis or at all, Altair will be unable to continue operations or be insolvent given its limited current cash level and current and projected monthly cash burn rates, its limited ability to raise capital during the pre-closing period, and its incurrence of costs, including potential termination fees, associated with the Share Subscription Agreement; and

the opinion of JMP Securities, financial advisors to our Board, that the consideration to be received by Altair from the Common Share Issuance is fair, from a financial point of view, to Altair.

In addition, our Board was aware, and took into consideration, that certain members of Altair's management may have interests in the transaction that are in addition to, or different from, the interest of our shareholders generally, including due to the provisions in their employment agreements and the vesting of stock options as described in more detail under "Interest of Altair's Affiliates in the Transaction".

The foregoing discussion of the factors considered by our Board is not intended to be exhaustive, but rather includes the material factors considered by our Board in evaluating this transaction. In view of the variety of factors considered by our Board in its evaluation of the Share Subscription Agreement and the related transaction agreements and the transactions contemplated thereby, our Board did not find it practicable to, and did not, quantify or otherwise assign relative weight to the specific factors considered, and individual members of our Board may have given different weight to different factors. Our Board considered all of these factors as a whole, including discussions with, and questioning of, Altair's management, financial advisors and legal counsel, and overall considered the factors to be favorable to, and to support, its determination.

Our Board unanimously determined that the Share Subscription Agreement and the related transaction agreements and the transactions contemplated thereby are advisable, fair to, and in the best interests of Altair and its shareholders, and unanimously recommends that the shareholders vote "FOR" the approval of the Common Share Issuance.

Use of Proceeds

The proceeds received by Altair from Common Share Issuance will be used, in part, to construct an nLTO production facility in China (the "China Production Facility") that is expected to have an initial annual production capacity of up to 2,000 to 3,000 metric tons of nLTO, and the remainder of the proceeds will be used to fund Altair's working capital needs and ongoing operations in the United States. Altair's executive officers will prepare and submit for approval to Altair's New Board promptly following the closing of the Common Share Issuance a capital and operating budget before the first meeting of the New Board. Other than for fees and expenses incurred specifically for completion of the Common Share Issuance which are owed, Altair will not use the proceeds from the sale of common shares to Canon until this budget is approved by the New Board.

Altair intends to conduct a feasibility study with respect to the construction of the proposed China Production Facility and the financing options associated therewith. Such a study is expected to cover factors such as:

- the availability and cost of space in southern China for the construction of the China Production Facility;

- the availability and cost of the equipment and material for the construction of the China Production Facility;

- the availability and costs of electricity, water, manufacturing inputs, labor and other resources necessary to operate the China Production Facility;

- effects of local, regional, national and multi-national laws related to land use, the environment, import, export and other factors relevant to the establishing and operation of the China Production Facility;

- the demand for nLTO from the China Production Facility, including Altair's ability to obtain written purchase commitments from potential purchasers of nLTO or products utilizing nLTO from the facility, including Canon or YTE;

- the availability and cost of project financing, other debt financing, equity financing and other third-party financing with respect to the China Production Facility;

- the recruitment of knowledgeable individuals to staff and manage the China Production Facility; and

- other factors deemed appropriate by management of Altair and its advisers.

It is anticipated that the budget submitted to the New Board for approval will preliminarily reserve an amount for the China Production Facility and the remainder will be used for working capital purposes. These estimates would be adjusted on an ongoing basis as then-current conditions and knowledge concerning the China Production Facility dictate.

Opinion of JMP Securities

Our Board engaged JMP Securities to provide a fairness opinion in connection with the potential transaction pursuant to the Share Subscription Agreement. On September 16, 2010, JMP Securities rendered an oral opinion to our Board, which was subsequently confirmed in writing, to the effect that, as of September 16, 2010 and based upon and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by JMP Securities in preparing its opinion, the consideration to be received by Altair pursuant to the Share Subscription Agreement for the common shares issuable to Canon pursuant to the Share Subscription Agreement (the “Transaction Consideration”) is fair, from a financial point of view, to Altair.

JMP Securities’ opinion was directed to our Board and only addressed the fairness from a financial point of view to Altair of the Transaction Consideration as of September 16, 2010. The summary of JMP Securities’ opinion in this Circular is qualified in its entirety by reference to the full text of its written opinion, which is included as Annex B to this Circular and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by JMP Securities in preparing its opinion. We encourage our shareholders to carefully read the full text of JMP Securities’ written opinion. However, neither JMP Securities’ opinion nor the summary of the JMP Securities opinion and the related analyses set forth in this Circular were intended to be, and did not, constitute advice or a recommendation to our Board or any shareholder as to how to act or vote with respect to the transaction, the related transactions or related matters.

In arriving at its opinion, JMP Securities reviewed and considered such financial and other matters as it has deemed relevant, including, among other things:

- a draft of the Share Subscription Agreement, identified as “DPW Draft” of September 15, 2010;

- Altair’s Annual Reports on Form 10-K for the years ending December 31, 2009 and 2008 and Altair’s quarterly report on Form 10-Q for the quarter ending June 30, 2010;

- Altair’s financial forecasts, projections and analyses prepared by Altair’s management in the form furnished to JMP Securities for the years ending December 31, 2010 through 2012, and certain other financial and operating information prepared by the management of Altair;

- the historical trading prices and volumes of Altair’s common shares;

- public information with respect to certain other publicly-traded companies that JMP Securities deemed relevant;

- the financial terms of certain private placement transactions involving strategic investors in publicly traded companies JMP Securities believed to be relevant to the Common Share Issuance;

- the financial terms of certain private placement transactions involving companies in lines of business JMP Securities believed to be relevant to those of Altair;

- the financial terms of certain private placement transactions involving companies JMP Securities believed to have relevant market capitalizations to Altair;

- the financial terms of certain private placement transactions involving transaction sizes JMP Securities believed to be relevant to the transaction; and

discussions with certain senior officers and other representatives of Altair relating to the aforementioned and other matters which JMP Securities deemed relevant to its inquiry.

In rendering its opinion, JMP Securities assumed with Altair's consent and relied, without independent verification, upon the accuracy and completeness of all information and data furnished to or otherwise reviewed by or discussed with it, including, without limitation, the financial statements of Altair. JMP Securities further relied upon the assurances of the management of Altair that they are not aware of any facts that would make any of such information inaccurate or misleading. With respect to financial forecasts, projections, analyses and other forward-looking information and data provided to or otherwise discussed with JMP Securities, it assumed with Altair's consent that such forecasts, projections, analyses and other information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of Altair as to the future financial performance of Altair, and provide a reasonable basis for its opinion. JMP Securities expressed no view with respect to such forecasts, projections, analyses and other information and data or the assumptions on which they were based, and assumed with Altair's consent that the forecasted financial results will be realized in the amounts and at the times projected. JMP Securities has not made or been provided with an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Altair, nor has JMP Securities made any physical inspection of the properties or assets of Altair.

JMP Securities was not requested to consider, and its opinion does not address, the non-financial terms of the Common Share Issuance, nor does it address the terms of any of the related agreements to be entered into by the parties. The opinion relied upon a representation from Altair, and accordingly JMP Securities assumed, that the Common Share Issuance is a private placement and that Canon is acquiring the common shares for its own account and not with the view to the distribution or resale thereof. JMP Securities was not requested to, and did not (a) initiate any discussions with, or solicit any indications of interest from, third parties with respect to the Common Share Issuance or any alternatives to the Common Share Issuance, (b) negotiate the terms of the Common Share Issuance, (c) assist or otherwise consult with Altair in marketing the Common Share Issuance or (d) advise the Board of Directors or any other party with respect to the underlying business decision to effect the Common Share Issuance, or alternatives to the Common Share Issuance, and JMP Securities' opinion does not address any of the foregoing. In addition, with Altair's consent, JMP Securities based its analysis on transactions in which a majority of the shares being sold were being sold by the issuer, and if shares were also being sold by existing shareholders such sales did not constitute a significant portion of the outstanding shares, and it did not include in its analysis transactions involving a merger or sale of assets by the issuer or the sale of a significant amount of its outstanding equity securities by the holders thereof.

JMP Securities' opinion was based upon information available to it and market, economic, financial and other circumstances and conditions existing and disclosed to it as of the date of the opinion, and any material change in such circumstances and conditions would require a reevaluation of that opinion, which JMP Securities is under no obligation to undertake.

JMP Securities' opinion was furnished for the use and benefit of our Board in connection with its consideration of the Common Share Issuance and may not be used for any other purpose without JMP Securities' prior written consent. JMP Securities' opinion does not constitute a recommendation to the Board of Directors of Altair or any other person with respect to the Common Share Issuance. JMP Securities is not a legal, accounting, tax or regulatory advisor and its opinion does not address any such matters. Its opinion is limited to the fairness, from a financial point of view, of the Transaction Consideration. JMP Securities expresses no opinion with respect to any other reasons, legal, business, or otherwise, that may support the decision of the Board of Directors of Altair to approve or consummate the Common Share Issuance.

For purposes of rendering its opinion JMP Securities has assumed, in all respects material to its analysis, that the representations and warranties of Altair and Canon contained in the Share Subscription Agreement are true and correct, that Altair and Canon will perform all of the covenants and agreements required to be performed by them under the Share Subscription Agreement, and that all conditions to the consummation of the Common Share Issuance

will be satisfied without waiver thereof.

JMP Securities also assumed that the Supply Agreement contains no terms or conditions that would affect the fairness of the Common Share Issuance from a financial point of view and that the licensing of Altair's technology pursuant to the Supply Agreement will be on an arms-length basis and will not impact the fairness of the Common Share Issuance from a financial point of view. JMP Securities assumed that the final form of the Share Subscription Agreement did not vary materially from the last draft reviewed by it. JMP Securities also assumed that all governmental, regulatory and other consents and approvals contemplated by the Share Subscription Agreement will be obtained and that in the course of obtaining any of those consents no restrictions will be imposed or waivers made that would have an adverse effect on the contemplated benefits of the Common Share Issuance.

The following is a summary of the material analyses reviewed by JMP Securities with our Board in connection with JMP Securities' opinion rendered on September 16, 2010. The order of the analyses does not represent relative importance or weight given to those analyses by JMP Securities. The analyses summarized below include information presented in tabular format. The tables alone do not constitute a complete description of the analyses. Considering the data in the tables below without considering the full narrative description of the analyses, as well as the methodologies underlying, and the assumptions, qualifications and limitations affecting, each analysis, could create a misleading or incomplete view of JMP Securities' analyses.

For presentation purposes, all share and per-share numbers and share prices in this summary have been retroactively adjusted to give effect to the Consolidation to take effect as of 11:59 p.m. on November 15, 2010, in which every four (4) outstanding common shares will be consolidated into one common share (without taking into account the rounding up of fractional shares).

Analysis of Selected Comparable Company Trading Multiples: JMP Securities calculated Altair's implied adjusted equity value per share based on a multiple range related to the mean Enterprise Value as a Multiple of Revenue figures for the selected comparable companies. The selected companies were chosen because they are all clean technology battery companies.

Selected Cleantech Battery Companies

A123 Systems, Inc.
 Ener1, Inc.
 Maxwell Technologies Inc.
 Advanced Battery Technologies, Inc.
 Valence Technology Inc.
 China BAK Battery, Inc.

Based on the number of Altair's outstanding common shares as of September 15, 2010, JMP Securities calculated the implied adjusted equity value per common share of Altair as follows:

	LTM	2010E	2011E
Mean Enterprise Value as a Multiple of Revenue of Selected Comparable Companies (1)	5.87x	3.74x(2)	1.79x(2)
Range(3) of Enterprise Value(1) as a Multiple of Revenue of Selected Comparable Companies	5.3x - 6.5x	3.3x - 4.2x	1.7x - 1.9x
Altair Revenue (\$ millions)	\$6.2	\$8.8(6)	\$41.6(4) (6)
Implied Altair Enterprise Value	\$32.7-\$40.1	\$28.5-\$36.8	\$70.7-\$79.0
Plus: Altair Cash	\$8.2	\$8.2	\$8.2
Implied Altair Equity Value	\$40.9-\$48.3	\$36.7-\$45.0	\$78.9-\$87.3
Less: Required Capital	\$0.0	\$0.0	(\$22.8)(4)
Implied Adjusted Altair Equity Value	\$40.9-48.3	\$36.7-\$45.0	\$56.2-\$64.5
Implied Adjusted Altair Equity Value per Share(5)	\$1.52 - \$1.80	\$1.36 - \$1.68	\$2.08 - \$2.40

(1) Enterprise value was calculated as follows: Fully diluted equity value based on the treasury stock method plus total debt, less cash and equivalents.

(2) The comparable company revenue estimates for 2010 and 2011 were obtained from research analyst consensus estimates compiled by Bloomberg, and individual research analyst reports when consensus estimates were not available on Bloomberg.

(3)

The range of enterprise value as a multiple of revenue was derived by choosing a multiple range around the mean values for the selected comparable companies that resulted in a reasonable range of implied Altair equity values per share.

- (4) Management revenue projections for 2011 include the following material assumptions: (a) the closing of a financing transaction, or establishment of another arrangement, that provides sufficient working capital for 2011, including the \$22.8 million described in the table above; (b) the closing of a particular product purchase order, which represents a substantial portion of projected 2011 revenue; this order has not been placed and, although negotiations are continuing and management has a good faith belief that the order will be placed, Altair has experienced significant delays with respect to this order, which may not be placed within the expected time frame or at all; and (c) increasing demand for all-electric and hybrid-electric buses.
- (5) Based on 27,015,579 Altair common shares outstanding as of September 15, 2010 (adjusted to give retroactive effect to the Consolidation, without taking into account the rounding up of fractional shares)
 - (6) See discussion on financial forecasts and estimates provided by Altair's management below.

The revenue and required capital forecasts and estimates for fiscal years 2010 and 2011 included in the table above are included in this Circular to provide our shareholders access to certain nonpublic information considered by JMP Securities in evaluating the fairness of the Transaction Consideration in the Common Share Issuance. The inclusion of this information should not be regarded as an indication to any shareholder or any other person that we, JMP Securities or any other recipient of this information considered, or now considers, any such information to be predictive of actual future results, and they should not be relied on as such. These financial forecasts and estimates are forward-looking statements and actual results may differ materially from them. The financial forecasts and estimates reflect numerous assumptions with respect to industry performance, general business, economic, regulatory, market and financial conditions, as well as matters specific to our business, all of which are difficult to predict and subject to substantial uncertainty and many of which are beyond our control. There can be no assurance that the forecasted results will be realized or that actual results will not be significantly higher or lower than such forecasted results. Economic and business environments can and do change quickly, which adds a significant level of unpredictability, unreliability and execution risk. These factors create significant doubt as to whether the forecasts and estimates for fiscal years 2010 and beyond are likely to be achieved. As a result, the forecasts and estimates are not necessarily indicative of future results.

These financial forecasts and estimates were prepared by our management for internal use and not with a view toward public disclosure or toward complying with generally accepted accounting principles in the United States, or GAAP, the published guidelines of the SEC regarding forecasts or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Neither our independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the financial forecasts and estimates contained herein, nor have they expressed any opinion or any other form of assurance on such forecasts or estimates or their achievability, and assume no responsibility for, and disclaim any association with, the financial forecasts and estimates.

Furthermore, these financial forecasts and estimates were prepared by our management prior to the execution of the Share Subscription Agreement. They do not take into account the effects of the Common Share Issuance or any other circumstances or events occurring after the date they were prepared that were unforeseen by our management at the time of preparation. Accordingly, actual results may differ materially from them, and readers are cautioned not to place undue reliance on these financial forecasts and estimates. We have included in this Circular our actual results of operations for the quarter ended September 30, 2010, which results should be reviewed by our shareholders.

None of Altair, or our affiliates, advisors, officers, directors or representatives has made or makes any representation to any shareholder or other person regarding the ultimate performance of Altair compared to the information contained in the forecasts or estimates, or that the forecasted results will be achieved. Except as otherwise required by law, Altair assumes no responsibility to update, or publicly disclose any update to, any forecast or estimate to reflect circumstances or events, including unanticipated events, that may have occurred or that may occur after the preparation of these forecasts and estimates, even in the event that any or all of the assumptions underlying the financial forecasts and estimates are shown to be in error or to have changed.

No company utilized in the comparable company analysis is identical to Altair. In evaluating comparable companies, JMP Securities made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Altair, such as the impact of competition on the business of Altair and the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of Altair or the industry or in the financial markets generally.

Analysis of Altair's Recent Historical Stock Price Trading Activity: JMP Securities reviewed the trading range of Altair's closing share prices for the 60 trading days prior to September 15, 2010 (adjusted to give retroactive effect to the Consolidation):

60-day Average Closing Share Price	\$1.72
Minimum Closing Share Price	\$1.20
Maximum Closing Share Price	\$3.00

In light of the volatility of Altair's share price and the level of trading volume, JMP Securities concluded that the 60-day average closing share price of Altair was a more meaningful measure of the market price for Altair's common shares than the price on any one particular day.

Analysis of Selected Strategic Private Placement Investments in Public Companies: JMP Securities calculated Altair's implied share price based on a price range related to the mean funding (discount) / premium to the 60-day average share price immediately prior to announcement for the following comparable private placement transactions in which the relevant target issued shares to a strategic investor in an amount which resulted in the strategic investor's acquisition of a 35% or greater ownership stake in the target.

Target (Announcement Date)

Panmure Gordon & Company plc (5/21/2009)
 Cornerstone Therapeutics (5/6/2009)
 China Aoxing Pharmaceutical Company, Inc. (4/15/2008)
 Plug Power Inc. (4/11/2006)

The 60-day average closing share price of Altair as of September 15, 2010 was \$1.72 per share (adjusted to give retroactive effect to the Consolidation).

Mean (Discount) / Premium to the 60-day Average Closing Share Price Prior to Announcement	0.2%
Range(1) of Implied Altair Share Prices	\$1.52 - \$1.92(2)

(1) The range of implied Altair share prices was derived by calculating the implied Altair share price based on the mean (discount) / premium for the selected private placement transactions and then choosing a reasonable range of implied Altair share prices around the implied Altair share price based on the mean (discount) / premium.

(2) Adjusted to give retroactive effect to the Consolidation.

Analysis of Selected Private Placement Investments in Public Technology and Cleantech Companies: JMP Securities calculated Altair's implied share price based on a price range related to the mean funding (discount) / premium to the 60-day average share price immediately prior to announcement for the following comparable private placement transactions, in which U.S. exchange-listed companies with clean technology related businesses and with market capitalizations of up to \$150 million raised more than \$10 million through a private placement.

Target (Announcement Date)

X-Rite, Inc. (8/20/2008)

Energy Focus Inc. (3/14/2008)
China Solar & Clean Energy (2/25/2008)
Axion Power International (1/15/2008)
China Clean Energy Inc. (1/10/2008)
Sino Gas International Holdings, Inc. (9/10/2007)
Narrowstep, Inc. (8/8/2007)
Metalico Inc. (6/21/2007)
Coda Octopus Group Inc. (4/4/2007)

The 60-day average closing share price of Altair as of September 15, 2010 was \$1.72 per share (adjusted to give retroactive effect to the Consolidation).

Mean (Discount) / Premium to the 60-day Average Closing Stock Price Prior to Announcement	(19.5%)
Range(1) of Implied Altair Share Prices	\$1.20 - \$1.56(2)

(1) The range of implied Altair share prices was derived by calculating the implied Altair share price based on the mean (discount) / premium for the selected private placement transactions and then choosing a reasonable range of implied Altair share prices around the implied Altair share price based on the mean (discount) / premium.

(2) Adjusted to give retroactive effect to the Consolidation.

Analysis of Selected Private Placement Investments in Public Companies with Relevant Market Capitalizations: JMP Securities calculated Altair's implied share price based on a price range related to the mean funding (discount) / premium to the 60-day average share price immediately prior to announcement for the following private placement transactions, in which U.S. exchange-listed companies with market capitalizations of between \$20 million and \$50 million raised 40% or more of their pre-transaction market capitalization in the transaction.

Target (Announcement Date)

Bluefly, Inc. (12/21/2009)
 Hana Biosciences (10/8/2009)
 Threshold Pharmaceuticals Inc. (9/30/2009)
 Neurometrix Inc. (9/8/2009)
 Amarin Corporation plc (7/7/2009)
 ARYx Therapeutics, Inc. (11/12/2008)
 Achillion Pharmaceuticals Inc. (8/6/2008)
 Axion Power International (1/15/2008)
 VIA Pharmaceuticals, Inc. (6/29/2007)
 Targeted Genetics Corporation (6/22/2007)
 Nord Resources Corporation (4/16/2007)
 Coda Octopus Group Inc. (4/4/2007)
 Lpath, Inc. (3/28/2007)
 Icagen Inc. (1/26/2007)

The 60-day average closing share price of Altair as of September 15, 2010 was \$1.72 per share (as adjusted to give retroactive effect to the Consolidation).

Mean (Discount) / Premium to the 60-day Average Closing Share Price Prior to Announcement	(12.9%)
Range(1) of Implied Altair Share Prices	\$1.32 - \$1.68(2)

(1) The range of implied Altair share prices was derived by calculating the implied Altair share price based on the mean (discount) / premium for the selected private placement transactions and then choosing a reasonable range of implied Altair share prices around the implied Altair share price based on the mean (discount) / premium.

(2) Adjusted to give retroactive effect to the Consolidation,

Analysis of Selected Private Placement Investments in Public Companies that Raised over 100% of Market Capitalization: JMP Securities calculated Altair's implied share price based on a price range related to the mean

funding (discount) / premium to the 60-day average share price immediately prior to announcement for the following private placement transactions, in which U.S. exchange-listed companies with market capitalizations of greater than \$10 million raised greater than 100% of their pre-transaction market capitalization in the transaction.

Target (Announcement Date)

Threshold Pharmaceuticals Inc. (9/30/2009)

Amarin Corporation plc (7/7/2009)

X-Rite, Inc. (8/20/2008)

Threshold Pharmaceuticals Inc. (7/10/2008)

The 60-day average closing share price of Altair as of September 15, 2010 was \$1.72 per share (adjusted to give retroactive effect to the Consolidation).

Mean (Discount) / Premium to the 60-day Average Closing Share Price Prior to Announcement	4.4%
Range(1) of Implied Altair Share Prices	\$1.60 - \$2.00(2)

(1) The range of implied Altair share prices was derived by calculating the implied Altair share price based on the mean (discount) / premium for the selected private placement transactions and then choosing a reasonable range of implied Altair share prices around the implied Altair share price based on the mean (discount) / premium.

(2) Adjusted to give retroactive effect to the Consolidation.

Other Matters

JMP Securities was engaged by Altair to provide financial advisory services and an opinion to our board of directors regarding the fairness from a financial point of view of the Transaction Consideration to Altair. We engaged JMP Securities based on their experience and reputation. JMP Securities is actively engaged in the investment banking business and regularly undertakes the valuation of investment securities in connection with public offerings, private placements, business combinations and similar transactions. Altair has agreed to pay JMP Securities a fee for its financial advisory services, payable upon consummation of the Common Share Issuance and has paid JMP Securities a retainer. JMP Securities has also received a fee for providing its opinion, no portion of which is contingent upon consummation of the Common Share issuance. These fees are further described below under “Certain Fees Payable Upon Closing of Common Share Issuance.” In addition, Altair has agreed to indemnify JMP Securities against certain liabilities arising out of the engagement.

In the ordinary course of its business, JMP Securities may trade in the securities of Altair for its account or for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities. From time to time, JMP Securities and its affiliates have in the past provided, currently are providing and in the future may provide, investment banking and other financial services to Altair, its affiliates and affiliates of Canon unrelated to the Common Share Issuance, for which services JMP Securities would expect to receive compensation. JMP Securities may maintain other relationships with, and provide advisory and other services to Altair and its respective affiliates, and may receive fees for the rendering of such services.

Triggering of Warrant Put Right

Altair is implementing a Consolidation (or reverse split) of its common shares, in which every four (4) outstanding common shares are being consolidated into (1) common share, as of 11:59 p.m. on November 15, 2010, subject to rounding up of fractional shares. Share and per-share numbers in this section have been retroactively adjusted to give effect to the Consolidation (without taking into account the rounding up of fractional shares).

On May 28, 2009, Altair issued and sold in a registered direct offering to institutional investors an aggregate of 2,998,617 units, with each unit consisting of one common share and one warrant to purchase 0.55 common shares (the “Warrants”) at an exercise price of \$4.00 per share (subject to adjustment according to the terms of the Warrants) during a seven-year term (which Warrants relate to 1,649,240 common shares in the aggregate). Under the terms of the Warrants, Altair is prohibited from entering into a Fundamental Transaction (as defined in the Warrants) unless the successor entity assumes the Warrants and delivers new warrants that are substantially similar to the Warrants. The Warrants also provide that in the event of a Fundamental Transaction, at the request of the Warrant holder delivered before the 15th day after consummation of such Fundamental Transaction, Altair or the successor entity is required to purchase the Warrant from such holder by paying to the holder, within five business days after such request (or, if

later, within two business days after the effective date of the Fundamental Transaction), cash in an amount equal to the Black-Scholes value of the remaining unexercised portion of the Warrant on the date of such Fundamental Transaction (the holder's right to require such purchase, the "Warrant Holder Put Right"). According to the terms of the Warrants, each of the following events constitutes a Fundamental Transaction:

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the consummation of a stock purchase agreement or other business combination with another person whereby such other person acquires more than 50% of Altair's outstanding common shares (not including any common shares held by the other person or other persons making or party to, or associated or affiliated with the other persons making or party to, such stock purchase agreement or other business combination); and

if any "person" or "group" (as these terms are used for purposes of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of 50% of the aggregate ordinary voting power represented by issued and outstanding Altair common shares.

The Common Share Issuance will constitute a Fundamental Transaction according to the terms of the Warrants and will trigger the Warrant Holder Put Right.

The price at which we will be required to purchase the Warrants upon the exercise of the Warrant Holder Put Right will be calculated using the Black-Scholes option pricing formula, and is therefore subject to change based upon fluctuations in variables such as the market value of our common shares at the time of exercise, the remaining life of the warrants, price volatility of the Altair common shares and interest rates. Therefore we cannot presently determine the cost to Altair associated with the exercise of the Warrant Holder Put Right by the Warrant holders. However, the table below sets forth the Black-Scholes value of the 1,649,240 Warrants assuming that all inputs to the Black-Scholes model other than market price and volatility (the two variables which have the greatest impact on the resulting cost of repurchasing the Warrants) are as they were on September 30, 2010 (adjusted to give retroactive effect to the Consolidation).

Calculated Value of Warrants Upon Exercise of Put Right(2) (3)
(In \$ millions) (4)

Market Price(1)	Volatility						
	70%	100%	122%	140%	160%	180%	200%
\$1.52	1.1	1.6	2.0	2.2	2.3	2.4	2.5
\$2.20	1.8	2.6	3.0	3.2	3.4	3.5	3.6
\$2.40	2.0	2.8	3.2	3.5	3.7	3.9	4.0
\$3.20	3.0	4.0	4.5	4.8	4.9	5.1	5.3
\$4.00	4.0	5.1	5.7	6.0	6.2	6.4	6.6
\$6.50	6.9	8.1	8.8	9.2	9.4	9.6	9.9
\$8.00	9.8	11.1	12.0	12.3	12.7	12.9	13.2

- (1) Adjusted to give retroactive effect to the Consolidation. Assumed volume-weighted average prices of Altair common shares for the trading day immediately preceding the date of the consummation of the Fundamental Transaction.
- (2) These figures were calculated assuming a Warrant expiry date of 5/28/16, exercise price of \$4.00 (adjusted to give effect to the Consolidation) and a U.S. Treasury interest rate of 1.55% for the period between the date of exercise of the Warrant Holder Put Right and the Warrant expiry date.
- (3) Assumes exercise of the Warrant Holder Put Right by the holders of all 1,649,240 warrants outstanding as of September 30, 2010 (adjusted to give effect to the Consolidation). Exercise of such right is in the sole discretion of the holder.
- (4) The Warrants provide that the Black-Scholes Value of the Warrant will be calculated using an expected volatility equal to the greater of 70% and the 30-day volatility obtained from the HVT function on Bloomberg determined as of the trading day immediately following the public announcement of the applicable Fundamental Transaction.

Risk of Claims for Adjustment to Exercise Price of Outstanding Warrants

The Warrants also include certain provisions resulting in a weighted-average adjustment to the exercise price of the warrants if common shares (other than an “Excluded Issuance”) are issued at a purchase price below the \$4.00 exercise price (adjusted to give effect to the Consolidation) of the warrants. It is the belief of Altair that the closing of the Common Share Issuance is an “Excluded Issuance” and will not trigger the purchase price adjustment; however, as discussed in greater detail below, the definition of “Excluded Issuance” is ambiguous as applied to this context, and there is a risk that warrant holders would take, and prevail on, the position that an exercise price adjustment is required.

The Warrants provide that if and whenever on or after May 22, 2009, Altair issue or sells, or is deemed to have issued or sold, common shares (other than in an Excluded Issuance), for a consideration per share (the “New Issuance Price”) less than the exercise price in effect (any such issuance, a “Dilutive Issuance”), then immediately after such Dilutive Issuance, the exercise price then in effect shall be reduced to the product of (A) the exercise price in effect immediately prior to such Dilutive Issuance and (B) the quotient determined by dividing (i) the sum of (i) the product derived by multiplying the exercise price in effect immediately prior to such Dilutive Issuance and the number of common shares deemed outstanding immediately prior to such Dilutive Issuance plus (ii) the consideration, if any, received by Altair upon such Dilutive Issuance, by (2) the product derived by multiplying (i) the exercise price in effect immediately prior to such Dilutive Issuance by (ii) the number of common shares deemed outstanding immediately after such Dilutive Issuance.

The definition of “Excluded Issuance” in the warrants includes, among other exclusions, common shares “issued pursuant to a strategic partnership, acquisition or licensing arrangement”. It is Altair’s position that the common shares issued in the Common Share Issuance are being issued pursuant to a “strategic partnership” and, as a result, the exercise price adjustment provisions of the warrants will not apply with respect to the Common Share Issuance. Nevertheless, it is possible that warrant holders will assert, and prevail on the assertion, that the Common Share Issuance is not an Excluded Issuance. In such event, applying the formula summarized above, the exercise price of the warrants would be reduced to approximately \$2.68 per share (adjusted to give effect to the Consolidation).

Certain Fees Payable Upon Closing of Common Share Issuance

Altair has agreed to pay JMP Securities a transaction fee for its financial advisory services equal to four percent of the transaction consideration, payable upon consummation of the Common Share Issuance. Based on an estimated aggregate transaction consideration of \$48,881,366, this fee is estimated to be approximately \$1.955 million. Altair has paid JMP Securities a retainer of \$50,000, which is non-refundable, but creditable against the transaction fee payable at the consummation of the Common Share Issuance. In addition to the \$50,000 retainer, Altair has also paid JMP Securities a fee of \$100,000 for providing its fairness opinion, no portion of which is contingent upon consummation of the Common Share issuance. This \$100,000 fee will be credited against the transaction fee payable at the consummation of the Common Share issuance.

Altair engaged a consultant named Charles Cheng, with technical expertise related to batteries and battery materials and with experience in China, to provide assistance with identifying sales opportunities and potential strategic partners in China. Under his consulting agreement, Mr. Cheng will be entitled to a fee equal for three percent of the transaction consideration, payable upon closing of the Common Share Issuance. Based on an estimated aggregate transaction consideration of \$48,881,366, this fee is estimated to be approximately \$1.46 million.

Interests of Altair’s Directors and Officers in the Transaction

Acceleration of Vesting of Options.

As required by the employment agreements of each of our executive officers, the agreements governing the stock options we have granted to our executive officers provide that the options immediately vest as of the effective date of a “Change of Control Event”. A “Change of Control Event” is defined in the agreement to include, in relevant part “the acquisition by a single person (or two or more persons acting as a group, as a group is defined for purposes of Section 13(d)(3) under the Securities Exchange Act of 1934, as amended) of more than 40% of the outstanding common shares.” In the Common Share Issuance, Canon will acquire more than 40% of the outstanding common shares. As a result, the closing of the Common Shares issuance is a Change of Control Event, and all outstanding options held by our executive officers will vest.

The following table provides information relating to the number of options that are unvested as of November 15, 2010, which would vest immediately for each executive officer if a Change of Control Event were to have occurred on November 15, 2010 (adjusted to give retroactive effect to the Consolidation):

Name	Number of Common Shares Underlying Unvested Options that Would Vest Upon a Change in Control(1)
Terry Copeland, President, Chief Executive Officer and Director	176,563
John C. Fallini, Chief Financial Officer	65,000
Bruce J. Sabacky, Vice President & Chief Technology Officer	50,625
Stephen Balogh, Vice President Human Resources	49,375
Daniel Voelker, Vice President Engineering and Operations	83,750
Thomas Kieffer, Vice President of Sales & Marketing	30,000
Robert Pedraza, Vice President of Corporate Strategy	53,125

(1) Adjusted to give retrospective effect to the Consolidation.

Severance Provisions in Employment Agreements.

The employment agreements of all of the executive officers provide for termination and change of control benefits upon termination of the executive officer's employment by the executive officer for "good reason" or by Altair "without cause." The definition of "good reason" includes: (a) Altair requiring the officer to relocate his place of employment without the officer's consent, or (b) a material adverse change in the officer's title, position, and/or duties 90 days before or within one year after a change of control. The closing of the Common Share Issuance will constitute a change of control and, as a result, if an executive experiences a material adverse change to the executive's title, position or duties within 90 days before or one year after the closing, he will be entitled to terminate his employment agreement for "good reason" and receive a severance benefit equal to his base salary and health benefits for one year in connection therewith. This one-year base salary severance benefit will be extended to 16 months if either the officer was required to relocate more than 50 miles in order to commence employment and the termination occurs within two years of commencement of employment, or the officer later consents to a relocation of his employment and the termination occurs within two years of such voluntary relocation. The closing of the Common Share Issuance will not alter in any way the eligibility of an executive for, or the benefit associated with, the termination of an executive by Altair without cause. In addition, no executive is entitled to any severance if his employment is terminated at any time by Altair with cause or by the executive without good reason. For the seven executive officers: Dr. Copeland's current base salary is \$325,000 per year; Mr. Fallini's current base salary is \$230,000 per year; Mr. Voelker's current base salary is \$205,000 per year; Mr. Balogh's current base salary is \$193,800 per year; Mr. Sabacky's current base salary is \$225,000 per year; Mr. Pedraza's current base salary is \$190,000 per year; and Mr. Kieffer's base salary is \$190,000 per year.

Material U.S. Federal Income Tax Consequences

The following discussion is a summary of U.S. federal income tax considerations relating to the Common Share Issuance. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), Treasury regulations promulgated thereunder, administrative pronouncements and judicial decisions, all in effect as of the date of this Circular and all subject to change, possibly with retroactive effect. This summary does not address consequences of the transaction under state, local and foreign tax laws.

We urge you to consult your tax advisor about the tax consequences of the Common Share Issuance and of continuing to hold our common shares.

For U.S. federal income tax purposes, the Common Share Issuance will not result in taxable income or gain for the Corporation, for its subsidiaries or for shareholders that own shares of the Corporation prior to the transaction.

As a result of the Common Share Issuance, the Corporation and its U.S. subsidiaries (collectively the “U.S. Subsidiaries”), including Altair U.S. Holdings, Inc. and Altairnano Inc., will each undergo an “ownership change” within the meaning of Sections 382 and 383 of the Code. In general terms, an “ownership change” with respect to a corporation occurs if the stock ownership in the corporation of one or more five-percent or greater shareholders increases by more than 50 percentage points over a period of three years or less. Sections 382 and 383 of the Code impose limitations on a corporation’s ability to utilize its net operating loss carryforwards (“U.S. NOLs”), capital loss carryovers and tax credits if the corporation (a “Loss Corporation”) experiences an “ownership change.” Generally the amount of otherwise available pre-ownership-change NOLs and other affected tax attributes of a Loss Corporation that can be used by the Loss Corporation in any single post-ownership-change tax year is limited to the fair market value of the Loss Corporation at the time of the ownership change, multiplied by the applicable long-term tax-exempt bond rate (which is 3.98% for ownership changes in October 2010). As of December 31, 2009, the Corporation had approximately \$136,000 of U.S. NOLs, and its U.S. Subsidiaries, which file consolidated U.S. federal income tax returns, had \$127 million of U.S. NOLs, no U.S. capital loss carryovers, and \$465,000 of U.S. federal tax credit carryovers. For U.S. tax years ending after the Common Share Issuance, the annual use of those favorable pre-ownership-change tax attributes will be limited as described above and will result in a portion of the U.S. NOLs and other tax attributes expiring unutilized.

Material Canadian Income Tax Consequences of the Transaction

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Income Tax Act (Canada) (the “ITA”) generally applicable to the Corporation in respect of the Common Share Issuance.

This summary is of a general nature only and is not exhaustive of all Canadian federal income tax considerations. This summary is based on the provisions of the ITA and the Regulations thereunder and the current administrative policies and assessing practices of the Canada Revenue Agency (“CRA”) as of the date hereof. This summary does not take into account or consider any provincial, territorial or foreign income tax considerations, which considerations may differ significantly from the Canadian federal income tax considerations discussed in this summary.

This summary assumes that the Corporation holds shares of Altair US Holdings Inc. (“AUSH”) as capital property for purposes of the ITA.

The Common Share Issuance will not, in and of itself, result in Canadian taxable income or gain for the Corporation.

There will be an “acquisition of control” of the Corporation for purposes of the ITA as a result of Canon acquiring shares of the Corporation which will entitle it to elect a majority of the board of directors of the Corporation. The acquisition of control will have consequences under the ITA summarized below.

The acquisition of control will result in the relevant current taxation year (the “Pre-Common Share Issuance Taxation Year”) of the Corporation to have ended immediately before such acquisition and a new taxation year to have commenced.

In computing the adjusted cost base to the Corporation at and after the acquisition of control for each capital property, other than a depreciable property, owned by the Corporation immediately before that time, there shall be deducted the amount, if any, by which the adjusted cost base to the Corporation of the property immediately before that time exceeds its fair market value immediately before the acquisition of control. Each such amount required to be deducted in computing the adjusted cost base to the Corporation of a property shall be deemed to be a capital loss of the Corporation for the Pre-Common Share Issuance Taxation Year from the disposition of the property. Capital property of the Corporation will include shares of AUSH. The Corporation advises that this will result in a capital loss in

respect of the shares of AUSH.

This capital loss, and any other resulting capital loss, and the non-capital loss of \$7,647,922 reported in the 2009 federal income tax return cannot be carried forward by the Corporation for use in any taxation year ending after the Common Share Issuance. Consequently, if there is a sale of shares of AUSH after the Common Share Issuance at a price in excess of the adjusted cost base as reduced, the non-capital loss and any capital loss in respect of the shares of AUSH for the Pre-Common Share Taxation Year will not be available to offset such gain.

Dilutive Effect of Common Share Issuance

The issuance and sale of our common shares to Canon pursuant to the Share Subscription Agreement will have a dilutive effect on our existing shareholders' percentage ownership interest and voting power in Altair. The Common Share Issuance will result in Canon holding approximately 51% of our outstanding common shares on a fully diluted basis immediately following the issuance and sale.

The following table sets forth, as of November 15, 2010, the actual beneficial ownership of common shares by the directors and executive officers of Altair as a group, by each person known to the Corporation to beneficially own 5% or more of the outstanding common shares and of Canon, and the pro forma beneficial ownership assuming the Common Share Issuance were to have closed on that date. The share numbers shown in the following table and the footnotes are adjusted to give retroactive effect to the Consolidation. A person is deemed to beneficially own common shares if the person has voting or investment power with respect to the common shares or has the right to acquire the common shares (or voting or investment power) within 60 days. To the knowledge of Altair, each person named in the table has voting and investment power with respect to the common shares identified as beneficially owned; provided, however, each person named in the table has entered into a Voting Agreement with Canon pursuant to which he or it has, among other things, agreed to vote all shares of Altair's common shares he or it owns to approve the Common Share Issuance.

	Beneficial Ownership Pre-Closing (1)		Estimated Beneficial Ownership Post-Closing(1)(2)	
	Number of Common Shares	Percent(3)	Number of Common Shares	Percent(3)
Canon Investment Holdings Limited	0	N/A	31,479,499	53.8%
Altair officers and directors	686,995(4)	2.5%	1,068,872(5)	1.8%
Al Yousuf LLC	5,098,966	18.9%	5,098,966	8.7%

- (1) Beneficial ownership includes all common shares owned by the person and all common shares issuable pursuant to the exercise of options and warrants owned by such person that are exercisable on or before January 15, 2011, but does not include shares issuable pursuant to options and warrants exercisable on or before January 15, 2011 that are held by other persons or groups. Because all of the options held by the executive officers of Altair accelerate upon the closing of the Common Share Issuance, all such options are deemed as exercisable in the "Estimated Beneficial Ownership Post Closing" column. For purposes of this table, Canon is not deemed to beneficially own shares of the Altair officers and directors, or Al Yousuf LLC, which are subject to the Voting Agreements.
- (2) Assumes the issuance of 31,479,499 common shares to Canon upon closing of the Common Share Issuance.
- (3) Based on 27,015,579 common shares outstanding as of November 15, 2010 (adjusted to give effect to the Consolidation without taking into account the rounding up of fractional shares).
- (4) Includes options to purchase 443,925 common shares exercisable on or before January 15, 2011.
- (5) Includes options to purchase 825,802 common shares, which are either exercisable on or before January 15, 2011 or which become exercisable as a result of the closing of the Common Share Issuance.

Dissent Rights

Under the CBCA, Altair's shareholders are not entitled to dissent rights in connection with the Common Share Issuance.

Regulatory Matters

Under Exon-Florio, the President of the United States has the authority to suspend or prohibit certain proposed or pending foreign mergers, acquisitions, or takeovers of U.S. companies, if such transactions pose a threat to the national security of the United States. The Exon-Florio provision establishes a voluntary process under which parties to such transactions may notify CFIUS of the transaction and obtain a determination of whether the transaction presents unresolved U.S. national security concerns. Altair and Canon intend to submit to CFIUS a joint notification and, under the terms of the Share Subscription Agreement, will not consummate the Common Share Issuance unless and until CFIUS determines that no action to suspend or prohibit the transactions contemplated by the Share Subscription Agreement and other transaction documents is necessary to protect the national security of the United States, and that it is not necessary to impose a condition on Altair, Canon or any of its subsidiaries to protect the national security of the United States that would have an adverse impact on the business of the Corporation or that would limit Canon's ability to exercise its ownership rights with respect to the Corporation.

To ensure compliance with the ITAR, before Altair and Canon may consummate the Common Share Issuance, Altair and its subsidiaries must cease manufacturing and exporting "defense articles" and providing "defense services" as those terms are defined under sections 120.6 and 120.9, respectively, of the ITAR, and notify the Directorate of Defense Trade Control, U.S. Department of State ("DDTC") under ITAR section 122.4(a)(2), of a material change in the Corporation's Statement of Registration resulting from such cessation in order to terminate the Corporation's registration with DDTC. In addition, promptly following the signing of the Share Subscription Agreement, Altair and its subsidiaries also withdrew previously submitted proposals that, if accepted, may have resulted in a government contract that involves or may involve the manufacture or export of "defense articles" or the provision of "defense services." Altair expects that it and its subsidiaries will not enter into any future government contract that involves or may involve the manufacture or export of "defense articles" or the provision of "defense services" if the Common Share Issuance is consummated.

Consequences if Shareholder Approval is Not Obtained

If we do not obtain shareholder approval as described in this Circular, we will not complete the Common Shares Issuance because doing so would not be in compliance with the NASDAQ Listing Rules, and such non-compliance could result in the delisting of our common shares from The NASDAQ Capital Market.

If we do not obtain shareholder approval of the Common Share Issuance and, as a result, do not complete the Common Share Issuance, we will not receive the cash injection contemplated by the Share Subscription Agreement, and we may not be able to continue as a going concern, unless we are able to obtain other financing. In addition, (a) if the Share Subscription Agreement is terminated as a result of our failure to obtain shareholder approval and (b) prior to such termination, an acquisition proposal has been publicly announced or otherwise been communicated to our Board or Altair's shareholders prior to such termination and (c) within eighteen (18) months following the date of such termination, Altair has entered into a definitive agreement with respect to or recommended to its shareholders an acquisition proposal or an acquisition proposal has been consummated, then we are required to pay to Canon a \$2,000,000 termination fee. In addition, if the Share Subscription Agreement is terminated as a result of our failure to obtain shareholder approval, we are required to reimburse Canon for its expenses associated with the transactions, up to a maximum amount of \$500,000 (which amount may be offset against the termination fee if we are required to pay the termination fee). In addition, if the Share Subscription Agreement is terminated, YTE will not be required to purchase certain products under the Supply Agreement.

Even if our shareholders approve the Common Share Issuance, it is possible that the transaction might not be completed. The Share Subscription Agreement contains certain closing conditions which Canon and Altair must satisfy or waive before the parties are obligated to consummate the Common Share Issuance pursuant to the Share

Subscription Agreement. See the section entitled “Conditions to the Transaction” below.

Recommendation of Altair’s Board of Directors

THE BOARD OF DIRECTORS HAS UNANIMOUSLY DETERMINED THAT THE COMMON SHARE ISSUANCE IS IN THE BEST INTERESTS OF ALTAIR’S SHAREHOLDERS AND RECOMMENDS THAT ALTAIR’S SHAREHOLDERS VOTE “FOR” THE APPROVAL OF THE COMMON SHARE ISSUANCE.

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THE SHARE SUBSCRIPTION AGREEMENT

The following is a brief summary of key provisions of the Share Subscription Agreement. This summary is qualified in its entirety by reference to the Share Subscription Agreement, which is attached to this Circular as Annex A, is incorporated herein by reference, and contains the complete terms of that agreement. You should read the entire Share Subscription Agreement carefully.

The Share Subscription Transaction

The Share Subscription Agreement provides for Altair to issue and sell to Canon common shares of Altair in an amount such that, immediately following the share issuance, Canon will be the beneficial owner of 51% of Altair's outstanding common shares on a fully-diluted basis at a purchase price of \$0.3882 per share which will be adjusted to approximately \$1.5528 per share as a result of the Consolidation, subject to adjustments as appropriate due to rounding up of fractional shares such that the aggregate purchase price pre- and post-Consolidation will be the same (as described in the following paragraph). As of November 1, 2010, Altair had outstanding 108,062,315 common shares, 7,028,440 warrants to purchase common shares and 5,889,280 options to purchase common shares, adding up to 120,980,035 on a fully diluted basis. If those numbers are adjusted for the Consolidation (without taking into account rounding up of fractional shares), there were outstanding 27,015,579 common shares, 1,757,110 warrants to purchase common shares and 1,472,320 options to purchase common shares, adding up to 30,245,009 common shares on a fully diluted basis. If the number of outstanding common shares on a fully diluted basis remained the same at closing, the number of common shares issuable to Canon under the Share Subscription Agreement would be approximately 31,479,499 and the aggregate purchase price of the shares would be approximately \$48,881,366. The actual number of shares issued and sold to Canon, and the aggregate purchase price to be paid by Canon, will be determined at closing based upon the number of fully-diluted common shares outstanding as of such date. Pursuant to the Share Subscription Agreement, Canon may transfer or assign its rights and obligations under the agreement to one or more of its affiliates and may therefore designate an affiliate to be a purchaser of such shares; provided that Canon will not be relieved of its obligations as a result of any such transfer or assignment.

The per-share purchase price specified in the Share Subscription Agreement is \$0.3882 per share. Under the Share Subscription Agreement, the per-share purchase price will first be adjusted to account for the 4:1 consolidation ratio, which will cause an increase in the per share purchase price by a multiple of four to \$1.5528 per share. At the same time, the number of common shares representing 51% of outstanding issue on a fully diluted based will be reduced by a multiple of 1/4, resulting in the same aggregate purchase price, but for the effect of rounding up fractional shares. The Company has agreed that aggregate purchase price for all of the shares will not increase solely as a result of the Consolidation. In the Consolidation, if a fractional share remains after the 4:1 consolidation of all shares held by any shareholder, the fraction will be rounded up to the nearest whole share. Because Altair has agreed that the aggregate purchase price will not be increased as a result of the Consolidation, the per-share purchase price will be adjusted so that the additional shares issued as a result of the rounding up of fractional shares will not result in an increase in the aggregate purchase price.

As of the date of this Circular, Altair is uncertain how many shareholders hold a number of common shares that is not evenly divisible by four and, as a result, will be entitled to have a fractional share rounded up to a whole share. There are approximately 27,500 beneficial holders of Altair's common shares. The increase in shares as a result of rounding could be as many as 27,500; however, because the aggregate holdings of many shareholders are divisible by 4, and because each incidence of rounding will result in only a partial increase in the number of shares (for example, if the fraction of .6 is rounded up to one, the increase as a result of the rounding is only .4), Altair estimates that the aggregate increase as a result of rounding up will be approximately 10,000 shares. To illustrate the effect of rounding up on the per-share price, if the number of common shares outstanding on a fully diluted basis prior to the Consolidation is 120,980,035 common shares (consolidating to 31,479,499 common shares prior to rounding), an

increase of 27,500 shares as a result of rounding up would result in a per-share purchase price of approximately \$1.5514 per share, and an increase of 10,000 shares as a result of rounding up would result in a per-share purchase price of approximately \$1.5523 per share. The aggregate purchase price would remain at \$48,881,366. The actual per-share price and aggregate purchase price will be determined at closing based upon the number of common shares outstanding on a fully diluted basis on that date and the number of common shares issued as a result of rounding up in the Consolidation.

The Share Subscription Agreement requires that the closing of the issuance and sale of shares to Canon under the Share Subscription Agreement occur no later than five business days after the satisfaction of the conditions set forth in that agreement, unless Altair and Canon agree to some other time for closing. We currently expect the closing to occur shortly after the Meeting described herein and for which proxies are being requested in this Circular, if shareholder approval for the Common Share Issuance is obtained.

Conditions to the Transaction

The obligations of Altair and Canon to close the transactions contemplated by the Share Subscription Agreement are subject to the satisfaction or waiver (where permissible under applicable law) of the following conditions:

Altair's shareholders shall have approved the Common Share Issuance in accordance with NASDAQ requirements and applicable law;

no provision of any applicable law shall prohibit the consummation of the closing;

the common shares of Altair to be issued to Canon shall have been approved for listing on The NASDAQ Capital Market, subject to official notice of issuance;

all actions by or in respect of or filings with any governmental authority required to permit the consummation of the closing shall have been taken, made or obtained;

the government of the United States shall have completed its national security review and, if necessary, investigation under Exon-Florio, and shall have concluded that no adverse action with respect to the transactions contemplated by the Share Subscription Agreement and the other transaction documents is necessary, including any action to suspend or prohibit any of the transactions or to impose a condition on Canon, Altair or any of its subsidiaries that would have an adverse effect on Altair's business that would be unacceptable to Canon in its reasonable discretion or that would limit Canon's ability to exercise its ownership rights with respect to Altair; and

each of the following shall have occurred:

Altair and its subsidiaries shall have taken all necessary action to divest themselves of any "defense articles," including "technical data", as those terms are defined under the ITAR;

Altair and its subsidiaries shall have ceased manufacturing and exporting "defense articles" and providing "defense services", as those terms are defined under the ITAR;

Altair and its subsidiaries shall have provided notification to the DDTC of a material change in Altair's Statement of Registration resulting from the cessation of the ITAR-related activities and shall have requested that DDTC invalidate Altair's registration code; and

any applicable waiting period under the Hart-Scott-Rodino Act relating to the transactions contemplated by the Share Subscription Agreement shall have expired or been terminated.

The obligation of Canon to consummate the transactions contemplated by the Share Subscription Agreement is subject to the satisfaction of the following further conditions:

the representations and warranties of Altair set forth in Section 3.01 (Corporate Existence and Power), Section 3.02 (Corporate Authorization), Section 3.05 (Capitalization), Section 3.06 (Subsidiaries), Section 3.27 (Finders' Fees), and Section 3.29 (Antitakeover Matters; Company Rights Plan) of the Share Subscription Agreement shall be true and correct at and as of the closing date with the same force and effect as if made at and as of the closing date (other than such representations or warranties that by their terms address matters only as of another specified time, which shall be true and correct only as of such time);

the other representations and warranties of Altair contained in the Share Subscription Agreement or in any certificate or other writing delivered by Altair pursuant thereto (disregarding all materiality and material adverse effect qualifications contained therein) shall be true and correct at and as of the closing date with the same force and effect as if made at and as of the closing date (other than such representations or warranties that by their terms address matters only as of another specified time, which shall be true and correct only as of such time), with such exceptions as have not had and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect;

Altair shall have performed in all material respects all of its obligations under the Share Subscription Agreement required to be performed by it on or prior to the closing date;

no material adverse effect shall have occurred since the date of the Share Subscription Agreement and be continuing for a period of over 15 calendar days or exist as of the closing;

Altair will have delivered to Canon customary officers' certificates and a secretary's certificate relating to the satisfaction of Altair's obligations, representations and warranties under the Share Subscription Agreement;

Canon shall have received customary opinions from legal counsel to Altair;

Altair shall have taken such actions such that at the closing Altair's board of directors shall consist of nine directors, five of whom shall have been designated by Canon, three of whom shall be independent directors (one of such independent directors shall be an individual designated by Al Yousuf LLC), and one of whom shall be an executive of Altair, and Altair shall have delivered resignations in form and substance reasonably acceptable to Canon of each of the current directors of Altair who shall not have been designated by Altair pursuant to this requirement;

no stop order or suspension of trading shall have been imposed by the SEC or any governmental authority or regulatory body or The NASDAQ Capital Market with respect to public trading in Altair's common shares;

no action or proceeding (or any investigation or other inquiry that might result in such action or proceeding) shall have been instituted or pending by or before any governmental authority challenging or otherwise seeking to restrain or prohibit: the transactions contemplated by the Share Subscription Agreement, Canon's exercise of rights of ownership of Altair's common shares upon closing, or Canon's ownership or operation of all or any material portion of Altair's business or assets, taken as a whole (along with any subsidiary), and no applicable law shall have been proposed or enforceable that would be reasonably likely to have a similar effect;

there shall not be pending or threatened any action or proceeding (or any investigation or other inquiry that might result in such action or proceeding) by any governmental authority against Altair or any of its subsidiaries in connection with any noncompliance with any export controls statutes or regulations;

Canon shall have received, from a U.S. export compliance consultant, a jurisdiction and classification determination that (i) identifies each of the products, technology, and related services possessed, produced, sold by, or under development by Altair or its subsidiaries, (ii) indicates whether each product, technology and related service is under the jurisdiction of DDTTC, Bureau of Industry and Security of the U.S. Department of Commerce, or any other governmental authority, and (iii) states what, if any, the classification category is for each product, technology and related service;

the jurisdiction and classification determination referred to in the preceding paragraph shall demonstrate, to the satisfaction of Canon, that: (i) the ITAR-related closing conditions have been satisfied, (ii) no products, technology, or related services that Canon, in its sole discretion, deems essential to the transactions contemplated by the Share Subscription Agreement or the other transaction documents or to the ongoing operation of Altair's business after the closing will be excluded from the transactions as a result of the actions required by such closing conditions; (iii) other than to countries identified in Part 746 of the Export Administration Regulations ("EAR"), 15 C.F.R. sections 730 et seq., Altair will not be prohibited from exporting or reexporting products, technology or related services possessed, produced, sold by, or under development by Altair or its subsidiaries; and (iv) other than in such EAR embargoed countries, Altair will not be prohibited from manufacturing outside the United States products produced, sold by, or under development by Altair or its subsidiaries; and

there shall not have been instituted or pending any shareholder derivative actions relating to the transactions contemplated by the Share Subscription Agreement that (i) has resulted or is reasonably likely to result in the issuance of any temporary or permanent injunction binding on Canon, Altair or their respective affiliates or relating to the transactions contemplated by the transaction documents or (ii) has resulted or is reasonably likely to result in any preliminary or permanent determination of liability against Canon, Altair or their respective affiliates.

The obligation of Altair to consummate the closing is subject to the satisfaction of the following further conditions:

the representations and warranties of Canon set forth in Section 4.01 (Corporate Existence and Power), Section 4.02 (Corporate Authorization) and Section 4.11 (Finder's Fees) of the Share Subscription Agreement shall be true and correct at and as of the closing date with the same force and effect as if made at and as of the closing date (other than such representations or warranties that by their terms address matters only as of another specified time, which shall be true and correct only as of such time),

the other representations and warranties of Canon contained in the Share Subscription Agreement or in any certificate or other writing delivered by Canon pursuant hereto (disregarding all materiality qualifications contained therein) shall be true and correct at and as of the closing date with the same force and effect as if made at and as of the closing date (other than such representations or warranties that by their terms address matters only as of another specified time, which shall be true and correct only as of such time), with only, such exceptions as have not had and would not reasonably be expected to have, individually or in the aggregate, prevent or delay beyond January 31, 2011 Canon's ability to consummate the transactions contemplated by the Share Subscription Agreement;

Canon shall have performed in all material respects all of its obligations required to be performed by it under the Share Subscription Agreement on or prior to the closing date; and

Canon shall have delivered to Altair a customary officer's certificate relating to the satisfaction of Canon's obligations, representations and warranties under the Share Subscription Agreement.

The term "material adverse effect" means any change, event, effect, occurrence, development, condition, state of facts or circumstances that has or would have a material adverse effect on the business operations, properties, condition (financial or otherwise), result of operations or prospects of Altair and its subsidiaries, taken as a whole, or on the ability of Altair to perform its obligations under the Share Subscription Agreement or the other contemplated transaction documents; provided that none of the following shall be deemed to constitute a material adverse effect: any adverse change, event, effect, occurrence, development, condition, state of facts or circumstances to the extent arising from:

changes in general business or economic conditions occurring after the date of the Share Subscription Agreement that do not have a disproportionate adverse effect on Altair and its subsidiaries compared to others in the same industry,

disruptions in the financial, banking or securities markets after the date of the Share Subscription Agreement that do not have a disproportionate adverse effect on Altair and its subsidiaries compared to others in the same industry,

the execution, announcement or performance of the Share Subscription Agreement, including any shareholder derivative actions relating thereto,

changes in the trading prices of Altair's common shares, or

the taking of such actions required by certain closing conditions set forth in the Share Subscription Agreement, but only to the extent the taking of such actions will not result in the exclusion or disposal of any products, technology or related services that are necessary or required for Altair's business.

For the avoidance of doubt, "material adverse effect" includes any inaccuracies, breaches with respect to representations and warranties in the Share Subscription Agreement relating to Altair's technology (including intellectual property rights) which inaccuracies or breaches would be material to Altair and its subsidiaries taken as a whole.

Conduct of Business Pending the Closing

Except for matters expressly contemplated by the Share Subscription Agreement or as otherwise consented to in advance in writing by Canon, from the date of the Share Subscription Agreement until the first meeting of the New Board, Altair has agreed to conduct its business in the ordinary course consistent with its past practice. Altair has also agreed, except as otherwise consented to in advance in writing by Canon, that it will not:

amend its articles or bylaws or other similar organizational documents (whether by merger, consolidation or otherwise);

change Altair's jurisdiction of incorporation from the federal jurisdiction of Canada;

(i) split, combine or reclassify any shares of its capital stock (other than the proposed consolidation of Altair's common shares approved by Altair's shareholders on May 24, 2010), (ii) declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock, or (iii) redeem, repurchase or otherwise acquire or offer to redeem, repurchase, or otherwise acquire any securities of Altair or its subsidiaries;

(i) issue, deliver or sell, or authorize the issuance, delivery or sale of, any securities of Altair or its subsidiaries, other than the issuance of (A) any common shares upon the exercise of stock options or warrants that are outstanding on the date of the Share Subscription Agreement in accordance with the terms of those options or warrants on the date of the Share Subscription Agreement and (B) any securities of Altair's subsidiaries to Altair or any other subsidiary of Altair or (ii) amend any term of any security of Altair or its subsidiaries (in each case, whether by merger, consolidation or otherwise);

incur any capital expenditures or any obligations or liabilities in respect thereof, except for (i) those contemplated by the capital expenditure budget made available to Canon and (ii) any unbudgeted capital expenditures not to exceed \$75,000 individually;

acquire (by merger, consolidation, acquisition of stock or assets or otherwise), directly or indirectly, any assets, securities, properties, interests or businesses, other than (i) supplies in the ordinary course of the business of Altair and its subsidiaries in a manner that is consistent with past practice and (ii) acquisitions

with a purchase price (including assumed indebtedness) that does not exceed \$50,000 individually;

sell, lease or otherwise transfer, or create or incur any lien on, any of Altair's or its subsidiaries' assets, securities, properties, interests or businesses, other than (i) sales of Altair's product, inventory or obsolete equipment in the ordinary course of business consistent with past practice, (ii) sales of assets, securities, properties, interests or businesses with a sale price (including any related assumed indebtedness) that does not exceed \$50,000 individually, and (iii) subject to approval of Altair's board of directors, sales of shares of Spectrum Pharmaceuticals and/or auction-rate securities owned by Altair;

other than in connection with certain actions permitted by the Share Subscription Agreement, make any loans, advances or capital contributions to, or investments in, any other person, other than in the ordinary course of business consistent with past practice;

create, incur, assume, or otherwise be liable with respect to any indebtedness for borrowed money or guarantees thereof;

(i) enter into any material contract, agreement, arrangement or understanding or (ii) enter into, amend or modify in any material respect or terminate any material contract or otherwise waive, release or assign any material rights, claims or benefits of Altair or any of its subsidiaries;

enter into, amend or modify in any respect any government contract (including to extend the terms thereof, but excluding termination or assignment of the same to a third party) if such contract involves the manufacture or export of "defense articles" (including "technical data") or the provision of "defense services," as those terms are defined under sections 120.6, 120.10, and 120.9, respectively, of the ITAR or take any other action not required under any current military contracts that would require or result in the ownership, possession, control, manufacture or export of new or additional "defense articles" (including "technical data") or represent the provision of "defense services," as those terms are defined under sections 120.6, 120.10, and 120.9, respectively, of the ITAR;

(i) with respect to any director, officer, employee or independent contractor of Altair or any of its subsidiaries whose annual base salary exceeds \$100,000, (A) grant or increase any severance or termination pay to (or amend any existing severance pay or termination arrangement) or (B) enter into any employment, deferred compensation or other similar agreement (or amend any such existing agreement), (ii) increase benefits payable under any existing severance or termination pay policies, (iii) establish, adopt or amend (except as required by applicable law) any collective bargaining, bonus, profit-sharing, thrift, pension, retirement, deferred compensation, stock option, restricted stock or other benefit plan or arrangement or (iv) increase compensation, bonus or other benefits payable to any employee of Altair or any of its subsidiaries, except, with respect to any director, officer, employee or independent contractor of Altair or any of its subsidiaries whose annual base salary does not exceed \$100,000, for increases in the ordinary course of business consistent with past practice;

change Altair's methods of accounting, except as required by concurrent changes in GAAP or in Regulation S-X of the Securities Exchange Act of 1934, as agreed to by its independent public accountants;

settle, or offer or propose to settle, (i) any material litigation, investigation, arbitration, proceeding or other claim involving or against Altair or any of its subsidiaries, (ii) any shareholder litigation or dispute against Altair or any of its officers or directors or (iii) any litigation, arbitration, proceeding or dispute that relates to the transactions contemplated hereby;

take any action that would make any representation or warranty of Altair hereunder, or omit to take any action necessary to prevent any representation or warranty of Altair hereunder from being, inaccurate in any respect at, or as of any time before, the closing date;

sell, lease, license, assign, transfer, abandon, allow to lapse or otherwise dispose of, encumber or subject to any lien, any intellectual property owned by Altair other than in accordance with non-exclusive licenses to customers entered into in the ordinary course of business consistent with past practice; or

agree, resolve or commit to do any of the foregoing.

Covenants Regarding Special Meeting and Recommendation of Board of Directors

Altair has agreed to call a meeting of its shareholders (i.e., the Meeting) to be duly called and held as soon as practicable after the date of the Share Subscription Agreement for the purpose of voting on the Common Share Issuance. Subject to the provisions set forth in “Certain Permitted Actions and Negotiations” below and associated termination rights (and termination fees), Altair has agreed that our Board will (i) recommend to our shareholders their approval of the Common Shares Issuance, (ii) use its reasonable best efforts to obtain shareholder approval for the Common Share Issuance, (iii) not effect an Adverse Recommendation Change (as defined below) and (iv) otherwise comply with all legal requirements applicable to such meeting.

Altair has agreed to promptly prepare and file this Circular, which, subject to certain exceptions, is required to include our Board’s recommendation in favor of approval by our shareholders of the Common Share Issuance. Canon has agreed that promptly upon request to use reasonable best efforts to provide information reasonably requested by the Corporation for inclusion in this Circular. Altair has agreed to use its reasonable best efforts to cause this Circular to be mailed to its shareholders as soon as practicable after the date of the Share Subscription Agreement. Altair has also agreed to promptly provide copies, consult with Canon and prepare written responses with respect to any written comments received from the SEC with respect to this Circular and advise Canon of any oral comments received from the SEC. Altair has agreed to ensure that this Circular complies in all material respects with the rules and regulations promulgated by the SEC under the Securities Exchange Act of 1934, as amended, Canada Business Corporations Act and applicable Canadian securities laws.

Altair has agreed that, if at any time prior to the closing date, any information relating to Altair, Canon, or any of their respective affiliates is discovered by Altair or Canon that should be set forth in an amendment or supplement to this Circular so that it would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the party that discovers such information shall promptly notify the other parties and an appropriate amendment or supplement describing such information shall be promptly filed with the SEC and on SEDAR and, to the extent required by law, disseminated to the Corporation’s shareholders.

Altair has agreed:

to give Canon and its counsel a reasonable opportunity to review and comment on this Circular (and any supplements or amendments thereto) each time before it is filed with the SEC or on SEDAR and to give and reasonable and good faith consideration to any comments made by Canon and its counsel; and

that Altair will provide Canon its counsel with (A) any comments or other communications, whether written or oral, that Altair may receive from time to time from the SEC or its staff with respect to this Circular (and any supplements or amendments thereto) promptly after receipt of those comments or other communications and (B) a reasonable opportunity to participate in the response to those comments and to provide comments on that response (to which reasonable and good faith consideration shall be given), including by participating in any discussions or meetings with the SEC; and

that no amendment or supplement to this Circular shall be filed without first giving Canon a reasonable opportunity and period of time to review the same and provide comments on the same, to which reasonable and good faith consideration shall be given.

No Solicitation

Under the Share Subscription Agreement, Altair has agreed, except as described in “Certain Permitted Actions and Negotiations” below, that it will not, directly or indirectly,

solicit, initiate or take any action to facilitate or encourage the submission of any “Acquisition Proposal” (defined below),

conduct or engage in any discussions or negotiations with, disclose any non-public information relating to Altair or otherwise cooperate in any way with any third party seeking to make an Acquisition Proposal,

amend or grant any waiver or release under any standstill agreement with respect to any class of Altair’s equity securities under Altair’s rights plan,

approve any transaction pursuant to which a third party may become an “interested shareholder,” or

enter into any agreement in principle, letter of intent, or similar arrangement relating to any “Acquisition Proposal”.

Altair has also agreed that it will not take any actions that would constitute an “Adverse Recommendation Change.” An Adverse Recommendation Change would occur if Altair were to:

recommend in favor of any Acquisition Proposal,

fail to recommend against acceptance of any third party tender offer or exchange offer for Altair’s common shares within ten business days after the commencement (as defined in Rule 14d-2 under the 1934 Act) of such offer, or

fail to make, or withdraw or modify in a manner adverse to Canon, Altair’s board recommendation to approve the Common Share Issuance.

An “Acquisition Proposal” is defined as, other than the transactions contemplated by the Share Subscription Agreement, any offer, proposal or inquiry relating to, or any third party indication of interest in:

any acquisition or purchase, direct or indirect, of 15% or more of Altair’s consolidated assets or 15% or more of any class of equity or voting securities of Altair or any of its subsidiaries whose assets, individually or in the aggregate, constitute 15% or more of Altair’s consolidated assets,

any tender offer (including a self-tender offer) or exchange offer that, if consummated, would result in such third party’s beneficially owning 15% or more of any class of equity or voting securities of Altair or any of its subsidiaries whose assets, individually or in the aggregate, constitute 15% or more of Altair’s consolidated assets,

a merger, consolidation, share exchange, business combination, sale of substantially all the assets, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving Altair or any of its subsidiaries whose assets, individually or in the aggregate, constitute 15% or more of Altair’s consolidated assets of Altair, or

any other transaction or series of transactions for financing or investment in Altair that could reasonably be expected to impede, interfere with, prevent or materially delay the transactions contemplated by the Share Subscription Agreement or that could reasonably be expected to dilute materially the benefits to Canon of the transactions contemplated thereby.

Certain Permitted Actions and Negotiations

At any time prior to the approval by Altair's shareholders of the Common Share Issuance, our Board, acting directly or indirectly through any representative:

may engage in negotiations or discussions with any third party that, subject to our compliance with our non-solicitation covenant, has made (and not withdrawn) a bona fide unsolicited Acquisition Proposal in writing that our Board determines in good faith, after consultation with our outside legal counsel and a financial advisor of nationally recognized standing (including JMP Securities), constitutes or would reasonably be expected to result in a "Superior Proposal" (defined below),

may thereafter furnish to such third party non-public information relating to Altair pursuant to an executed confidentiality agreement with terms not less favorable to Altair than those contained in the confidentiality agreement executed by Canon and containing additional provisions that expressly permit the Corporation to comply with certain terms of this Share Subscription Agreement (a copy of which confidentiality agreement shall be promptly (in all events within twenty-four (24) hours) provided for informational purposes to Canon);

following receipt of and on account of such Superior Proposal, subject to compliance with certain notice provisions described below, amend our shareholder rights plan agreement and make any other waivers under applicable law reasonably consistent with Section 5.03 of the Share Subscription Agreement, and/or subject to compliance with the notice and "last look" provisions described below, make an Adverse Recommendation Change; and/or

take any non-appealable, final action that any court of competent jurisdiction in a non-appealable, final judgment orders Altair to take,

but in each case referred to in the above list, only if our Board in good faith by a majority vote, after consultation with our outside legal counsel determines that the failure to take such action would result in a breach of its fiduciary duties under applicable law.

A "Superior Proposal" means a bona fide, unsolicited written Acquisition Proposal for purchase of Altair's common shares or all or substantially all of Altair's consolidated assets, on terms that our Board determines in good faith by a majority vote, after considering the advice of a financial advisor of nationally recognized standing and outside legal counsel and taking into account all the terms and conditions of the Acquisition Proposal, including any break-up fees, expense reimbursement provisions and conditions to consummation, are more favorable and provide greater value to all Altair's shareholders than as provided under the Share Subscription Agreement (taking into account any proposal by Canon to amend the terms of the Share Subscription Agreement pursuant to the "last look" provisions therein), which Altair's board of directors determines is reasonably likely to be consummated on the terms proposed without unreasonable delay, taking into account all financial, legal, regulatory and other aspects of such Acquisition Proposal, and for which financing is then fully committed or determined to be available by our Board. In making such determination, our Board is required to consider, without limitation, the following terms and conditions of the Acquisition Proposal and the transactions proposed by Canon: the potential strategic benefits or synergies of the respective transactions, the respective business plans proposed by Canon and such third party, and other potential cooperative and development opportunities that may arise as a result of the respective transactions.

Certain Notice and Last Look Provisions

Our Board is not permitted to take any of the actions described under “Certain Permitted Actions and Negotiations” above unless Altair has delivered to Canon a prior written notice advising Canon that it intends to take such action, and, after taking such action, Altair continues to advise Canon on a current basis of the status and terms of any discussions and negotiations with the third party. In addition, Altair is required to notify Canon promptly (but in no event later than twenty-four (24) hours) after receipt by Altair (or any of its representatives) of any Acquisition Proposal, any indication that a third party is considering making an Acquisition Proposal or any request for information relating to Altair or for access to the business, properties, assets, books or records of Altair by any third party that may be considering making, or has made, an Acquisition Proposal. Altair is required to provide such notice orally and in writing and is required to identify the third party making, and the terms and conditions of, any such Acquisition Proposal, indication or request. Altair is required to keep Canon fully informed, on a current basis, of the status and details of any such Acquisition Proposal, indication or request, and is required to promptly (but in no event later than twenty-four (24) hours after receipt) provide to Canon copies of all correspondence and written materials sent or provided to Altair that describes any terms or conditions of any Acquisition Proposal (as well as written summaries of any oral communications addressing such matters). Any material amendment to any Acquisition Proposal is deemed to be a new Acquisition Proposal for purposes of Altair’s compliance with this paragraph.

In addition, our Board may not make an Adverse Recommendation Change in response to an Acquisition Proposal (or terminate the Share Subscription Agreement in connection therewith) unless:

such Acquisition Proposal constitutes a Superior Proposal;

Altair promptly notifies Canon, in writing at least ten (10) calendar days before taking that action, of its intention to do so, attaching the copy of the proposed definitive agreement under which such Superior Proposal is to be consummated, which is required to be in final form in all material respect and include all schedules, annexes and exhibits thereto, and the identity of the third party making the Acquisition Proposal; and

Canon does not make, within five (5) calendar days after its receipt of that written notification, an offer that is at least as favorable to the shareholders of Altair as such Superior Proposal (as determined by Altair's Board in good faith after considering the advice of outside legal counsel and a financial advisor of internationally recognized reputation) (it being understood and agreed that Altair shall not make an Adverse Recommendation Change or enter into any such binding agreement during the abovementioned period, and further understood that any amendment to the financial terms or other material terms of such Superior Proposal shall require a new written notification from Altair and a new ten (10) calendar day period).

Pre-Closing Covenants Regarding Certain Regulatory Matters

In the Share Subscription Agreement, Altair and Canon have agreed to prepare and submit a final joint Exon-Florio notification in accordance with the regulations implementing Exon-Florio (the "Exon-Florio Filing") to CFIUS as soon as practicable and to timely respond to any inquiries from CFIUS or any other interested governmental authority and make any other requested submissions under Exon-Florio that are required to be made or that the parties agree should be made.

Altair has also agreed that, as soon as practicable, it will file voluntary disclosures with DDTC and the Bureau of Industry and Security of the U.S. Department of Commerce ("BIS") in connection with any noncompliance by Altair or its subsidiaries with any U.S. export controls statutes or regulations.

As soon as practicable, but in any event no later than 60 days after the of the Share Subscription Agreement, Altair has agreed to work with outside counsel and a U.S. export compliance consultant and to complete the jurisdiction and classification determination that (i) identifies each of the products, technology, and related services possessed, produced, sold by, or under development by Altair or its subsidiaries, (ii) indicates whether each product, technology and related service is under the jurisdiction of DDTC, BIS, or any other governmental authority, and (iii) states what, if any, the classification category is for each product, technology and related service. The jurisdiction and classification determination must demonstrate that no products, technology, or related services that Canon, in its sole discretion, deems essential to the ongoing operation of Altair's business will be excluded as a result of Altair's obligation to divest itself of "defense articles," including "technical data," as those terms are defined under Sections 120.6 and 120.10, respectively, of the ITAR; and Altair's obligation to cease manufacturing and exporting "defense articles" and providing "defense services" (as such term is defined under Section 120.9 of the ITAR); the determination must also demonstrate that Altair will not be prohibited from exporting or reexporting products, technology or related services possessed, produced, sold by, or under development by Altair or its subsidiaries and that, other than in EAR embargoed countries, Altair will not be prohibited from manufacturing outside the United States products produced, sold by, or under development by Altair or its subsidiaries.

Unless approval is provided by DDTC prior to December 31, 2010 to permit Altair's business relating exclusively to military contracts to continue, Altair has agreed to cease manufacturing and exporting "defense articles" and providing "defense services," upon the completion of Altair's current military contracts, which are expected to be completed no later than December 31, 2010. Unless agreed to by Canon, the approval of the DDTC referred to in the preceding sentence may not impose any condition on Canon, Altair or any of its subsidiaries that would, in Canon's reasonable discretion, have any adverse effect on Canon, Altair or the transactions contemplated by the Share Subscription Agreement or the other transaction documents. Within five (5) Business Days following the cessation by Altair and its subsidiaries of manufacturing and exporting "defense articles" and providing "defense services", Altair and its subsidiaries are required to notify the DDTC of a material change in Altair's statement of registration resulting from the cessation of such activities, pursuant to the requirements of ITAR Section 122.4(a)(2), and to request that DDTC invalidate Altair's registration code.

As soon as practicable after their cessation of the activities described in the immediately preceding paragraph, Altair and its subsidiaries are required to take all necessary action to ensure that they no longer own, control, or possess any "defense articles," including "technical data."

The jurisdiction and classification determination referred to above must also demonstrate, to Canon's satisfaction, that Altair has complied with the closing conditions described above relating to the cessation of ITAR-related activities and the divestment of ITAR-controlled assets and technology.

Covenants Regarding Liability Insurance for Directors and Officers

For six years after the closing, Altair is required to provide officers' and directors' liability insurance, or purchase a "tail policy", in each case, in respect of acts or omissions occurring prior to the closing covering each person covered by Altair's officers' and directors' liability insurance policy on the date of the Share Subscription Agreement on terms with respect to coverage and amount comparable to those of such policy in effect on such date as disclosed to Canon. This provision may not be amended or waived.

Covenants Regarding Approval of Related Party Transactions

The Share Subscription Agreement requires, consistent with the NASDAQ listing rules, that the audit committee or another independent body of Altair's board of directors (such body, the "Independent Committee") conduct an appropriate review and oversight of related party transactions of Altair. For a period of two years after the closing and so long as Canon beneficially owns at least 51% of Altair's voting securities, any transaction between Altair or any of its subsidiaries, on the one hand, and Canon or its affiliates (other than Altair and its subsidiaries), on the other hand, that is material to Altair and its subsidiaries taken as a whole is required to be approved by the Independent Committee. This provision may not be amended or waived except with approval of the Independent Committee.

Other Covenants

The parties to the Share Subscription Agreement have agreed to various other covenants in the Share Purchase Agreement. Some of the covenants are mutual while others have been made either only by Altair or by Canon. The other covenants relate to the following:

Altair has agreed to provide Canon access to, and to furnish, information on an ongoing basis in order to permit Canon to continue to review Altair's operations;

Altair has agreed that its management will participate in monthly information sessions with Canon, and Canon has the right to reasonably request meetings with or access to Altair's Board;

Altair has agreed to promptly notify Canon of (a) any notice from any persons alleging that such persons consent is required in connection with the Common Share Issuance; (b) any notice of communication from any governmental authority in connection with the Share Subscription Agreement; and (c) certain actions, suits, claims investigation or proceedings commenced or, to its knowledge, threatened relating to Altair; (d) any inaccuracy in any representation or warranty that could reasonably expected to cause the conditions to closing not to be satisfied; and (e) any failure to comply with a covenant or obligation under the Share Subscription Agreement.

Each of Canon and Altair has agreed to use their reasonably best efforts to take, or cause to be taken, all actions necessary or desirable under applicable law to consummate the transactions contemplated by the Share Subscription Agreement;

Altair and Canon have agreed to consult with each other and give prior notice to the other party prior to issuing a press release or making other public announcements or statements with respect to the Share Subscription Agreement and the transactions contemplated thereby;

Altair has agreed to make all required securities law filings and to timely file its reports under the Securities Exchange Act of 1934, as amended;

Altair and Canon have agreed to negotiate in good faith the restructuring of the transactions contemplated by the Share Subscription Agreement if Altair's shareholders fail to approve the Common Share Issuance at the Meeting;

Altair and Canon have agreed to consult with each other to as to the appropriate time to effect the proposed consolidation of Altair's common shares approved by Altair's shareholders on May 24, 2010; and

Altair and Canon have each agreed not to acquire any Altair securities prior to closing, subject to exceptions if Altair waives the application of its shareholder rights agreement (or poison pill) in connection with an Acquisition Proposal.

Termination

The Share Subscription Agreement may be terminated by mutual written agreement of Canon and Altair. The agreement may also be terminated by either Canon or Altair if:

The closing has not occurred on or before January 31, 2011 (but only by a party to the agreement whose breach of any provision of the agreement has not resulted in the closing to not occur by such date);

Any applicable law makes the transactions contemplated by the Share Subscription Agreement illegal or enjoins Canon or Altair from consummating such transactions;

Altair's shareholders do not approve the Common Share Issuance at the Meeting and five business days (or such other extended period as mutually agreed) shall have elapsed from the date of the Meeting;

A written termination of the review or clearance by the U.S. government shall not have been obtained pursuant to Exon-Florio on or prior to January 31, 2011, or the U.S. government shall have taken any action to suspend or prohibit the transactions contemplated by the Share Subscription Agreement or the other transaction documents or to impose a condition on Canon, Altair or any of its subsidiaries that would have an adverse effect on Altair's business or that would limit Canon's ability to exercise its ownership rights with respect to Altair.

Canon may terminate the Share Subscription Agreement if:

an Adverse Recommendation Change has occurred, or at any time after receipt or public announcement of an Acquisition Proposal, our Board shall have failed to reaffirm the recommendation of our Board as promptly as practicable (but in any event within five (5) Business Days) after receipt of any written request to do so from Canon;

Altair has breached any of its obligations, representations or warranties set forth in the Share Subscription Agreement that would cause the closing conditions related to representations, warranties or pre-closing covenants not to be satisfied and such condition is incapable of being satisfied by January 31, 2011;

Altair has intentionally and materially breached its obligations contained in Section 5.02 (see “Covenants Regarding Special Meeting and Recommendation of Board of Directors”) or in Section 5.03 (see “No Solicitation”, “Certain Permitted Actions and Negotiations” and “Certain Notice and Last Look Provisions”) of the Share Subscription Agreement;

Altair is required to divest itself of any products, technology, or related services that Canon, in its reasonable discretion, deems essential to the transactions contemplated by the Share Subscription Agreement or the other contemplated transaction documents or to Altair’s business as a result of Altair’s obligation to divest itself of ITAR-controlled assets and technology and to cease manufacturing and exporting “defense articles” and providing “defense services”;

Altair is or will be prohibited from exporting or reexporting products, technology or related services possessed, produced, sold by, or under development by Altair or its subsidiaries to countries other than EAR embargoed countries; or

Altair is or will be prohibited from manufacturing outside the United States products produced, sold by, or under development by Altair or its subsidiaries in countries other than EAR embargoed countries.

Altair may terminate the Share Subscription Agreement if:

Canon shall have breached any of its obligations, representations or warranties set forth in the Share Subscription Agreement that would cause the closing conditions related to representations, warranties or pre-closing covenants not to be satisfied and such condition is incapable of being satisfied by January 31, 2011;

prior to the Meeting, our Board shall have made an Adverse Recommendation Change in compliance with the terms of the Share Subscription Agreement in order to enter into a definitive written agreement concerning a Superior Proposal; provided that Altair shall have paid Canon \$3,000,000 in termination fees associated with termination under this provision.

Termination Fees

Altair will be required to pay to Canon a termination fee in the amount of \$2,000,000 (the “Termination Fee”), plus an additional \$1,000,000 “Early Termination Fee”: (1) within five business days of termination of the Share Subscription Agreement, if it is terminated by Canon following the occurrence of an Adverse Recommendation Change or following our Board’s failure to reaffirm its recommendation regarding the Common Share Issuance within five business days of a written request by Canon to do so or after the receipt by us, or the public announcement of, an Acquisition Proposal, or (2) immediately before and as a condition to Altair’s right to termination of the Share Subscription Agreement if, prior to the Meeting, the Board has made an Adverse Recommendation Change in compliance with the terms of the Share Subscription Agreement in order to enter into a definitive written agreement concerning a Superior Proposal.

Altair will be required to pay to Canon the Termination Fee within five business days of the termination of the Share Subscription Agreement if the agreement is terminated by Canon following (1) Altair’s breach of any of its obligations, representations or warranties set forth in the Share Subscription Agreement that would cause the closing conditions related to representations, warranties or pre-closing covenants not to be satisfied and such condition is incapable of being satisfied by January 31, 2011, or (2) Altair’s intentional and material breach of its obligations contained in Section 5.02 (see “Covenants Regarding Special Meeting and Recommendation of Board of Directors”) or in Section 5.03 (see “No Solicitation”, “Certain Permitted Actions and Negotiations” and “Certain Notice and Last Look Provisions”)

of the Share Subscription Agreement.

Altair will also be required to pay the Termination Fee upon the occurrence of the triggering event if (1) the Share Subscription Agreement is terminated by either Altair or Canon based on the failure to close by January 31, 2011, the failure to obtain shareholder approval, the failure of the transaction to clear the Exon-Florio review process, Altair's being required to divest itself of essential products, technology or related services pursuant to the closing conditions related to ITAR, Altair's being subject to certain exporting or reexporting restrictions, or Altair's being prohibited from manufacturing its products outside the United States in countries other than EAR embargoed countries, and (2) Altair consummates, enters into a definitive agreement with respect to, or recommends to its shareholders an Acquisition Proposal within eighteen months of the Share Subscription Agreement being terminated.

Upon termination of the Share Subscription Agreement in connection with the events identified in subsection (1) of the preceding paragraph, Altair will also be required (whether or not there is a subsequent Acquisition Proposal) to reimburse Canon's out-of-pocket fees and expenses (including attorney fees) in connection with the Share Subscription Agreement, up to an aggregate amount of \$500,000. If a Termination Fee is subsequently triggered as a result of an Acquisition Proposal as described in subsection (2) of the preceding paragraph, such reimbursement amount would be credited against the Termination Fee payable to Canon.

OTHER TRANSACTION AGREEMENTS

Investor Rights Agreement

The following is a brief summary of the key provisions of the Investor Rights Agreement entered into by Altair and Canon in connection with the Share Subscription Agreement.

Canon's Right to Proportional Representation

Under the Investor Rights Agreement, Canon has the right to designate to serve on Altair's Board a number of directors equal to Canon's current ownership percentage in Altair (on a fully-diluted basis) multiplied by the total number of directors on the Board, rounded up to the next whole number. At the closing of the transactions contemplated by the Share Subscription Agreement, Canon will beneficially own 51% of the outstanding common shares of Altair on a fully-diluted basis and will have the right to designate a majority of the members of Altair's Board. This right to proportional representation will continue so long as Canon beneficially owns at least 7.5% of the aggregate number of Altair's outstanding common shares on a fully-diluted basis, and during such time, any director so designated by Canon may be removed or replaced by Canon. Canon has agreed that, so long as it beneficially owns more than 40% of Altair's outstanding common shares on a fully-diluted basis, it will cooperate with Altair such that the composition of Altair's Board will satisfy applicable laws, including stock exchange listing requirements and applicable statutory residency or citizenship requirements for directors.

Registration Rights

Under the Investor Rights Agreement, from and after the second anniversary of the closing under the Share Subscription Agreement, at the request of holders of at least 50% of registrable securities (defined as common shares issued to Canon under the Share Subscription Agreement and securities issued, converted, exchanged or distributed in respect of such shares), Altair is required to file a shelf registration statement on Form S-3 covering the registrable securities held by such holders, subject to certain exceptions.

From and after the second anniversary of the date of the Investor Rights Agreement, holders of at least 50% of registrable securities also have the right to demand that Altair file a registration statement on Form S-3, including a shelf registration, for any or all of the registrable securities held by such holders if at any time there is no currently effective shelf registration statement with regard to such securities. Altair may delay the filing of any such demand registration statement if it determines that the filing would require Altair to make public disclosure of material non-public information that would adversely affect Altair's ability to consummate a material acquisition, disposition, or other comparable extraordinary transaction.

If Altair proposes to register securities under the Securities Act of 1933, as amended, it is required to offer to the holders of the registrable securities the opportunity to register such shares in conjunction with such registration, subject to underwriter cutbacks. Altair has agreed to indemnify the holders of registrable securities and their affiliates against claims arising out of any untrue statement of material fact contained in a registration statement or prospectus.

Antidilution Option

Altair has granted to Canon an option (the “Common Share Option”), at any time Altair issues new securities, to purchase additional common shares of Altair in such amount to allow Canon to maintain its percentage ownership (on a fully-diluted basis) immediately prior to such new issuance. The purchase price for the additional common shares shall be the market price of the common shares. In connection with the Common Share Option, Altair is required to give Canon at least 20 business days’ notice of a pending issuance of new securities, after which Canon may exercise the Common Share Option at any time after the receipt of such notice and prior to the closing date of the issuance of new securities. Notwithstanding the foregoing, in connection with any issuance of securities other than common shares, to the extent Canon has not exercised the Common Share Option with respect to such issuance, it will have another opportunity to do so at the time the relevant underlying common shares are issued.

With respect to the issuance of options, restricted stock and other securities by Altair to its employees, directors and consultants, the Common Share Option does not apply until the potential dilution as a result of such issuances (in the aggregate) would cause Canon’s ownership percentage to be reduced by 0.5%, at which time Canon will be given an opportunity to exercise the Common Share Option with respect to such securities.

The Common Share Option expires on the later of the date Canon’s fully-diluted ownership percentage falls below 20% and the date it is no longer the largest shareholder of Altair.

Share Repurchase Program

Altair has agreed to implement a normal course issuer bid repurchase program as soon as practicable and not later than 30 days following the closing of the transactions contemplated by the Share Subscription Agreement. Altair will provide regular reports to Canon as to the progress under such repurchase program at the end of each quarter and at such other times as Canon requests. This provision also terminates on the later of the date Canon’s fully-diluted ownership percentage falls below 20% and the date it is no longer the largest shareholder of Altair.

Voting Agreements

The following is a brief summary of the key provisions of the Voting Agreements entered into by the directors and executive officers of Altair and by Al Yousuf LLC, the largest single shareholder of Altair, in connection with the Share Subscription Agreement. Al Yousuf LLC has also entered into a separate Waiver and Rights Agreement with Altair and Canon, which is described below.

In the Voting Agreements, Altair’s executive officers and directors, and Al Yousuf LLC, have agreed to vote all of Altair’s common shares owned by such person to approve the Common Share Issuance. Each of them has also agreed to not vote any such shares in favor of, or consent to, and to vote against and not consent to, the approval of any (i) Acquisition Proposal, (ii) reorganization, recapitalization, liquidation or winding-up of Altair or any other extraordinary transaction involving Altair, (iii) corporate actions that would frustrate the purposes, or prevent or delay the consummation of the transactions contemplated by the Share Subscription Agreement, or (iv) other matters relating to, or in connection with, any of the foregoing.

Altair’s executive officers and directors, and Al Yousuf LLC, have granted to Canon an irrevocable proxy appointing Canon as attorney-in-fact and proxy, with full power of substitution, for and in such shareholder’s name, to vote, express consent or dissent, or otherwise to utilize such voting power in the manner described in the preceding paragraph, as Canon deems appropriate. Each shareholder revokes any and all previous proxies granted with respect to their shares.

The voting agreements entered into by Altair's executive officers and directors terminate upon (a) the earlier of (i) the termination of the Share Subscription Agreement, or (ii) the closing under the Share Subscription Agreement, or (b) at any time upon written notice by Canon to such executive officer or director. In addition to the termination triggers described in the preceding sentence, the voting agreement entered into by Al Yousuf LLC will also terminate if the transactions contemplated by the Share Subscription Agreement have not occurred by January 31, 2011. So long as the voting agreements are effective, the officers and directors of Altair, and Al Yousuf LLC, have agreed not to grant any proxy or power of attorney or enter into any voting trust or other agreement or arrangement with respect to the voting of any shares, or to acquire, sell, assign, transfer, pledge, encumber, or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to the direct or indirect acquisition or sale, assignment, transfer, pledge, encumbrance or other disposition of, any shares.

The Amended and Restated Shareholders Rights Plan Agreement

Altair has entered into an amendment to its Amended and Restated Shareholder Rights Plan Agreement pursuant to which it excluded Canon and its affiliates from the definition of “Acquiring Person”, effectively waiving the application of the rights arising under such agreement to the transaction contemplated by the Share Subscription Agreement and to Canon and its affiliates. This waiver will be automatically terminated upon termination of the Share Subscription Agreement.

Waiver and Rights Agreement

Background

Pursuant to purchase agreements dated November 29, 2007 and September 30, 2008, Al Yousuf LLC acquired an aggregate of 19,428,572 common shares from Altair (corresponding to 4,932,143 common shares after giving effect to the Consolidation). In connection with those agreements, Altair and Al Yousuf LLC also entered into and/or amended a registration rights agreement pursuant to which we are required to cause, and have caused, a registration statement registering the re-sale of such shares. The registration rights agreement also includes demand registration rights that extend until November 29, 2015 and includes customary provisions related to indemnification of Al Yousuf LLC, the selling shareholder and continued effectiveness of any registration statement.

Each of the purchase agreements also includes a lock-up provision under which Al Yousuf LLC is prohibited from transferring any of the shares issued pursuant to the agreement for at least two years and providing for the release of one-third of the shares on each of the second, third, and fourth anniversaries of the initial closing under the agreement. The table below sets forth the date on which such shares held by Al Yousuf LLC have been, or will be, released from lock up restrictions, the number of shares held by Al Yousuf LLC to be released on each date and the total number of shares held by Al Yousuf LLC released from lock up restrictions on such date (in each case giving effect to the Consolidation without taking into account the rounding up of fractional shares).

Date of Release from Lockup	Number of Shares Released on Such Date	Total Released as of Such Date
11/29/2009	952,381	952,381
9/30/2010	666,667	1,619,048
11/29/2010	952,381	2,571,429
9/30/2011	666,667	3,238,095
11/29/2011	952,381	4,190,476
9/30/2012	666,667	4,857,143

Al Yousuf LLC was also granted a right of first offer, permitting it to purchase a percentage of the common shares offered in certain future offerings equal to its percentage ownership of our common shares, and the right to appoint two directors to our Board. The two rights expire on the earliest to occur of (i) the first date on which the shares acquired by Al Yousuf LLC from us constitute no more than 10% of our outstanding common shares calculated on a fully-diluted basis, (ii) the first date the market price of the common shares has exceeded \$18.00 adjusted to give effect to the Consolidation, and subject to further adjustments for stock splits, consolidations and similar transactions subsequent to the Consolidation for 60 consecutive trading days, and (iii) the sale of substantially all of our assets, a merger in which our shareholders prior to the transaction own less than 50% of the surviving entity, or a similar change of control transaction. The Common Share Issuance is expected to cause Al Yousuf LLC’s ownership percentage to be reduced to approximately 8.3% on a fully diluted basis, and will accordingly cause the rights described in this paragraph to expire.

Key Provisions of the Waiver and Rights Agreement

Under the Waiver and Rights Agreement, Al Yousuf LLC has waived its right of first offer with respect to the Common Share Issuance. Al Yousuf LLC has also agreed that, with respect to any underwritten demand registration under its pre-existing registration rights agreement with Altair, to the extent Canon exercises piggyback registration rights under the Investor Rights Agreement and there is an underwriter cutback, Canon and Al Yousuf LLC will participate on a pro rata basis proportionate to their share ownership.

Altair has agreed that, following the closing of the Common Share Issuance, Al Yousuf LLC will have the right to designate one director until such time as Al Yousuf LLC holds less than 5% of Altair outstanding common shares on a fully-diluted basis. During the period Altair has only nine directors, the parties agree that the director appointed by Al Yousuf LLC will be one of the independent directors of Altair and serve as a member of the audit committee of Altair's Board.

Altair has further agreed that, at its next annual shareholder meeting following the closing of the transactions contemplated by the Share Subscription Agreement or if Altair's Board decided to call a special shareholder meeting, at such shareholder meeting, it will propose to amend its articles to increase the size of the Board to no less than eleven directors and to nominate two new directors to the Board, one of whom to be designated by Canon and the other to be an independent director nominated by the Board pursuant to Altair's then-existing director nomination practice. Canon and Al Yousuf LLC have agreed to vote their common shares in favor of such proposal and the election of the two new directors.

Under the Waiver and Rights Agreement, the parties have agreed that, upon closing of the Common Share Issuance, the lock up provisions applicable to the shares Al Yousuf LLC acquired from Altair will terminate. Also, Al Yousuf LLC may elect to first offer to Canon the right to purchase such shares from Al Yousuf LLC in connection with any proposed sale of shares by Al Yousuf LLC.

Conditional Supply and Technology Licensing Agreement

The following is a brief summary of the key provisions of the Supply Agreement.

Purchase of nLTO

Pursuant to the Supply Agreement, YTE has agreed to purchase nano-lithium titanate powder ("nLTO") from Altairnano for delivery in 2010 and 2011, subject to certain conditions. Under the Supply Agreement, YTE agrees that the nLTO will be used exclusively in products sold and delivered by YTE and that YTE will not resell or transfer nLTO on a standalone basis for use outside of China. The Supply Agreement provides that, except as previously agreed in writing by the parties, as between Altair and YTE, Altair owns all designs, drawings, patents, intellectual property, chemical structures, material composition, methods of manufacture, know-how, trade secrets, plans, formulas, formulations, and specifications, related to the manufacture and production of the nLTO. The Supply Agreement contains customary provisions relating to inspection of the nLTO, YTE's ability to accept or reject a shipment, and Altairnano's ability replace any non-conforming nLTO.

YTE has a period of forty-five days from receipt to inspect the nLTO to verify that it conforms to specifications. Until the end of this inspection period, Altair warrants that the nLTO conforms to the specifications and will be free of defects. After the inspection period, except as set forth in the Supply Agreement, the nLTO is accepted “as is” without any warranty of any kind, including without limitation, any warranties of merchantability or fitness for a particular purpose.

Purchase of 11Ahr Battery Cells

Pursuant to the Supply Agreement, YTE has agreed to purchase a certain number of 11 Ahr battery cells (“Cells”), subject to certain conditions. The Supply Agreement provides that, as between Altair and YTE, Altair owns all designs, drawings, patents, intellectual property, chemical structures, material composition, methods of manufacture, know-how, trade secrets, plans, formulas, formulations, and specifications related to the manufacture and production of the Cells. YTE has agreed to not resell or transfer any Cells purchased under the Supply Agreement to any buyer who, to YTE’s knowledge, plans to use such Cells outside of China. The Supply Agreement contains customary provisions relating to inspection of the Cells and YTE’s ability to accept or reject a shipment of Cells.

Purchase of 1-Megawatt ALTI-ESS System

Pursuant to the Supply Agreement, YTE has agreed to purchase a 1-megawatt ALTI-ESS unit (the “ALTI-ESS”), subject to certain conditions. The Supply Agreement provides that, as between Altair and YTE, Altair owns all designs, drawings, patents, intellectual property, chemical structures, material composition, methods of manufacture, know-how, trade secrets, plans, formulas, formulations, and specifications, related to the manufacture and production of the ALTI-ESS. YTE has agreed to not resell or transfer the ALTI-ESS purchased under the Supply Agreement to any buyer who to YTE’s knowledge plans to use the ALTI-ESS outside of China. The Supply Agreement contains customary provisions relating to inspection of the ALTI-ESS and YTE’s ability to accept or reject the ALTI-ESS.

Order Processing, Status and Payment

The aggregate purchase price for the nLTO, Cells and the ALTI-ESS under the Supply Agreement is \$6.6 million. YTE has agreed to pay Altairnano, and has paid, a sum of \$2,000,000 within five business days of signing of the Share Subscription Agreement as an advanced payment for the nLTO purchase. The purchase of the nLTO, the Cells and the ALTI-ESS are subject to shipment schedules agreed by the parties in the Supply Agreement. In addition, other than the purchase of the first \$2,000,000 of nLTO, YTE’s purchase obligations with respect to the remaining nLTO and the Cells and the ALTI-ESS are conditional upon the closing of the transactions under the Share Subscription Agreement.

The \$2,000,000 advanced payment by YTE will be reduced by each shipment of product YTE until the balance is zero; provided, however, that if the Share Subscription Agreement is terminated due to circumstances under which the Early Termination Fee is payable under the Share Subscription Agreement, YTE will have the option to cancel any or all of the outstanding purchase orders for nLTO that have not been shipped at the time as of the day of termination of the Share Subscription Agreement and demand repayment of their current balance of the advanced payment as of the 60th day after such termination. On January 1st, April 1st, 2011, July 1st, 2011 and October 1st, 2011, YTE is required to pay Altair an advanced payment for products and services to be delivered or provided in the quarter beginning on that date equal to 70% of the price of the products and/or services scheduled to be shipped or provided within the said calendar quarter. In the January 1, 2011 payment, YTE is also required to include the balance outstanding from the sum of products shipped in 2010 whose total price to YTE exceeded the \$2,000,000 advance payment, or receive a credit for any shortfall in the amount between such advance payment and the total price of the actual products delivered in 2010. After the advance payment has been reduced in full, each order from YTE will be due and payable immediately before shipment occurs.

YTE has agreed to report and pay all taxes, customs, duties and assessments imposed by any governmental agency in China or any other country designated as the destination for shipping in connection with the distribution and sale of products and/or services to YTE pursuant to the Agreement including any sales, use, excise, VAT and other taxes and duties (collectively, the "Taxes"). To the extent that Altairnano is required to collect and report any Taxes under statutes or regulations, such Taxes will be billed by Altairnano directly to YTE and YTE will pay such Taxes in US Dollars within 30 days after receipt of Altairnano's invoice. Any taxes imposed by the US or Canada will be paid by Altairnano.

On November 1, 2010, YTE issued purchase orders valued at \$2.15 million to Altairnano for the ALTI-ESS, the Cells and a portion of the nLTO. Pursuant to the purchase order for the ALTI-ESS and the Cells, which is firm and binding, YTE has waived the condition that the purchases of the ALTI-ESS and the Cells be subject to the closing of the transactions under the Share Subscription Agreement. The purchase order for the nLTO provides for the delivery of twenty metric tons of nLTO after this Circular has been mailed to our shareholders.

Additional Business Opportunities

In the Supply Agreement, Altair acknowledges YTE's interest to purchase from Altair additional ALTI-ESS battery units, 1P10S battery modules, and engineering services on terms and conditions which are mutually beneficial. Altair has agreed to negotiate in good faith with YTE the purchase of additional ALTI-ESS systems, 1P10S battery modules, and engineering services, all on terms and conditions to be mutually agreed upon and set forth in other mutually acceptable documents.

YTE and Altair have also agreed to rapidly explore other joint opportunities including (i) rapid engineering and development of new module designs for use within various OEM markets, (ii) development of racks and systems for modules, (iii) cost reduction efforts, and (iv) development using the YTE cylindrical battery formats for application in Altair's target markets.

nLTO Manufacturer License

The Supply Agreement also provides that in the event the transactions contemplated by the Share Subscription Agreement are consummated and in connection with the commencement of an nLTO materials production facility in China as contemplated under such agreement, Altair and Altairnano will license, at no cost, to the owner of the China Production Facility, which will be majority-owned by Altair, the intellectual and industrial property rights (other than rights in any trademarks or other source identifiers) that are owned by Altair, Altairnano and their affiliates and are used or necessary for use in the manufacture, sale or distribution of nLTO. The terms and conditions of such license would be as agreed to by Altairnano and the owner of the China Production Facility.

Altairnano and YTE have agreed that, in the event the Share Subscription Agreement is terminated pursuant to its terms, the parties will make good faith efforts to agree to jointly construct an nLTO manufacturing facility in China, and in the event that such agreement is reached within 180 days after the termination of the Share Subscription Agreement and the owner of such facility is majority-owned by Altair, Altair and Altairnano will grant an nLTO license to the owner of such facility as described in the immediately preceding paragraph.

Battery Technology License

Under the Supply Agreement, Altair and Altairnano grant to YTE a license, including the right to grant sublicenses to YTE's affiliates, to use and otherwise exploit the intellectual and industrial property rights (other than rights in any trademarks or other source identifiers) owned or sublicenseable by Altair, Altairnano and their affiliates and are used or otherwise necessary for the manufacture, sale and distribute of nLTO batteries during a term commencing on the effective date of the Supply Agreement and continuing as long as YTE purchases at least 60 metric tons of nLTO annually (with Altairnano's right to terminate being conditioned upon its having made 60 metric tons of nLTO available to YTE for purchase during the relevant calendar year). No royalty is payable for the battery technology license, provided that if Altairnano makes available for purchase by YTE at least one thousand metric tons of nLTO in a calendar year and YTE fails to purchase that amount, the purchase price of the nLTO will be adjusted to reflect terms and conditions arising from an arm's length negotiation and such terms and conditions shall be applied retroactively to the beginning of that calendar year as reflecting the value of the battery technology license with respect to such calendar year.

Under the Supply Agreement, it is agreed that Altair, Altairnano and their affiliates will offer to YTE terms and conditions for the purchase of nLTO that are no less favorable to YTE than the terms and conditions offered to any other person or entity in the territories covered by the battery technology license, provided that if Altairnano makes available for purchase by YTE at least one thousand metric tons of nLTO in a calendar year and YTE fails to purchase that amount, the purchase price of the nLTO will be adjusted to reflect the terms and conditions arising from an arm's

length negotiation and such terms and conditions will be applied retroactively to the beginning of that calendar year.

YTE has agreed under the Supply Agreement that if YTE or its affiliates file any patents which cover technologies relating to it improvements, enhancements or other modifications to the battery technology, YTE will disclose those improvements promptly to Altair, and Altair and its affiliates will have a non-exclusive, irrevocable, perpetual, non-sublicensable and royalty-free license to use the technology to make, use or sell any products in connection with the battery technology.

The battery technology license is granted with respect to all applicable fields for the development, manufacture and sale of energy storage batteries and power batteries in any manner in the following territories: China (including Taiwan, Hong Kong and Macau), the rest of Asia (excluding the Middle East), Australia and New Zealand. In addition, for so long as YTE purchases at least 1,000 metric tons of nLTO per year after 2010 (provided that Altairnano has made available at least 1,000 metric tons of nLTO to YTE for purchase during that calendar year), YTE has the exclusive right to use and otherwise exploit the nLTO battery technology in China (including Taiwan, Hong Kong and Macau), provided that Altair, Altairnano and their subsidiaries will have the right to sell nLTO battery cells, modules, units, systems and other related products in Greater China. Altair has agreed to impose and enforce commercially reasonable restrictions designed to ensure that no customers or licensees violate or take any act inconsistent with any of YTE's exclusive rights under the Supply Agreement.

During the term of the battery technology license, Altairnano will, at no charge to YTE, (1) promptly provide to YTE documentation in English necessary to enable YTE to exercise the fully scope of the battery technology license, (2) make available to YTE engineering and technical services to the extent and in a manner reasonably necessary to enable YTE to exercise the full scope of the battery technology license, and (3) make available to YTE such additional engineering and technical services at a commercially reasonable hourly rate to be agreed upon in good faith by the parties.

PROPOSAL NO. 2 – ADJOURNMENT OF MEETING

Adjournment

If it becomes necessary to obtain additional votes in favor of Proposal No. 1, regarding the Common Share Issuance, a motion may be made to adjourn the Meeting to a later time to permit further solicitation of proxies.

Vote Required

Proposal No. 2 requires the affirmative vote of the holders of a majority of the votes cast on the proposal. Accordingly, abstentions, withhold votes and broker non-votes will have no effect on the outcome of Proposal No. 2.

THE BOARD OF DIRECTORS URGES YOU TO VOTE “FOR” THIS PROPOSAL NO. 2 TO ADJOURN THE MEETING IF IT BECOMES NECESSARY TO SOLICIT ADDITIONAL VOTES IN FAVOR OF PROPOSAL NO. 1.

PROPOSAL NO. 3 – APPROVAL OF A ONE-TIME FAIR VALUE STOCK OPTION EXCHANGE PROGRAM

The Board of Directors is requesting that our shareholders approve a one-time fair value employee Stock Option Exchange Program (the “Stock Option Exchange Program”). In brief, under the Stock Option Exchange Program, Altair’s employees and officers would be given the opportunity to exchange stock options for a lesser number of new stock options that have approximately the same fair value as the options surrendered. The Board believes that the Stock Option Exchange Program is in the best interest of Altair and its shareholders, as new stock options received under the program will provide added incentive to motivate and retain talented employees. In addition, it will provide the opportunity to reduce our “overhang” of outstanding employee stock options and allow Altair to make better use of the compensation costs that we have already incurred from our outstanding stock option awards.

Altair is implementing a Consolidation (or reverse split) of its common shares, in which every four (4) outstanding common shares are being consolidated into (1) common share, as of 11:59 p.m. on November 15, 2010, subject to rounding up of fractional shares. Share and per-share numbers throughout this section summarizing Proposal No. 3 with respect to the Stock Option Exchange Program have been adjusted to give effect to the Consolidation (without taking into account the rounding up of fractional shares).

Background

Our stock incentive program is designed to retain and motivate our employees and other service providers. As of November 1, 2010, all of our employees participate in our stock incentive plans, holding stock options to purchase approximately 1,384,041 common shares (retroactively adjusted to give effect to the Consolidation). These options were granted under the Altair Nanotechnologies Inc. 2005 Stock Incentive Plan (Amended and Restated) and the 1998 Stock Option Plan (collectively, the “Stock Incentive Plans”).

Over the past three years, Altair’s stock price has declined significantly, which has had a negative impact on our ability to retain and motivate employees through the use of stock options. As of November 1, 2010, the closing price of our common shares on The NASDAQ Capital Market was \$2.16 per share (retroactively adjusted from \$0.54 per share to give effect to the Consolidation) and 99.9% of our outstanding options were underwater. The stock options held by employees as of that date had exercise prices between \$1.56 per share (retroactively adjusted from \$0.39 per share to give effect to the Consolidation) and \$17.60 per share (retroactively adjusted from \$4.40 per share to give effect to the Consolidation). The weighted average exercise price of the outstanding stock options was \$7.78 per share (retroactively adjusted from \$1.945 per share to give effect to the Consolidation) adjusted for the Consolidation) and the weighted average remaining life of the outstanding stock options was 7.84 years.

The sustained decline in the price of Altair’s common shares has significantly weakened the retentive value of a major component of our employee compensation program. Because such a large number of our outstanding options have exercise prices well above the current stock price, many employees believe their options are of little or no value. These options are no longer an effective means of retaining our key talent, but we will continue to recognize the compensation expense of these options as they are likely to remain unexercised until they expire. In addition, in light of our limited available cash, using cash compensation to improve the retentive impact of our compensation programs is not desirable.

Key Terms of the Stock Option Exchange Program

We are asking our shareholders to approve the Stock Option Exchange Program with the following features:

Exclusion of Our Directors. The Stock Option Exchange Program will be available to all employees holding Eligible Stock Options (as defined below) other than our non-employee directors.

Eligible Stock Options. The Stock Option Exchange Program will be offered only with respect to stock options with a purchase (exercise) price above the highest daily adjusted closing price of our common shares over the 52 weeks (52-week high) preceding the beginning of the exchange offer period, adjusted for the Consolidation (“Eligible Stock Options”). This approach seeks to remove stock options that had a positive intrinsic value, or spread, in the recent past from being eligible for the Stock Option Exchange Program, as they would be considered likely to have a positive intrinsic value in the near future.

Offer an Approximate Value-for-Value Exchange. The value of an employee’s new stock option grant received as part of the Stock Option Exchange Program is not expected to exceed the value of such employee’s surrendered stock options. The exercise price of the new stock options will be the closing price of our common shares on the grant date of the new stock options, which will be at the close of the Stock Option Exchange Program. The exchange ratios associated with surrendered Eligible Stock Options into new stock options will be established shortly before the start of the Stock Option Exchange Program. (See the example in “Stock Option Exchange Ratios” below.)

Establishment of a New Vesting Period with a Term of Ten Years. New stock option awards will receive a renewed vesting period that will vest 50% on each of the first and second anniversary of the grant date.

Timing for Implementation of the Stock Option Exchange Program. We expect that the Stock Option Exchange Program will begin within three months of the shareholder approval, if received, following the closing of the Common Share Issuance or termination of the Share Subscription Agreement. The actual implementation date within that three-month period, and whether we actually implement this program, will be determined by our Board following the closing of the Common Shares Issuance or earlier termination of the Share Subscription Agreement. If the Stock Option Exchange Program does not commence within 180 days of the date of the Meeting, Altair will not conduct the Stock Option Exchange Program without again seeking shareholder approval. Our Board reserves the right to amend, postpone, or under certain circumstances cancel the Stock Option Exchange Program once it has commenced.

Impact of Stock Option Exchange Program

We currently estimate that the Stock Option Exchange Program could cover stock options to purchase 1,229,716 common shares (based upon the existing 52-week high of \$3.84, adjusted for the Consolidation, establishing the minimum exercise price for Eligible Stock Options). The new stock options would be granted with an exercise price equal to the market value of a share of Altair’s common shares on the grant date, and would be subject to a two-year vesting schedule and ten-year contractual life, or term. Our objective for the Stock Option Exchange Program is to preserve the integrity of the new stock option grants for retention and motivation, with a new full 10-year term and two-year vesting schedule. The ten-year term and two-year vesting schedule will be reflected in the values used to determine the exchange ratios that we calculate on a value-for-value basis. The ten-year term is consistent with Altair’s historical practice, and we believe that the two-year vesting is appropriate because it compensates for the partial vesting of exchanged Eligible Stock Options but gives employees a reasonable proximate time frame in which they could expect to exercise the new options.

All surrendered options would be cancelled at the time of the proposed exchange. All of the shares underlying Eligible Stock Options that are surrendered under the Stock Option Exchange Program would be returned to the Stock Incentive Plans and would be eligible for future awards under the Stock Incentive Plans. Eligible Stock Options that are not surrendered will not be affected and will remain exercisable according to their original terms.

Benefits to Shareholders

We believe that our shareholders will benefit from the Stock Option Exchange Program, as it will drive improved retention and engagement among a significant portion of our workforce, at substantially no change in cost. By

structuring the Stock Option Exchange Program as a value-for-value exchange, Altair would restore economic value to the options held by employees, while not creating material additional compensation expense to Altair. In addition, the Stock Option Exchange Program will reduce outstanding stock option overhang and avoid the potential dilutive effects that would be associated with granting new options to supplement, rather than replace, outstanding options.

We believe the Stock Option Exchange Program would be beneficial to shareholders by cancelling a large number of outstanding options and issuing new options in their place. This allows Altair to avoid potential additional dilution to our shareholders' interests, while also allowing Altair to recapture the value of compensation costs already being incurred for underwater options. Prior to January 1, 2006, we applied the intrinsic value method to all share-based compensation. On January 1, 2006, we began using FASB ASC 718 for share-based compensation. Using these methods, we are required to recognize approximately \$5,112,152 (net of forfeitures) in compensation expense relating to the Eligible Stock options, of which \$4,360,296 has already been recognized. The remaining \$751,856 would have to be recognized even if those outstanding awards are never exercised because they are underwater.

Benefits to Employees

The Stock Option Exchange Program would benefit our employees by providing a renewed stake in the future success of Altair. The replacement options would have a new exercise price that reflects Altair's stock price at the time the Stock Option Exchange Program is completed. However, because the Stock Option Exchange Program is structured as a value-for-value exchange, eligible employees who participate in the Stock Option Exchange Program would receive a smaller number of replacement options than those that are surrendered. The replacement options also would carry a new vesting schedule, which will foster retention by requiring employees to continue employment in order to realize the value of the new options.

If our shareholders do not approve the Stock Option Exchange Program, Eligible Stock Options will remain outstanding and in effect in accordance with their existing terms. We will continue to recognize compensation expense for these Eligible Stock Options, even though the Eligible Stock Options may have little or no retentive or incentive value.

Option Exchange Process

Additional information about how we expect to conduct the Stock Option Exchange Program, if approved by shareholders, is set forth below. While the terms of the Stock Option Exchange Program are expected to conform to the material terms described above in this proposal, we may find it necessary or appropriate to change the terms of the Stock Option Exchange Program from those described below to take into account our administrative needs, local law requirements in foreign jurisdictions, accounting rules, or company policy decisions. For example, although we will not under any circumstances permit the non-employee directors to participate, we may decide that it is appropriate to preclude additional employees or exclude stock options granted below a higher price point than would otherwise be permitted under this proposal. As another example, we may alter the method of determining exchange ratios if we decide that there is a more efficient and appropriate way to achieve our goal of granting replacement stock options that have a fair value approximately equal to the fair value of the Eligible Stock Options they replace, subject to any fluctuations in our stock price or other factors that may occur between the time we establish the exchange ratios and the time that new stock options are actually granted as part of the Stock Option Exchange Program.

Additionally, we may decide not to implement the Stock Option Exchange Program even if shareholder approval of the Stock Option Exchange Program is obtained, or we may amend or terminate the Stock Option Exchange Program once it is in progress. The final terms of the Stock Option Exchange Program will be described in the exchange offer documents that will be filed with the SEC.

Overview of the Option Exchange Process

Upon initiation of the Stock Option Exchange Program, if it is initiated, eligible employees holding Eligible Stock Options will receive a written offer setting forth the precise terms of the Stock Option Exchange Program and will need to voluntarily elect to participate. All of our full-time and part-time employees, including officers, who are

employed on the commencement date of the exchange offer period, are still employed at the grant date, and hold Eligible Stock Options may participate in the Stock Option Exchange Program. As noted above, additional employees may also be excluded from the program. Eligible employees will be given at least 20 business days to elect to surrender Eligible Stock Options in exchange for a lesser amount of new stock options. Upon completion of the Stock Option Exchange Program, surrendered stock options will be cancelled and new stock options will be granted promptly. The Stock Incentive Plans will govern any terms or conditions of new options not specifically addressed within the Stock Option Exchange Program proposal.

Election to Participate

Eligible employees will receive exchange offer documents and will be able to voluntarily elect to participate in the Stock Option Exchange Program. If you are both a shareholder and an employee holding stock options that are potentially subject to the Stock Option Exchange Program, note that voting to approve the Stock Option Exchange Program does not constitute an election to participate in the Stock Option Exchange Program. The written exchange offer documents described above will be provided if and when the Stock Option Exchange Program is initiated; you can elect to participate after that time only.

Eligible Stock Options to Be Cancelled via the Stock Option Exchange Program

If, for example, the Stock Option Exchange Program grant date occurs in mid-February of 2011 and the 52-week high stock price (adjusted for Consolidation) is \$3.84 per common share, all stock options under the Stock Incentive Plans with an exercise price above \$3.84 per share would be eligible to be surrendered under the Stock Option Exchange Program, if initiated. As of November 1, 2010, after adjusting for the Consolidation, there were outstanding stock options to purchase 1,472,320 common shares (which includes the 1,229,716 shares estimated to be eligible for the Stock Option Exchange Program) held by approximately 82 employees. Based on the eligibility requirements and expected time frame, Eligible Stock Options would be expected to have exercise prices ranging from \$3.88 to \$17.60 per share, a weighted average exercise price of \$8.36 per share (all adjusted for the Consolidation), and a weighted average remaining term of 7.64 years.

Stock Option Exchange Ratios

The exchange ratios of shares associated with surrendered Eligible Stock Options into new stock options will be established shortly before the commencement of the Stock Option Exchange Program, if initiated. The exchange ratios will be established for each grant date.

These exchange ratios will be based on the fair value of the eligible awards (calculated using the Black-Scholes option pricing model) for each grant date. The calculation of fair value using the Black-Scholes option pricing model takes into account many variables, such as the volatility of our stock and the expected term of a stock option. Setting the exchange ratios in this manner is intended to result in the issuance of new stock options that have a fair value approximately equal to the fair value of the surrendered Eligible Stock Options that they replace. This is designed to eliminate additional compensation expense from such new stock options, other than compensation expense that might result from changes in our stock price or other variables after the exchange ratios have been established but before the time that new stock options are granted in the Stock Option Exchange Program.

Although exchange ratios cannot be determined now, we are providing an example by making certain assumptions regarding the commencement date of the offer, the fair value of the Eligible Stock Options, and the fair market value of our common shares. To calculate the exchange ratios in the examples, we have used the applicable inputs available as of September 30, 2010 for the Black-Scholes option pricing model. In the table below, the exchange ratio represents the number of existing stock options that an employee would be required to surrender in exchange for one new stock option. For example, if an employee surrendered stock options to purchase 1,000 common shares granted in March 10, 2006 that have an exercise price of \$13.68 per share (all adjusted to give effect to the Consolidation), that employee (for purposes of this example only) would receive new stock options to purchase approximately 416 common shares, using the exchange ratio of 2.40:1 as stipulated. The following is an example of our methodology for a representative sample of outstanding grant dates (adjusted to give effect to the Consolidation).

Examples of Stock Option Exchange Ratios

Grant Year	Exercise Price of Eligible Grants	Maximum Number of Shares Underlying Eligible Options	Weighted Average Remaining Life (in years)	Exchange Ratio (Number of Old Options for Each New Option)(1)
3/10/2006	\$13.68	82,871	4.61	2.40: 1
1/15/2007	\$10.52	101,715	5.41	1.86:1
1/15/08	\$14.88	126,188	6.22	1.58:1
4/15/08	\$8.72	83,875	6.22	1.32:1
1/15/2009	\$4.88	193,750	6.97	1.05:1
1/15/2009	\$4.44	78,813	6.97	1.09:1
1/15/2010	\$4.40	2.25	7.82	1.00:1

(1)New options are assumed to have been granted on September 30, 2010, to have an exercise price of \$2.48 (all adjusted to give effect to the Consolidation) per share, to vest 50% on September 30, 2011 and 50% on September 30, 2012 and to expire on September 30, 2020.

Accounting Impact

In accordance with FASB ASC 718 “Stock Compensation”, the exchange of options under the Stock Option Exchange Program is treated as a modification of the existing options. Accordingly, we will be required to recognize in our financial statements the “incremental compensation cost”, if any, of new options provided under the Stock Option Exchange Program. The “incremental compensation cost”, if any, will be measured as the excess, if any, of the fair value of the new options granted to employees in exchange for surrendered old options, measured as of the date such new options are granted, over the fair value of the old options surrendered in exchange for such new options, measured immediately before the exchange.

This Stock Option Exchange Program is intended to be “cost neutral” from an accounting standpoint. Thus, we will establish exchange ratios with the intent to not generate incremental share-based compensation expense for Altair. To be cost neutral, the value of the stock options surrendered as calculated immediately prior to their surrender must be at least equal to the value of the new stock options received by employees in the Stock Option Exchange Program. We use the Black-Scholes option pricing model to estimate the fair value of all stock options granted to employees, and expect to use that same model in valuing the stock options that are part of the Stock Option Exchange Program. Note that the exchange ratios will be established just prior to commencement of the exchange offer. Therefore, some risk of incremental compensation does exist if there are fluctuations in Altair’s common share price or other key inputs to the Black-Scholes option pricing model between the date the exchange ratios are established and the closing date of the Stock Option Exchange Program.

Any unrecognized compensation expense from the surrendered stock options will be recognized prior to the end of the service period of the new stock options received in the Stock Option Exchange Program. Incremental compensation cost, if any, associated with the new stock options under the Stock Option Exchange Program will be recognized over the service period of the new awards. Compensation cost for stock options forfeited due to employees not meeting the applicable service requirements will not be recognized.

U.S. Tax Consequences

The exchange of stock options pursuant to the Stock Option Exchange Program should be treated as a non-taxable exchange because the new stock options will have an exercise price equal to the fair market value of Altair’s common

shares on grant date. Altair and its participating employees should not recognize any income for U.S. federal income tax purposes upon the grant of the new stock options. All new stock options granted under the Stock Option Exchange Program will be non-qualified stock options for U.S. federal income tax purposes. Tax effects may vary in other countries; a more detailed summary of tax considerations will be provided to all participants in the Stock Option Exchange Program documents.

