

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

In re Altair Nanotechnologies Shareholder  
Derivative Litigation

CASE NO.: 14-CV-09418-AT

**NOTICE OF PROPOSED SETTLEMENT OF  
ALTAIR NANOTECHNOLOGIES, INC. SHAREHOLDER DERIVATIVE LITIGATION**

**TO: ALL PERSONS WHO OWNED ALTAIR NANOTECHNOLOGIES, INC.  
COMMON STOCK ON JULY 22, 2016 (“ALTAIR SHAREHOLDERS”).**

**PLEASE READ THIS NOTICE CAREFULLY.**

**THIS IS NOT A SOLICITATION.**

This notice (the “Notice”) advises you of the proposed settlement (the “Settlement”) of derivative claims brought on behalf of Altair Nanotechnologies, Inc. (“Altair” or the “Company”) against certain of the Company’s current and former directors and officers in the above-captioned action (the “Action”). The Plaintiffs and Settling Defendants to the Action have entered into a Stipulation of Settlement (the “Stipulation”), which is subject to Court approval. As detailed below, the parties believe that the proposed Settlement provides substantial benefits to the Company, and is in the best interests of the Company and its shareholders. If the Settlement is approved by the Court, all Released Claims against all of the Released Persons (as those terms are defined in the Stipulation and described in this Notice) will be fully, finally, and forever released, and will be dismissed with prejudice. Unless otherwise defined herein, all capitalized terms are as defined in the Stipulation.

A hearing (the “Settlement Hearing”) is scheduled to be held on January 9, 2017, at 3:00 p.m. before the Honorable Analisa Torres in Room 15D of the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, Courtroom 15D, 500 Pearl Street, New York, New York 10007, for the purposes of determining, among other issues, whether to: (i) approve the Settlement as fair, reasonable, adequate, and in the best interests of Altair and Altair Shareholders; (ii) dismiss the Derivative Action (as defined below) with prejudice and extinguish and release any and all Released Claims as against the Released Persons; (iii) approve the Fee and Expense Amount to Plaintiffs’ Counsel; (iv) approve the Incentive Amount to Plaintiffs; and (v) consider such other matters as may properly come before the Court. This Notice summarizes the nature of the Action, the terms of the proposed Settlement, and your rights in connection with the Settlement and the Settlement

Hearing. Nothing in this Notice constitutes a finding or view of the Court regarding the merits of the claims or defenses asserted by any party, the merits of the Settlement, or any other matter.

**YOU SHOULD READ THE NOTICE CAREFULLY BECAUSE YOUR LEGAL RIGHTS MAY BE AFFECTED.**

**What is the Action About?**

The Action<sup>1</sup> includes shareholder derivative claims asserted in *Cavaliere v. Zhan, et al.*, Case No. 1:14-cv-09418, U.S.D.C. S.D.N.Y. and *Rauenbuehler v. Lee, et al.*, Case No. 1:14-cv-09958, U.S.D.C. S.D.N.Y. (together, the “Action”)<sup>2</sup> by Plaintiffs, on behalf of themselves and derivatively on behalf of nominal defendant Altair. The Action seeks recovery on behalf of Altair based on claims that the Individual Defendants allegedly: (i) breached their fiduciary duty to exercise reasonable and prudent supervision over the management, policies, practices, and controls of the Company; (ii) issued false and misleading statements; (iii) wasted corporate assets; (iv) grossly mismanaged the Company; and (v) were unjustly enriched.

Specifically, Plaintiffs allege that: (i) the Individual Defendants breached their fiduciary duties by failing to implement adequate internal procedures and controls to ensure timely filings with its financial reporting requirements, to appropriately evaluate routine and non-routine transactions, to ensure timely and accurate communication with the Company’s subsidiaries in China and to ensure the completeness and accuracy of the Company’s consolidated financial statements and related subsequent events; (ii) the Individual Defendants reviewed and allegedly approved false and/or misleading statements in Altair’s public filings with the Securities and Exchange Commission (the “SEC”) and press releases; (iii) the Individual Defendants “wasted” Altair’s assets by causing the Company to incur significant potential liability for legal costs, penalties, fines and/or legal fees in connection with the defense of the Individual Defendants’ unlawful course of conduct; (iv) the Individual Defendants were unjustly enriched through their wrongful acts and omissions; and (v) the Individual Defendants grossly mismanaged the Company by failing to prudently manage the assets and business of Altair in a manner consistent with the operations of a publicly held corporation.

The Individual Defendants have denied and continue to deny each and every one of the claims and contentions alleged in the Action and contend that the claims asserted against them in the Action are without merit. The Company has also denied and continues to deny each and all of the claims in the Action. The Company believes that the Individual Defendants at all relevant times acted in good faith, with due care, and in the best interests of the Company and the Company’s shareholders.

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<sup>1</sup> A derivative claim is a claim brought by a shareholder on behalf of a company, rather than on behalf of himself or herself or the other shareholders of the company. The recovery sought in a derivative action is for the benefit of the company rather than directly for individual shareholders.

<sup>2</sup> On May 15, 2015, the Court consolidated the shareholder derivative actions.

## **What are the Terms of the Proposed Settlement?**

The Company has agreed to implement certain corporate governance reforms intended to strengthen and improve the Company's internal controls and compliance functions. For a comprehensive description of the terms of the proposed Settlement, please refer to the company's Form 8-K filed with the SEC, the Stipulation (and Addendum thereto) available on Altair's website at [www.altairnano.com](http://www.altairnano.com). As set forth in more detail in the Stipulation, the Parties acknowledge and agree that the Action filed by Plaintiffs, and the negotiations leading to this Settlement were a substantial factor in the decisions by the Company to adopt, implement, enhance and/or maintain the corporate governance provisions, and that the Settlement provides a substantial benefit to the Company, including through enhancing the potential prevention and detection by Altair of potential violations of the law and Company policy. The terms of the proposed Settlement appear below.

### **I. MANDATORY ATTENDANCE OF DIRECTORS AT ANNUAL SHAREHOLDER MEETINGS**

Absent extraordinary circumstances, each member of the Board *shall* attend each annual shareholder meeting in person, by video conference or telephonically. During, or immediately before or after, the annual shareholder meeting, shareholders shall have the right to ask questions, both orally and in writing, and receive answers and discussion where appropriate from the CEO and members of the Board.

### **II. LIMITED DIRECTOR ENGAGEMENTS OUTSIDE OF ALTAIR**

Altair shall add to the charter, bylaw or mandate governing the Board a requirement that directors seek approval from the Board in advance of accepting an invitation to serve on the board of another public company. Altair shall revise its Nominations and Governance Charter to include the following provision:

A director sitting on the Audit Committee shall not serve on the audit committees of more than two (2) other public companies' boards of directors (other than affiliates of such other public companies). All other directors shall not serve on more than three other public companies' boards of directors (other than affiliates of such other public companies).

### **III. DIRECTOR EDUCATION**

A. Altair shall add to the charter, bylaw or mandate governing the Board a requirement that each member of the Board annually attend twelve (12) hours of continuing education programs (which may be by any reasonable means, including in-person, from a recording, online or using other digital means) designed for directors of publicly-traded companies. Such training may include any topics relevant to their roles as directors, including topics such as compliance with U.S. Generally Accepted Accounting Principles, the Sarbanes Oxley Act, corporate governance, assessment of risk, compliance auditing, reporting

requirements for publicly-traded corporations and the differences between United States and Chinese filing requirements, as well as the Company's policies and Code of Ethics.

B. As part of the foregoing training, as long as a substantial portion of the Company's operations are in China, said charter, bylaw or mandate shall require each director to annually attend at least one training session or director education program that is tailored toward conducting business in China, unless such a program is not reasonably available or attendance at such a training session would place an undue burden on the director (in terms of travel, expense, etc.).

#### **IV. COMMITTEE CHAIRS**

Altair shall add to the charter, bylaw or mandate governing the Board a requirement to the effect that no individual member of the Board shall be the chairman of more than one committee.

#### **V. AUDIT COMMITTEE**

Altair's Audit Committee Charter shall be amended to reflect each of the following requirements:

A. A majority of the Audit Committee members must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities or prior service on another company's audit committee.

B. The Chief Executive Officer and Chief Financial Officer, under the oversight of the Audit Committee will, within six months of the approval of Settlement present to the full Altair Board for its review and approval a list of policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on its financial statements.

C. The Audit Committee shall meet at least four times a year, with the authority to convene additional meetings as circumstances require. All Audit Committee members are expected to attend each meeting, in person or via videoconference or teleconference. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

D. The Audit Committee will, annually, formally review Altair's policies related to its methods and the adequacy of its internal controls relating to its financial reporting and risk program with the Company's management and an independent consultant. This review will take into account whether the Company should make any changes to its internal controls related to its financial reporting or risk program.

E. The Audit Committee shall assist the Board in fulfilling its corporate governance oversight responsibilities with regard to the identification, evaluation and mitigation of strategic, operational and external risks. The Audit Committee shall also report to the Compensation Committee on an annual basis regarding the CEO's and Chief Financial Officer's ("CFO") contribution to Altair's culture of ethics and compliance and their effectiveness and dedication to ensuring Altair's compliance with applicable laws, rules, and regulations.

F. The Audit Committee shall conduct an annual review of the effectiveness of Altair's ethics program.

G. The Audit Committee shall have the authority to retain separate and independent advisors or counsel to aid in fulfilling its responsibilities under its charter, which shall be at Altair's expense.

## **VI. INTERNAL CONTROLS AND COMPLIANCE FUNCTIONS**

If recommended by the Audit Committee, the Altair Board shall retain an independent consulting service to conduct an annual analysis regarding appropriate steps Altair could take to test and then strengthen the internal audit and control function with respect to compliance with laws and regulations by taking the following actions:

A. Identify necessary resources needed to effectively manage internal knowledge of existing laws and regulations;

B. Assess risks of non-compliance with laws and regulations, incorporating such risk assessments into internal audit procedures;

C. Implement technology to improve auditing techniques with respect to compliance issues.

The consultant shall report recommended changes to the Audit Committee on an annual basis.

## **VII. BOARD OVERSIGHT OF STOCK REPURCHASES**

A. Before authorizing any program to repurchase Altair stock, the Board shall evaluate management's recommendation and determine independently whether such a repurchase program is in the best interests of the Altair. The primary evaluation shall be conducted by the Audit Committee, which shall prepare a written recommendation to the whole Board. The Audit Committee's recommendation and the Board's decision must include determinations as to whether:

1. The proposed repurchases would be the best use of Altair cash and serve the best interests of Altair and its shareholders;
2. The proposed repurchases constitute appropriate management of Altair's capital and shareholder equity;
3. The proposed repurchases are not intended for improper purposes, such as short-term manipulation of Altair's stock price;
4. The repurchases will not, standing alone or when combined with material loss contingencies, have a material negative impact on Altair's liquidity or capital structure; and
5. Altair's financial statements and other public disclosures do not misstate or omit material facts necessary to ensure that the range of market prices at which the repurchases are anticipated to take place are not artificially inflated.

B. The Audit Committee and the Board shall consider the opinions of independent financial analysts and legal counsel to the extent necessary to make a reasonably informed decision with respect to stock repurchases.

C. Following authorization of a stock repurchase program, the Board shall review and evaluate the program quarterly to confirm its assessment that the repurchase of shares at prevailing market prices is the an appropriate use of Altair cash and appropriately manages Altair capital. The Board shall consider whether significant developments, such as in Altair's actual or expected operational performance, business strategy, relevant markets, risk profile, liquidity, capital structure, stock price, or material undisclosed information require a re-evaluation or termination of the stock repurchase program.

### **VIII. INSIDER TRADING POLICY**

Altair shall enact an Insider Trading Policy that:

- A. Prohibits transactions in Altair securities by Altair directors, officers, and other employees designated in writing by a member of senior management or members of the preceding individuals' immediate families or households ("Insider(s)") when such individuals possess material nonpublic information concerning Altair or its affiliates;
- B. Prohibits Insiders from disclosing material nonpublic information about Altair or its affiliates to any other person where such information may be used by such person to his or her profit by trading in the securities of companies to which such information relates;
- C. Establishes a reasonable and customary trading window when Insiders may effectuate transactions in Altair securities and permits the imposition of special black-out periods during which certain persons are prohibited from effectuating such transactions even though the trading window would otherwise be open;

D. Requires pre-clearance of any transactions in Altair securities by executive officers or directors, even during the trading window;

E. Exempts transactions in Altair securities that were effectuated pursuant to 10b5-1 trading plans from the Insider Trading Policy; and

F. Subjects employees who violate the Insider Trading Policy to disciplinary action by Altair.

#### **IX. WHISTLEBLOWER PROGRAM**

Altair shall enact as necessary the following additional whistleblower mechanisms:

A. The provisions of the Code of Ethics shall make clear that the whistleblowing provisions are designed to report any potential or suspected violation of any federal or state law (in any form including accounting violations, insider trading, etc.), and not simply to report violations of internal Altair policies.

B. The Code of Ethics shall be revised in order to encourage the whistleblower to reveal their identity to permit a more efficient and timely resolution of the matter. The current representations in the Code of Ethics concerning protection from retaliation shall be repeated in the modified policy.

C. All complaints reported internally or through any independent service provider retained by Altair for this purpose shall be promptly reported to the Company Compliance Director appointed pursuant to the Company's Whistleblower Policy. The Company Compliance Director shall promptly investigate each whistleblower complaint. In addition, each complaint shall be provided by the Company Compliance Director to the Audit Committee.

D. A log of such complaints, as well as the results of all investigations of complaints, shall be memorialized in writing and maintained by the Company Compliance Director for a period of not less than two (2) years. Altair shall require its outside auditor to review the log and investigation results in connection with each fiscal quarter review and each annual audit.

E. Where the whistleblower has identified him/herself in the complaint, the Company Compliance Director shall notify the whistleblower when the investigation or evaluation of the complaint is complete and the results thereof.

F. All contact information and directions for the Whistleblower Hotline shall be posted by Altair on its website and at each of its offices, to be available not only to employees but also to customers, vendors and other third parties.

#### **Information about the Settlement:**

##### **A. What are the Reasons for the Settlement?**

Plaintiffs believe that the Settlement, as set forth in the Stipulation, confers substantial benefits upon Altair and its shareholders. Plaintiffs believe that the relief achieved under the Settlement

will strengthen and improve Altair's existing internal controls and compliance functions, assisting the Company in the potential prevention and detection of potential violations of the law and Company policy.

In recommending settlement at this time under the terms and conditions set forth in the Stipulation, Plaintiffs' Counsel have weighed the risks of further litigation against the substantial benefits that counsel were able to obtain for Altair and its shareholders pursuant to the Settlement.

**B. What Attorneys' Fees and Expenses and Incentive Amounts Will Be Paid?**

An additional term of the Settlement is the parties' agreement that Plaintiffs' Counsel will seek an award of attorneys' fees not to exceed \$150,000 (the "Fee and Expense Amount"), which shall include all attorneys' fees and costs that may be due any counsel (or anyone else) who has asserted, or participated in the assertion of, derivative claims on behalf of Altair in any court. Any award of fees and expenses will be paid by the Company (or its insurer on its behalf). Plaintiffs' Counsel have been retained by their clients on a contingent fee basis and, thus, to date Plaintiffs' Counsel have not been paid for their legal services or reimbursed for the expenses they have incurred in connection with the litigation of the Action.

The Fee and Expense Amount for which Plaintiffs' Counsel will seek Court approval was the subject of arm's-length negotiations among Plaintiffs and Settling Defendants and these negotiations were conducted only after the principal terms of the proposed Settlement were agreed upon. The Company and its counsel had a detailed understanding of the Action and the intensive negotiation process, the nature and extent of Plaintiffs' Counsel's work throughout the litigation, and were able to call upon this knowledge in arriving at an agreed upon amount which all of the parties could support as fully reflective of the services of Plaintiffs' Counsel rendered to Altair. The Company has agreed to the Fee and Expense Amount of Plaintiffs' Counsel described above.

Further, Plaintiffs will seek Court approval of an incentive payment of up to \$1,500 each for their participation and efforts in the Action. This Incentive Amount shall be paid from the attorneys' fees and expenses awarded by the Court.

**C. What Will Happen at the Settlement Hearing?**

The Court has scheduled a Settlement Hearing for 1/9/17, at 3:00 p.m. At or following the hearing, the Court will determine whether the Settlement is fair, reasonable, and adequate, and determine whether to enter a final order approving the Settlement. The Court will also consider the matter of attorneys' fees and reimbursement of expenses to Plaintiffs' Counsel and any incentive awards to Plaintiffs. The Court will also hear any objection any Altair shareholder may raise to any aspect of the Settlement at the hearing. Pending final determination of whether the Settlement should be approved, the Parties and all Altair Shareholders as of [to be inserted – date of Stipulation] are each barred and enjoined from instituting or prosecuting any action that asserts any of the Released Claims against any Released Persons.

**YOU ARE NOT REQUIRED TO PARTICIPATE IN OR ATTEND THE SETTLEMENT HEARING, BUT MAY DO SO IF YOU WISH.** If you are a current Altair Shareholder and you wish to express an objection to any portion of the Settlement, you must send a signed letter or other signed written submission with proof of your current ownership of Altair common stock, stating that you object to the Settlement of the Action in *In re Altair Nanotechnologies Shareholder Derivative Litigation*, Case No. 1:14-cv-09418 (AT). You must include your name, address, telephone number, how many Altair shares you currently own, the date(s) on which you acquired those shares, the most recently available brokerage statement evidencing such ownership, a detailed description of your specific objections relating to the Settlement before the Court, all the grounds for your objections, whether you intend to attend the hearing, and any documents you wish the Court to consider. Mail the objection and any supporting papers to the Court and each of the attorneys listed at the addresses provided below postmarked no later than 12/5/16. **YOUR OBJECTION MUST BE IN WRITING AND POSTMARKED BY THIS DATE TO BE CONSIDERED.** If your objection is not sent in a timely manner, the Court may deem it waived and may not consider it.

<b>Court</b>	<b>Plaintiffs' Counsel</b>	<b>Plaintiffs' Counsel</b>	<b>Counsel for Settling Individual</b>
Clerk of the Court of the United States District Court for the Southern District of New York Daniel Patrick Moynihan United States Courthouse 500 Pearl Street New York, NY 10007	Stuart J. Guber Faruqi & Faruqi, LLP 101 Greenwood Ave, Suite 600 Jenkintown, PA 19046 Tele: (215) 277-5770 Fax: (215) 277-5771	Joshua M. Lifshitz Lifshitz & Miller 821 Franklin Avenue Suite 209 Garden City, NY 11530 Tele: (516) 493-9780 Fax: (516) 280-7376	Jonathan Rotenberg Katten Muchin Rosenman LLP 575 Madison Avenue New York, NY 10022

The Court will consider your written objection whether or not you choose to attend the Settlement Hearing. You may also choose to retain your own lawyer at your own expense to represent you with respect to any objections you may have. If you or your lawyer would like to speak at the Settlement Hearing, in addition to your objection, described above, you must send a letter to the Clerk of the Court, Plaintiffs' Counsel, and Defense Counsel, at the addresses provided above, stating that you intend to appear and speak at the Settlement Hearing. The letter must include the names of any witnesses you may call to testify and must identify any documents you intend to introduce into evidence at the Settlement Hearing. Your letter must be postmarked no later than 12/5/16. The date of the Settlement Hearing is subject to change without further published notice to Altair Shareholders. If you or your lawyer intends to attend the Settlement Hearing, you should confirm the date and time with Plaintiffs' Counsel.

**D. What is the Effect of the Court's Approval of the Settlement?**

The full terms of the dismissal of Released Claims are set forth in the Stipulation. The following is only a summary. Upon the Effective Date, all Released Claims against the Released Persons (who include: (i) all Individual Defendants and their Related Persons, (ii) Altair and its

subsidiaries and Affiliates; and (iii) Plaintiffs on behalf of themselves and the Company), will fully, finally, and forever be released from all claims or demands relating to or arising out of, or in connection with the institution, prosecution, assertion, settlement, or resolution of the Action and/or the Released Claims.

“Released Claims” means any and all claims (including Unknown Claims, as defined in ¶ 1.20 of the Stipulation), demands, rights, actions, causes of action, liabilities, damages, losses, or obligations belonging to Plaintiffs or the Company (whether asserted by the Company or any Altair shareholder or any other person derivatively on behalf of the Company), whether known or unknown, contingent or absolute, suspected or unsuspected, disclosed or undisclosed, hidden or concealed, matured or unmatured, that have been or could have been, asserted in this Action or in any court, tribunal or proceeding (including, but not limited to, any claims arising under federal or state law relating to alleged fraud, breach of any duty, negligence, violations of the federal or state securities laws, or otherwise) whether legal, equitable, or any other type in any other capacity against the Released Persons which have arisen, could have arisen, arise now, or hereafter arise out of, or relate in any manner to, the allegations, facts, events, transactions, acts, occurrences, statements, representations, misrepresentations, omissions, or any series thereof, embraced, involved, set forth, or otherwise related, directly or indirectly, to the facts alleged in any and all complaints filed in this Action and any filings or statements (including, but not limited to, public statements) by any of the Released Persons in connection with the allegations in this Action; *provided, however*, that “Released Claims” shall not be construed to limit or release (i) any claims to enforce the terms of this Stipulation; or (ii) any claims by Altair or any of its present or former directors, officers, or employees (or any other person or entity who is covered by the relevant insurance policies) against the current or former insurers of Altair. It is the intent of the Parties that no action may hereafter be brought by the Company or prosecuted derivatively on behalf of the Company which arises from or relates to the subject matter of the Action, and the Judgment entered in the Action will accordingly bar all Released Claims from being asserted against the Released Persons by the Company, by any current or former Altair shareholder, or any other person on the Company’s behalf.

By operation of the Judgment, the Released Persons shall have waived any and all provisions, rights, and benefits conferred by California Civil Code § 1542 and by any law of any state or territory in the United States, principle of common law, or foreign law, which is similar, comparable, or equivalent to California Civil Code § 1542 which provides that: “A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.”

#### **E. How Do You Get More Information about the Action and the Settlement?**

This Notice summarizes the Settlement. The Stipulation sets forth the complete terms of the Settlement. In addition, Plaintiffs’ Counsel will file with the Court papers in support of final approval of the Settlement and an award of attorneys’ fees no later than 11/20/16. You can view these documents, as well as other relevant documents, filed in connection with the Settlement of the Action, by inspecting the papers filed in the Action at the Office of the Clerk of Court, United States District Court for the Southern District of New York, Daniel Patrick

Moynihan United States Courthouse, 500 Pearl Street, New York, NY 10007, during normal business hours, or by requesting a copy of the relevant documents from Plaintiffs' Counsel (at the addresses provided above). You can also view the Stipulation (and Addendum thereto), pertaining to the Settlement on Altair's website at [www.altairnano.com](http://www.altairnano.com). If you have any questions about the Settlement, you may contact Plaintiffs' Counsel listed above.

**PLEASE DO NOT CALL THE COURT OR ALTAIR REGARDING THIS NOTICE.**

Date: 8/22/16