

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

14 C. 0328

█ Individually and
On Behalf of All Others Similarly Situated,

Plaintiff,

v.

ALTAIR NANOTECHNOLOGIES, INC.,
ALEXANDER LEE, RICHARD W. LEE,
GUOHUA SUN, JAMES T. ZHAN,
STEPHEN B. HUANG, PAULA CONROY,
and KAREN WARNER,

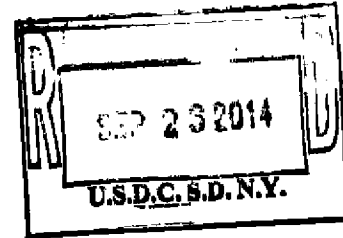
Defendants.

Case No.

CLASS ACTION

JUDGE TORRES

DEMAND FOR JURY TRIAL



COMPLAINT FOR VIOLATION OF THE FEDERAL SECURITIES LAWS

Plaintiff █ (“Plaintiff”), individually and on behalf of all other persons similarly situated, by his undersigned attorneys, for his complaint against defendants, alleges the following based upon personal knowledge as to himself and his own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through his attorneys, which included, among other things, a review of the defendants’ public documents, conference calls and announcements made by defendants, United States Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding Altair Nanotechnologies, Inc., (“Altair” or the “Company”), analysts’ reports and advisories about the Company, and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a federal securities class action on behalf of a class consisting of all persons other than Defendants (defined below) who purchased or otherwise acquired Altair securities traded on the NASDAQ Capital Market (“NASDAQ”) between May 15, 2013 and September 4, 2014, both dates inclusive (the “Class Period”). Plaintiff seeks to recover damages caused by Defendants’ violations of the federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder, against the Company and certain of its top officials.

2. Altair designs, manufactures and delivers energy storage systems for clean, efficient power and energy management. The Company purports to offer commercial solutions enabling the modernization of the electricity grid, utility-scale renewable power integration and applications supporting remote uninterruptible power supply requirements, military and transportation.

3. Altair is a Canadian corporation, with its principal assets and operations in the United States. Altair currently has one wholly owned subsidiary, Altair US Holdings, Inc., a Nevada corporation. Altair US Holdings, Inc. directly or indirectly wholly owns Altairmano, Inc., a Nevada corporation. Altairmano, Inc. directly wholly owns Altair Nanotechnologies (China) Co., Ltd., a Wholly Foreign Owned Enterprise (“WFOE”) in China (“Altair China”) and Altair China directly wholly owns Northern Altair Nanotechnologies Co., Ltd., a domestic company in China (“Northern Altair”).

4. In 2012, the Company focused on the launch of operations in China. According to regulatory filings, the Company expects that over time a meaningful portion of sales, and eventually key portions of manufacturing, will originate from China. For this purpose, the Company formed Altair China, in China, which in turn formed a wholly owned subsidiary,

Northern Altair, which would serve as the prospective manufacturing entity. Altair pursued an economic development deal in China, and in April 2012, it entered into an agreement with the cities of Wu'an and Handan, which are both located in Hebei Province in China. In 2013, the Company determined to significantly expand its operations in China and, as a result, by the end of 2013, the Company had become an entity operating primarily in China.

5. Throughout the Class Period, Defendants made materially false and misleading statements regarding the Company's business, operational and compliance policies, and internal controls over financial reporting. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) the Company was experiencing significant executive management and accounting level turnover in 2013 which led to a lack of segregation of duties throughout the Company and resulted in a lack of controls to perform a timely review of transactions at an appropriate level of precision; (2) the Company did not implement adequate procedures and controls over the 2013 year-end financial close and reporting process to ensure timely filings in compliance with its financial reporting requirements; (3) the Company did not implement adequate procedures and controls to appropriately evaluate routine and non-routine transactions, and as a result, did not detect the material misstatements that were identified by its auditor during its audit process; (4) the Company did not implement adequate procedures and controls to ensure accurate and timely communication with its subsidiaries in China; and as a result of the foregoing, (5) the Company did not implement adequate procedures and controls to ensure the completeness and accuracy of its consolidated financial statements and related subsequent events.

6. On September 4, 2014, the Company filed a Form 8-K with the SEC announcing that on August 28, 2014, Crowe Horwath LLP (“Crowe”), the independent registered public accounting firm of Altair, resigned as the Company’s independent registered public accounting firm. According to the Form 8-K, Crowe’s resignation letter to the Company’s management and the Audit Committee of the Company’s Board of Directors advised the Company that it was resigning due to its inability to complete the audit of the Company’s financial statements for the year ended 2013 in part due its inability to perform sufficient procedures to determine the completeness of reporting of subsequent events transactions that may have occurred in China. Moreover, Crowe indicated that it was resigning in part due to the Company’s material weakness relative to implementing controls and procedures to ensure accurate and timely communications between the Company’s subsidiaries in China and its U.S.-based accounting team.

7. Immediately prior to its resignation, Crowe sent a letter to management and the Audit Committee of the Company’s Board of Directors identifying the several material weaknesses, which the Company had not corrected. According to the September 4, 2014 Form 8-K, the letter to management and the Audit Committee of the Company’s Board of Directors identified the following material weaknesses:

- The Company experienced significant executive management and accounting level turnover in 2013 which led to a lack of segregation of duties throughout the Company and resulted in a lack of controls to perform a timely review of transactions at an appropriate level of precision;
- The Company did not implement adequate procedures and controls over the 2013 year-end financial close and reporting process to ensure timely filings in compliance with its financial reporting requirements;
- The Company did not implement adequate procedures and controls to appropriately evaluate routine and non-routine transactions, and as a result, did not detect the material misstatements that were identified by Crowe during its audit process;

- The Company did not implement adequate procedures and controls to ensure accurate and timely communication with its subsidiaries in China, and as a result, led to material misstatements that were identified by Crowe during its audit process;
- The Company did not implement adequate procedures and controls to ensure the completeness and accuracy of its consolidated financial statements and related subsequent events.

8. As a result of this disclosure, NASDAQ halted Altair's shares during the trading day on September 4, 2014 at \$4.30 per share.

9. Shares of Altair resumed trading on September 24, 2014, and as a result of this news, immediately fell \$3.35 per share, a drop of nearly 78% from the halted price of \$4.30 on September 4, 2014, to close at \$0.95 on September 24, 2014.

10. Overall, in response to the disclosures during the Class Period, the Company's stock plummeted an aggregate 88%, from a closing of \$7.99 on October 14, 2013 to a closing price of \$0.95 on September 24, 2014.

11. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

JURISDICTION AND VENUE

12. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and §78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. §240.10b-5).

13. This Court has jurisdiction over the subject matter of this action under 28 U.S.C. §1331 and §27 of the Exchange Act.

14. Venue is proper in this District pursuant to §27 of the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. §1391(b) as a significant portion of the Defendants' actions, and the subsequent damages, took place within this District.

15. In connection with the acts, conduct and other wrongs alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mail, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

16. Plaintiff, as set forth in the accompanying Certification, which is incorporated by reference herein, acquired Altair securities at artificially inflated prices during the Class Period and was damaged upon the revelation of the alleged corrective disclosures.

17. Defendant Altair develops, manufactures and sells nano lithium titanate batteries and energy storage systems. Altair shares of common stock are traded on the NASDAQ under the symbol "ALTI."

18. Defendant Alexander Lee ("A. Lee") served as the Chief Executive Officer ("CEO") for the Company until his resignation as CEO on August 26, 2013.

19. Defendant Richard W. Lee ("R. Lee") served as the CEO for the Company from his appointment on August 26, 2013 until his resignation as CEO on February 21, 2014.

20. Defendant Guohua Sun ("Sun") served as the Interim CEO for the Company from his appointment on March 18, 2014 until his resignation as Interim CEO on August 13, 2014.

21. Defendant James T. Zhan ("Zhan") served as the CEO for the Company from his appointment on August 15, 2014 through the end of the Class Period.

22. Defendant Stephen B. Huang ("Huang") served as the Chief Financial Officer ("CFO") for the Company until his resignation as CFO on September 26, 2013.

23. Defendant Paula Conroy (“Conroy”) served as the CFO for the Company from her appointment on September 26, 2013 until her resignation as CFO on January 13, 2014.

24. Defendant Karen Warner (“Warner”) served as the Interim CFO for the Company from her appointment on March 18, 2014 through the end of the Class Period.

25. Also on September 26, 2013, each of non-parties Liming (Albert) Zou, Victor Sze and Hong Guo resigned as directors of the Company. Mr. Zou also resigned as President of the Company and from positions with its subsidiaries. On the same date, the Board of Directors of the Company appointed Eqbal Al Yousuf, Yuhong Li, and Guohua (Andy) Wei as directors of the Company. Mr. Al Yousuf and Ms. Li were also appointed to the Audit Committee of the Board of Directors of the Company. Mr. Al Yousuf was appointed pursuant to a covenant with the Company permitting Al Yousuf LLC to nominate a single director, as long as it continues to hold at least 5% of the outstanding common shares of the Company; he replaced Victor Sze, who was the prior appointee.

26. The defendants referenced above in ¶¶ 18 – 24 are sometimes referred to herein as the “Individual Defendants.”

27. Defendant Altair and the Individual Defendants are referred to herein, collectively, as the “Defendants.”

SUBSTANTIVE ALLEGATIONS

Background

28. Altair develops, manufactures and sells nano lithium titanate batteries and energy storage systems. The Company’s nano lithium titanate battery systems purport to offer higher power density, longer cycle life, rapid charge and discharge capabilities, a wider operating temperature range and higher levels of safety than conventional lithium-ion batteries.

29. According to the Company, large cities, counties and transit authorities are increasingly turning to electric and hybrid electric buses to reduce pollution and reliance on diesel fuel for their transportation systems, especially in markets like China where there are significant levels of pollution. As a result, the Company is attempting to establish nano lithium titanate batteries as the power source of choice in these emerging markets. Given the projected growth of electric buses in the Asia Pacific region, the Company views China as one of the largest market opportunities within the transportation segment.

30. In 2012, the Company determined to significantly expand its operations in China and, as a result, by the end of 2013, the Company had become an entity operating primarily in China.

**Materially False and Misleading
Statements Issued During the Period**

31. On May 15, 2013, the first day of the Class Period, the Company issued a press release and filed a Form 8-K with the SEC announcing operating and financial results for the first quarter ended March 31, 2013. Altair reported revenues of \$1.9 million for the first quarter compared to \$0.3 million for the same period in 2012. The gross loss was \$0.3 million due to inventory cost adjustments and the launching of new electric grid products. Operating expenses were \$3.2 million for the first quarter, a \$1.6 million decrease from \$4.8 million for the same period in 2012. Planned reductions were achieved and accounted for the decrease of \$1.6 million in the research and development, sales and marketing, and general and administrative departments.

32. Moreover, defendant A. Lee stated the following in the May 15, 2013 press release pertaining to the Company's operations in China:

“Our goal in 2012 was to advance our commercialization efforts, reduce cost and position the company for growth,” stated Alexander Lee, Altair's Chief Executive Officer. “Thus far in 2013, we can tangibly point to our achievements in each of these areas. We delivered a number of systems to our customers, who are impressed

with our team and our products. We reduced our operating expenses this past quarter by 33% as compared to the same period last year. *Moreover, we achieved this milestone, while we were ramping up our China operations. We have approximately 30 employees in China, and have made significant progress on the construction of our new manufacturing and assembly facilities.* With respect to the critical issue of revenue, we recognized \$1.9 million in revenue this quarter, and now have \$7.1 million in deferred revenue. Lastly, when we add in the revenue that we expect to earn from our current customer base, which includes the Hawaii Natural Energy Institute, Proterra and the City of Wu'an, it quickly becomes clear why 2013 will be a pivotal year for Altair.”

33. On May 15, 2013, the Company filed a Form 10-Q with the SEC which was signed by defendants A. Lee and Huang, and reiterated the Company’s previously announced quarterly financial results and financial position. In addition, the Form 10-Q contained signed certifications pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”) by defendants A. Lee and Huang, stating that the financial information contained in the Form 10-Q was accurate and disclosed any material changes to the Company’s internal control over financial reporting.

34. Moreover, the first quarter Form 10-Q contained the following language pertaining to the Company’s expanding operations in China:

In 2012, we formed Altair Nanotechnologies (China) Co., Ltd. (“Altair China”) and Northern Altair Nanotechnologies Co., Ltd. (“Northern Altair”) in order to aggregate key elements of our supply chain and expand into the Chinese market. We anticipate this expansion will allow us to participate in the fast-growing China market.

35. The Form 10-Q also stated the following regarding the Company’s internal control over financial reporting:

Controls and Procedures

(a) Based on their evaluation as of March 31, 2013, which is the end of the period covered by this Quarterly Report on Form 10-Q, *our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act) are effective*, based upon an evaluation of those controls and procedures required by paragraph (b) of Rule 13a-15 or Rule 15d-15 of the Exchange.

(b) There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

36. On August 8, 2013, the Company issued a press release and filed a Form 8-K announcing results for the second quarter ended June 30, 2013. Altair reported revenues of \$3.2 million for the second quarter compared to \$0.5 million for the same period in 2012. The gross loss was \$0.1 million, due to inventory cost adjustments and the launching of new electric grid products, compared to \$0.6 million for the same period in 2012. Operating expenses were \$3.0 million for the second quarter, a \$1.4 million decrease from \$4.4 million for the same period in 2012. Planned reductions were achieved and accounted for the decrease of \$1.4 million in the research and development and sales and marketing departments. General and administrative costs increased due to the ramp up of the Company's China operations.

37. Moreover, defendant A. Lee stated the following in the August 8, 2013 press release pertaining to the Company's operations in China:

"Sixteen months ago, we put into action our plan to position the company for growth, reduce costs, and drive revenue opportunities," stated Alexander Lee, Altair's Chief Executive Officer. **"We focused heavily on the execution of our deliverables to achieve these goals. *Today, our teams in the U.S. and China act as one, and we are nearing the completion of our new nano lithium titanate and energy storage system plants on 106 acres that we acquired the land use rights for in Wu'an, China.***

"In addition, we have delivered multiple grid-scale systems to leading grid operators that have stated how impressed they are with our product's performance and that we can use as key references. We have reduced our operating expenses by 36% as compared to the quarter immediately preceding my start date back in April 2012, and we hit this target while ramping up our China team from just a few employees to a 78 person team. With respect to revenue, we recognized \$3.2 million in revenue this quarter, which brings our mid-year revenue total to \$5.0 million. We currently have \$5.5 million in deferred revenue, and we are on track to have one of our best years on record. As we noted last quarter, 2013 will truly be a milestone year for Altair."

38. On August 14, 2013, the Company filed a Form 10-Q with the SEC which was signed by defendants A. Lee and Huang, and reiterated the Company's previously announced quarterly financial results and financial position. In addition, the Form 10-Q contained signed SOX certifications by defendants A. Lee and Huang, stating that the financial information contained in the Form 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

39. Moreover, the second quarter Form 10-Q contained the following language pertaining to the Company's expanding operations in China:

In 2012, we formed Altair Nanotechnologies (China) Co., Ltd. ("Altair China") and Northern Altair Nanotechnologies Co., Ltd. ("Northern Altair") in order to aggregate key elements of our supply chain and expand into the Chinese market. We anticipate this expansion will allow us to participate in the fast-growing China market.

40. The Form 10-Q also stated the following regarding the Company's internal control over financial reporting:

Controls and Procedures

(a) Based on their evaluation as of March 31, 2013, which is the end of the period covered by this Quarterly Report on Form 10-Q, *our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act) are effective*, based upon an evaluation of those controls and procedures required by paragraph (b) of Rule 13a-15 or Rule 15d-15 of the Exchange.

(b) There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

41. On November 13, 2013, the Company issued a press release and filed a Form 8-K announcing results for the third quarter ended September 30, 2013. Altair reported revenues of \$1.1 million for the third quarter compared to \$0.4 million for the same period in 2012. The gross

loss was \$0.1 million, due to a decline in warranty and inventory reserves of nearly \$0.2 million, compared to \$0.4 million for the same period in 2012. Operating expenses were \$3.7 million for the third quarter, a \$0.3 million decrease from \$4.0 million for the same period in 2012. Cost cutting goals were achieved with planned reductions in the research and development and sales and marketing departments. General and administrative costs increased due to the ramp up of the Company's China operations.

42. Moreover, defendant R. Lee stated the following in the November 13, 2013 press release pertaining to the Company's operations in China:

"We have taken drastic action to further reduce our costs including consolidating our Accounting and Finance Department into the Anderson location," stated Richard W. Lee, Altair's Chief Executive Officer. "In addition, some of our key research and development staff is devoting a substantial amount of time in our facilities in China in order to speed up the production capabilities in our new facilities. As production ramps up in China, we will realize the cost efficiencies in production that was the primary motivator for moving operations to China. Currently, our team in China has grown to 181 employees with most of the additions to our operations team," said Mr. Lee.

43. On November 19, 2013, the Company filed a Form 10-Q with the SEC which was signed by defendants R. Lee and Conroy, and reiterated the Company's previously announced quarterly financial results and financial position. In addition, the Form 10-Q contained signed SOX certifications by defendants R. Lee and Conroy, stating that the financial information contained in the Form 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

44. Moreover, the third quarter Form 10-Q contained the following language pertaining to the Company's expanding operations in China:

In 2012, we formed Altair Nanotechnologies (China) Co., Ltd. ("Altair China") and Northern Altair Nanotechnologies Co., Ltd. ("Northern Altair") in order to aggregate key elements of our supply chain and expand into the Chinese market.

We anticipate this expansion will allow us to participate in the fast-growing China market.

45. The Form 10-Q also stated the following regarding the Company's internal control over financial reporting:

Controls and Procedures

(a) Based on their evaluation as of March 31, 2013, which is the end of the period covered by this Quarterly Report on Form 10-Q, *our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act) are effective*, based upon an evaluation of those controls and procedures required by paragraph (b) of Rule 13a-15 or Rule 15d-15 of the Exchange.

(b) There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

46. The statements referenced in ¶¶ 31 – 45 above were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company's business, operational and compliance policies, and internal controls over financial reporting, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) the Company was experiencing significant executive management and accounting level turnover in 2013 which led to a lack of segregation of duties throughout the Company and resulted in a lack of controls to perform a timely review of transactions at an appropriate level of precision; (2) the Company did not implement adequate procedures and controls over the 2013 year-end financial close and reporting process to ensure timely filings in compliance with its financial reporting requirements; (3) the Company did not implement adequate procedures and controls to appropriately evaluate routine and non-routine transactions, and as a result, did not detect the

material misstatements that were identified by Crowe during its audit process; (4) the Company did not implement adequate procedures and controls to ensure accurate and timely communication with its subsidiaries in China; and as a result of the foregoing, (5) the Company did not implement adequate procedures and controls to ensure the completeness and accuracy of its consolidated financial statements and related subsequent events.

The Truth Slowly Emerges

47. On January 13, 2014, the Company filed a Form 8-K with the SEC disclosing that the Board of Directors accepted the resignation of Paula Conroy, as CFO of the Company and from positions with its subsidiaries.

48. On January 23, 2014, the Company filed a Form 8-K with the SEC disclosing the following pertaining to the Company's Chinese operations:

On January 19, 2014, Altairnano, Inc. approved plans to consolidate all US manufacturing operations and transition manufacturing to Wu'an, China starting in the second quarter of 2014. We will retain engineering, research and development, sales and marketing, and support capabilities in the US. We are currently in the final planning phases of this initiative and the Company will roll out details to our customers in the near future.

49. The statements in paragraph 48 above were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company's business, operational and compliance policies, and internal controls over financial reporting, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) the Company was experiencing significant executive management and accounting level turnover in 2013 which led to a lack of segregation of duties throughout the Company and resulted in a lack of controls to perform a timely review of transactions at an appropriate level of precision; (2) the Company did not implement adequate procedures and controls over the 2013 year-end financial

The filing deadline for the Annual Report on Form 10-K for the period ended December 31, 2013 (the "Report") for Altair Nanotechnologies Inc. (the "Company") was March 31, 2014. The Company was unable to file the Report within the prescribed time period due to delays in completing the required consolidation under U.S. GAAP. The process of compiling and disseminating the information required to be included in the Report for the relevant periods, as well as the completion of the required review of its financial information, could not be completed without incurring undue hardship and expense.

54. On April 23, 2014, the Company filed Form 8-K with the SEC, noting that "Altair Nanotechnologies Inc. (the "Company") received a letter from The Nasdaq Stock Market ("Nasdaq") indicating that the Company was not in compliance with the audit committee requirements in Nasdaq Marketplace Rule 5605." Among other things, Rule 5605 requires that the Company have an audit committee composed of at least three independent directors. Eqbal Al Yousuf, a member of the Company's audit committee, was appointed to the Board of Directors and the Audit Committee on August 26, 2013 and resigned on March 20, 2014. According to the letter, pursuant to Rule 5605(c)(4), the Company has been provided a cure period in order to regain compliance, which cure period shall survive until the earlier of the Company's next annual shareholders meeting or March 20, 2015.

55. According to the April 23, 2014 Form 8-K, other than directors who are already serving on the audit committee, none of the Company's existing directors satisfy the independence requirements associated with the audit committee.

56. Moreover, the Form 8-K indicated that the Company received a second letter from NASDAQ indicating that the Company was not in compliance with the continuous listing rules due to its failure to file its Annual Report on Form 10-K for the year ended December 31, 2013 (the "Annual Report") on a timely basis. Under the rules, the Company has 60 days to submit a plan to regain compliance and if the plan is accepted, the Company could be granted up to 180 calendar days from the Annual Report's due date, or until October 13, 2014, to regain compliance.

57. On August 19, 2014, the Company issued a press release and filed a Form 8-K with the SEC announcing that on August 18, 2014, Altair received another a letter from NASDAQ indicating that Altair was not in compliance with continuous listing rule 5250(c)(1) due to its failure to timely file its Quarterly Report on Form 10-Q for the quarter ended June 30, 2014. NASDAQ staff had previously granted Altair until July 31, 2014 to file its Annual Report on Form 10-K for the year ended December 31, 2013 and until September 30, 2014 to file its Quarterly Report on Form 10-Q for the period ended March 31, 2014. Altair failed to file the Form 10-K within the extension period, and NASDAQ staff is evaluating an explanation and new timeline submitted by Altair.

58. Moreover, the August 19, 2014 Form 8-K also disclosed that on August 13, 2014, the Company received a letter of resignation from Guo-Hua Sun as the Interim Chief Executive Officer of the Company. The letter indicated that Sun will continue to serve as a director of the Company and as an executive of Zhuhai Yintong Energy Company Ltd. and other entities under common control with the Company's majority shareholder, Energy Storage (China), Ltd. Moreover, the Form 8-K announced that the Board of Directors of the Company appointed James T. Zhan, age 47, as Chief Executive Officer of the Company.

59. Finally, on September 4, 2014, the Company filed a Form 8-K with the SEC announcing that on August 28, 2014, Crowe, the independent registered public accounting firm of Altair, resigned as the Company's independent registered public accounting firm. According to the Form 8-K, Crowe's resignation letter to the Company's management and the Audit Committee of the Company's Board of Directors advised the Company that it was resigning due to its inability to complete the audit of the Company's financial statements for the year ended 2013 in part due its inability to perform sufficient procedures to determine the completeness of reporting of

subsequent events transactions that may have occurred in China. Moreover, Crowe indicated that it was resigning in part due to the Company's material weakness relative to implementing controls and procedures to ensure accurate and timely communications between the Company's subsidiaries in China and its U.S.-based accounting team.

60. Immediately prior to its resignation, Crowe sent a letter to management and the Audit Committee of the Company's Board of Directors identifying the several material weaknesses, which the Company had not corrected. According to the September 4, 2014 Form 8-K, the letter to management and the Audit Committee of the Company's Board of Directors identified the following material weaknesses:

- The Company experienced significant executive management and accounting level turnover in 2013 which led to a lack of segregation of duties throughout the Company and resulted in a lack of controls to perform a timely review of transactions at an appropriate level of precision;
- The Company did not implement adequate procedures and controls over the 2013 year-end financial close and reporting process to ensure timely filings in compliance with its financial reporting requirements;
- The Company did not implement adequate procedures and controls to appropriately evaluate routine and non-routine transactions, and as a result, did not detect the material misstatements that were identified by Crowe during its audit process;
- The Company did not implement adequate procedures and controls to ensure accurate and timely communication with its subsidiaries in China, and as a result, led to material misstatements that were identified by Crowe during its audit process;
- The Company did not implement adequate procedures and controls to ensure the completeness and accuracy of its consolidated financial statements and related subsequent events.

61. As a result of this disclosure, NASDAQ halted Altair's shares during the trading day on September 4, 2014 at \$4.30 per share.

62. Shares of Altair resumed trading on September 24, 2014, and as a result of this news, immediately fell \$3.35 per share, a drop of nearly 78% from the halted price of \$4.30 on September 4, 2014, to close at \$0.95 on September 24, 2014.

63. Overall, in response to these disclosures during the Class Period, the Company's stock plummeted an aggregate 88%, from a closing of \$7.99 on October 14, 2013 to a closing price of \$0.95 on September 24, 2014.

64. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

65. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired Altair securities traded on the NASDAQ during the Class Period (the "Class"); and were damaged upon the revelation of the alleged corrective disclosures. Excluded from the Class are Defendants herein, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

66. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Altair securities were actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Altair or its transfer agent and may be notified of the

pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

67. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

68. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

69. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the federal securities laws were violated by Defendants' acts as alleged herein;
- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Altair;
- whether the Individual Defendants caused Altair to issue false and misleading financial statements during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false and misleading financial statements;
- whether the prices of Altair securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and,
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

70. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden

of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

71. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- the omissions and misrepresentations were material;
- Altair securities are traded in efficient markets;
- the Company's shares were liquid and traded with moderate to heavy volume during the Class Period;
- the Company traded on the NASDAQ, and was covered by multiple analysts;
- the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- Plaintiff and members of the Class purchased and/or sold Altair securities between the time the Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

72. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

73. Alternatively, Plaintiffs and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information, as detailed above.

COUNT I

**Violation of Section 10(b) of The Exchange Act and Rule 10b-5
Against All Defendants**

74. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

75. This Count is asserted against Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

76. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon Plaintiff and the other members of the Class; made various untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Altair securities; and (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire Altair securities and options at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

77. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the Defendants participated directly or indirectly in the preparation and/or issuance of the quarterly and annual reports, SEC filings, press releases and other statements and documents described above, including statements made to securities analysts and the media that were designed to influence the market for Altair securities. Such reports, filings, releases and statements were

materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about Altair's finances and business prospects.

78. By virtue of their positions at Altair, Defendants had actual knowledge of the materially false and misleading statements and material omissions alleged herein and intended thereby to deceive Plaintiff and the other members of the Class, or, in the alternative, Defendants acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made, although such facts were readily available to Defendants. Said acts and omissions of Defendants were committed willfully or with reckless disregard for the truth. In addition, each defendant knew or recklessly disregarded that material facts were being misrepresented or omitted as described above.

79. Defendants were personally motivated to make false statements and omit material information necessary to make the statements not misleading in order to personally benefit from the sale of Altair securities from their personal portfolios.

80. Information showing that Defendants acted knowingly or with reckless disregard for the truth is peculiarly within Defendants' knowledge and control. As the senior managers and/or directors of Altair, the Individual Defendants had knowledge of the details of Altair's internal affairs.

81. The Individual Defendants are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, the Individual Defendants were able to and did, directly or indirectly, control the content of the statements of Altair. As officers and/or directors of a publicly-held company, the Individual Defendants had a duty to disseminate timely, accurate, and truthful information with respect to Altair's businesses,

operations, future financial condition and future prospects. As a result of the dissemination of the aforementioned false and misleading reports, releases and public statements, the market price for Altair's securities was artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning Altair's business and financial condition which were concealed by Defendants, Plaintiff and the other members of the Class purchased or otherwise acquired Altair securities at artificially inflated prices and relied upon the price of the securities, the integrity of the market for the securities and/or upon statements disseminated by Defendants, and were damaged upon the revelation of the alleged corrective disclosures.

82. During the Class Period, Altair's securities were traded on an active and efficient market. Plaintiff and the other members of the Class, relying on the materially false and misleading statements described herein, which the Defendants made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased or otherwise acquired shares of Altair securities at prices artificially inflated by Defendants' wrongful conduct. Had Plaintiff and the other members of the Class known the truth, they would not have purchased or otherwise acquired said securities, or would not have purchased or otherwise acquired them at the inflated prices that were paid. At the time of the purchases and/or acquisitions by Plaintiff and the Class, the true value of Altair securities was substantially lower than the prices paid by Plaintiff and the other members of the Class. The market price of Altair's securities declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

83. By reason of the conduct alleged herein, Defendants knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

84. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases, acquisitions and sales of the Company's securities during the Class Period, upon the disclosure that the Company had been disseminating misrepresented financial statements to the investing public.

COUNT II

Violation of Section 20(a) of The Exchange Act Against The Individual Defendants

85. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

86. During the Class Period, the Individual Defendants participated in the operation and management of Altair, and conducted and participated, directly and indirectly, in the conduct of Altair's business affairs. Because of their senior positions, they knew the adverse non-public information regarding Altair's business practices.

87. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to Altair's financial condition and results of operations, and to correct promptly any public statements issued by Altair which had become materially false or misleading.

88. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which Altair disseminated in the marketplace during the Class Period. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause Altair to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons" of Altair within the meaning of Section 20(a) of the Exchange Act. In this

capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Altair securities.

89. Each of the Individual Defendants, therefore, acted as a controlling person of Altair. By reason of their senior management positions and/or being directors of Altair, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, Altair to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of Altair and possessed the power to control the specific activities which comprise the primary violations about which Plaintiff and the other members of the Class complain.

90. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by Altair.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment against Defendants as follows:

- A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;
- B. Requiring Defendants to pay damages sustained by Plaintiff and the Class by reason of the acts and transactions alleged herein;
- C. Awarding Plaintiff and the other members of the Class prejudgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and
- D. Awarding such other and further relief as this Court may deem just and proper.

DEMAND FOR TRIAL BY JURY

Plaintiff hereby demands a trial by jury.

Dated: September 26, 2014

Respectfully submitted,