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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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

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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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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.

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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 ¼, 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.

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.

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.

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 (I) 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.

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 Altairnano 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.

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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 different 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:

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)

	Volatility						
Market Price(1)	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-Sholes 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 present 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.

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 ¼, 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 DDTC, 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;

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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.

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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 of 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 1,384,041common 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.

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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.

Interests of Named Executive Officers in Stock Option Exchange Program

Set forth in the table below is a list of our current named executive officers identified in the Corporation's proxy statement for its 2010 annual meeting of shareholders (the "named executive officers") who hold Eligible Stock Options, together with information, as of September 30, 2010 (retroactively adjusted to give effect to the Consolidation), regarding the number of Eligible Stock Options held by each of them, the percentage of total Eligible Stock Options represented by such Eligible Stock Options held by each of them and the potential number of new options each would receive if (i) the Stock Option Exchange Program commenced and was completed as of September 30, 2010 (adjusted for the Consolidation) and (ii) the named executive officer tendered all of his Eligible Stock Options in the Stock Option Exchange Program. This is an example only based upon market price and other inputs into the Black-Scholes valuation model as of September 30, 2010. The actual number of new options each named executive officer would be eligible to receive will be dependent upon market price and other inputs into the Black-Scholes valuation model as of the date the Stock Option Exchange Program actually commences, if it is approved and commenced in the discretion of our Board.

Name	Positions and Offices Held	Number of Shares Underlying Eligible Stock Options Expected to be Eligible for Option Exchange	Percentage of Stock Options Expected to be Eligible for Option Exchange		Estimated Number of Shares Underlying New Options to be Received if all Eligible Stock Options Held are Tendered(1)
Terry M. Copeland	President and Chief Executive Officer	256,250	100	%	224,777
John C. Fallini	Chief Financial Officer and Corporate Secretary	90,000	100	%	79,786
Bruce J. Sabacky	Chief Technology Officer	108,519	100	%	78,136
Stephen A. Balogh	Vice President of Human Resources	101,116	100	%	75,073
Daniel Voelker	Vice President of Engineering and Operations	102,500	100	%	79,223
All Executive Officers as a Group (7 persons)		785,389	100	%	647,038
All Non-Executive Officer Employees as a Group		406,823	74	%	266,093

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

Securities Authorized for Issuance Under Equity Compensation Plans

The Stock Incentive Plans have been previously approved by our shareholders. The following table sets forth certain information with respect to compensation plans under which equity securities are authorized for issuance at December 31, 2009 (retroactively adjusted to give effect to the Consolidation):

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (c)
Equity compensation plans approved by security holders	1,230,052	$9.58	1,026,829
Equity compensation plans not approved by security holders	None	N/A	None
Total	1,230,052	$9.58	1,026,829

Conclusion

We believe that our Stock Incentive Plans and emphasis on employee stock ownership have been integral to our success. We believe that our broad-based equity program has enhanced our ability to attract, motivate, and retain the employee talent critical to attaining long-term improved company performance and shareholder returns. Therefore, we consider approval of the Stock Option Exchange Program to be important to our future success, as it will enable Altair to strengthen the motivational and retentive value of our stock option awards to our employees.

Recommendation of the Board

The Board of Directors recommends that you vote “FOR” the proposed Stock Option Exchange Program.

CERTAIN COMPENSATION RELATED INFORMATION

Compensation Discussion and Analysis

Pursuant to Item 402(b) of Regulation S-K promulgated under the United States Securities Act of 1933, as amended (the “Securities Act”), the following discussion is meant to provide an overview of the material elements of the Corporation’s compensation policy (the “Compensation Policy”). The following discussion is meant to be a principle-based discussion of the Corporation’s compensation policies and provide context to the tables that follow. Specific reference to disclosures in the compensation tables will be discussed in narrative descriptions following the respective compensation tables.

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 Compensation Discussion and Analysis have been adjusted to give effect to the Consolidation (without taking into account the rounding up of fractional shares).

Compensation Philosophy

The objectives of our executive officer compensation policy are to attract and retain talented and dedicated executives, to tie compensation to the achievement of specified short-term and long-term performance objectives, and to align executives’ incentives with the creation of shareholder value. The Compensation, Nominating and Governance Committee approves and annually evaluates the Corporation’s compensation policies applicable to, and the performance of, the Corporation’s executive officers, including the named executive officers.

The following objectives guide compensation decisions:

- Provide a competitive total compensation package that enables the Corporation to attract and retain key executive talent;
- Ensure that compensation policies and practices are consistent with effective risk management;
- Align key elements of compensation with the Corporation’s annual and long-term business strategies and objectives; and
- Provide a mix of base compensation and performance-based compensation that directly links executive rewards to the performance of the Corporation and shareholder return.

Elements of Executive Compensation

The principal components of compensation for the Corporation’s named executive officers are as follows:

- Base salary;
- Annual incentive bonus; and
- Long-term equity-based incentives, primarily stock options.

Named executive officers are entitled to benefits generally available to all full-time salaried employees of the Corporation. These benefits include up to 5 weeks per-year of paid time off for medical and vacation leave, subsidized group health plan coverage offered to all salaried employees of the Corporation, and eligibility to participate in the Corporation’s 401(k) Profit Sharing Plan (the “401(k) Plan”), matching contributions under the 401(k) Plan in an amount up to the greater of 50% of the first $2,500 contributed or 3% of the employee’s base salary. As explained in “Termination and Change of Control Agreements” below, certain named executive officers may be entitled to severance payments in connection with a change of control or termination of their employment. Other than as described above, the named executive officers are not provided with special benefits or perquisites such as company cars, enhanced medical plans or dental plans.

Determination of Compensation

In order to evaluate the competitiveness and appropriateness of the Corporation's total compensation and mix of compensation for executive officers, the Compensation, Nominating and Governance Committee reviews data on the base salary, annual incentive bonus and equity-based incentive compensation for various executive positions, as well as the mix of compensation components, of executive officers of a benchmark group of fifteen companies in the alternative energy business sector of reporting public companies with annual revenues of less than $100 million and with a market capitalization of less than $850 million. Equilar, an independent company, produces all compensation reports.

In addition to the benchmark company information, in determining the amount of and mix of compensation, the Compensation, Nominating and Governance Committee considers evaluations of the Chief Executive Officer by each of the directors of the Corporation and each of his direct report executives, the recommendations of the Chief Executive Officer and Vice President of Human Resources with respect to officers other than the Chief Executive Officer, the performance of each executive officer against pre-determined business goals and objectives and the potential role of each executive in the strategic plan of the Corporation. Subject to adjustment upward or downward based upon the various evaluations, the Compensation, Nominating and Governance Committee generally targets base compensation and equity-based incentive awards near the median of the benchmark group and targets annual incentive bonus near the 75th percentile of the benchmark group detailed below:

Active Power	Plug Power
Ballard Power Systems	Quantum Fuel Systems Technology
Beacon Power	Raser Technologies
C&D Technologies	Satcon Technology
Capstone Turbine	Ultralife
Comverge	UQM Technologies
Ener1	Valence Technology
Maxwell Technologies	

Mix of Compensation

The Compensation, Nominating and Governance Committee believes that a significant percentage of the annual compensation of the named executive officers should be at-risk. During 2009, between approximately 39% and 52% of the named executive officers' potential annual compensation was dependent upon the achievement of individual and corporate goals. In addition, stock options granted to the Corporation's named executive officers for retention and incentive purposes generally vest over a period of four years.

The percentage of compensation at risk increases as the level of position increases, with the top figure in the range set forth above being that of the Corporation's Chief Executive Officer. This provides additional upside potential and downside risk for senior positions, recognizing that these roles have greater influence on the Corporation's performance.

Base Salary

Base salaries for the named executive officers are established based on the scope of their responsibilities, their skills and their historical and potential contributions to the Corporation, as well as the compensation paid by benchmarked companies for similar positions. Generally, base salaries are targeted near the median of the range of salaries for executives in similar positions with similar responsibilities at benchmark companies, in line with our compensation philosophy. Base salaries are reviewed annually, and adjusted from time to time to realign salaries with market levels after taking into account individual responsibilities, performance and experience.

The base salaries of the named executive officers for 2009 and as of the date of this Circular are as follows:

Name	2009 Base Salary ($)
Terry M. Copeland, President, Chief Executive Officer	325,000
John C. Fallini, Chief Financial Officer	230,000
Bruce J. Sabacky, Vice President & Chief Technology Officer	225,000
Daniel Voelker, Vice President Engineering and Operations	205,000
Stephen Balogh, Vice President Human Resources	193,800

No adjustments were made to base salaries of the named executive officers during 2009 or, to date, during 2010.

Annual Incentive Bonus

The annual incentive bonus is intended to compensate executives for achieving corporate goals. One hundred percent of each named executive officer's annual incentive bonus is contingent upon the Corporation achieving pre-determined financial and operational goals.

Decisions with respect to annual incentive bonus are made after the end of each fiscal year. At the beginning of each year, the Compensation, Nominating and Governance Committee sets annual performance goals, a target and maximum incentive bonus amount, and a formula for determining the amount, if any, of the bonus each executive officer is entitled to receive. Annual incentive bonuses are paid 60% in cash and 40% in common shares. For purposes of determining the number of common shares an employee is issued as part of a stock bonus, the Corporation uses the volume weighted average market value of the Corporation's common shares for the applicable fiscal year. The Compensation, Nominating and Governance Committee reserves the right to award annual incentive bonuses above or below formula-determined amounts as it deems appropriate.

Targets and Results for 2009. During 2009, each named executive officer was eligible for target annual incentive bonuses ranging from 60% to 80% of his base salary, depending on his position. Of these amounts, 100% was tied to the achievement of corporate goals as follows: a total revenue goal of $11.4 million (25% weighting), a cash balance of $3 million, net of any cash raised from new issuances of shares or other securities, at December 31, 2009 target (40% weighting), an order backlog of $40 million (30% weighting) and a safety OSHA incidence rate of 4.95 (5% weighting), all in line with the Corporation's board-approved budget. The Compensation, Nominating and Governance Committee reserved the discretion to award, or to deny, annual incentive bonuses whether or not performance targets were achieved, as it deemed appropriate. Decisions with respect to incentive bonuses for 2009 were made at a meeting of the Compensation, Nominating and Governance Committee based upon year-end information on February 11, 2010. Pursuant to the formula included in the 2009 incentive plan, the Compensation, Nominating and Governance Committee determined that no named executive officer was entitled to a bonus for 2009.

Targets for 2010 Results. For 2010, each named executive officer is eligible for target annual incentive bonuses ranging from 60% to 80% of his base salary, depending on his position. Of these amounts, 100% is tied to the achievement of corporate goals as follows: a total revenue goal (40% weighting), a current asset balance at December 31, 2010 target (25% weighting), an order backlog (30% weighting) and a safety OSHA incidence rate (5% weighting), all in line with the Corporation's board-approved budget. The incentive bonus is triggered when 100% of the corporate goals are achieved, and the amount of the bonus and increases linearly from 100% to 150% of target bonus for 100% to 125% performance. The Compensation, Nominating and Governance Committee reserves the discretion to award, or to deny, annual incentive bonuses whether or not performance targets are achieved, as it deems appropriate. Decisions with respect to incentive bonuses for 2010 will be made by the Compensation, Nominating and Governance Committee based upon year-end information.

Name	Minimum/Target Incentive Bonus Opportunity (payout as a % of base salary)	Maximum Incentive Bonus Opportunity (payout as a % of base salary)
Terry M. Copeland, President, Chief Executive Officer	80	120
John C. Fallini, Chief Financial Officer	60	90
Bruce J. Sabacky, Vice President & Chief Technology Officer	60	90
Stephen Balogh, Vice President Human Resources	60	90
	60	90

Daniel Voelker, Vice President Engineering and Operations

Bonuses are paid 60% in cash and 40% in common shares for each named executive officer.

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Long-Term Equity-Based Incentives

The Corporation's 2005 Stock Incentive Plan (Amended and Restated) (the "2005 Plan") was adopted at the Corporation's Annual Meeting of Shareholders in May 2005 and amended and restated in 2007 to increase the number of eligible shares. Under the 2005 Stock Plan, the Corporation is authorized to issue equity-based awards, including stock options, stock bonuses, restricted stock, stock appreciation rights, and performance-based awards, with respect of up to 2,250,000 common shares (adjusted for the Consolidation). Each of the Compensation, Nominating and Governance Committee and the Board has joint authority to grant awards under the 2005 Plan.

The Corporation had previously authorized its 1998 Stock Option Plan, under which an aggregate of 45,375 awards continue to be outstanding as of April 1, 2010 (adjusted for the Consolidation); however, awards can no longer be granted under this plan.

The Corporation's long-term equity-based incentive program is focused on rewarding performance that enhances shareholder value. The program involves the periodic grant of options to purchase common shares in order to provide executive officers with the opportunity to purchase an equity interest in the Corporation and to share in the appreciation of the value of the Corporation's common shares.

The Compensation, Nominating and Governance Committee periodically considers whether or not to grant additional stock options in order to maintain the overall competitiveness of the Corporation's compensation package for each named executive officer and to ensure that executives, particularly executives whose other stock options have vested and/or been exercised, have an incentive to remain with the Corporation long term and to increase shareholder value. Factors weighed in determining whether to make, and the amount of, these grants include the above-described review of benchmark compensation data and assessment of past performance, retention considerations, information regarding each named executive officer's existing equity and stock option ownership, potential shareholder dilution and the expense to the Corporation pursuant to Accounting Standards Codification Topic 718 of the Financial Accounting Standards Board ("FASB ASC Topic 718"). Such options generally have an exercise price equal to the market price on the date of grant or the market price on the date of grant plus a premium over that price, a 10-year term and vest over a four-year term.

In addition, from time to time stock option grants are made to newly hired employees based on their level of responsibility and competitive practices.

Annual Grants. Terry Copeland was awarded an annual grant of options to purchase 100,000 common shares at an exercise price of $4.40 on January 15, 2010 (all adjusted to give effect to the Consolidation). All options have a 10-year term and vest 25% per year on the anniversary date of the respective grant.

The other named executive officers were granted annual stock options to purchase an aggregate of 100,000 common shares at an exercise price of $4.40 per share on January 15, 2010 (all adjusted to give effect to the Consolidation). The individual annual stock option grants are: Stephen Balogh (22,500 shares); John Fallini (27,500 shares); Bruce Sabacky (22,500 shares), and Daniel Voelker (27,500 shares) (all adjusted to give effect to the Consolidation). The options have a 10-year term and vest 25% annually over a four-year period.

As a matter of best practice, we will continue to monitor our compensation program to ensure that it continues to align the interests of our executives with those of our long-term stockholders while avoiding unnecessary or excessive risk.

Compensation Adjustments

The Corporation may increase or, subject to contractual or other restrictions decrease an executive's overall compensation at any time during any fiscal year after considering several factors, including level and scope of responsibilities, contribution to overall corporate performance and achievement of personal goals and objectives.

The Compensation, Nominating and Corporate Governance Committee determined that it was appropriate to review and adopt certain compensation practices that discourage unnecessary or excessive risk taking, such as a recoupment or "clawback" policy. In February 2010, our Compensation, Nominating and Corporate Governance Committee approved a recoupment policy under which our Compensation Committee has the sole and absolute authority, to the full extent permitted by applicable law, to require that each executive officer agree to reimburse the Corporation for all or any portion of any annual incentive bonus if:

(1) the payment was predicated upon the achievement of certain financial results that were subsequently the subject of a material financial restatement,

(2) in the view of our Compensation, Nominating and Governance Committee, the executive engaged in fraud or misconduct that caused or partially caused the need for a material financial restatement by us, and

(3) a lower payment would have occurred based upon the restated financial results.

In each such instance, we will, to the extent practicable and allowable under applicable laws, require reimbursement of any bonus in the amount by which the executive's annual bonus for the relevant period exceeded the lower payment that would have been made based on the restated financial results, provided that we will not seek to recover bonuses paid more than one year prior to the date the need for such material financial restatement is determined.

Termination and Change-of-Control Agreements

Severance Provisions in Employment Agreements. The employment agreements of all of the named executive officers provide for termination and change of control benefits as follows:

If the officer's employment is terminated by the officer for good reason, which includes, among other things, (a) the Corporation 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 officer is entitled to a severance benefit equal to his base salary and health benefits for one year. 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.

If the officer's employment is terminated by the Corporation without cause, the officer is entitled to a severance benefit equal to his base salary for one year, health benefits for 18 months, and a lump sum bonus payment equal to the product of (a) 60% of his base salary paid for the year in which his termination occurred, multiplied by (b) a fraction, the numerator of which is the number of days that have elapsed during the then-current calendar year and the denominator of which is 365. The 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 officer is not entitled to any severance if his employment is terminated at any time by the Corporation with cause or by the officer without good reason.

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; and Mr. Sabacky's current base salary is $225,000 per year.

Acceleration of Vesting of Options. The employment agreements of each of the named executive officers require that all options and other equity awards granted to the named executive officer provide that the award immediately vests as of the effective date of a "Change of Control Event". A "Change of Control Event" is defined in the agreement to mean (a) any capital reorganization, reclassification of the capital stock of the Corporation, consolidation or merger of the Corporation with another corporation in which the Corporation is not the survivor (other than a transaction effective solely for the purpose of changing the jurisdiction of incorporation of the Corporation), (b) the sale, transfer or other disposition of all or substantially all of the Corporation's assets to another entity, (c) 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.

The following table provides information relating to the number of options that are unvested as of December 31, 2009 that would vest immediately for each named executive officer if a change in control event were to have occurred as of December 31, 2009 (retroactively adjusted to give effect to the Consolidation):

Name	Number of Securities Underlying Unvested Options that Would Vest Upon a Change in Control
Terry Copeland, President, Chief Executive Officer and Director	115,625
John C. Fallini, Chief Financial Officer	53,125
Bruce J. Sabacky, Vice President & Chief Technology Officer	39,063
Stephen Balogh, Vice President Human Resources	37,188
Daniel Voelker, Vice President Engineering and Operations	59,375

Explanation of Change of Control Policies. The Compensation, Nominating and Governance Committee believes that providing a reasonable severance arrangement tied to termination without cause is essential to attracting and retaining talented executive officers. In addition, the Compensation, Nominating and Governance Committee believes that the severance arrangements provided to certain of its named executive officers serve the best interests of the Corporation and its shareholders by ensuring that, if a hostile or friendly change of control is under consideration, its executives will feel secure enough about their post-transaction financial future that they will advise the Board about the potential transaction without consideration, or with lessened consideration, of any adverse effect of the transaction on their future employment and compensation. The Compensation, Nominating and Governance Committee believes that its inclusion of a “double trigger,” i.e. both a change of control and a subsequent termination or adverse action, is appropriate because it reasonably balances the needs of the executive and of the Corporation. The provision protects the executive if his status is changed following a change of control but protects the Corporation and its successors because it does not provide for severance payments if the Corporation or successor permits the employee to remain in the same position in the same place. The Corporation has no other severance agreements in place with its named executive officers.

Stock Ownership Guidelines

Our stock ownership guidelines (effective January 1, 2010) are designed to encourage our named executive officers and non-employee directors to achieve and maintain an equity stake in the Corporation and more closely align his or her interests with those of our stockholders.

Upon recommendation of the Compensation, Nominating and Governance Committee, the Board has adopted stock ownership guidelines for directors. Under these guidelines, non-employee directors are required to own, within one year of becoming a director, a number of common shares equal to at least 5,000 shares (adjusted to give effect to the Consolidation). Shares counted towards this guideline include any shares held by the director directly or through a broker, including shares vested under restricted stock grants.

The Board also has adopted, on recommendation of the Compensation, Nominating and Governance Committee, stock ownership guidelines applicable to the Corporation’s executive officers. Under these guidelines, the Corporation’s Chief Executive Officer is expected to hold an investment level of at least 6,250 common shares and other executive officers are expected to hold at least 3,750 common shares (all adjusted to give effect to the Consolidation). Executives are expected to comply with these guidelines within three years.

In addition, the guidelines include retention requirements for stock option exercises under which executives must retain certain common shares acquired upon exercise of a stock option. Executive officers who do not yet satisfy the ownership guidelines must retain 50% of the shares acquired on exercise remaining after the sale of shares sufficient to cover the exercise price of the option and taxes.

An annual review will be conducted by the Compensation, Nominating and Governance Committee to assess compliance with the guidelines and to review the guideline policy.

Role of Executive Officers in Determining Executive Pay

The Compensation, Nominating and Governance Committee makes all decisions with respect to base compensation, annual incentive compensation and the award of stock options to the executive officers of the Corporation, including all named executive officers. Such authority may not be delegated to another person other than, as appropriate, the entire Board.

At the end of each fiscal year, the Corporation's Vice President of Human Resources and Chief Executive Officer are responsible for evaluating the performance of each named executive officer (and other officers) against corporate and individual performance objectives and for submitting a report to the Compensation, Nominating and Governance Committee detailing the results of their evaluations. In connection with this report, each of the Vice President of Human Resources and Chief Executive Officer make recommendations to the Compensation, Nominating and Governance Committee with respect to compensation matters related to the prior year, including employee-specific recommendations but not with respect to himself. In addition, each of the two officers makes recommendations to the Compensation, Nominating and Governance Committee with respect to compensation matters related to the upcoming year, including employee-specific recommendations (but not with respect to himself) and strategic and design recommendations. The Compensation, Nominating and Governance Committee considers these recommendations, and the report of these officers, among other factors by the Compensation, Nominating and Governance Committee as it makes prior-year and coming-year compensation decisions.

Compensation Consultant

The Compensation, Nominating and Governance Committee retains Radford, an AON Consulting Corporation ("Radford") to provide ongoing advice and information regarding design and implementation of the Corporation's executive compensation programs. Radford also provides information and updates to the Compensation, Nominating and Governance Committee about regulatory and other technical developments that may affect the Corporation's executive compensation programs. In addition, Radford provides the Committee with competitive market information, analyses and trends on base salary, short-term incentives and long-term incentives.

The Compensation, Nominating & Governance Committee believes that Radford provides candid, direct and objective advice to the Committee, which is not influenced by any other services provided by Radford. To ensure independence:

- the Compensation, Nominating & Governance Committee directly hired and has the authority to terminate Radford;
- Radford is engaged by and reports directly to the committee chair;
- Radford has direct access to all members of the Compensation, Nominating & Governance Committee during and between meetings; and
- interactions between Radford and management generally are limited to discussions on behalf of the Compensation, Nominating & Governance Committee and information presented to the committee for approval.

Neither Radford, nor any of its affiliates, provides any other services to the Corporation.

Tax and Accounting Considerations

Accounting Treatment

The Corporation previously adopted Standard of Financial Accounting Standards No. 123(R), Share-Based Payment (as well as its successor, Accounting Standards Codification Topic 718 of the Financial Accounting Standards Board), which requires companies to expense the costs of stock-based compensation in their financial statements. Accordingly, the Corporation began recording stock-based compensation expense in the income statement in 2006. The fair value of each award is estimated on the date of grant, using the Black-Scholes option-pricing model. Once the fair value of each award is determined, it is expensed in the income statement over the vesting period.

Deductibility of Executive Compensation

Section 162(m) of the United States Internal Revenue Code of 1986, as amended (the “Code”), imposes a $1 million annual limit on the amount that a public company may deduct for compensation paid during a tax year to the company’s Chief Executive Officer or to any of the company’s four other most highly compensated executive officers who are still employed at the end of the tax year. The limit does not apply to compensation that meets the requirements of Code Section 162(m) for “qualified performance-based” compensation (i.e., compensation paid only if the executive meets pre-established, objective goals based upon performance criteria approved by the company’s shareholders).

The Compensation, Nominating and Governance Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Code. In certain situations, the Compensation, Nominating and Governance Committee may approve compensation that will not meet the requirements of Code Section 162(m) in order to ensure competitive levels of total compensation for its executive officers. Stock option grants in 2008 and 2009 were intended to constitute “qualified performance-based compensation” under Section 162(m); however, the Corporation’s 2009 annual performance bonus would not have been, and the Corporation’s 2010 annual performance bonus will not be, “qualified performance-based compensation” because the Corporation does not have shareholder-approved performance criteria for its cash incentive plan. In 2009, none of the named executive officers, received base pay, annual bonus and other compensation in an amount in excess of the $1 million deduction limit.

Compensation, Nominating and Governance Committee Report

The Compensation, Nominating and Governance Committee has reviewed and discussed the Compensation Discussion & Analysis section included in this Circular with management. Each member of the Compensation, Nominating and Governance Committee is entitled to rely on (i) the integrity of those persons within the Corporation and of the professionals and experts from which the Compensation, Nominating and Governance Committee receives information, and (ii) the accuracy of the financial and other information provided to the Compensation, Nominating and Governance Committee by such persons, professionals or experts absent actual knowledge to the contrary.

Based upon that review and related discussions, the Compensation, Nominating and Governance Committee recommends to the Corporation’s Board that the Compensation Discussion & Analysis contained herein be included in this Circular and Proxy Statement.

COMPENSATION, NOMINATING AND GOVERNANCE COMMITTEE

Robert van Schoonenberg
Alexander Lee
Jon Bengtson
October 20, 2010

Executive Compensation

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 Executive Compensation section have been adjusted to give effect to the Consolidation (without taking into account the rounding up of fractional shares).

(a) Summary Compensation Table

The following table provides details with respect to the total compensation of the Corporation's named executive officers during the years ended December 31, 2009, 2008 and 2007:

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards (1) ($)	Non-Equity Incentive Plan Compen-sation (2) ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compen-sation (3) ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Terry Copeland,	2009	325,000	Nil	Nil	229,057	Nil	Nil	9,750	563,807
President, Chief	2008	322,302	Nil	Nil	373,451	Nil	Nil	6,750	702,503
Executive Officer and Director	2007	*	*	*	*	*	*	*	*
John C. Fallini,	2009	230,006	Nil	Nil	83,294	Nil	Nil	Nil	313,300
Chief Financial	2008	167,197	Nil	Nil	232,029	Nil	Nil	3,715	402,941
Officer	2007	*	*	*	*	*	*	*	*
Bruce J. Sabacky,	2009	225,000	Nil	Nil	83,294	Nil	Nil	6,750	315,044
Vice President &	2008	225,001	Nil	Nil	199,232	Nil	Nil	6,750	430,983
Chief Technology Officer	2007	190,847	12,245(4)	54,847	168,005	67,606	Nil	5,700	499,250
Stephen Balogh,	2009	192,123	Nil	Nil	83,294	Nil	Nil	5,814	281,231
Vice President	2008	192,868	Nil	Nil	131,300	Nil	Nil	5,814	329,982
Human Resources	2007	*	*	*	*	*	*	*	*
Daniel Voelker,	2009	205,000	Nil	Nil	166,587	Nil	Nil	6,150	377,737
Vice President	2008	*	*	*	*	*	*	*	*
Engineering and Operations	2007	*	*	*	*	*	*	*	*

*Compensation information not reported because such person was not a named executive officer during this calendar year.

(1) The amounts in column (f) represents the grant date fair value of the stock option awards determined in accordance with Accounting Standards Codification Topic 718 of the Financial Accounting Standards Board ("FASB ASC Topic 718") pursuant to the Corporation's stock incentive plans. Assumptions used in the calculation of these amounts are included in Note 11 to the Corporation's audited financial statements for the year ended

December 31, 2009 included in the Corporation's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 12, 2010 and in Note 11 to the Corporation's audited financial statements for the year ended December 31, 2008 included in the Corporation's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2009.

(2) Represents cash portion of annual incentive bonus earned with respect to indicated fiscal year. Bonuses are generally paid in the subsequent fiscal year.

(3) Reflects value of matching contributions made by the Corporation in connection with the 401(k) Plan.

(4) Represents discretionary portion of the 2007 bonus awarded to Dr. Sabacky in the form of cash of $6,760 and 1,192 common shares with a value of $5,485 over and above the 98.4% bonus payout level as calculated in accordance with the annual incentive bonus plan as determined by the Compensation, Nominating and Governance Committee.

(b) Grant of Plan-Based Awards Table

The following table provides details with respect to plan-based awards, if any, granted to the named executive officers during the year ended December 31, 2009 (with share and exercise price numbers adjusted to give effect to the Consolidation):

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)		Estimated Future Payouts Under Equity Incentive Plan Awards(1)		All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Under-Lying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)(3)
						(g)	(h)	(i)	(j)
(a)	(b)	Target ($)	Maximum ($)	Target (#)	Maximum (#)				
		(c)	(d)	(e)	(f)				
Terry Copeland, President, Chief	1/15/09	Nil	Nil	Nil	Nil	Nil	68,750(2)	4.88	229,057
Executive Officer and Director		156,000	234,000	24,422	36,633	Nil	Nil	Nil	Nil
John C. Fallini, Chief	1/15/09	Nil	Nil	Nil	Nil	Nil	25,000(2)	4.88	83,294
Financial Officer		82,802	124,203	12,963	19,444	Nil	Nil	Nil	Nil
Bruce J. Sabacky,	1/15/09	Nil	Nil	Nil	Nil	Nil	25,000(2)	4.88	83,294
Chief Technology Officer		81,000	121,500	12,681	19,021	Nil	Nil	Nil	Nil
Stephen Balogh, Vice	1/15/09	Nil	Nil	Nil	Nil	Nil	25,000(2)	4.88	83,294
President Human Resources		69,768	104,652	10,922	16,383	Nil	Nil	Nil	Nil
Daniel Voelker Vice	1/15/09	Nil	Nil	Nil	Nil	Nil	50,000(2)	4.88	166,587
President Engineering and Operations		73,800	110,700	11,554	17,330	Nil	Nil	Nil	Nil

(1) Amounts reflect potential, not actual, bonus amounts calculated based on the 2009 annual incentive bonus plan. The target was based on achieving 100% of the Corporation performance goal, and the maximum is based on achieving 125% of the Corporation performance goal, which also is the bonus cap. The named executive officers were not entitled to receive a bonus at a threshold below the target. No bonus amounts were paid out under the 2009 incentive plan, as targets were not achieved.

(2) These options were issued in connection with the 2009 annual grant of options. As such, the vesting terms were set at 25% to vest in 2010, 25% to vest in 2011, 25% to vest in 2012, and 25% to vest in 2013.

(3) The amounts in column (j) represent the grant date fair value of stock and option awards determined in accordance with ASC 718 "Stock Compensation" pursuant to the Stock Incentive Plans.

(c) Outstanding Equity Awards at Fiscal Year-End Table

The following table provides information regarding equity awards held by the named executive officers as of December 31, 2009 (with shares and exercise price numbers adjusted to retroactively give effect to the Consolidation):

	Option Awards				
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Un-Exercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date
(a)	(b)	(c)	(d)	(e)	(f)
Terry Copeland, President, Chief Executive Officer and Director	28,125(1)	9,375(1)	Nil	16.56	11/15/2017
	4,688(2)	14,063(2)	Nil	14.88	1/15/2018
	3,125(3)	9,375(3)	Nil	8.72	4/15/2018
	4,688(4)	14,063 (4)	Nil	7.20	7/15/2018
	Nil	68,750(5)	Nil	4.88	1/15/2019
John C. Fallini, Chief Financial Officer	9,375(3)	28,125(3)	Nil	8.72	4/15/2018
	Nil	25,000(5)	Nil	4.88	1/15/2019
Bruce J. Sabacky, Vice President & Chief Technology Officer	6,250(6)	Nil	Nil	16.28	3/25/2015
	5,376(7)	Nil	Nil	13.68	3/10/2016
	10,000(8)	Nil	Nil	13.68	3/10/2016
	2,643(9)	Nil	Nil	10.52	1/15/2017
	18,750(10)	Nil	Nil	10.52	1/15/2017
	4,688(2)	14,063(2)	Nil	14.88	1/15/2018
	Nil	25,000(5)	Nil	4.88	1/15/2019
Stephen Balogh, Vice President Human Resources	5,000(8)	Nil	Nil	13.68	3/10/2016
	12,500(6)	Nil	Nil	11.84	7/26/2016
	1,116(9)	Nil	Nil	10.52	1/15/2017
	18,750(10)	Nil	Nil	10.52	1/15/2017
	4,063(2)	12,188(2)	Nil	14.88	1/15/2018
	Nil	25,000(5)	Nil	4.88	1/15/2019
Daniel Voelker, Vice President Engineering and Operations	3,125(3)	9,375(3)	Nil	8.72	4/15/2018
	Nil	50,000(5)	Nil	4.88	1/15/2019

(1)

Options vest over three years from date of grant: 25% vested immediately; 25% vested on November 15, 2008; 25% vested on November 15, 2009; and 25% vest on November 15, 2010.

(2) Options vest over four years from date of grant: 25% vested on January 15, 2009; 25% vested on January 15, 2010; 25% vest on January 15, 2011; and 25% vest on January 15, 2012.

(3) Options vest over four years from date of grant: 25% vested on April 15, 2009; 25% vest on April 15, 2010; 25% vest on April 15, 2011; and 25% vest on April 15, 2012.

(4) Options vest over four years from date of grant: 25% vested on July 15, 2009; 25% vest on July 15, 2010; 25% vest on July 15, 2011; and 25% vest on July 15, 2012.

(5) Options vest over four years from date of grant: 25% vest on January 15, 2011; 25% vest January 15, 2012; 25% vest on January 15, 2013; and 25% vest on January 15, 2014.

(6) Options vest over three years from date of grant: 25% vested immediately; 25% vested on July 26, 2007; 25% vested on July 26, 2008; and 25% vested on July 26, 2009.

(7) Options vested immediately on the grant date of March 1, 2006.

(8) Options vest over three years from date of grant: 25% vested immediately; 25% vested on March 10, 2007; 25% vested on March 10, 2008; and 25% vested on March 10, 2009.

(9) Options vested immediately on the grant date of January 15, 2007.

(10) Options vest over two years from date of grant: 33% vested immediately; 33% vested on January 15, 2008; and 34% vested on January 15, 2009.

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(d) Option Exercises and Stock Vested

No stock options were exercised by the named executive officers during the fiscal year ended December 31, 2009. Additionally, no stock awards vested in favor of the named executive officers during the fiscal year ended December 31, 2009.

(e) Pension Benefits and Non-Qualified Deferred Compensation

The Corporation does not sponsor, and is not obligated to provide, any benefits under any defined benefit or non-qualified deferred compensation plan. The Corporation does provide a limited matching contribution under the 401(k) Plan, as explained in "Compensation Discussion and Analysis" above.

(f) Potential Payments upon Termination or Change-in-Control

For information on severance to which the named executive officers may be entitled upon termination of employment or in connection with a change of control, see the subsection entitled "Termination and Change-of-Control Agreements" in the Compensation Discussion and Analysis section above.

Upon termination of employment, an employee is entitled to receive the dollar value of accrued vacation leave but not medical leave. As of December 31, 2009, each of the named executive officers would have been entitled upon termination of employment to receive the following dollar amount in exchange for accrued, but unused vacation leave:

Name	Accrued Vacation Leave ($)
Terry M. Copeland, President, Chief Executive Officer and Director	10,578
John C. Fallini, Chief Financial Officer	9,585
Bruce J. Sabacky, Vice President & Chief Technology Officer	49,127
Stephen Balogh, Vice President Human Resources	5,488
Daniel Voelker, Vice President Engineering and Operations	3,994

Compensation of Directors

The following table presents information regarding the compensation for the fiscal year ended December 31, 2009 of all persons who served as directors of the Corporation during 2009, except for Terry Copeland, President and Chief Executive officer, whose compensation is described in the previous tables:

Name (a)	Fees Earned Or Paid in Cash(1) ($) (b)	Stock Awards(2) ($) (c)	Option Awards(3) ($) (d)	Non-Equity Incentive Plan Compensation ($) (e)	Change in Pension Value And Nonqualified Deferred Compensation Earnings ($) (f)	All Other Compen-sation ($) (g)	Total ($) (h)
Eqbal Al Yousuf *	29,000	54,108	Nil	Nil	Nil	Nil	83,108
Michel Bazinet*	16,000	Nil	Nil	Nil	Nil	Nil	16,000
Jon N. Bengtson	47,000	54,108	Nil	Nil	Nil	Nil	101,108
Hossein Asrar Haghighi	14,375	54,910(4)	Nil	Nil	Nil	Nil	69,285
George E. Hartman	32,500	54,108	Nil	Nil	Nil	Nil	86,608
Robert Hemphill*	25,000	54,108	Nil	Nil	Nil	Nil	79,108
Pierre Lortie	46,500	54,108	Nil	Nil	Nil	Nil	100,608
Robert van Schoonenberg	48,500	54,108	Nil	Nil	Nil	Nil	102,608
Alexander Lee(5)	Nil	Nil	Nil	Nil	Nil	Nil	Nil

* No longer served as a director of the Corporation as of December 31, 2009.

(1) During 2009, the Corporation paid all directors who are not employees of the Corporation a fee of $6,250 per quarter. In addition, directors who are not employees and provide service in the following positions received the following additional fees:

Position	Additional Compensation
Chairman of the Board	$4,000 per quarter
Audit Committee Chair	$3,000 per quarter
Compensation, Nominating and Governance Committee Chair	$2,000 per quarter
Audit Committee	$1,500 per quarter
Compensation, Nominating and Governance Committee	$1,000 per quarter
Other Committee Chair or Member	Determined upon formation of committee

No amounts were paid to Dr. Copeland in 2009 in his capacity as a director.

(2)

Historically, the Corporation issues either restricted stock or stock options to the Directors at their option based on a pre-approved dollar amount annually after the annual meeting is held. The dollar amount of the annual grant is determined and approved by the Compensation, Nominating, and Governance Committee and was $54,108 for 2009. The amounts in column (c) represents the grant date fair value of the 2009 stock awards calculated in accordance with FASB ASC Topic 718.

(3) Directors of the Corporation and its subsidiaries are also entitled to participate in the 1996 Plan, 1998 Plan and the 2005 Plan. An aggregate of 140,433 stock awards and option awards were outstanding and held by directors as of December 31, 2009 (as adjusted for the Consolidation). The number of option awards outstanding as of December 31, 2009 for each of the directors actively serving as of December 31, 2009 is as follows: Mr. Hartman – 18,750 options and Mr. Lortie – 9,167 (as adjusted for the Consolidation). Mr. Bengtson, Mr. Haghighi, and Mr. van Schoonenberg have no options outstanding.

(4) As an employee of Al Yousuf LLC, Mr Haghighi assigns any common shares subject to options or common share awards earned in connection with his Director's seat to Al Yousuf LLC. As such, Mr Haghighi does not voting or disposition rights over the common shares awarded to him.

(5) Mr. Lee was appointed as a director in December 2009 and did not receive any compensation in 2009.

Compensation, Nominating and Governance Committee

The Compensation, Nominating and Governance Committee discharges the Board's responsibilities relating to compensation of the Corporation's directors and officers, oversees and monitors the Corporation's management in the interest and for the benefit of the stockholders and assists the Board by identifying and recommending individuals qualified to become directors. The Compensation, Nominating and Governance Committee has overall responsibility for approving and evaluating the director and officer compensation plans, policies and programs of the Corporation.

Committee Membership and Independence

The members of the Compensation, Nominating and Governance Committee as of the date of this Circular are Robert van Schoonenberg (Chair), Alexander Lee and Jon Bengtson, each of whom is independent under NASDAQ's listing standards. The Compensation, Nominating and Governance Committee met four times during 2009, three times in person and one time by telephone.

The charter governing operations of the Compensation, Nominating and Governance Committee was adopted in April 2004 and updated in February 2007, and is available at the Corporation's website at www.altairnano.com under "Investors" - "Governance."

Nomination of Directors

The purpose of the Compensation, Nominating and Governance Committee related to nomination of directors and corporate governance matters is (i) to recommend to the Board the slate of director nominees for election to the Corporation's Board, individuals to fill Board vacancies occurring between annual meetings of stockholders, and individuals for nomination as members of the standing committees of the Board, and (ii) to develop and recommend to the Board a set of corporate governance principles applicable to the Corporation.

In identifying nominees for directors, the Compensation, Nominating and Governance Committee takes into consideration such factors as it deems appropriate. These factors may include judgment, skill, diversity, experience with businesses and other organizations of comparable size, relationship of work experience and education to the current and proposed lines of business of the Corporation, the interplay of the candidate's experience with the experience of other Board members, the extent to which the candidate would be a desirable addition to the Board and any committees of the Board, and the extent to which the candidate satisfies any objective requirements (such as residence, independence or expertise requirements) applicable to the Board or any committees of the Board. The Compensation, Nominating and Governance Committee considers candidates submitted by shareholders in accordance with the policies set forth in the most recent proxy statement delivered to shareholders and may, but is not required to, consider candidates proposed by management.

Board Diversity

In identifying nominees, the Compensation, Nominating and Governance Committee does not have a formal policy regarding the consideration of gender, race, sexual preference, religion and other traits typically associated with the term "diversity." As described in "Nomination for Directors" above, the Compensation, Nominating and Governance

Committee considers it important that the Board be composed of directors with a diverse range of experience, areas of expertise and skills, but has not adopted any formal policy.

Compensation, Nominating And Governance Committee Interlocks And Insider Participation

The current members of the Compensation, Nominating and Governance Committee are Robert van Schoonenberg (Chair), Alexander Lee and Jon Bengtson. On June 3, 2009, Michel Bazinet ceased being a Director or member of the Compensation, Nominating and Governance Committee. On December 17, 2009, Eqbal Al Yousuf ceased being a Director or member of the Compensation, Nominating and Governance Committee. Prior to June 3, 2009, the members of the Compensation, Nominating and Governance Committee were Pierre Lortie (Chair), Eqbal Al Yousuf, Robert van Schoonenberg and Michel Bazinet. Between June 3, 2009 and December 17, 2009 the members of the Compensation, Nominating and Governance Committee were Pierre Lortie (Chair), Eqbal Al Yousuf and Robert van Schoonenberg. On December 17, 2009, Mr. Alexander Lee was appointed to the Compensation, Nominating and Governance Committee. On May 24, 2010, Mr. Bengtson was appointed to, and Mr. Lortie was removed from, the Compensation, Nominating and Governance Committee. None of Messrs. Lortie, Al Yousuf, Bazinet, van Schoonenberg, Bengtson or Lee, is currently, or has formerly been, an officer or employee of the Corporation or any of its subsidiaries. The Corporation had no relationship during 2009 requiring disclosure under Item 404 of Regulation S-K with respect to any of the persons who served on the Compensation, Nominating and Governance Committee during 2009.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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 have been adjusted to give effect to the Consolidation (without taking into account the rounding up of fractional shares).

Set forth below is information with respect to beneficial ownership of common shares as of November 15, 2010 by the named executive officers of the Corporation, by each of the directors of the Corporation, by all current executive officers and directors of the Corporation as a group and by each person known to the Corporation to beneficially own 5% or more of the outstanding common shares. The "named executive officers" are the Corporation's Chief Executive Officer, Chief Financial Officer, and the three other most highly compensated executive officers for 2009. Each person named in the table has sole 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 owned by such person to approve the Common Share Issuance. See the summary of the Voting Agreements in "Other Transaction Agreements – Voting Agreements"). The Common Share Issuance will, if consummated, result in a change of control.

Title of Class	Name of Officer or Director	Amount and Nature of Beneficial Ownership (1)	Percentage of Class (2)
Common	Terry M. Copeland (Chief Executive Officer and Director)	128,909(3)	*
Common	John C. Fallini (Chief Financial Officer and Secretary)	39,875(4)	*
Common	Bruce J. Sabacky (Vice President and Chief Technology Officer)	78,484 (5)	*
Common	Stephen A. Balogh (Vice President, Human Resources)	78,129(6)	*
Common	Daniel Voelker (Vice President, Engineering and Operations)	38,125(7)	*
Common	Jon N. Bengtson (Director)	57,525	*
Common	Hossein Asrar Haghighi (Director)	None(8)	N/A
Common	George E. Hartman (Director)	76,600(9)	*
Common	Pierre Lortie (Director)	61,581(10)	*
Common	Robert G. van Schoonenberg (Director)	55,090(11)	*
Common	Alexander Lee	None	N/A
Common	All Directors and Officers as a Group (11 persons)	686,995(12) (13)	2.5%

Title of Class	Name and Address of 5% Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class
Common	Al Yousuf LLC	5,098,966(13) (14)	18.9%

*Represents less than 1% of the outstanding common shares.

(1) Includes all common shares issuable pursuant to the exercise of options and warrants 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. Does not include any common shares subject to options that are not exercisable on or before January 15, 2011 or subject to options that vest only upon the occurrence of events, such as a rise in the market price of the common shares, outside of the control of the optionee.

(2) Based on 27,015,579 common shares outstanding as of November 15, 2010 (which number is retroactively adjusted to give effect to the Consolidation). Common shares underlying options, warrants or other convertible or exercisable securities are, to the extent exercisable on or before January 15, 2011, deemed to be outstanding for purposes of calculating the percentage ownership of the owner of such convertible and exercisable securities, but not for purposes of calculating any other person's percentage ownership.

(3) Includes 126,562 common shares subject to options granted to Mr. Copeland pursuant to the 2005 Plan.

(4) Includes 38,125 common shares subject to options granted to Mr. Fallini pursuant to the 2005 Plan.

(5) Includes 6,250 common shares subject to options granted to Mr. Sabacky pursuant to the 1998 Plan and 68,955 common shares subject to options granted to Mr. Sabacky pursuant to the 2005 Plan.

(6) Includes 67,677 common shares subject to options granted to Mr. Balogh pursuant to the 2005 Plan. Includes 5,750 common shares owned by Linda Balogh, the spouse of Mr. Balogh and 2,127 common shares held in a family trust.

(7) Includes 38,125 common shares subject to options granted to Mr. Voelker pursuant to the 2005 Plan.

(8) As an employee of Al Yousuf LLC, Mr Haghighi assigns any common shares subject to options or common share awards earned in connection with his Director's seat to Al Yousuf LLC. As such, Mr Haghighi does not have voting or disposition rights over the common shares awarded to him.

(9) Includes 18,750 common shares subject to options granted to Mr. Hartman pursuant to the 1998 Plan. Includes 125 common shares owned by Julie Bredin, the spouse of Mr. Hartman.

(10) Includes 9,166 common shares subject to options granted to Mr. Lortie pursuant to the 2005 Plan.

(11) Includes 8,602 common shares held by a family trust.

(12) Includes 443,925 common shares subject to options granted to officers and directors pursuant to the Stock Incentive Plans.

(13) As a result of the Voting Agreements, Canon may be deemed to be the beneficial owner of all common shares held by Altair's officers and directors and by Al Yousuf LLC.

(14) Information based on an Amendment No. 2 to Schedule 13D filed by Al Yousuf LLC and its affiliates on October 8, 2010, as adjusted to give effect to the Consolidation.

CERTAIN FINANCIAL INFORMATION

Supplementary Financial Data

The following Supplementary Financial Information for the fiscal quarters ended March 31, 2010, June 30, and September 30, 2010, and for the fiscal quarters ended March 31, June 30, September 30 and December 31 in each of the years 2009 and 2008 was derived from our unaudited quarterly consolidated financial statements filed by us with the SEC in our Quarterly Circulars on Form 10-Q with respect to such periods (except for 4th quarter data which was derived by comparing annual data to data for the first nine months of the respective fiscal year). The per share data is not adjusted to give effect to the Consolidation.

Supplementary Financial Information by Quarter, 2010 (to date), 2009 and 2008
(Unaudited – in 000s)

	Quarter Ended March 31	Quarter Ended June 30	Quarter Ended September 30	Quarter Ended December 31
Quarterly Periods in Year Ended December 31, 2010:				
Revenues	$1,192	$$1,500	$2,029	
Operating expenses	$6,386	$5,493	5,847	
Net loss	$(6,067)	$(4,925)	(5,281)	
Loss per common share: (1)				
Basic and diluted	$(0.06)	$(0.05)	(0.05)	
Year Ended December 31, 2009:				
Revenues	$902	$-	$1,667	$1,805
Operating expenses	$6,938	$6,232	$5,309	$7,469
Net loss	$(6,385)	$(6,393)	$(3,316)	$(5,217)
Loss per common share: (1)				
Basic and diluted	$(0.07)	$(0.07)	$(0.03)	$(0.05)
Year Ended December 31, 2008:				
Revenues	$1,069	$1,903	$1,802	$953
Operating expenses	$9,819	$7,839	$11,124	$7,070
Net loss	$(8,288)	$(5,660)	$(9,111)	$(6,008)
Loss per common share: (1)				
Basic and diluted	$(0.10)	$(0.07)	$(0.11)	$(0.08)

(1) Loss per common share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly loss per common share amounts does not necessarily equal the total for the year.

Financial Statements

Certain financial statements of the Corporation appear on pages F-1 through F-47 following the signature page hereto.

Management's Discussion And Analysis Of Financial Condition And Results Of Operations

The following discussion relates to our financial statements for the three- and nine-month periods ended September 30, 2010 and to the annual periods ended December 31, 2009, 2008 and 2007 should be read in conjunction with the consolidated financial statements and notes thereto on pages F-1 through F-47 following the signature page hereto. Because such the financial statements relate to periods prior to the Consolidation, the shares and per-share numbers in such financial statements and in this Management's Discussion and Analysis of Financial Condition and Results of Operations section do not reflect the effect of the Consolidation.

Overview

We are a Canadian corporation, with principal assets and operations in the United States, whose primary business is developing, manufacturing and selling our nano-lithium titanate battery cells, battery modules and battery packs, and providing related design, installation and test services. We have two primary areas of focus:

1. Marketing our large-scale energy storage solutions to power companies and electric grid operators throughout the world, and
2. Marketing our batteries to electric and hybrid-electric bus manufacturers.

We believe that these are multi-billion dollar emerging markets with room for a number of successful suppliers. At the present time, we perceive no dominant provider and we believe that as a result of our significant differentiated product attributes, the overall strength of our management team, and the recognition we are receiving in the marketplace, that we have a very good chance of becoming one of the successful suppliers. Our proprietary technology platform gives our products a number of unique, highly sought after attributes that clearly differentiate our products from their alternatives. Included in these attributes are substantially longer cycle and calendar lives, a rapid recharge time, the ability to provide instantaneous high power, a wide operating temperature range and increased operational safety.

2009 was a transition year as we discontinued the pursuit of low-margin grants and contracts in the life sciences and performance materials markets to focus on the power and energy systems market. The first nine months of 2010 continued in this transition mode. In June 2010 we closed our first significant long-term purchase and supply agreement in the mass transit market with Proterra, Inc. The first purchase order under this contract was for the supply of $4.6 million of battery modules for electric buses. These battery modules are scheduled to ship over the October 2010 – June 2011 time frame. We anticipate additional orders from Proterra for shipments beyond June 2011 as Proterra continues to grow its business.

In the frequency regulation and renewables integration markets we are pursuing a number of opportunities, both domestic and international, that are taking longer to bring to closure than we had earlier anticipated. We are optimistic, however, that we will begin to see some of these opportunities successfully conclude as we close out 2010.

On April 30, 2010 we transferred our 70% share in AlSher Titania to Sherwin-Williams. Under terms of the agreement, certain intellectual property owned by us, has been licensed to AlSher. We may receive future payments from AlSher based upon future revenues generated from the intellectual property, or from royalty payments relating to the licensed intellectual property. The amount of future payments from AlSher to us is based on AlSher revenue, and royalty payments are capped at $3,000,000. The payments to us and continuation of the intellectual property licenses are conditional upon certain milestones being achieved and payments being made to us. Additionally, AlSher has an option to purchase the licensed intellectual property for $2,000,000.

We also provide contract research services on select projects where we can utilize our resources to develop intellectual property and/or new products and technology. The U.S. Army and Navy continued to test our batteries for specific applications during the third quarter, but as a result of the recently announced Canon investment described below, we are winding down and exiting our military business. Contract services revenue comprised 67% of total revenue during the nine months ending September 30, 2010, but we expect this percentage to diminish as our commercial battery sales expand.

Our revenues have been generated by product sales, commercial collaborations, government contracts and grants and license fees. During the third quarter we made the decision to develop OEM customers in multiple markets. To this end, we developed an applications kit for customers to purchase and test our battery technology with their specific battery application. Our plan is to add new markets for our battery modules in addition to our existing mass transit and stationary power markets where the specific application is a good fit for the attributes of our batteries.

On September 20, 2010 we reached a definitive agreement to sell common shares to Canon. If the share issuance closes, it will result in Canon or its designated affiliate owning 51% of Altair's outstanding common shares on a fully diluted basis. There are numerous conditions precedent to closing of the transactions. Three conditions that significantly affect the timing of closing include (1) the submission of a notification to CFIUS and decision by CFIUS whether to take any action to prevent the share issuance to Canon, (2) the completion of all work under, or termination of, our obligations under our ONR II and U.S. Army nanosensor contract, and the transfer or disposal of certain defense-related materials, to ensure compliance with the ITAR and (3) approval of the proposed share issuance by our shareholders at a special meeting of shareholders.

We and Canon plan to submit a joint notification with CFIUS requesting a review of the proposed transaction during November 2010; CFIUS has a period of 30 days to review the notification and may extend its review for an addition 45 days in its discretion. With respect to compliance with ITAR, we expect to complete our ONR II contract and U.S. Army nanosensor contract by December 31, 2010. We have declined Phase III of the contract with the U.S. Office of Naval Research. This Phase III contract was expected to generate $3.6 million of revenue during the fourth quarter of 2010 and first half of 2011. We have scheduled the meeting for December 27, 2010 to consider the Common Share Issuance.

At the same time we signed the Share Subscription Agreement with Canon we also signed the Supply Agreement with YTE. This agreement calls for us to supply YTE with nLTO, the Cells and an ALTI-ESS for an aggregate purchase price of $6.6 million. YTE may cancel its obligation to purchase the unshipped balance of nLTO if the Share Subscription Agreement is terminated in connection with a superior offer.

We plan to ship approximately $2.1 million of these products to YTE during the fourth quarter of 2010 and continue shipping the nLTO balance throughout 2011. During September 2010 we received a $2.0 million prepayment for these goods. A portion of this prepayment for any unshipped product would be refundable should we not receive shareholder approval for the Common Share Issuance described above. It is our belief that the overall revenue generated from our close relationship with Canon and YTE will more than offset the military business that we are discontinuing.

Additionally we have $4.6 million of customer backlog to supply Proterra, Inc. with battery modules through June 2011 and anticipate additional orders for delivery of battery modules beyond this time frame.

General Outlook

We have generated net losses in each fiscal year since incorporation, and the nine months ending September 30, 2010 were no different. Revenues from product sales, commercial collaborations and contracts and grants increased in the first nine months of 2010 to $4.7 million compared to $2.6 million in the same period in 2009. Contracts with the U.S. Office of Naval Research ($2.1 million) and with the U.S. Army ($1.0 million), and battery modules sold to Proterra, Inc. ($848,000) comprised most of our revenue during the first nine months of 2010. This compares to primary revenue sources of $750,000 for license revenue from Spectrum Pharmaceuticals, commercial collaborations of $482,000 from BAE Systems U.S. and $263,000 from BAE Systems UK, and contract revenue of $378,000 with the U.S. Office of Naval Research during the first nine months of 2009. Gross profit for the first nine months of 2010 was flat at $1.3 million compared to the same period in 2009. The primary reason for this outcome is that 2009 contained $750,000 of license revenue from Spectrum with no associated cost of goods sold. As a result, the gross profit for this period was considerably higher than it otherwise would have been. During the first nine months of 2010, we received no license revenue. Total operating expenses were down $754,000 from $18.5 million for the first nine months of 2009 to $17.7 million for the same period in 2010. The primary drivers for this decrease were lower R&D and depreciation expense partially offset by higher sales and marketing expense. In the aggregate these differences resulted in a YTD net loss of $16.3 million during 2010 versus a $16.1 million net loss in the corresponding nine months of 2009.

Our current focus is on the development of products and technologies in energy storage that we anticipate will eventually bring a substantial amount of higher-margin revenues from manufacturing, product sales, licensing and royalties. We expect our nLTO batteries and battery materials to be a source of such higher-margin revenues. During the first nine months of 2010 we have focused our efforts on this transition to commercial products. Although our overall employee count has remained flat from end-of-year 2009, we have expanded the scope of our Power and Energy Group by (1) hiring additional engineering and operations staff to handle the conversion from a prototype to a commercial product, (2) adding additional sales and marketing personnel to focus on this market, and (3) acquiring additional test and production equipment. During the third quarter of 2010 two anticipated customer orders that we had hoped would close were delayed for various reasons. We do not believe we have lost these two orders. They simply are taking longer to close than we had expected. We therefore have been focusing on cost containment throughout the business with the exception of our sales efforts. We remain optimistic that these orders are delayed but achievable during the fourth quarter of 2010.

As we attempt to significantly expand our revenues, some of the key near-term events that will affect our long-term success include the following:

Our ability to capitalize on our pending agreement with Canon and YTE described above. In the short term, we will be supplying YTE with nLTO, battery cells and an ALTI-ESS, primarily for testing purposes. In the longer term, we anticipate building an nLTO manufacturing plant in China, possibly in partnership with YTE. There may also be opportunities to sell our battery cells and ALTI-ESS units, in partnership with YTE or otherwise, into the Chinese market. For example, currently, China's power grids are not as reliable as the grid in the U.S. and they experience frequent black outs and brown outs. This evolving relationship with Canon and YTE could be our opportunity to become a primary battery technology supplier to China's fast-growing electric power demands. Also, production of large volumes of nLTO will give us the opportunity to reduce our costs substantially through both process improvements and economies of scale. In turn these cost reductions will help us reduce our battery costs associated with our stationary power and mass transit products throughout the world.

Continued successful operation and performance of the 1 MW battery system placed in commercial operation in the PJM regional transmission organization outside of Philadelphia in May of 2009. To date that system has performed as designed, providing frequency regulation to the electric grid with minimal degradation of the system, generating a steady revenue stream for The AES Corporation, owner of the system. We are optimistic that this success will continue to increase our credibility with future customers.

In August 2009, we signed a contract with Proterra, Inc., a Golden, Colorado based leading designer and manufacturer of heavy-duty drive systems, energy storage systems, vehicle control systems and transit buses, to sell them battery modules for their all electric and hybrid electric buses. Proterra's systems are scalable to all forms of commercial buses and Class 6-8 trucks. On May 3, 2010, we received a purchase order of $850,000 from Proterra to supply additional battery modules. These modules were delivered to Proterra during the third quarter of 2010. On June 24, 2010 we signed a new long-term purchase and supply agreement with Proterra, under which we received an additional purchase order for $4.6 million to supply battery modules for delivery from October 2010 through June 2011. We anticipate additional orders from Proterra as it brings its new manufacturing plant on line and begins to scale up its operations.

Based on the demonstrated success of our battery modules in the Proterra bus application and independent testing of our cells by other entities, we have continued discussions with a number of other bus manufacturers and systems integrators regarding the purchase of our battery products for their respective applications. We are exploring application opportunities with potential customers in the elevator, wind turbine, fork lift and airport ground transportation markets.

Although it is not essential that we are successful in all of these markets to permit substantial long-term revenue growth, we believe that full commercialization of several of our battery applications will be necessary in order to expand our revenues enough to create a likelihood of our becoming profitable in the long-term. We remain optimistic with respect to our current key projects, as well as others we are pursuing, but recognize that, with respect to each, there are development, marketing, partnering and other risks to be overcome.

An important consideration as we begin to grow our revenue stream is to ensure that we have access to the various components and raw material we need to manufacture and then assemble our various products. With a small product volume, having multiple suppliers for each component is not practical, but is now becoming much more important to us. During the first nine months of 2010, we continued to identify and qualify additional suppliers or manufacturers for our critical components. While those efforts have progressed, the most critical sole-source relationship we currently have is for the manufacture of our battery cells. We currently have one supplier that manufactures all of our battery cells. These cells include our proprietary nano lithium titanate material produced by us in Reno, Nevada. Our contract manufacturer uses this material and other components that they acquire elsewhere to manufacture our cells and deliver them to our Anderson, Indiana manufacturing facility. We then manufacture battery packs used in electric buses and also complete megawatt scale energy storage solutions for the electric grid markets. This battery cell supplier is critical to our manufacturing process. We are currently in the process of qualifying a second contract manufacturer and expect to have this capability in place by the end of 2010. Additionally, we may develop a third source for our battery cells through our developing business relationship with YTE in China.

Contracts and Grants

Our $3.8 million ONR II contract will be completed by end of December 2010. We generated $492,000 of revenue on this contract during the quarter ending September 30, 2010 and anticipate earning the $504,000 balance during the fourth quarter of 2010.

Our $1.7 million U.S. Army nanosensor grant generated $409,000 of revenue during the quarter ended September 30, 2010. We anticipate earning approximately $407,000 of the $564,000 balance of this contract during the quarter ended December 31, 2010 at which time we will have completed work requiring Altair resources. For periods after December 31, 2010, we will be seeking government approval to have the approximately $157,000 in remaining obligations and revenues assumed directly by Western Michigan University, instead of indirectly as our subcontractor, as is currently the case.

Our Operating Divisions

Since early 2009 we have been organized into two divisions: a Power and Energy Group and an All Other Division. Efforts began in late 2008 and early 2009 to eliminate or sell the Corporation’s assets and efforts in the Life Sciences and Performance Materials divisions. With the 2009 secession of our Life Science activities and the transfer of our AlSher Titania interest to Sherwin-Williams in April of this year, as of September 30, 2010, we have ceased all material operations in the Life Sciences and Performance Materials areas.

Liquidity and Capital Resources for Period Ended September 30, 2010

As of September 30, 2010, we had cash and short-term investments totaling $8.0 million compared to $24.7 million at the same point last year and $18.6 million at the start of this year. Net decrease in cash for the three months ended September 30, 2010 totaled $702,000 compared to a net decrease of $4.8 million for the comparative 2009 period.

On September 20, 2010 we reached a definitive agreement to sell common shares to Canon. This transaction, if it closes, will net us approximately $45.4 million in cash net of expenses. We believe this capital raise will be sufficient to fund our deficit operations for the near term, depending on the product mix, gross margins and rate of ramp up of our product revenues.

The major factors that have the greatest impact on our liquidity and resulting cash balance are:

Our ability to raise additional capital, particularly to close the share issuance with Canon,

The volume and timing of our customer sales,
The timeliness of our collections efforts,
The build-up of our inventory levels in anticipation of sales, and
The addition of headcount and other operating expenses.

Over the long term, we anticipate substantially increasing revenues and cash by entering into new contracts and increasing product sales primarily in the electric grid, renewables integration and mass transit markets along with the sale of nLTO to YTE. However, this increase in revenues will be dependent on our ability to transition our products from prototypes into commercial grade products and to aggressively continue in our product cost reduction efforts.

To date we have been very successful in structuring our customer contracts in a way that is working capital neutral to us, timing the anticipated receipt of customer payments with the required payments to our suppliers. We have also been diligent in pursuing timely collection of payments from our customers.

As we move through 2010, we do not expect to increase our inventory levels much more than the current levels until we begin to close significant sales. With regard to inventory decisions, we consider the lengthy manufacturing cycle of four to six months required to produce our large battery systems and the time lag from our suppliers associated with some of our critical product components. Depending on the time lag between the initial inventory buildup and the actual sales, our cash balance may be negatively impacted. We do not anticipate significant inventory expenditures for the balance of 2010. We expect to end 2010 with an overall inventory level in the same range as we ended the third quarter of 2010.

During the nine months ending September 30, 2010 we increased spending on our battery initiatives, compared to the same period last year, continuing the enhancement of our products and their conversion from prototypes into commercial grade products. As a result of the delays in closing some of the anticipated 2010 customer contracts, we implemented a hiring freeze early in the second quarter and it has remained in place since then.

We estimate that our current cash balance combined with anticipated customer orders over the next several months and our anticipated net equity investment from Canon of $45.4 million will be sufficient to support our operations in the near term. However, it may not be sufficient to carry us to our projected cash flow break-even point. Should we need additional cash to bridge us to positive operating cash flows, we believe we will be able to raise additional capital.

Historically, we have financed operations primarily through the issuance of equity securities (common shares, convertible debentures, stock options and warrants) and by the issuance of debt. Consistent with past practice, we expect that this type of financing will continue to provide us with the current working capital required until anticipated order volume increases allow us to reach cash flow breakeven. The exact size and timing of capital raises, and the mix of debt and equity, will depend upon a number of factors including the market price and trading volume of our common shares, our financial circumstances, including committed and anticipated order volume, and the general economic environment at the time we begin the process. Other than the Share Subscription Agreement with Canon, we do not have any commitments with respect to future financing and may or may not, be able to obtain such financing on reasonable terms, or at all. We do not expect the current difficult economic environment to preclude our ability to raise capital, but the overall cost of capital will likely be high.

Cash used in operations during the quarter ending and nine months ending September 30, 2010 of $1.1 million and $9.9 million respectively, consisted primarily of payments for wages and salaries to our employees, offset somewhat by advance payments on customer contracts. We continue to monitor our cash flows very carefully and have been successful to date in structuring our customer contracts so that they are essentially cash flow neutral or slightly positive for us. As we begin to ramp up our anticipated sales volume this year we are not expecting a large up-front drain on our cash.

Investing activities for the quarter ended September 30, 2010 totaled only $74,000 as we have deferred nearly all capital purchases until the increase in demand better justifies them. Investing activities for the nine months ending September 30, 2010 reflects $955,000 used to purchase production and quality test equipment.

Cash provided by financing activities totaled $437,000 for the three months ending September 30, 2010, which was associated with $315,000 provided by financing our insurance and funds raised net of issuance costs through our At the Market Offering of $128,000. For the nine months ending September 30, 2010, financing activities provided a net $217,000. This included $709,000 of funds raised net of issuance costs through our At the Market Offering, $600,000 used to pay off the last quarterly mortgage payment on our Reno facility and $122,000 provided by financing our insurance.

During the second quarter we initiated an employee hiring freeze that we continued through the third quarter and are closely scrutinizing all expenditures. We have also adjusted our manufacturing operations to reflect orders delayed in the stationary power market segment from our forecasts at the beginning of 2010 and deferred nearly all capital purchases from 2010 into 2011.

Capital Resources and Expenditures in 2009

As of December 31, 2009, we had cash and short-term investments totaling $18.1 million. Net cash used in operating activities for the year ended December 31, 2009 totaled $23.6 million compared to $30.1 million for the year ended December 31, 2008. The decrease in cash used in operating activities for 2009 compared to 2008 primarily reflects payments of approximately $5.5 million relating to certain significant payments we made in the first quarter of 2008, which included: $2.4 million of commission and expenses paid to the placement agent in connection with our sale of common shares in November 2007; $1.8 million paid in connection with the 2007 bonus plan; and $1.3 million of raw materials purchases made in 2007 in anticipation of receipt of the next sales order from Phoenix under the 2007 purchase agreement were paid in the first quarter of 2008. Cash expended on research and development activities decreased by approximately $2 million in the first quarter of 2009 primarily attributable to the completion of customer contracts and grants in 2008 (AES Energy Storage LLC, Elanco Animal Health, and the Department of Energy) and the realignment of resources relating to the shift in focus from the Performance Materials and Life Sciences segments to the Power and Energy Group. Additionally, no bonus payments were made in the first quarter of 2010, as the bonus targets for 2009 were not achieved.

Investing activities for the year ended December 31, 2009 reflect the purchase of property and equipment of $768,000 compared to property and equipment purchases of $3.0 million made for the year ended December 31, 2008.

Our cash and short-term investments decreased by $10.0 million, from $28.1 million at December 31, 2008 to $18.1 million at December 31, 2009, due primarily to net proceeds from our May common share sale and other financing activities of $12.4 million plus the sale of our Spectrum Pharmaceuticals stock for $2.0 million offset by net cash used in operations of $24.0 million and purchases of property and equipment of $0.8 million.

The use of cash for financing activities of $434,000 (excluding the May financing) for the year ended December 31, 2009 primarily reflects the payment of the note payable on our building of $600,000. The final payment of $600,000 on this note was due, and paid, in January 2010.

Capital Commitments and Expenditures

The following table discloses aggregate information about our contractual obligations and the periods in which payments are due as of September 30, 2010:

In thousands of dollars

Contractual Obligations	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years

Notes Payable	$312	$312	-	-	-
Contractual Service Agreements	482	455	$27	-	-
Capital Leases	43	20	23	-	-
Operating Leases	588	365	223	-	-
Unfulfilled Purchase Orders	2,522	2,522	-	-	-
Total Contractual Obligations	$3,947	$3,674	$273	$-	$-

We have deferred all planned significant capital expenditures until 2011, when we expect sufficient customer product orders to justify the additional capital expenditures.

Other Contemplated Actions

At the Annual Meeting of Shareholders on May 24, 2010, our shareholders authorized the Board of Directors to implement an up-to 10 to 1 reverse stock split. We have filed an Article of Amendment to our Articles of Incorporation which implements a 4 to 1 reverse stock split effective at 11:59 p.m. on November 15, 2010. The objective is to raise our stock price above the required $1.00 per share prior to the December 20, 2010 deadline for compliance with the NASDAQ minimum bid price requirement.

At the July 30, 2010 Special Shareholder Meeting, our shareholders authorized the Board of Directors to change our jurisdiction of incorporation from the federal jurisdiction of Canada to the State of Nevada in the United States through the adoption of articles of domestication and new articles of incorporation. This change in jurisdiction of incorporation is referred to as a “continuance” under Canadian law Canada and as a “domestication” under Nevada law. We have decided not to move forward on this initiative as a condition to our investment from Canon.

Off-Balance Sheet Arrangements

The Corporation did not have any off-balance sheet transactions during the nine months ending September 30, 2010.

Critical Accounting Policies and Estimates

Management based the following discussion and analysis of our financial condition and results of operations on our consolidated financial statements. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our critical accounting policies and estimates, including those related to long-lived assets, investments in available for sale securities, share-based compensation, revenue recognition, accrued warranty, overhead allocation, allowance for doubtful accounts, inventory, and deferred income tax. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our consolidated financial statements. These judgments and estimates affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting periods. Changes to these judgments and estimates could adversely affect our future results of operations and cash flows.

Long-Lived Assets. Our long-lived assets consist principally of the nanomaterials assets, the intellectual property (patents and patent applications) associated with them, and a building. Included in these long-lived assets are those that relate to our research and development process. If the assets have alternative future uses (in research and development projects or otherwise), they are capitalized when acquired or constructed; if they do not have alternative future uses, they are expensed as incurred. At September 30, 2010, the carrying value of these assets was $10.3 million, or 34% of total assets. We evaluate the carrying value of long-lived assets whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. The carrying value of a long-lived asset is considered impaired when the total projected undiscounted cash flows expected to be generated by the asset are less than the carrying value. Our estimate of the cash flows is based on the information available at the time including the following: internal budgets; sales forecasts; customer trends and order backlogs; anticipated production volumes; and market conditions over an estimate of the remaining useful life of the asset which may range from 3 to 10 years for most equipment and up to 22 years for our building and related building improvements. If an impairment is indicated, the asset value is written to its fair value based upon market prices, or if not available, upon discounted cash flow value, at an appropriate discount rate determined by us to be commensurate with the risk inherent in the business model. The determination of both undiscounted and discounted cash flows requires us to make significant estimates and consider the expected course of action at the balance sheet date. Our assumptions about future sales and production volumes require significant judgment because actual sales prices and volumes have fluctuated significantly in the past and are expected to continue to do so. Until our products reach commercialization, the demand for our products is difficult to estimate. Subsequent changes in estimated undiscounted and discounted cash flows arising from changes in anticipated actions could impact the determination of whether impairment exists, the amount of the impairment charge recorded and whether the effects could materially impact our consolidated financial statements. Events or circumstances that could indicate the existence of a possible impairment include obsolescence of the technology, an absence of market demand for the product or the assets used to produce it, a history of operating or cash flow losses and/or the partial or complete lapse of technology rights protection.

As of September 30, 2010, we estimate that our future cash flows, on an undiscounted basis, are greater than our $10.3 million in long-lived assets. Our estimated future cash flows include anticipated product sales, commercial collaborations, and contracts and grant revenue, since our long-lived asset base, which is primarily composed of production, laboratory and testing equipment and our Reno facility, is utilized to fulfill contracts in all revenue categories. Based on our assessment, which represents no change from the prior year in our approach to valuing long-lived assets, we believe that our long-lived assets are not impaired.

Stock-Based Compensation. We have a stock incentive plan that provides for the issuance of stock options, restricted stock and other awards to employees and service providers. We calculate compensation expense using a Black-Scholes Merton option pricing model. In so doing, we estimate certain key assumptions used in the model. We believe the estimates we use, which are presented in Note 10 of Notes to the Consolidated Financial Statements, are appropriate and reasonable.

Revenue Recognition. We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred or service has been performed, the fee is fixed and determinable, and collectability is probable. During the third quarter of 2010, our revenues were derived primarily from battery module sales to Proterra and contract research and development. License fees are recognized when the agreement is signed, we have performed all material obligations related to the particular milestone payment or other revenue component and the earnings process is complete. Revenue for product sales is recognized upon delivery of the product, unless specific contractual terms dictate otherwise. Based on the specific terms and conditions of each contract/grant, revenues are recognized on a time and materials basis, a percentage of completion basis and/or a completed contract basis. Revenue under contracts based on time and materials is recognized at contractually billable rates as labor hours and expenses are incurred. Revenue under contracts based on a fixed fee arrangement is recognized based on various performance measures, such as stipulated milestones. As these milestones are achieved, revenue is recognized. From time to time, facts develop that may require us to revise our estimated total costs or revenues expected. The cumulative effect of revised estimates is recorded in the period in which the facts requiring revisions become known. The full amount of anticipated losses on any type of contract is recognized in the period in which it becomes known. Payments received in advance relating to future performance of services or delivery of products, are deferred until the customer accepts the service or the product title transfers to our customer. Advance payments received in connection with certain rights granted in contractual arrangements are deferred and amortized over the related time period over which the benefits are received. Based on specific customer bill and hold agreements, revenue is recognized when the inventory is shipped to a third party storage warehouse, the inventory is segregated and marked as sold, the customer takes the full rights of ownership and title to the inventory upon shipment to the warehouse per the bill and hold agreement. When contract terms include multiple components that are considered separate units of accounting, the revenue is attributed to each component and revenue recognition may occur at different points in time for product shipment, installation, and service contracts based on substantial completion of the earnings process.

Accrued Warranty. We provide a limited warranty for battery packs and energy storage systems. A liability is recorded for estimated warranty obligations at the date products are sold. Since these are new products, the estimated cost of warranty coverage is based on cell and module life cycle testing and compared for reasonableness to warranty rates on competing battery products. As sufficient actual historical data is collected on the new product, the estimated cost of warranty coverage will be adjusted accordingly. The liability for estimated warranty obligations may also be adjusted based on specific warranty issues identified.

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Overhead Allocation. Facilities overheads, which are comprised primarily of occupancy and related expenses, are initially recorded in general and administrative expenses and then allocated monthly to research and development and product inventories based on relative labor costs. Facilities overheads and fringe benefits allocated to research and development projects may be chargeable when invoicing customers under certain research and development contracts.

Allowance for Doubtful Accounts. The allowance for doubtful accounts is based on our assessment of the collectability of specific customer accounts and the aging of accounts receivable. We analyze historical bad debts, the aging of customer accounts, customer concentrations, customer credit-worthiness, current economic trends and changes in our customer payment patterns when evaluating the adequacy of the allowance for doubtful accounts. From period to period, differences in judgments or estimates utilized may result in material differences in the amount and timing of our bad debt expenses.

Inventory. We value our inventories generally at the lower of cost (first-in, first-out method) or market. We employ a full absorption procedure using standard cost techniques. The standards are customarily reviewed and adjusted quarterly. Overhead rates are recorded to inventory based on normal capacity. Any idle facility costs or excessive spoilage are recorded as current period charges.

Deferred Income Taxes. Income taxes are accounted for using the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Future tax benefits are subject to a valuation allowance when management is unable to conclude that its deferred income tax assets will more likely than not be realized from the results of operations. We have recorded a valuation allowance to reflect the estimated amount of deferred income tax assets that may not be realized. The ultimate realization of deferred income tax assets is dependent upon generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment. Based on the historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets become deductible, management believes it more likely than not that the Company will not realize benefits of these deductible differences as of September 30, 2010. Management has, therefore, established a full valuation allowance against its net deferred income tax assets as of September 30, 2010. Because we have issued a significant number of new common shares between 2005 and 2010, we may already have experienced an ownership change for purposes of Section 382 of the Internal Revenue Code, in which case limitations on the use of our net operating loss and credit carry forwards (NOLs) may result in a portion of those tax assets expiring before they can be utilized. Moreover, the issuance of shares to Canon will result in the imposition of a new Section 382 limitation, which may have the effect of causing a larger portion of our tax assets to expire before they can be utilized. We are currently analyzing the exact impact this transaction will have on our ability to use our tax assets to offset future earnings.

Results of Operations

The following table sets forth certain selected, unaudited, condensed consolidated financial data for the periods indicated.

Three Months Ended September 30, 2010 Compared to Three Months Ended September 30, 2009

In thousands of dollars

	Power and Energy Group		All Other		Corporate		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenues								
Product sales, net	$ 1,102	$ 268	-	$ 141	-	-	$ 1,102	$ 409
License Fees	-	-	-	750				750
Commercial collaborations	9	121	$ 3	1	-	-	12	122
Contracts and grants	506	386	409	-	-	-	915	386
Total revenues, net	1,617	775	412	892	-	-	2,029	1,667
Cost of goods sold								
Product	764	164	-	7	-	-	764	171
Commercial collaborations	-	109	3	2	-	-	3	111
Contracts and grants	264	241	328	6	-	-	592	247
Warranty and inventory reserves	125	68	-	-	-	-	125	68
Total cost of goods sold	1,153	582	331	15	-	-	1,484	597
Gross profit	464	193	81	877	-	-	545	1,070
Operating expenses								
Research and development	1,858	1,404	37	16	$ 769	$ 697	2,664	2,117
Sales and marketing	-	-	-	-	943	792	943	792
General and administrative	96	15	-	55	1,626	1,644	1,722	1,714
Depreciation and amortization	395	324	19	314	104	48	518	686
Total operating expenses	2,349	1,743	56	385	3,442	3,181	5,847	5,309
(Loss) gain from operations	(1,885)	(1,550)	25	492	(3,442)	(3,181)	(5,302)	(4,239)
Other (expense) income								
Interest expense	(1)	(1)	-	-	(2)	(60)	(3)	(61)
Interest income	-	-	-	-	27	38	27	38
Realized gain on investment	-	-	-	868	-	-	-	868
Loss on foreign exchange	-	-	-	-	(3)	-	(3)	-

Total other (expense) income, net	(1)	(1)	-	868	22	(22)	21	845
(Loss) gain from continuing operations	(1,886)	(1,551)	25	1,360	(3,420)	(3,203)	(5,281)	(3,394)
Net (loss) gain	(1,886)	(1,551)	25	1,360	(3,420)	(3,203)	(5,281)	(3,394)
Less: Net loss attributable to non-controlling interest	-	-	-	78	-	-	-	78
Net (loss) gain attributable to Altair Nanotechnologies, Inc.	$ (1,886)	$ (1,551)	$ 25	$ 1,438	$ (3,420)	$ (3,203)	$ (5,281)	$ (3,316)
Amounts attributable to Altair Nanotechnologies, Inc. shareholders:								
Loss from continuing operations	$ (1,886)	$ (1,551)	$ 25	$ 1,438	$ (3,420)	$ (3,203)	$ (5,281)	$ (3,316)
Net (loss) gain	$ (1,886)	$ (1,551)	$ 25	$ 1,438	$ (3,420)	$ (3,203)	$ (5,281)	$ (3,316)

Revenues

Power and Energy Group revenue for the quarter ended September 30, 2010 was $1,617,000 compared to $775,000 for the same period of 2009. This increase is primarily due to the $727,000 revenue increase to Proterra and $234,000 sales to EBus.

Total revenue of All Other operations for the quarter ended September 30, 2010 was down $480,000 from the same period of 2009. The decrease primarily relates to $750,000 of license revenue associated with a Spectrum Pharmaceuticals contract in 2009 partially offset by increased military billings of $409,000 to the U.S. Army during 2010.

Cost of Goods Sold

Power and Energy Group COGS for the quarter ended September 30, 2010 was $1,153,000 compared to $582,000 for the same period of 2009. Approximately $600,000 of this increase is due to a corresponding increase in product revenue of $834,000.

All Other Division contracts and grants COGS of $328,000 during the third quarter of 2010 is related to our US Army nanosensor grant. The $750,000 of license fee revenues during 2009 had zero associated COGS.

Cost of sales associated with warranty and inventory reserve of $125,000 for the third quarter of 2010 includes $54,000 of warranty reserve based on products sold, $23,000 for battery cells scrapped and $48,000 of additional reserve recorded for potentially-defective battery cells. Costs incurred in 2009 included $62,000 of scrapped battery modules.

It is important to note that our gross margins in any quarter are not indicative of future gross margins. At this early stage of development, our product mix, volume, per-unit pricing and cost structure may change significantly from quarter to quarter, and our margins may expand or contract depending upon the mix and timing of orders in future quarters.

Operating Expenses

Research and development operating expenses increased $547,000 or 26% during the third quarter 2010 compared to the same quarter in 2009. This increase resulted primarily from increased bonus accruals of $102,000 and employee benefit allocations over the prior year of $287,000.

Total sales and marketing expense increased from $792,000 for the third quarter in 2009 to $943,000 for the same period in 2010. This change is related to an increase in compensation due to increased sales personnel of $80,000, increased sales-related travel of $52,000 and increased trade show expenses of $47,000.

General and administrative expenses remained flat between third quarter 2009 and third quarter 2010 coming in at $1.7 million for each time period.

Depreciation expense decreased $168,000 due to the sale of the AlSher Titania, LLC capital assets to Sherwin Williams on April 30, 2010, slightly offset by new assets placed into service in the third quarter of 2010.

Net Loss

Net loss for the quarter ended September 30, 2010 totaled $5.3 million ($0.05 per share) compared to a net loss of $3.3 million ($0.03 per share) in the third quarter of 2009.

All Other operations net income for the quarter ended September 30, 2010 was $0 compared to net income of $1,438,000 in the same quarter of 2009. This decline is primarily attributable to license fees of $750,000 in 2009 combined with a realized gain on the sale of Spectrum stock of $868,000 in 2009.

Nine Months Ended September 30, 2010 Compared to Nine Months Ended September 30, 2009

In thousands of dollars

	Power and Energy Group		All Other		Corporate		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenues								
Product sales, net	$ 1,124	$ 322	$ 110	$ 157	-	-	$ 1,234	$ 479
License fees	-	-	-	750	-	-	-	750
Commercial collaborations	313	887	19	1	-	-	332	888
Contracts and grants	2,108	449	1,047	-	-	-	3,155	449
Total revenues, net	3,545	1,658	1,176	908	-	-	4,721	2,566
Cost of goods sold								
Product	788	491	35	28	-	-	823	519
Commercial collaborations	179	353	15	57	-	-	194	410
Contracts and grants	1,392	279	795	8	-	-	2,187	287
Warranty and inventory reserve	253	68	-	-	-	-	253	68
Total cost of goods sold	2,612	1,191	845	93	-	-	3,457	1,284
Gross profit	933	467	331	815	-	-	1,264	1,282
Operating expenses								
Research and development	3,922	5,297	66	119	$ 2,830	$ 2,841	6,818	8,257
Sales and marketing	-	-	-	-	3,274	2,015	3,274	2,015
General and administrative	352	125	97	77	5,739	5,912	6,188	6,114
Depreciation and amortization	1,021	994	197	962	227	137	1,445	2,093
Total operating expenses	5,295	6,416	360	1,158	12,070	10,905	17,725	18,479
Loss from operations	(4,362)	(5,949)	(29)	(343)	(12,070)	(10,905)	(16,461)	(17,197)
Other (expense) income								
Interest expense	(1)	(4)	-	-	(12)	(88)	(13)	(92)
Interest income	-	-	-	-	79	157	79	157
Realized gain (loss) on investment	-	-	-	868	-	(18)	-	850
Loss on foreign exchange	-	-	-	-	(2)	(2)	(2)	(2)
Total other (expense) income, net	(1)	(4)	-	868	65	49	64	913

(Loss) income from continuing operations	(4,363)	(5,953)	(29)	525	(12,005)	(10,856)	(16,397)	(16,284)
Gain from discontinued operations	-	-	-	-	124	-	124	-
Net (loss) gain	(4,363)	(5,953)	(29)	525	(11,881)	(10,856)	(16,273)	(16,284)
Less: Net loss attributable to non-controlling interest	-	-	-	189	-	-	-	189
Net (loss) gain attributable to Altair Nanotechnologies, Inc.	$ (4,363)	$ (5,953)	$ (29)	$ 714	$ (11,881)	$ (10,856)	$ (16,273)	$ (16,095)
Amounts attributable to Altair Nanotechnologies, Inc. shareholders:								
Loss from continuing operations	$ (4,363)	$ (5,953)	$ (29)	$ 714	$ (12,005)	$ (10,856)	$ (16,397)	$ (16,095)
Gain from discontinued operations	-	-	-	-	124	-	124	-
Net loss	$ (4,363)	$ (5,953)	$ (29)	$ 714	$ (11,881)	$ (10,856)	$ (16,273)	$ (16,095)

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Revenues

Total revenues for the nine months ended September 30, 2010 were $4.7 million compared to $2.6 million for the same period of 2009.

Power and Energy Group revenue for the nine months ended September 30, 2010 was $3.5 million compared to $1.7 million in the same period of 2009. This increase is primarily attributable to ONR Phase II contract revenue of $2.1 million during 2010 versus $378,000 of revenue during the first nine months of 2009. Commercial collaborations revenue decrease of $574,000 was from one-time contracts with BAE Systems USA of $482,000 and BAE Systems UK of $263,000 during 2009 compared to $283,000 of battery modules sold to Proterra Corporation during 2010 under a collaborative agreement.

All Other operations revenue for the nine months ended September 30, 2010 was $1.2 million compared to $908,000 in the same period of 2009. This increase is due primarily to $1 million of revenue from our US Army Nanosensor contract during 2010 compared to license fees from Spectrum of $750,000 in 2009.

Cost of Goods Sold

Cost of goods sold associated with warranty and inventory reserves of $253,000 for the nine months ended September 30, 2010 compared to $68,000 for the same period of 2009 is comprised of $64,000 in customer warranty reserve increases to match our increased product revenues, scrap expense of $149,000 for obsolete 3.5 Ahr cells and defective 50 Ahr cells and an increase to our overall inventory reserve of $40,000. The $68,000 spent during 2009 included $62,000 of scrapped battery modules.

Power and Energy Group contracts and grants COGS of $1.4 million during the nine months ended September 30, 2010 is related to fulfillment of our contract with the Office of Naval Research (ONR) for battery safety testing versus $279,000 in 2009. This increase in cost of goods sold is consistent with the increased revenue associated with the ONR contract.

All other contracts and grants COGS related to our U.S. Army Nanosensor grant.

Operating Expenses

Total research and development operating expenses declined $1.5 million, from $8.3 million for the nine months ended September 30, 2009 to $6.8 million for the nine months ended September 30, 2010, due to more focused R&D revenue-generating projects in 2010 over 2009. The research and development expenses related to our commercial collaborations and contracts and grants revenue projects are included in cost of goods sold and totaled $2.4 million during 2010.

The Corporate segment research and development expenses primarily reflect the personnel and operating expenses associated with our science and technology group which supports the Company’s overall research and development efforts.

Depreciation expense is down $648,000, from $2.1 million for the nine months ended September 30, 2009 to $1.5 million for the nine months ended September 30, 2010, due primarily to the write down of most of the capital assets in the AlSher Titania subsidiary as of December 31, 2009 and the subsequent sale of these capital assets to Sherwin Williams on April 30, 2010.

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Net Loss

The net loss attributable to Altair Nanotechnologies, Inc. for the nine months ended September 30, 2010 totaled $16.3 million ($0.15 per share) compared to a net loss of $16.1 million ($0.16 per share) in the same period of 2009. These decreased losses reflect additional revenues from our ONR II contract and cost-containment in areas of the business that will not harm our revenue-generation capabilities in the future.

Power and Energy Group net loss for the nine months ended September 30, 2010 totaled $4.4 million compared to $6.0 million in the same period of 2009. These reduced losses were primarily due to the $1.7 million of increased revenues, 2010 over 2009, generated from our contract with the Office of Naval Research (ONR II) and $.5 million increase in revenue from battery modules sold to Proterra.

The net loss of All Other operations for the nine months ended September 30, 2010 was $29,000 compared to net income of $714,000 in the same period of 2009. This decline is primarily attributable to license fees of $750,000 in 2009 combined with a realized gain on the sale of Spectrum stock of $868,000 in 2009, offset by Army nanosensor grant revenue of $1 million in 2010.

Years Ended December 31, 2009, 2008, and 2007

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in thousands of United States Dollars)
(Unaudited)

	Power and Energy Group Year Ended December 31,			All Other Year Ended December 31,			Corporate Year Ended December 31,			Consolidated Year Ended December 31,		
	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007
Revenues												
Product sales	$636	$428	$3,938	$309	$329	$120	$-	$-	$-	$945	$757	$4,058
Less: sales returns	(113)	-	-	(71)	-	-	-	-	-	(184)	-	-
License fees	-	-	-	750	-	-	-	-	-	750	-	-
Commercial collaborations	1,405	917	536	5	1,090	2,374	-	-	-	1,410	2,007	2,910
Contracts and grants	1,321	2,730	808	129	232	1,332	-	-	-	1,450	2,962	2,140
Total revenues	3,249	4,075	5,282	1,122	1,651	3,826	-	-	-	4,371	5,726	8,108
Operating Expenses												
Cost of sales - product	915	105	5,126	39	78	38	-	-	-	954	183	5,164
Cost of sales – warranty and inventory reserves	198	(2,865)	6,843	-	-	-	-	-	-	198	(2,865)	6,843
Research and development												