FORM 8-K

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ALTAIR INTERNATIONAL INC

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

ALTAIR INTERNATIONAL INC.
(Exact name of registrant as specified in its charter)

Province of Ontario, Canada	1-12497	None
(State or other jurisdiction of incorporation)	(Commission File No.)	(IRS Employer Identification No.)

1725 Sheridan Avenue, Suite 140
Cody, Wyoming 82414
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (307) 587-8245

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Item 5. Other Events.

A. PLACEMENT OF DEBENTURES AND ISSUANCE OF WARRANTS.

On December 29, 1997, pursuant to the terms of a Securities Purchase Agreement dated December 29, 1997 (the "Purchase Agreement"), Altair International Inc. (the "Company") completed the private placement of $5,000,000 in principal amount of 5% convertible subordinated debentures due December 29, 2001 (the "Initial Debentures") and warrants to purchase 75,000 shares of the Company's common stock ("Common Stock") on or before December 29, 1999 at a price equal to $16.7188 per share (the "Initial Warrants") to a small number of institutional investors (the "Investors") in an offering exempt from the registration requirements under the Securities Act of 1993, as amended (the "Securities Act"). The Company has also issued to the placement agent which arranged the transaction warrants to purchase 105,000 shares of Common Stock on or before December 29, 1999, at a price equal to $16.7188 per share (the "Placement Warrants").

Subject to certain restrictions during the first 180 days after issuance, the Initial Debentures are convertible into Common Stock by the holders thereof at any time prior to maturity, unless previously the subject of a forced conversion or redemption by the Company. The Debentures are each convertible into the number of shares of Common Stock equal to the quotient of (a) the sum of the principal amount of such Debenture and all accrued but unpaid interest and charges, divided by (b) the lesser of (i) an amount equal to 92% of the average market price for one share of Common Stock for the five preceding trading days and (ii) $14.7125. For purposes of the conversion formula, the market price is equal to closing price of the Common Stock on the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable, or if the Common

Stock is not listed on either such exchange, by alternative methods described in the Debentures. The holders of the Debentures have registration rights with respect to the Common Stock as set forth in a Registration Rights Agreement, pursuant to which the Company has agreed to register for resale under the Securities Act the Common Stock issuable upon conversion of the Debentures and exercise of the Warrants and Placement Warrants within 150 days of December 29, 1997.

In addition, subject to the terms and conditions of the Purchase Agreement, the Company has the right to cause the Investors to purchase up to an additional $5,000,000 aggregate principal amount of 5% convertible subordinated debentures (the "Put Debentures"). If issued, the Put Debentures will be accompanied by warrants to purchase an aggregate number of shares of Common Stock equal to the product of (i) 75,000 multiplied by (ii) the quotient of the principal amount of all Put Debentures divided by $5,000,000 (the "Put Warrants"). The exercise price for the Put Warrants shall be an amount equal to 125% of the closing price per share of Common Stock on the Nasdaq Small Cap Market or the Nasdaq National Market, as applicable, on the date immediately prior to the date the Put Warrants are issued.

The foregoing descriptions do not purport to be complete and are qualified by reference to the definitive agreements, debentures, and warrants filed as Exhibits herewith.

B. RISK FACTORS.

The Company from time to time makes forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth in the Company's periodic filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the year ended December 31, 1996, as amended. In evaluating the Company's business, prospective investors should consider that actual results could differ materially from those anticipated for a number of reasons, including, among others, the failure of the Company's primary asset, the Centrifugal Jig (the "CJ"), to prove economically attractive to end users, the development of a substitute for the CJ by a competitor, the need for an unforeseen amount of capital to complete testing and development of the CJ, and other unanticipated factors.

Item 7. Financial Statements and Exhibits

(c) Exhibits.

4.1 Securities Purchase Agreement

4.2 Form of 5% Convertible Subordinated Debenture Due December 29, 2001

4.3 Registration Rights Agreement

4.4 Form of Warrant

99.1 Press Release dated December 30, 1997.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Current Report on Form 8-K to be signed on its behalf by the undersigned thereunto duly authorized.

Altair International Inc.

January 13, 1997 — Date

By: /s/ William P. Long

Dr. William P. Long, President

EXHIBIT 4.1

SECURITIES PURCHASE AGREEMENT

SECURITIES PURCHASE AGREEMENT (the "Agreement"), dated as of December 24, 1997, by and among Altair International, Inc., an Ontario corporation, with headquarters located at 1725 Sheridan Avenue, Suite 140, Cody, Wyoming 82414 (the "Company"), and the investors listed on the Schedule of Buyers attached hereto (individually, a "Buyer" and collectively, the "Buyers").

WHEREAS:

A. The Company and the Buyers are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by Rule 506 of Regulation D ("Regulation D") as promulgated by the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "1933 Act");

B. The Company has authorized the issue of 5% Convertible Subordinated Debentures due December 29, 2001 (the "Debentures"), substantially in the form attached hereto as Exhibit A, which shall be convertible into shares of the Company's Common Shares, no par value (the "Common Stock") (as converted, the "Conversion Shares"), and the issue of warrants (the "Warrants"), substantially in the form attached hereto as Exhibit B, to purchase shares of Common Stock (the "Warrant Shares");

C. The Buyers wish to purchase, upon the terms and conditions stated in this Agreement, initially an aggregate of $5,000,000 principal amount of Debentures (the "Initial Debentures") and Warrants to purchase an aggregate of 75,000 shares of Common Stock (the "Initial Warrants") in the respective amounts set forth opposite each Buyer's name on the Schedule of Buyers;

D. Subject to the terms and conditions set forth in this Agreement, the Company has the right to cause the Buyers to purchase (i) up to $5,000,0000 aggregate principal amount of Debentures (pro rata based on the principal amount of Initial Debentures each Buyer purchased in relation to the aggregate principal amount of Initial Debentures) (the "Put Debentures") (the Initial Debentures and the Put Debentures are collectively referred to in this Agreement as the "Debentures") and (ii) Warrants to purchase up to an aggregate number of shares of Common Stock equal to the product of 75,000 and a fraction, the numerator of which is the aggregate principal amount of all Put Debentures and the denominator of which is $5,000,000 (pro rata based on the number of Put Debentures each Buyer purchased in relation to the total number of Put Debentures) (the "Put Warrants") (the Initial Warrants and the Put Warrants are collectively referred to in this Agreement as the "Warrants");

E. Contemporaneously with the execution and delivery of this Agreement, the parties hereto are executing and delivering a Registration Rights Agreement substantially in the form attached hereto as Exhibit C (the "Registration Rights

Agreement") pursuant to which the Company has agreed to provide certain registration rights under the 1933 Act and the rules and regulations promulgated thereunder, and applicable state securities laws.

NOW THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Buyers hereby agree as follows:

1. PURCHASE AND SALE OF DEBENTURES AND WARRANTS.

a. Purchase of Debentures and Warrants. Subject to satisfaction (or waiver) of the conditions set forth in Sections 6(a) and 7(a), the Company shall issue and sell to the Buyers and the Buyers severally shall purchase from the Company $5,000,000 aggregate principal amount of Initial Debentures and the Initial Warrants, in the respective amounts set forth opposite each Buyer's name on the Schedule of Buyers (the "Initial Closing"). Subject to the satisfaction (or waiver) of the conditions set forth in Sections 1(c), 1(d), 6(b) and 7(b), the Company may require that each Buyer purchase (i) that principal amount of Put Debentures equal to such Buyer's pro rata portion of up to $5,000,000 aggregate principal amount of Put Debentures (based on the principal amount of Initial Debentures each Buyer purchased in relation to the aggregate principal amount of Initial Debentures purchased by all of the Buyers) and (ii) Put Warrants to purchase up to an aggregate of 75,000 shares of Common Stock equal to such Buyer's pro rata portion of Put Warrants (based on the number of Put Debentures each Buyer purchased in relation to the total number of Put Debentures purchased by all of the Buyers), the total number of Put Warrants to be equal to the product of 75,000 and a fraction, the numerator of which is the aggregate principal amount of all Put Debentures and the denominator of which is $5,000,000 (the "Put Closing"). The Initial Closing and the Put Closing collectively are referred to in this Agreement as the "Closings." The purchase price (the "Purchase Price") for each Debenture at each of the Closings shall be 100% of face value.

b. The Initial Closing Date. The date and time of the Initial Closing (the "Initial Closing Date") shall be 10:00 a.m. Central Time, within two (2) business days following the date hereof, subject to satisfaction (or waiver) of the conditions to the Initial Closing set forth in Sections 6(a) and 7(a) (or such later date as is mutually agreed to by the Company and the Buyers). The Initial Closing shall occur on the Initial Closing Date at the offices of Kramer, Levin, Naftalis & Frankel, 919 Third Avenue, New York, New York 10021, or at such other location as is mutually agreed to by the Company and the Buyers.

c. The Put Closing Date. The date and time of the Put Closing (the "Put Closing Date") shall be 10:00 a.m. Central Time, on the date specified in the Company's Put Share Notice (as defined below), subject to satisfaction (or waiver) of the conditions to the Put Closing set forth in Sections 6(b) and 7(b) and the conditions set forth in Section 1(d), or such later date as is mutually

agreed to by the Company and the Buyers. Subject to the requirements of Sections 6(b) and 7(b) and satisfaction of the Put Notice Conditions (as defined in Section 1(d)), the Company on only one occasion may require each Buyer to purchase Put Debentures and Put Warrants by delivering written notice to each of the Buyers (a "Put Notice") at least 30 days but not more than 45 days (the "Put Notice Date") prior to the Put Closing Date set forth in the Company's Put Notice; provided, however, that such Put Closing Date may not be less than 240 days after the Initial Closing Date or more than 300 days after the Initial Closing Date (the "Put Notice Period"). The Company's Put Notice shall set forth (i) each Buyer's pro rata portion (based on the principal amount of Initial Debentures each Buyer purchased in relation to the aggregate principal of Initial Debentures purchased by the Buyers) of the aggregate principal amount of Put Debentures, which aggregate principal amount shall not exceed $5,000,000, and pro rata portion (based on the number of Initial Warrants each Buyer purchased in relation to the total number of Initial Warrants purchased by the Buyers) of the total number of Put Warrants which the Company is requiring each Buyer to purchase at the Put Closing and (ii) the date selected by the Company for the Put Closing Date. The Put Closing shall occur on the Put Closing Date at the offices of Kramer, Levin, Naftalis & Frankel, 919 Third Avenue, New York, New York 10021, or at such other location as is mutually agreed to by the

Company and the Buyers. The Initial Closing Date and the Put Closing Date collectively are referred to in this Agreement as the "Closing Dates."

d. The Put Notice Conditions. Notwithstanding anything in this Agreement to the contrary, the Company shall not be entitled to deliver a Put Notice and require the Buyers to purchase the Put Debentures and Put Warrants unless, in addition to the satisfaction of the requirements of Sections 6(b) and 7(b), all of the following conditions (the "Put Notice Conditions") are satisfied: (i) during the period beginning 60 days prior to the Put Closing Date and ending on and including the Put Closing Date, the Registration Statement (as defined in the Registration Rights Agreement) shall have at all times been effective; (ii) during the period beginning 90 days prior to the Put Closing Date and ending on and including the Put Closing Date, the Common Stock has not been delisted or suspended from trading on the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable; (iii) no event constituting a Major Business Event (as defined below), including an agreement to consummate a Major Business Event, shall have occurred during the period beginning on the Initial Closing Date and ending on and including the Put Closing Date; and (iv) on each day during the period beginning 60 days prior to the Put Closing Date and ending on the day prior to the Put Closing Date, the fair market value of the Common Stock is not less than $75,000,000; for purposes of this clause (iv), "fair market value of the Common Stock" shall mean the closing price per share of Common Stock on the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable, on the date of valuation multiplied by the total number of shares of Common Stock then issued and outstanding. For purposes of this Section 1(d) "Major Business Event" means (w) the consolidation, merger or other business combination of the Company with another entity (other than pursuant to a migratory merger effected solely for the purpose of changing the Company's jurisdiction of incorporation or a merger between the Company and any

wholly-owned subsidiary of the Company, (x) the sale or transfer of all or substantially all of the Company's assets, (y) a purchase, tender or exchange offer made to and accepted by the holders of more than 50% of the outstanding shares of Common Stock or (z) the failure for any reason, during any period of two consecutive calendar years, of individuals who at the beginning of such period constituted the board of directors of the Company (together with any new directors whose election by the board of directors of the Company or whose nomination for election by the stockholders of the Company was approved by a vote of the majority of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) to constitute a majority of the directors of the Company then in office.

e. Form of Payment. On each of the Closing Dates, (i) each Buyer shall pay the Purchase Price to the Company for the Debentures and Warrants to be issued and sold to such Buyer at the respective Closing, by wire transfer of immediately available funds in accordance with the Company's written wire instructions, and (ii) the Company shall deliver to each Buyer certificates (in the denominations such Buyer shall request) representing such principal amount of Debentures and such number of Warrants which such Buyer is then purchasing (as indicated opposite such Buyer's name on the Schedule of Buyers), duly executed on behalf of the Company and registered in the name of such Buyer or its designee.

2. BUYER'S REPRESENTATIONS AND WARRANTIES.

Each Buyer represents and warrants with respect to only itself that:

a. Investment Purpose. Such Buyer (i) is acquiring the Debentures and the Warrants, (ii) upon conversion of the Debentures, will acquire the Conversion Shares then issuable and (iii) upon exercise of the Warrants, will

acquire the Warrant Shares then issuable (the Debentures, the Warrants, the Conversion Shares and the Warrant Shares are collectively referred to herein as the "Securities"), for its own account for investment only and not with a view towards, or for resale in connection with, the public sale or distribution thereof, except pursuant to sales registered or exempted under the 1933 Act; provided, however, that such Buyer reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption under the 1933 Act.

b. Accredited Investor Status. Such Buyer is an "accredited investor" as that term is defined in Rule 501(a)(3) of Regulation D under the 1933 Act.

c. Reliance on Exemptions. Such Buyer understands that the Securities are being offered and sold to it in reliance on specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying in part upon the truth and accuracy of, and such Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of such Buyer set forth herein in order to

determine the availability of such exemptions and the eligibility of such Buyer to acquire such Securities.

d. Information. Such Buyer and its advisors, if any, have been furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by such Buyer, including all SEC Documents (as defined below). Such Buyer has received from the Company the Private Placement Memorandum which contains certain risk factors relating to the Company, and such Buyer has reviewed the risk factors set forth therein. Such Buyer and its advisors, if any, have been afforded the opportunity to review materials and to ask questions of the Company. Neither such inquiries nor any other due diligence investigations conducted by such Buyer or its advisors, if any, or its representatives shall modify, amend or affect such Buyer's right to rely on the Company's representations and warranties contained in Section 3. Such Buyer understands that its investment in the Securities involves a high degree of risk. Such Buyer has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision with respect to its acquisition of the Securities.

e. No Government Review. Such Buyer understands that no United States federal or state authority or agency or any other governmental authority or agency has passed on or made any recommendation or endorsement of the Securities or the fairness or suitability of the investment in the Securities nor have such authorities passed upon or endorsed the merits of the offering of the Securities.

f. Transfer or Resale. Such Buyer understands that except as provided in the Registration Rights Agreement: (i) the Securities have not been and are not being registered under the 1933 Act or any state securities laws, and may not be offered for sale, sold, assigned or transferred unless (A) subsequently registered thereunder, (B) such Buyer shall have delivered to the Company an opinion of counsel, in a generally acceptable form, to the effect that such Securities to be sold, assigned or transferred may be sold, assigned or transferred pursuant to an exemption from such registration, or (C) such Buyer provides the Company with reasonable assurance that such Securities can be sold, assigned or transferred pursuant to Rule 144 promulgated under the 1933 Act (or a successor rule thereto) ("Rule 144"); (ii) any sale of the Securities made in reliance on Rule 144 may be made only in accordance with the terms of Rule 144 and further, if Rule 144 is not applicable, any resale of the Securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as the term is defined in the 1933 Act) may require compliance with some other exemption under the 1933

Act or the rules and regulations of the SEC thereunder; and (iii) neither the Company nor any other person is under any obligation to register such Securities under the 1933 Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder.

g. Legends. Such Buyer understands that the certificates or other instruments representing the Debentures and the Warrants and, until such time as the sale of the Conversion Shares and the Warrant Shares have been registered under the 1933 Act, as contemplated by the Registration Rights Agreement, the certificates representing the Conversion Shares and the Warrant Shares, except as set forth below, shall bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of such stock certificates):

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, ANY STATE SECURITIES LAWS OR ANY OTHER SECURITIES LAWS. THE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF (I) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RECEIPT OF ALL NECESSARY STATE AND FOREIGN APPROVALS OR (II) AN OPINION OF COUNSEL, IN FORM AND SUBSTANCE REASONABLY ACCEPTABLE TO ALTAIR INTERNATIONAL INC., THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR ANY APPLICABLE STATE OR FOREIGN SECURITIES LAWS OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT.

The legend set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of any Security upon which it is stamped if, unless otherwise required by state securities laws, (i) such Security is registered for sale under the 1933 Act and all necessary state and foreign approvals are obtained, (ii) in connection with a sale transaction, such holder provides the Company with an opinion of counsel, in form and substance reasonably acceptable to the Company, to the effect that a public sale or transfer of such Security may be made without registration under the 1933 Act, or (iii) such holder provides the Company with reasonable assurances that such Security can be sold pursuant to Rule 144 without any restriction as to the number of securities acquired as of a particular date that can then be immediately sold. Each Buyer acknowledges, covenants and agrees to sell all Securities, including those Securities represented by a certificate(s) from which the legend has been removed, only pursuant to (i) a registration statement with respect to which the Buyer has been notified (and the Buyer has not received any notice to the contrary) is effective under the 1933 Act, or (ii) advice of counsel that such sale is exempt from registration required by Section 5 of the 1933 Act.

h. Authorization; Enforcement. This Agreement and the Registration Rights Agreement have been duly and validly authorized, executed and delivered on behalf of such Buyer and are valid and binding agreements of such Buyer enforceable in accordance with their terms, subject as to enforceability to

general principles of equity and to applicable bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws relating to, or affecting generally, the. enforcement of applicable creditors rights and remedies.

i. Residency. Such Buyer is a resident of that country specified in the Schedule of Buyers.

j. Trading Restrictions. During the period of thirty days prior to the Closing Date, such Buyer and its affiliates have not, directly or indirectly, entered into any short position or similar hedge of the Common Stock and have not used shares of Common Stock to cover any such short position or similar hedge.

k. No Material Misstatement. None of the representations or warranties of the Buyers contained herein is false or misleading in any material respect or omits to state a material fact necessary to make the statements herein or therein not misleading in any material respect.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each of the Buyers that:

a. Organization and Qualification. The Company and each of its subsidiaries (a complete list of which is set forth in Schedule 3(a)) are corporations duly organized and validly existing in good standing under the laws of the jurisdictions in which they are incorporated, and have the requisite corporate power to own their properties and to carry on their respective businesses as now being conducted. The Company and each of its subsidiaries are duly qualified as foreign corporations to do business and are in good standing in every jurisdiction in which the nature of the business conducted by them makes such qualification necessary, except to the extent that the failure to be qualified or be in good standing would not have a Material Adverse Effect. As used in this Agreement, "Material Adverse Effect" means any material adverse effect on the business, properties, assets, operations, results of operations, liabilities, financial condition or prospects of the Company and its subsidiaries, taken as a whole, or on the transactions contemplated hereby.

b. Authorization; Enforcement; Compliance with Other Instruments. (i) The Company has the requisite corporate power and authority to enter into and perform this Agreement (including the Irrevocable Transfer Agent Instructions, as defined in Section 5), the Registration Rights Agreement, the Debentures, and the Warrants (collectively, the "Transaction Documents"), and to issue the Securities in accordance with the terms hereof and thereof, (ii) the execution and delivery of the Transaction Documents by the Company and the consummation by it of the transactions contemplated thereby, including without limitation the issuance of the Debentures, the issuance of the Conversion Shares upon conversion thereof, the issuance of the Warrants and the issuance of the

Warrant Shares upon exercise thereof, have been duly authorized by the Company's Board of Directors and no further consent or authorization is required by the Company, its Board of Directors or its stockholders, (iii) the Transaction Documents have been duly executed and delivered by the Company, and (iv) each of the Transaction Documents constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of creditors' rights and remedies.

c. Capitalization. As of the date hereof, the authorized capital

stock of the Company consists of unlimited shares of Common Stock, of which 15,492,749 shares are issued and outstanding and 1,435,500 shares are reserved and available for issuance pursuant to the Company's stock option and purchase plans, and no shares are reserved for issuance pursuant to securities (other than the Debentures and the Warrants) exercisable or exchangeable for, or convertible into, shares of Common Stock. All of such outstanding shares have been, or upon issuance will be, validly issued and are fully paid and nonassessable. Except as disclosed in Schedule 3(c), no shares of Common Stock are subject to preemptive rights or any other similar rights or any liens or encumbrances suffered or permitted by the Company or were issued in violation of the 1933 Act or applicable state, provincial or municipal securities laws. Except as disclosed in Schedule 3(c), as of the date of this Agreement, (i) there are no outstanding options, warrants, scrip, rights to subscribe to, call or commitments of any character whatsoever relating to, or securities or rights convertible into or exchangeable for, any shares of capital stock of the Company or any of its subsidiaries, or contracts, commitments, understandings or arrangements by which the Company or any of its subsidiaries is or may become bound to issue additional shares of capital stock of the Company or any of its subsidiaries or options, warrants, scrip, rights to subscribe to, call or commitments of any character whatsoever relating to, or securities or rights convertible into or exchangeable for, any shares of capital stock of the Company or any of its subsidiaries, (ii) there are no outstanding debt securities, (iii) there are no agreements or arrangements under which the Company or any of its subsidiaries is obligated to register the sale of any of their securities under the 1933 Act (except the Registration Rights Agreement) and (iv) there are no outstanding securities of the Company or any of its subsidiaries which contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Company or any of its subsidiaries is or may become bound to redeem or purchase a security of the Company or any of its subsidiaries. Except as disclosed in Schedule 3(c), there are no securities or instruments containing anti-dilution or similar provisions that will be triggered by the issuance of the Securities pursuant to this Agreement, the Debentures or the Warrants. The Company has furnished to the Buyers true and correct copies of the Company's Articles of Incorporation, as amended and as in effect on the date hereof (the "Articles of Incorporation"), and the Company's By-laws, as in effect on the date hereof (the "By-laws"), and the terms of all securities convertible into or exercisable for Common Stock and the material rights of the holders thereof in respect thereto.

d. Issuance of Securities. The Debentures are duly authorized for issuance and sale to the Buyers by the Company pursuant hereto. Sufficient shares of Common Stock (subject to adjustment pursuant to the Company's covenant set forth in Section 4(f)) have been duly authorized and reserved for issuance upon conversion of the Debentures. Upon issuance in accordance with the terms and conditions of this Agreement and the Debentures, the Conversion Shares will be validly issued, fully paid and nonassessable and free from all taxes, liens and charges with respect to the issue thereof with the holders being entitled to all rights accorded to a holder of Common Stock. The Warrants are duly authorized for issuance and sale to the Buyers by the Company pursuant hereto. Sufficient shares of Common Stock (subject to adjustment pursuant to the Company's covenant set forth in Section 4(f)) have been duly authorized and reserved for issuance upon exercise of the Warrants. Upon exercise in accordance with the terms and conditions of this Agreement and the Warrants, the Warrant Shares will be validly issued, fully paid and nonassessable and free from all taxes, liens and charges with respect to the issue thereof with the holders being entitled to all rights accorded to a holder of Common Stock. To the best knowledge of the Company, assuming the accuracy of the representations of the Buyers set forth in the Transaction Documents, the issuance by the Company of the Securities is exempt from registration under the 1933 Act.

e. No Conflicts. Except as disclosed in Schedule 3(e), the execution, delivery and performance of the Transaction Documents by the Company

and the consummation by the Company of the transactions contemplated thereby (including, without limitation, the reservation for issuance and issuance of the Conversion Shares and the Warrant Shares) will not (i) result in a violation of the Articles of Incorporation or the By-laws, (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its subsidiaries is a party, or (iii) result in a violation of any law, rule, regulation, by-law, directive, order, judgment or decree (including federal, state, provincial and municipal securities laws and regulations and the rules and regulations of the principal market or exchange on which the Common Stock is traded or listed) applicable to the Company or any of its subsidiaries or by which any property or asset of the Company or any of its subsidiaries is bound or affected, except to the extent that matters within clauses (ii) and (iii) immediately above would not have a Material Adverse Effect. Except as disclosed in Schedule 3(e), neither the Company nor its subsidiaries is in violation of any term of or in default under (i) the Articles of Incorporation or the By-laws or their organizational charter or by-laws, respectively, or (ii) any contract, agreement, mortgage, indebtedness, indenture, instrument, judgment, decree or order or any statute, rule, regulation, by-law or directive applicable to the Company or its subsidiaries, except to the extent that such violation or default would not have a Material Adverse Effect. The business of the Company and its subsidiaries is not being conducted, and shall not be conducted, in violation of any law, ordinance, rule, regulation, by-law or directive of any governmental entity. Except as specifically contemplated by this Agreement and as required under the 1933 Act, the Company is not required to obtain any consent, authorization or order of, or

make any filing or registration with, any court or governmental agency in order for it to execute, deliver or perform any of its obligations under or contemplated by the Transaction Documents in accordance with the terms thereof. Except as disclosed in Schedule 3(e), all consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof. The Company and its subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing. The Company is not in violation of the listing requirements of the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable, as in effect on the date hereof and on each of the Closing Dates and is not aware of any facts which would reasonably lead to delisting of the Common Stock by the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable, in the foreseeable future.

f. SEC Documents; Financial Statements. Since March 13, 1997, the Company has filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act") (all of the foregoing and all exhibits included therein and financial statements and schedules thereto and documents incorporated by reference therein being hereinafter referred to as the "SEC Documents"). The Company has delivered to each Buyer or its respective representatives true and complete copies of the SEC Documents. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the 1934 Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. As of their respective dates, the financial statements of the Company included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with generally accepted accounting principles,

consistently applied, during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements) and fairly present in all material respects the consolidated financial position of the Company and its subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). To the best knowledge of the Company, no other information provided by or on behalf of the Company to the Buyers which is not included in the SEC Documents, including, without limitation, information referred to in Section 2(d), contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstance under which they are or were made, not misleading.

g. Absence of Certain Changes. Except as disclosed in Schedule 3(g), since December 31, 1996 there has been no Material Adverse Effect. The Company has not taken any steps, and does not currently expect to take any steps, to seek protection pursuant to any bankruptcy law nor does the Company or any of its subsidiaries have any knowledge or reason to believe that its creditors intend to initiate involuntary bankruptcy proceedings.

h. Absence of Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company or any of its subsidiaries, threatened against or affecting the Company or any of its subsidiaries that could have a Material Adverse Effect. Schedule 3(h) contains a complete list of any pending or threatened proceeding (known to the Company) against or affecting the Company or any of its subsidiaries, without regard to whether it would have a Material Adverse Effect.

i. Acknowledgment Regarding Buyers' Purchase of Debentures and Warrants. The Company acknowledges and agrees that each of the Buyers is acting solely in the capacity of arm's length purchaser with respect to the Transaction Documents and the transactions contemplated thereby. The Company further acknowledges that no Buyer is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby and any advice given by any of the Buyers or any of their respective representatives or agents in connection with the Transaction Documents and the transactions contemplated thereby is merely incidental to such Buyer's purchase of the Securities. The Company further represents to each Buyer that the Company's decision to enter into the Transaction Documents has been based solely on the independent evaluation by the Company and its representatives.

j. No Undisclosed Liabilities. As of the date of the most recent balance sheet provided in Section 3(f), the Company had no material liabilities, except for liabilities which are reflected or reserved for on such balance sheet in accordance with generally accepted accounting principles or which are specifically disclosed in the SEC Reports. Since the date of the most recent balance sheet, the Company has operated in the ordinary course of business, consistent with past practices, and has not incurred or become subject to, or agreed to incur or become subject to, any material liability, except in the ordinary course of business, consistent with past practice.

k. No General Solicitation. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D under the 1933 Act) in connection with the offer or sale of the Securities.

l. No Integrated Offering. Neither the Company, nor any of its

affiliates, nor any person acting on its or their behalf has, directly or

indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would require registration of any of the Securities under the 1933 Act or cause the offering of the Securities pursuant to this Agreement to be integrated with prior offerings by the Company for purposes of the 1933 Act or any applicable stockholder approval provisions, including, without limitation, under the rules and regulations of the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable, nor will the Company or any of its subsidiaries take any action or steps that would require registration of the Securities under the 1933 Act or cause the offering of the Securities to be integrated with other offerings.

m. Employee Relations. Neither the Company nor any of its subsidiaries is involved in any union labor dispute nor, to the knowledge of the Company or any of its subsidiaries, is any such dispute threatened. Neither the Company nor any of its subsidiaries is a party to a collective bargaining agreement, and the Company and its subsidiaries believe that relations with their employees are good. Each of the Company an its subsidiaries is in compliance in all material respects with the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the regulations and published interpretations thereunder. None of the following events has occurred or is reasonably expected to occur that when taken together with all other such events could reasonably be expected to result in a Material Adverse Effect: (i) any "reportable event," as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to any "employee pension benefit plan" as such term is defined in Section 3 of ERISA (other than a Multiemployer Plan (as defined below)) subject to the provisions of Title IV of ERISA or Section 412 of the Internal Revenue Code of 1986, as amended (the "Code"), or Section 302 of ERISA (a "Plan"); (ii) the adoption of any amendment to a Plan that would require the provision of security pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA; (iii) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (iv) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (v) the incurrence of any liability under Title IV of ERISA with respect to the termination of any Plan or the withdrawal or partial withdrawal of the Company or any of its subsidiaries from any Plan or "multiemployer plan" as defined in Section 4001(a)(3) of ERISA ("Multiemployer Plan"); (vi) the receipt by the Company or any of its subsidiaries from the Pension Benefit Guaranty Corporation or a plan administrator of any notice relating to the intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (vii) the receipt by the Company or any of its subsidiaries of any notice concerning the imposition of liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA or of a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; and (viii) the occurrence of a "prohibited transaction" with respect to which the Company or any of its subsidiaries is a "disqualified person" (within the meaning of Section 4975 of the Code) and with respect to which the Company or such subsidiary would be liable for the payment of an excise tax.

n. Intellectual Property Rights. To the knowledge of the Company, the Company and its subsidiaries own or possess adequate rights or licenses to use all trademarks, trade names, service marks, service mark registrations, service names, patents, patent rights, copyrights, inventions, licenses, approvals, governmental authorizations, trade secrets and rights to conduct their respective businesses as now conducted, except to the extent that the failure to possess such rights or licenses would not have a Material Adverse Effect. The Company and its subsidiaries do not have any knowledge of any infringement by the Company or its subsidiaries of any trademarks, trade name rights, patents, patent rights, copyrights, inventions, licenses, service names, service marks, service mark registrations, trade secret or other similar rights of others, and, except as set forth on Schedule 3(n), there is no claim, action or proceeding being made or brought against, or to the Company's knowledge, being threatened against, the Company or any of its subsidiaries regarding any trademarks, trade names, patents, patent rights, invention, copyright, license, service names, service marks, service mark registrations, trade secret or other infringement; and the Company and its subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing, except for such facts and circumstances which would not have a Material Adverse Effect.

o. Environmental Laws. (i) The Company and its subsidiaries (x) are in compliance with any and all applicable foreign, provincial, municipal, federal, state and local laws and regulations relating to the protection of human health and safety or emissions, discharges, releases, threatened releases, removal, remediation or abatement of pollutants, contaminants, chemicals or industrial, hazardous or toxic substances or wastes into or in the environment (including without limitation air, surface water, ground water or land), or otherwise used in connection with the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous or toxic substances or wastes, as defined under such applicable laws ("Environmental Laws"), (y) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (z) are in compliance with all terms and conditions of any such permit, license or approval, except to the extent that the matters within clauses (x), (y) or (z) above would not have a Material Adverse Effect.

(ii) There is no substance designated a "hazardous substance" by any Environmental Law, including asbestos, petroleum, urea formaldehyde insulation and petroleum by-products ("Hazardous Substance") present at any of the real property currently owned or leased by the Company or any of its subsidiaries, except to the extent that such presence could not reasonably be expected to have a Material Adverse Effect; and with respect to such real property, there has not occurred (x) any release or, to the knowledge of the Company, any threatened release of a Hazardous Substance or (y) any discharge or, to the knowledge of the Company, threatened discharge of any Hazardous Substance into the ground, surface or navigable waters which discharge or threatened discharge violates any federal, state, local, provincial, municipal or foreign laws, rules or regulations concerning water pollution.

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(iii) None of the Company or any of its subsidiaries has disposed of, transported, or arranged for the transportation or disposal of any Hazardous Substance where such disposal, transportation or arrangement would give rise to liability pursuant to any Environmental Law other than any such liabilities that could not reasonably be expected to have a Material Adverse Effect.

(iv) There are no underground storage tanks, asbestos-containing materials, polychlorinated biphenyls or urea formaldehyde insulation at any of the real property currently owned or leased by the Company or any of its

subsidiaries in violation of any Environmental Law.

p. Title. The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them, except to the extent that the failure to have good and marketable title would not have a Material Adverse Effect, in each case free and clear of all liens, encumbrances and defects except such as are described in Schedule 3(p) or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company or any of its subsidiaries. Any real property and facilities held under lease by the Company or any of its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries.

q. Insurance. The Company and each of its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as management of the Company believes to be prudent and customary in the businesses in which the Company and its subsidiaries are engaged. Neither the Company nor any of its subsidiaries has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect.

r. Regulatory Permits. Except as set forth on Schedule 3(e), the Company and its subsidiaries possess all certificates, authorizations, approvals, licenses, easements, rights-of-way, orders and permits ("Permits") issued by the appropriate federal, state, provincial, municipal or foreign regulatory authorities necessary to conduct their respective businesses, except to the extent that the failure to possess such certificates, authorizations and permits would not have a Material Adverse Effect; and neither the Company nor any such subsidiary has received any notice of proceedings relating to the revocation or modification of any such Permit.

s. Compliance With Law. Except as set forth on Schedule 3(s), each of the Company and its subsidiaries has complied with, has not received any notice of violation of, and has no knowledge of any facts which with or without notice could reasonably be expected to constitute a violation of, any laws,

ordinances, rules, regulations, by-laws, directives, orders, judgment, injunctions, awards or decrees of any governmental entity applicable to the Company and its subsidiaries and their properties, except for any violation or failure so to comply which could not reasonably be expected to have a Material Adverse Effect.

t. Internal Accounting Controls. The Company and each of its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

u. No Materially Adverse Contracts, Etc. Neither the Company nor any of its subsidiaries is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which in the reasonable judgment of the Company's officers has or is expected in the future to have a Material Adverse Effect.

v. Tax Status. Except as set forth on Schedule 3(v), the Company and each of its subsidiaries has made or filed all federal, state, provincial and municipal income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject (unless and only to the extent that the Company and each of its subsidiaries has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes) and has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and has set aside on its books provision reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim.

w. Dilutive Effect. The Company understands and acknowledges that the number of Conversion Shares issuable upon conversion of the Debentures and the number of Warrant Shares issuable upon exercise of the Warrants will increase in certain circumstances. The Company further acknowledges that its obligations to issue Conversion Shares upon conversion of the Debentures and to issue Warrant Shares upon exercise of the Warrants in accordance with this Agreement, the Debentures and the Warrants (subject to the terms and conditions thereof), as the case may be, are absolute and unconditional regardless of the dilutive effect that such issuances may have on the ownership interests of other stockholders of the Company.

x. No Other Agreements. The Company has not, directly or indirectly, made any agreements with any Buyers relating to the terms or conditions of the transactions contemplated by the Transaction Documents except as set forth in the Transaction Documents.

y. No Material Misstatement. None of the representations or warranties of the Company contained herein and none of the information contained in the Schedules hereto furnished by the Company is false or misleading in any material respect or omits to state a material fact necessary to make the statements herein or therein not misleading in any material respect.

4. COVENANTS.

a. Best Efforts. Each party shall use its best efforts timely to satisfy each of the conditions to be satisfied by it as provided in Sections 6 and 7 of this Agreement.

b. Form D. The Company agrees to file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof to each Buyer promptly after such filing. The Company shall, on or before each of the Closing Dates, take such action as the Company shall reasonably determine is necessary to qualify the Securities for, or obtain exemption for the Securities for, sale to the Buyers at each of the Closings pursuant to this Agreement under applicable securities or "Blue Sky" laws of the states of the United States and under applicable securities laws of the applicable provinces and municipalities of Canada, and shall provide evidence of any such action so taken to the Buyers on or prior to the Closing Date. Each Buyer shall provide all information reasonably requested by the Company in order to comply with its obligations under this Section 4(b).

c. Reporting Status. Until the earlier of (i) the date as of which the Investors (as that term is defined in the Registration Rights Agreement) may sell all of the Conversion Shares without restriction pursuant to Rule 144(k) promulgated under the 1933 Act (or successor thereto), or (ii) the date on which

(A) the Investors shall have sold all of the Conversion Shares and all of the Warrant Shares and (B) none of the Debentures and Warrants is outstanding (the "Registration Period"), the Company shall file all reports required to be filed with the SEC pursuant to the 1934 Act, and the Company shall not terminate its status as an issuer required to file reports under the 1934 Act even if the 1934 Act or the rules and regulations thereunder would otherwise permit such termination.

d. Use of Proceeds. The Company will use the proceeds from the sale of the Debentures and the Warrants for substantially the same purposes and in substantially the same amounts as indicated in Schedule 4(d).

e. Financial Information. The Company agrees to send the following to Angelo, Gordon & Co., in its capacity as agent for the Investors (as that

term is defined in the Registration Rights Agreement), during the Registration Period: (i) within two (2) days after the filing thereof with the SEC, a copy of its Annual Reports on Form 10-K, its Quarterly Reports on Form 10-Q, any Current Reports on Form 8-K and any registration statements or amendments filed pursuant to the 1933 Act; (ii) on the same day as the release thereof, facsimile copies of all press releases issued by the Company or any of its subsidiaries and (iii) copies of any notices and other information made available or given to the stockholders of the Company generally, contemporaneously with the making available or giving thereof to the stockholders.

f. Reservation of Shares. The Company shall take all action necessary to at all times have authorized, and reserved for the purpose of issuance, no less than 150% of the number of shares of Common Stock needed to provide for the issuance of the Conversion Shares and the Warrant Shares.

g. Right of First Refusal. So long as an aggregate of at least ten percent (10%) of the Debentures issued at the Closings remains outstanding, but subject to the exceptions described below, the Company shall not enter into a binding agreement or otherwise agree with any party for or otherwise issue securities in connection with any debt financing with an equity component, any equity financing at a fixed discount in excess of 10% of the Market Value (as defined below) of such securities, or any sale or issuance of convertible preferred stock ("Future Offerings") during the period beginning on the Initial Closing Date and ending on and including the date which is 365 days after the Initial Closing Date, unless it shall have first delivered to Angelo, Gordon & Co. written notice (the "Future Offering Notice") describing the proposed Future Offering, including the terms and conditions thereof, and providing Angelo, Gordon & Co. a non-assignable option to purchase up to the Maximum Amount (as defined below), as of the date of delivery of the Future Offering Notice, in the Future Offering on the same terms and conditions set forth in the Future Offering Notice (the limitations referred to in this sentence are collectively referred to as the "Capital Raising Limitation"). For purposes of this Section 4(g), "Market Value" shall mean the average of the closing prices on the Alberta Stock Exchange, the Nasdaq SmallCap Market or the Nasdaq National Market, as selected by the Company, for the Common Stock for the ten consecutive trading days immediately preceding (i) if the Company selects the Alberta Stock Exchange as the basis for the calculation of the Market Value, the date of the Company's filing with the Alberta Stock Exchange of a notice of the proposed transaction or the trading date immediately preceding the date of such notice, whichever date is selected by the Alberta Stock Exchange, or (ii) if the Company selects the Nasdaq SmallCap Market or the Nasdaq National Market as the basis for calculation of the Market Value, the date of the Future Offering Notice (or, if the Company is not required to send a Future Offering Notice, the date on which the Company enters into an agreement to sell securities in the Future Offering to the purchasers thereof); provided, however, that the Company shall not select the Alberta Stock Exchange as the basis for the calculation of the Market Value unless the Company is required to do so by rule or regulation of the Alberta

Stock Exchange. For purposes of this Section 4(g), "Maximum Amount" shall mean the aggregate amount invested by Angelo, Gordon & Co. and its affiliates

in the Company pursuant to this Agreement. Angelo, Gordon & Co. can exercise its option to participate in a Future Offering by delivering written notice thereof to participate to the Company within ten (10) business days of receipt of a Future Offering Notice, which notice shall state the quantity of securities being offered in the Future Offering that it will purchase, up to the Maximum Amount. In the event Angelo, Gordon & Co. purchases less than all of the securities available in the Future Offering within the periods described in this Section 4(g), the Company shall have sixty (60) days thereafter to sell the securities of the Future Offering respecting which the rights of Angelo, Gordon & Co. were not exercised upon terms and conditions (as set forth in the applicable transaction documents) no more favorable to the purchasers thereof than the terms and conditions specified in the Future Offering Notice. In the event the Company has not sold such securities of the Future Offering within such 60-day period, the Company shall not thereafter issue or sell such securities without first offering such securities to Angelo, Gordon & Co. in the manner provided in this Section 4(g). Angelo, Gordon & Co. shall purchase such securities on the date of consummation of the Future Offering. The Capital Raising Limitation shall not apply to (i) a loan from a commercial bank, (ii) any transaction involving the Company's issuances of securities (A) as consideration in a merger or consolidation, (B) in connection with any strategic partnership or joint venture, or (C) as consideration for the acquisition of a business, product or license by the Company, (iii) the issuance of Common Stock in an underwritten public offering, (iv) the issuance of securities upon exercise or conversion of the Company's options, warrants or other convertible securities outstanding as of the date hereof, (v) the grant of additional options or warrants, or the issuance of additional securities, under any Company stock option or restricted stock plan for the benefit of the Company's employees, directors or consultants, (vi) a single issuance by the Company consisting solely of Common Stock provided that the consideration received by the Company for each such share of Common Stock issued is not less than the greater of (A) the closing price of a share of Common Stock on the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable, on the day prior to the date of issuance of such shares and (B) the average of the closing prices on the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable, for the Common Stock for the 20 consecutive trading days immediately preceding the date of issuance of such shares, or (vii) a fixed-discount offering of equity securities in which the discount applied to such offering does not exceed ten percent (10%) of the Market Value of such securities. Angelo, Gordon & Co. shall not be required to participate or exercise their right of first refusal with respect to a particular Future Offering in order to exercise their right of first refusal with respect to later Future Offerings.

h. Listing. The Company shall promptly use its best efforts to secure the listing of all of the Registrable Securities (as defined in the Registration Rights Agreement) upon the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable, upon which shares of Common Stock are listed (subject to official notice of issuance) and shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all Registrable Securities from time to time issuable under the terms of the Transaction Documents. The Company shall maintain the Common Stock's authorization for

quotation on the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable. The Company shall promptly provide to Angelo, Gordon & Co., as agent for the Buyers, copies of any notices it receives from the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable, regarding the continued eligibility of the Common Stock for listing on such automated quotation system or securities exchange. The Company shall pay all fees and expenses in connection with satisfying its obligations under this Section 4(h).

i. Expenses. Subject to Section 9(l), following the Initial Closing, the Company shall reimburse the Buyers for the Buyers' reasonable attorneys fees and expenses in connection with negotiating and preparing the Transaction Documents and consummating the transactions contemplated thereby, up to an aggregate of $20,000.

j. Filing of Form 8-K. On or before the fifteenth (15th) day following each of the Closing Dates, the Company shall file a Form 8-K with the SEC describing the terms of the transaction contemplated by the Transaction Documents and consummated at such Closing, in each case in the form required by the 1934 Act.

k. Sale Restrictions.

(i) Prior to conversion of any or all of the Debentures or the exercise of any or all of the Warrants, without the prior written consent of the Company, no Buyer shall enter into any short position involving the Common Stock in an amount such that the aggregate short position of all Buyers exceeds the greatest of (i) 20% of the average daily trading volume of the Common Stock on the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable, for the five trading days immediately preceding the date of sale, (ii) 20% of the trading volume of the Common Stock on the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable, on the day prior to the date of sale; and (iii) 50,000 shares.

(ii) Following the conversion of any or all of the Debentures or the exercise of any or all of the Warrants, without the prior written consent of the Company, no Buyer will sell at any time any Conversion Shares or Warrant Shares in an amount such that the total number of Conversion Shares and Warrant Shares sold by all Buyers exceeds the greatest of (i) 10% of the average daily trading volume of the Common Stock on the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable, for the five trading days immediately preceding the date of sale; (ii) 10% of the trading volume of the Common Stock on the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable, on the day prior to the date of sale; and (iii) 35,000 shares.

l. Underwriting Lock-Up Agreements. At any time during the period beginning on and including the Initial Closing Date and ending on the date which is eighteen months after the Initial Closing Date, the Company may require that all, but not less than all, of the holders of the Debentures and the Warrants

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agree to sign a "lock-up" agreement with the underwriters of a public offering of the Common Stock pursuant to which the holders would agree that, during the period beginning on the date designated by the Company, which date shall be not less than ten (10) days after the holders' receipt of such notice, and ending on the date which is the earlier of the closing date of such offering and sixty (60) days after the beginning of the lock-up period as designated by the Company (the "Underwriting Lock-Up Period"), such holders would not sell any Conversion Shares issued to the holders pursuant to a Conversion Notice delivered to the Company or any Warrant Shares issued to the holders . The Company shall exercise this right by delivering written notice (the "Lock-Up Request Notice") of such request to all of the holders of the Debentures and Warrants then outstanding at

least 10 days prior to the date on which the Underwriting Lock-Up Period will begin, but in no event prior to the filing of the registration statement for such proposed offering. The Lock-up Request Notice shall state (i) that the underwriters of such offering have requested that the holders of the Debentures and the Warrants enter into "lock-up" agreements, (ii) the date on which the Underwriting Lock-Up Period will begin and (iii) the name of the managing underwriters of the proposed offering. Notwithstanding the foregoing, the Company shall not be entitled to require the holders to enter into lock-up agreements unless (A) the Underwriting Lock-Up Period is not more than 60 days, (B) the Underwriting Lock-Up Period shall terminate immediately upon the termination or abandonment or indefinite delay of the underwritten offering, (C) the managing underwriters for such proposed offering are included on the Schedule of Underwriters attached to this Agreement, (D) the preliminary prospectus for such underwritten public offering reflects a price per share to the public of not less than $10.00 per share and an aggregate gross proceeds to the Company of at least $20,000,000, (E) there has been no other Underwriting Lock-Up Period in the 365 days prior to the date of the Lock-Up Request Notice, and (F) there has been no Grace Period (as defined in the Registration Rights Agreement) during the period beginning on and including the date which is ten days prior to the filing of the registration statement for the proposed offering and ending on and including the first day of the Underwriting Lock-Up Period. If the Company delivers a Lock-Up Request Notice and the underwritten public offering is not consummated within 90 days of the first day of the Underwriting Lock-Up Period and such failure to consummate the offering is due to any action of the Company or any failure of the Company to act, then the Company may not require any additional Underwriting Lock-Up Period pursuant to this Section 4(l).

5. TRANSFER AGENT INSTRUCTIONS.

The Company shall issue irrevocable instructions to its transfer agent, and any subsequent transfer agent, to issue certificates, registered in the name of each Buyer or its respective nominee(s), for (i) the Conversion Shares in such amounts as specified from time to time by each Buyer to the Company upon conversion of the Debentures in accordance with the terms and conditions of the Transaction Documents and (ii) the Warrant Shares in such amounts as specified from time to time by each Buyer to the Company upon exercise of the Warrants in accordance with the terms and conditions of the Transaction Documents (the "Irrevocable Transfer Agent Instructions"). Prior to

registration of the Conversion Shares and the Warrant Shares under the 1933 Act, all such certificates shall bear the restrictive legend specified in Section 2(g). The Company warrants that, except as set forth in the Transaction Documents, no instruction other than the Irrevocable Transfer Agent Instructions referred to in this Section 5, and stop transfer instructions to give effect to Section 2(f) (prior to registration of the Conversion Shares and Warrant Shares under the 1933 Act), will be given by the Company to its transfer agent and that the Securities shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement and the Registration Rights Agreement. Nothing in this Section 5 shall affect in any way each Buyer's obligations and agreements set forth in Section 2(g) to comply with all applicable prospectus delivery requirements, if any, upon resale of the Conversion Shares or the Warrant Shares. If a Buyer provides the Company with an opinion of counsel, reasonably satisfactory in form and substance to the Company, that registration of a resale by such Buyer of any of such Securities is not required under the 1933 Act, the Company shall permit the transfer, and promptly instruct its transfer agent to issue one or more certificates in such name and in such denominations as specified by such Buyer and without any restrictive legends. The Company acknowledges that a breach by it of its obligations arising under this Section 5 will cause irreparable harm to the Buyers by vitiating the intent and purpose of the transaction contemplated

hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section 5 will be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Section 5, that the Buyers shall be entitled, in addition to all other available remedies, to an injunction restraining any breach and requiring immediate issuance and transfer, without the necessity of showing economic loss and without any bond or other security being required.

6. CONDITIONS TO THE COMPANY'S OBLIGATION TO SELL.

a. Initial Closing Date. The obligation of the Company hereunder to issue and sell the Initial Debentures and Initial Warrants to each Buyer at the Initial Closing is subject to the satisfaction, at or before the Initial Closing Date, of each of the following conditions, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion by providing each Buyer with written notice thereof:

(i) Such Buyer shall have executed each of the Transaction Documents (other than the Debentures and the Warrants) and delivered the same to the Company.

(ii) Such Buyer shall have delivered to the Company the Purchase Price for the Debentures and Warrants being purchased by such Buyer at the Initial Closing by wire transfer of immediately available funds pursuant to the wire instructions provided by the Company.

(iii) The representations and warranties of such Buyer in this Agreement shall be true and correct in all material respects as of the

date when made and as of the Initial Closing Date as though made at that time (except for representations and warranties that speak as of a fixed date), and such Buyer shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by such Buyer at or prior to the Initial Closing Date.

(iv) No suit, action or other proceeding shall have been commenced (and be pending) which seeks to restrain or prohibit or questions the validity or legality of the transactions contemplated by the Transaction Documents, nor shall any such suit, action or proceeding be threatened.

(v) All consents, Permits, authorizations, approvals, waivers and amendments required for the consummation of the transactions contemplated by the Transaction Documents shall have been obtained.

b. Put Closing Date. The obligation of the Company hereunder to issue and sell the Put Debentures and Put Warrants to each Buyer at the Put Closing is subject to the Company's delivery of the Put Notice and the satisfaction, at or before the Put Closing Date, of each of the following conditions, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion by providing each Buyer with written notice thereof:

(i) Such Buyer shall have delivered to the Company the Purchase Price for the Put Debentures and Put Warrants being purchased by such Buyer at the Put Closing by wire transfer of immediately available funds pursuant to the wire instructions provided by the Company.

(ii) The representations and warranties of such Buyer in this Agreement shall be true and correct in all material respects as of the date when made and as of the Put Closing Date as though made at that time

(except for representations and warranties that speak as of a specific date), and such Buyer shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by such Buyer at or prior to the Put Closing Date.

(iii) No suit, action or other proceeding shall have been commenced (and be pending) which seeks to restrain or prohibit or questions the validity or legality of the transactions contemplated by the Transaction Documents, nor shall any such suit, action or proceeding be threatened.

(iv) All consents, Permits, authorizations, approvals, waivers and amendments required for the consummation of the transactions contemplated by the Transaction Documents shall have been obtained.

7. CONDITIONS TO EACH BUYER'S OBLIGATION TO PURCHASE.

a. Initial Closing Date. The obligation of each Buyer hereunder to purchase the Initial Debentures and Initial Warrants at the Initial Closing is subject to the satisfaction, at or before the Initial Closing Date, of each of the following conditions, provided that these conditions are for each Buyer's sole benefit and may be waived by such Buyer at any time in its sole discretion by providing the Company with written notice thereof:

(i) The Company shall have executed each of the Transaction Documents, and delivered the same to such Buyer.

(ii) The Common Stock shall be authorized for quotation on the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable; trading in the Common Stock issuable upon conversion of the Initial Debentures and upon exercise of the Initial Warrants, which are to be traded on the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable, shall not have been suspended by the SEC or The Nasdaq Stock Market, Inc.; and all of the Conversion Shares issuable upon conversion of the Initial Debentures, and all of the Warrant Shares issuable upon exercise of the Initial Warrants, to be sold at the Initial Closing shall be listed upon the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable.

(iii) The representations and warranties of the Company in this Agreement shall be true and correct in all material respects (except to the extent that any of such representations and warranties is already qualified as to materiality in Section 3, in which case, such representations and warranties shall be true and correct without further qualification) as of the date when made and as of the Initial Closing Date as though made at that time and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by the Company at or prior to the Initial Closing Date. Such Buyer shall have received a certificate, executed by the Chief Executive Officer of the Company, dated as of the Initial Closing Date, to the foregoing effect and as to such other matters as may be reasonably requested by such Buyer including, without limitation, an update as of the Initial Closing Date regarding the representation contained in Section 3(c).

(iv) Such Buyer shall have received the opinion of the Company's counsel dated as of the Initial Closing Date, in form, scope and substance reasonably satisfactory to such Buyer and in substantially the form of Exhibit D attached hereto.

Exhibit 4.1

(v) The Company shall have executed and delivered to such Buyer the Debentures and the Warrants (in such denominations as such Buyer shall request) being purchased by such Buyer at the Initial Closing.

(vi) The Board of Directors of the Company shall have adopted resolutions consistent with Section 3(b)(ii) (the "Resolutions").

(vii) As of the Initial Closing Date, the Company shall have reserved out of its authorized and unissued Common Stock, solely for the purpose of effecting the conversion of the Debentures and the exercise of the Warrants, a number of shares of Common Stock equal to at least 150% of the number of shares of Common Stock which would be issuable upon conversion of the then outstanding Debentures and upon exercise of the then outstanding Warrants, including for such purposes any Debentures and any Warrants to be issued at such Closing.

(viii) The Company shall have delivered to such Buyer a certificate evidencing the status of the Company and the incorporation and good standing of each subsidiary of the Company in such corporation's jurisdiction of incorporation issued by the Ministry of Consumer and Commercial Relations (Ontario), with respect to the Company, and the Secretary of State of the State of Nevada, with respect to the subsidiaries of the Company, as of a date within 10 days of the Initial Closing.

(ix) The Company shall have delivered to such Buyer a secretary's certificate certifying as to (a) the Resolutions, (b) the Articles of Incorporation and (c) Bylaws, each as in effect at the Initial Closing.

(x) The Company shall have delivered to such Buyer such other documents relating to the transactions contemplated by the Transaction Documents as such Buyer or its counsel may reasonably request.

(xi) No suit, action or other proceeding shall have been commenced (and be pending) which seeks to restrain or prohibit or questions the validity or legality of the transactions contemplated by the Transaction Documents, nor shall any such suit, action or proceeding be threatened.

(xii) All consents, Permits, authorizations, approvals, waivers and amendments required for the consummation of the transactions contemplated by the Transaction Documents shall have been obtained.

b. Put Closing Date. The obligation of each Buyer hereunder to purchase the Put Debentures and the Put Warrants at the Put Closing is subject to receipt of the Put Notice and the satisfaction, at or before the Put Closing

Exhibit 4.1

Date, of each of the following conditions, provided that these conditions are for each Buyer's sole benefit and may be waived by such Buyer at any time in its sole discretion by providing the Company with written notice thereof:

(i) The Company shall have complied with the requirements of Section

l(c) and all of the Put Notice Conditions set forth in Section l(d) shall have been satisfied.

(ii) The Common Stock shall be authorized for quotation on the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable; trading in the Common Stock issuable upon conversion of the Put Debentures and upon exercise of the Put Warrants, which are to be traded on the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable, shall not have been suspended by the SEC or The Nasdaq Stock Market, Inc.; and all of the Conversion Shares issuable upon conversion of the Put Debentures, and all of the Warrant Shares issuable upon exercise of the Put Warrants, to be sold at the Put Closing shall be listed upon the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable.

(iii) The representations and warranties of the Company in this Agreement shall be true and correct in all material respects (except to the extent that any of such representations and warranties is already qualified as to materiality in Section 3, in which case, such representations and warranties shall be true and correct without further qualification) as of the date when made and as of the Put Closing Date as though made at that time and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by the Company at or prior to the Put Closing Date. Such Buyer shall have received a certificate, executed by the Chief Executive Officer of the Company, dated as of the Put Closing Date, to the foregoing effect and as to such other matters as may be reasonably requested by such Buyer including, without limitation, an update as of the Put Closing Date regarding the representation contained in Section 3(c).

(iv) Such Buyer shall have received the opinion of the Company's counsel dated as of the Put Closing Date, in form, scope and substance reasonably satisfactory to such Buyer and in substantially the form of Exhibit D attached hereto.

(v) The Company shall have executed and delivered to such Buyer the Put Debentures and the Put Warrants (in such denominations as such Buyer shall request) being purchased by such Buyer at the Put Closing.

(vi) The Board of Directors of the Company shall have adopted, and shall not have amended, the Resolutions.

(vii) As of the Put Closing Date, the Company shall have reserved out of its authorized and unissued Common Stock, solely for the purpose of effecting the conversion of the Debentures and the exercise of the Warrants, a number of shares of Common Stock equal to at least 150% of the number of shares of Common Stock which would be issuable upon conversion of the then outstanding Debentures and upon exercise of the then outstanding Warrants, including for such purposes any Debentures and any Warrants to be issued at such Put Closing.

(viii) The Company shall have delivered to such Buyer a certificate evidencing the status of the Company and the incorporation and good standing of each subsidiary of the Company in such corporation's jurisdiction of incorporation issued by the Ministry of Consumer and Commercial Relations (Ontario), with respect to the Company, and the Secretary of State of the State of Nevada, with respect to the subsidiaries of the Company, as of a date within 10 days of the Put Closing.

(ix) The Company shall have delivered to such Buyer a secretary's certificate certifying as to (a) the Resolutions, (b) the Articles of

Incorporation and (c) Bylaws, each as in effect at the Put Closing.

(x) The Company shall have delivered to such Buyer such other documents relating to the transactions contemplated by this Agreement as such Buyer or its counsel may reasonably request.

(xi) No suit, action or other proceeding shall have been commenced (and be pending) which seeks to restrain or prohibit or questions the validity or legality of the transactions contemplated by the Transaction Documents, nor shall any such suit, action or proceeding be threatened.

(xii) All consents, Permits, authorizations, approvals, waivers and amendments required for the consummation of the transactions contemplated by the Transaction Documents shall have been obtained.

8. INDEMNIFICATION.

a. In consideration of each Buyer's execution and delivery of the Transaction Documents and acquiring the Securities thereunder and in addition to all of the Company's other obligations under the Transaction Documents, the Company shall defend, protect, indemnify and hold harmless each Buyer and each other holder of the Securities and all of their officers, directors, employees and agents (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "Buyer Indemnitees") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in

connection therewith (irrespective of whether any such Buyer Indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (the "Buyer Indemnified Liabilities"), incurred by any Buyer Indemnitee as a result of, or arising out of, or relating to (a) any misrepresentation or breach of any representation or warranty made by the Company in the Transaction Documents or any certificate, instrument or document delivered pursuant thereto, (b) any breach of any covenant, agreement or obligation of the Company contained in the Transaction Documents or any certificate, instrument or document delivered pursuant thereto, or (c) any cause of action, suit or claim brought or made against such Buyer Indemnitee and arising out of or resulting from any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of the issuance of the Securities or the status of such Buyer or holder of the Securities as an investor in the Company. To the extent that the foregoing undertaking by the Company may be unenforceable for any reason, the Company shall make the maximum contribution to the payment and satisfaction of each of the Buyer Indemnified Liabilities which is permissible under applicable law.

b. In consideration of the Company's execution and delivery of the Transaction Documents and in addition to the other obligations of the Buyers under the Transaction Documents, each of the Buyers severally, and not jointly (the "Responsible Buyer"), shall defend, protect, indemnify and hold harmless the Company and all of its officers, directors, employees and agents (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "Company Indemnitees") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith (irrespective of whether any such Company Indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (the "Company Indemnified Liabilities"), incurred by any Company Indemnitee as a result of, or arising out of, or relating to (a) any misrepresentation or breach of any representation or warranty made by the Responsible Buyer(s) in the Transaction Documents or any certificate, instrument or document delivered pursuant thereto, (b) any breach

of any covenant, agreement or obligation of the Responsible Buyer(s) contained in the Transaction Documents or any certificate, instrument or document delivered pursuant thereto, or (c) any cause of action, suit or claim brought or made against such Company Indemnitee and arising out of or resulting from the status of such Responsible Buyer(s) or holder of the Securities as an investor in the Company; provided, however, that in no case shall the Responsible Buyer(s) be liable or responsible for any amount in excess of the principal amount of Debentures purchased by it as set forth opposite such Buyer's name on the Schedule of Buyers. To the extent that the foregoing undertaking by the Buyers may be unenforceable for any reason, the Responsible Buyer(s) shall make the maximum contribution to the payment and satisfaction of each of the Company Indemnified Liabilities which is permissible under applicable law; provided, however, that in no case shall any Buyer be liable or responsible for any amount in excess of the principal amount of Debentures purchased by it as set forth opposite such Buyer's name on the Schedule of Buyers.

Exhibit 4.1

9. GOVERNING LAW; MISCELLANEOUS.

a. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of New York without regard to the principles of conflict of laws. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the state and federal courts sitting in the City of New York, borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction.

b. Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. In the event any signature page is delivered by facsimile transmission, the party using such means of delivery shall cause four (4) additional original executed signature pages to be physically delivered to the other party within five (5) days of the execution and delivery hereof.

c. Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

d. Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction.

e. Entire Agreement; Amendments. This Agreement supersedes all other prior oral or written agreements between or among the Buyers, the Company, their

affiliates and persons acting on their behalf with respect to the matters discussed herein, and the Transaction Documents contain the entire understanding of the parties with respect to the matters covered therein and, except as specifically set forth therein, neither the Company nor any Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be amended other than by an instrument in

writing signed by the Company and the holders of at least two-thirds (2/3) of the Debentures then outstanding, and no provision hereof may be waived other than by an instrument in writing signed by the party against whom enforcement is sought.

f. Notices. Any notices consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically generated and kept on file by the sending party); (iii) three (3) days after being sent by U.S. certified mail, return receipt requested, or (iv) one (1) day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company:

Altair International Inc.
230 South Rock Boulevard, Suite 21
Reno, Nevada 89502
Telephone: 702-857-1966
Facsimile: 702-857-1920
Attention: Chief Financial Officer

With copies to:

Altair International Inc.
1725 Sheridan Avenue, Suite 140
Cody, Wyoming 82414
Telephone: 307-587-8245
Facsimile: 307-587-8357
Attention: Dr. William P. Long

and

Parr Waddoups Brown Gee & Loveless, P.C.
185 South State Street, Suite 1300
Salt Lake City, Utah 84111
Telephone: 801-532-7840
Facsimile: 801-532-7750
Attention: Brian G. Lloyd, Esq.

If to the Transfer Agent:

Equity Transfer Services
120 Adelaide Street West, Suite 800
Toronto, Ontario, Canada M5H 3V1
Telephone: (416) 361-0152
Facsimile: (416) 361-0470
Attention: Peter Lindemann

If to a Buyer, to its address and facsimile number on the Schedule of Buyers, with copies to such Buyer's representatives as set forth on the Schedule of Buyers.

Each party shall provide five (5) days' prior written notice to the other party of any change in address or facsimile number or person to whose attention notices shall be given.

g. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns, including any purchasers of the Debentures or the Warrants. The Company shall not assign this Agreement or any rights or obligations hereunder without the prior written consent of the holders of two-thirds (2/3) of the Debentures then outstanding. No Buyer shall assign this Agreement or any rights or obligations hereunder without the prior written consent of the Company, except that a Buyer may assign some or all of its rights hereunder to an "affiliate" of such Buyer (as such term is defined in the 1934 Act), without the consent of the Company; provided, however, that any such assignment shall not release such Buyer from its obligations hereunder unless such obligations are assumed by such assignee and the Company has consented to such assignment and assumption. Notwithstanding anything to the contrary, Angelo, Gordon & Co. shall not, without the prior written consent of the Company, assign or transfer any of its rights under Section 4(g).

h. No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

i. Survival. Unless this Agreement is terminated under Section 9(l), the representations and warranties of the Company and the Buyers contained in Sections 2 and 3, the agreements and covenants set forth in Sections 4, 5 and 9, and the indemnification provisions set forth in Section 8, shall survive each of the Closings. Each Buyer shall be responsible only for its own representations, warranties, agreements and covenants hereunder.

j. Publicity. The Company and one representative selected by the Buyers shall have the right to approve before issuance any press releases or any other public statements with respect to the transactions contemplated hereby; provided, however, that the Company shall be entitled, without the prior approval of any Buyer, to make any press release or other public disclosure with respect to such transactions as is required by applicable law and regulations

(although each Buyer shall be consulted by the Company in connection with any such press release or other public disclosure prior to its release and shall be provided with a copy thereof).

k. Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

l. Termination. In the event that the Initial Closing shall not have

occurred with respect to a Buyer on or before five (5) business days from the date hereof due to the Company's or such Buyer's failure to satisfy the conditions set forth in Sections 6 and 7 above (and the nonbreaching party's failure to waive such unsatisfied condition(s)), the nonbreaching party shall have the option to terminate this Agreement with respect to such breaching party at the close of business on such date without liability of any party to any other party; provided, however, that if this Agreement is terminated pursuant to this Section 9(l), the Company shall remain obligated to reimburse the non-breaching Buyers for the expenses described in Section 4(i) above.

m. Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party. Unless the context otherwise requires: (a) words in the singular include the plural and in the plural include the singular; (b) "or" is disjunctive but not exclusive; (c) "including" means "including, without limitation,"; (d) masculine pronouns include the feminine pronouns and feminine pronouns include the masculine pronouns; and all references herein to Sections or Exhibits are references to Sections of or Exhibits to this Agreement unless otherwise specified.

Exhibit 4.1

IN WITNESS WHEREOF, the Buyers and the Company have caused this Securities Purchase Agreement to be duly executed as of the date first written above.

COMPANY:

ALTAIR INTERNATIONAL INC.

By:_____
Name:_____
Its:_____

BUYERS:

LEONARDO, L.P.
By: Angelo, Gordon & Co., L.P.
Its: General Partner

By:_____
Name: Michael L. Gordon
Its: Chief Operating Officer

GAM ARBITRAGE INVESTMENTS, INC.
By: Angelo, Gordon & Co., L.P.
Its: Investment Advisor

By:_____
Name: Michael L. Gordon
Its: Chief Operating Officer

AG SUPER FUND INTERNATIONAL
PARTNERS, L.P.
By: Angelo, Gordon & Co., L.P.
Its: General Partner

By:_____
Name: Michael L. Gordon
Its: Chief Operating Officer

RAPHAEL, L.P.

By:_____
Name: Michael L. Gordon
Its: Chief Operating Officer

Exhibit 4.1

RAMIUS FUND, LTD.
By: AG Ramius Partners, L.L.C.
Its: Investment Advisor

By:_____
Name: Michael L. Gordon
Its: Managing Officer

BALDWIN ENTERPRISES, INC.
By: AG Ramius Partners, L.L.C.
Its: Investment Advisor

By:_____
Name: Michael L. Gordon
Its: Managing Officer

Exhibit 4.1
<TABLE>

SCHEDULE OF BUYERS

<CAPTION>

Investor Name	Investor Address and Facsimile Number	Principal Amount of Initial Debenture	Investor's Representatives' Address and Facsimile Number
<S>	<C>	<C>	<C>
Leonardo, L.P.	c/o Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf Facsimile: 212-867-6449	$3,000,000	Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf Facsimile: 212-867-6449
GAM Arbitrage Investments, Inc.	c/o Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf Facsimile: 212-867-6449	$ 300,000	Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf Facsimile: 212-867-6449
AG Super Fund International Partners, L.P.	c/o Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf Facsimile: 212-867-6449	$ 300,000	
Raphael, L.P.	c/o Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf	$ 300,000	c/o Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf

	Facsimile: 212-867-6449		Facsimile: 212-867-6449
Ramius Fund, Ltd.	c/o Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf Facsimile: 212-867-6449	$ 500,000	c/o Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf Facsimile: 212-867-6449
Baldwin Enterprises, Inc.	c/o Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf Facsimile: 212-867-6449	$ 600,000	c/o Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf Facsimile: 212-867-6449

</TABLE>

Exhibit 4.1

SCHEDULE OF UNDERWRITERS

A.G. Edwards & Sons Inc.
Bancamerica Robertson Stephens
BT Alex Brown
Cowen & Co.
Cruttendon Roth Incorporated
CS First Boston
Dain Bosworth Incorporated
Deutsche Morgan Grenfell
Donaldson Lufkin & Jenrette Securities Corporation
Fahnestock & Co., Inc.
Furman Selz Incorporated
Genesis Merchant Securities
Goldman Sachs & Co.
Hambrecht & Quist
Invermed Associates
J.P. Morgan & Company
Lehman Brothers Inc.
Merrill Lynch & Co.
NationsBank Montgomery Securities
Morgan Stanley, Dean Witter, Discover & Co.
Needham & Company, Inc.
Oppenheimer & Co.
Pacific Growth Equities Inc.
Paine Webber
Piper Jaffray Inc.
Prudential Securities Incorporated
Punk Ziegel & Knoll
Raymond James & Associates, Inc.
SBC Warburg/Dillon Read
Smith Barney Salomon
UBS Securities, Inc.
Vector Securities
Wedbush Morgan Securities

Exhibit 4.1

Schedule 3(a)
Subsidiaries

1) Fine Gold Recovery Systems, Inc., a Nevada corporation.

2) Mineral Recovery Systems, Inc., a Nevada corporation.

Exhibit 4.1

Schedule 3(c)
Capitalization

1) Altair International, Inc. Stock Option Plan, provides for issuance of 2,500,000 Altair common shares. See Form S-8, filed July 11, 1997, for Option Plan details. As of 17 December 1997, 882,500 shares granted under the plan remained unexercised, and 553,000 shares remained for granting under the Plan.

2) Notes payable as of September 30, 1997, including both principal and accrued interest totaled $257,543.

Exhibit 4.1

Schedule 3(e)
No Conflicts

1) Application to list additional shares on NASDAQ Small Cap Market or NASDAQ National Market, as applicable, will be filed following execution of the Transaction Documents.

<TABLE>

Schedule 3(f)

ALTAIR INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS
(Expressed in United States Dollars)

<CAPTION>

	September 30, 1997 (unaudited)	December 31, 1996 (audited)

ASSETS

<S>	<C>	<C>
Current		
Cash and term deposits	$ 2,953,241	$ 3,270,161
Advances and accounts receivable	60,024	13,556
	3,013,265	3,283,717
Capital		
Office equipment, vehicles, testing and mining equipment. (Cost, net of amortization)	455,744	257,018
Centrifugal jig patents and related expenditures (Cost, net of amortization)	3,967,856	4,365,064
Mineral properties and related deferred exploration expenditures	456,204	126,302
Goodwill, net	10,789	10,789
	$ 7,903,858	$ 8,042,890
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 162,773	$ 155,729
Current portion of notes payable		153,036
	162,773	308,765
Notes payable	257,543	269,685
	420,316	578,450
SHAREHOLDERS' EQUITY		
Capital stock issued		
15,233,245 common shares at September 30, 1997; 14,686,296 shares at December 31, 1996	12,779,254	11,421,004
Deficit		
Balance, beginning of period	3,956,564	3,347,808
Net loss for period	1,339,148	608,756
Balance, end of period	5,295,712	3,956,564
Total Shareholders' Equity	7,483,542	7,464,440
	$ 7,903,858	$ 8,042,890

</TABLE>

Exhibit 4.1

Schedule 3(g)
Absence of Certain Changes

None.

Exhibit 4.1

Schedule 3(h)
Absence of Litigation

1) Fine Gold Recovery Systems, Inc. (Plaintiff), versus Micron Science, Inc. and Morton P. McCleod (Defendants) filed December 6, 1996, in the Second Judicial District Court of the State of Nevada.

Exhibit 4.1

Schedule 3(n)
Intellectual Property Rights

None.

Exhibit 4.1

Schedule 3(p)
Title

None.

Exhibit 4.1

Schedule 3(s)
Compliance With Law

None.

Exhibit 4.1

Schedule 3(v)
Tax Status

None.

Exhibit 4.1

Schedule 4(d)
Use of Proceeds

Asset Acquisitions	$4,000,000
Camden Project Development and Additional Tennessee Lease Positions	$3,000,000
Corporate Expansion and Working Capital	$2,200,000
Transaction Costs	$ 800,000
Total	$10,000,000

Exhibit 4.2

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, ANY STATE SECURITIES LAWS OR ANY OTHER SECURITIES LAWS. THE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF (I) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RECEIPT OF ALL NECESSARY STATE AND FOREIGN APPROVALS OR (II) AN OPINION OF COUNSEL, IN FORM AND SUBSTANCE REASONABLY ACCEPTABLE TO ALTAIR INTERNATIONAL INC., THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR ANY APPLICABLE STATE OR FOREIGN SECURITIES LAWS OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT.

No. __ $_____

5% CONVERTIBLE SUBORDINATED DEBENTURE DUE DECEMBER 29, 2001

THIS CONVERTIBLE SUBORDINATED DEBENTURE ("Debenture") is one of a duly authorized issue of Debentures of Altair International Inc., a corporation duly incorporated under the laws of the Province of Ontario, Canada and having its principal address at 1725 Sheridan Avenue, Suite 140, Cody, Wyoming 82414 (the "Company"), designated as its 5% Convertible Subordinated Debentures Due December 29, 2001 in an aggregate principal amount not exceeding Ten Million U.S. Dollars (U.S. $10,000,000) (the "Debentures").

FOR VALUE RECEIVED, the Company promises to pay to the order of_____ _____, having an address at_____, the holder hereof, or its registered assigns (the "Holder"), the principal sum of _____ United States Dollars (U.S. $_____) on December 29, 2001 (the "Maturity Date") and to pay interest on the principal sum outstanding under this Debenture, at the rate of 5% per annum. At the option of the Company, interest shall be payable in arrears annually on December 29 of each year, commencing on December 29, 1998 (each such date, an "Interest Payment Date") and on the Maturity Date. Interest shall be calculated based on a 360 day year. Interest shall accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance and shall continue until the following Interest Payment Date. The interest so payable will be paid to the person in whose name this Debenture is registered on the records of the Company regarding registration and transfers of the Debentures (the "Debenture Register") at the close of business on the record date for interest payable on such Interest Payment Date; provided, however, that the Company's

obligation to a permitted transferee of this Debenture arises only if the transfer, sale or other disposition is made in accordance with the terms and conditions of the Securities Purchase Agreement, dated as of December 24, 1997, among the Company and the purchasers of the original issue of the Debentures (as amended from time to time and in effect, the "Purchase Agreement"). The record date for any interest payment is the close of business on the date fifteen days prior to the Interest Payment Date, unless such date shall not be a business day, in which case on the next preceding business day. The Company shall be entitled to withhold from all payments of interest on this Debenture any amounts required to be withheld under the applicable provisions of the United States or Canadian income tax laws as evidenced by an opinion of counsel of the Company.

The principal of this Debenture is payable in United States Dollars at the address last appearing on the Debenture Register of the Company as designated in writing by the Holder hereof from time to time. At the option of the Company, the interest on this Debenture is payable either (i) in United States Dollars or (ii) in shares of Common Stock (as defined in Paragraph 3) at the address last appearing on the Debenture Register of the Company as designated in writing by the Holder hereof from time to time; for purposes of clause (ii), the value of one share of Common Stock shall be, on the Interest Payment Date, the Maturity Date or on the date of conversion of the Debenture pursuant to Paragraph 5 hereof, as applicable, the lesser of (i) an amount that is equal to ninety-two percent (92%) of the average Market Price for one share of Common Stock for the five trading days immediately preceding such date, and (ii) the Ceiling (as defined in Paragraph 3).

This Debenture is subject to the following additional provisions:

1. Subordination to Senior Indebtedness. The Company covenants and agrees, and each holder of Debentures, by his acceptance thereof, likewise covenants and agrees, that the indebtedness evidenced by the Debentures, including the principal of, premium, if any, on and interest thereon, shall be subordinate and subject in right of payment, to the extent and in the manner hereinafter set forth, to the prior payment in full of all Senior Indebtedness of the Company, whether now outstanding or hereinafter incurred, and each holder of Debentures, by his acceptance thereof, agrees to and shall be bound by the provisions of this Paragraph 1.

(a) "Senior Indebtedness" shall mean the principal of and premium, if any, on and interest on the following, whether outstanding at the date hereof or hereafter issued, created, incurred or assumed:

(i) any indebtedness of the Company, and any indebtedness of another

entity for the payment of which the Company is at the time of determination responsible or liable as guarantor or otherwise, which indebtedness in either case (x) is for money borrowed, including, but without limitation, indebtedness for money borrowed from entities which engage in lending money such as banks, trust companies, insurance

companies and other financing institutions, (y) is for the payment of the purchase price of property or assets purchased (whether by the Company or another entity), or (z) is a direct or indirect obligation which arises as a result of drawings under bank letters of credit issued to secure obligations of the Company, or others, whether contingent or otherwise; and

(ii) any indebtedness of the Company on its commercial paper.

(b) Upon any distribution of the assets of the Company upon any dissolution, winding up or total liquidation or reorganization relative to the Company or to its property (whether in bankruptcy, insolvency or receivership proceedings, or upon an assignment for the benefit of creditors, or any other marshaling of the assets and liabilities of the Company or otherwise),

(i) all principal of (premium, if any) and interest on all Senior Indebtedness (including interest thereon accruing after the commencement of any bankruptcy or insolvency proceedings) shall first be paid in full, or provision made for such payment in cash, before any payment is made on account of the principal of, premium, if any, or interest on the Debentures;

(ii) any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (other than securities of the Company as reorganized or readjusted or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment the payment of which is subordinate, at least to the extent provided in this Paragraph 1 with respect to the Debentures, to the payment of all indebtedness of the nature of Senior Indebtedness, provided that the rights of the holders of Senior Indebtedness at the time outstanding are not altered by such reorganization or readjustment) on account of the indebtedness evidenced by the Debentures to which the holders of the Debentures would be entitled except for the provisions of this Paragraph 1, shall be paid or delivered by the trustee in bankruptcy,

receiver, assignee for the benefit of creditors or other liquidating agent making such payment or distribution directly to the holders of Senior Indebtedness, or their representative or representatives or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any of such Senior Indebtedness may have been issued, pro rata, as their respective interests may appear for application to the payment of all Senior Indebtedness remaining unpaid to the extent necessary to pay all Senior Indebtedness in full after giving effect to any concurrent payment or distribution, or provision therefor in cash, to the holders of such Senior Indebtedness.

The Company shall give prompt written notice to the holders of the Debentures of any dissolution, winding up, total liquidation or reorganization of the Company within the meaning of this Paragraph 1(b). Upon any payment or

distribution of assets of the Company referred to in this Paragraph 1(b), the holders of the Debentures shall be entitled to rely upon a certificate of the trustee in bankruptcy, receiver, assignee for the benefit of creditors or other liquidating agent making such payment or distribution, delivered to the holders of the Debentures, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Paragraph 1(b).

(c) In the event that the Debentures shall be accelerated because of the occurrence of an Event of Default hereunder, the Company shall promptly notify holders of Senior Indebtedness of such acceleration.

(d) In the event that any direct or indirect payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (other than securities of the Company as reorganized or readjusted or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment the payment of which is subordinate, at least to the extent provided in this Paragraph 1 with respect to the Debentures, to the payment of all indebtedness of the nature of Senior Indebtedness, provided that the rights of the holders of Senior Indebtedness at the time outstanding are not altered by such reorganization or readjustment) on account of the indebtedness evidenced by the Debentures shall be received by the holders of the Debentures in contravention of Paragraphs 1(b) or 1(g) before all Senior Indebtedness is

paid in full, or provision made for its payment in cash, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of such Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any such Senior Indebtedness may have been issued, pro rata, as their respective interests may appear, for application to the payment of all Senior Indebtedness remaining unpaid to the extent necessary to pay all such Senior Indebtedness after giving effect to any concurrent payment or distribution, or provision therefor in cash, to the holders of such Senior Indebtedness.

(e) After all Senior Indebtedness is paid in full, the holders of the Debentures shall be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions of assets of the Company made on the Senior Indebtedness until the Debentures and interest shall be paid in full, and for purposes of such subrogation, no such payments or distributions to the holders of Senior Indebtedness of cash, property or securities, which otherwise would be payable or distributable to the holders of the Debentures, shall, as between the Company, its creditors other than the holders of Senior Indebtedness, and the holders of the Debentures, be deemed to be a payment by the Company to or on account of Senior Indebtedness, it being understood that the provisions of this Paragraph 1 are and are intended solely for the purpose of defining the relative rights of the holders of the Debentures, on the one hand, and the holders of Senior Indebtedness, on the other hand.

(f) Nothing contained in this Paragraph 1 or elsewhere in this Debenture or in the Purchase Agreement is intended to or shall impair, as between the Company, its creditors other than the holders of Senior Indebtedness and the holders of the Debentures, the obligation of the Company, which is absolute and unconditional, to pay to the holders of the Debentures the principal of the Debentures, premium, if any, and interest thereon, as and when the same shall become due and payable in accordance with their terms, or to affect the relative rights of the holders of the Debentures and creditors of the Company other than the holders of Senior Indebtedness, nor shall anything herein or therein prevent the holder of any Debentures from exercising all remedies otherwise permitted by applicable law upon default under this Debenture, subject to the rights, if any, under this Paragraph 1 of the holders of Senior Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

(g) No direct or indirect payment (in cash, property, securities, by set-off or otherwise) shall be made or agreed to be made on account of the principal of the Debentures, premium, if any, or interest thereon, or in respect of any redemption, retirement, purchase or other acquisition of any of the Debentures, and no holder of any Debentures shall be entitled to demand or receive any such payment (i) unless all amounts then due and payable for principal of (premium, if any) and interest on all Senior Indebtedness shall have been paid in full or (ii) if at the time of such payment or after giving effect thereto there shall have occurred and be continuing any event of default under any Senior Indebtedness or under any agreement or indenture pursuant to which any instruments evidencing any such Senior Indebtedness may have been issued and the maturity of such Senior Indebtedness shall have been accelerated as a result of such default.

Notwithstanding the foregoing, the Company may make payments on account of the principal of, premium, if any, or interest on the Debentures, or in respect of any redemption, retirement, purchase or other acquisition of any of the Debentures when (a) the Company has received a notice of a default or an event of default under any agreement governing Senior Indebtedness (other than notice of a default or event of default relating to payment of principal or interest, either at maturity, upon redemption, by acceleration or otherwise) (the receipt of such notice being referred to herein as a "Blockage Event"), and (b) 179 days pass after the earliest date on which such notice was given with respect to such default or event of default (the "Payment Blockage Period"), so long as this Paragraph 1 otherwise permits payment at that time; provided, however, that only one Payment Blockage Period may be commenced within any consecutive 365-day period with respect to the Debentures. For purposes of this paragraph, no event of default which existed or was continuing on the date of the commencement of any Payment Blockage Period with respect to the Senior Indebtedness initiating such Payment Blockage Period shall be, or be made, the basis for the commencement of a second Payment Blockage Period by a representative of such Senior Indebtedness, whether or not within a period

of 365 consecutive days unless such event of default shall have been cured or waived for not less than 90 consecutive days.

2. Transfers. This Debenture has been issued subject to investment representations of the original purchaser hereof and may be transferred or exchanged in the United States only (a) in compliance with the Securities Act of 1933, as amended (the "Act") and applicable state securities laws, (b) as expressly permitted by the Purchase Agreement, and (c) in accordance with other

applicable provisions hereof. Prior to due presentment for transfer of this Debenture, the Company may treat the person in whose name this Debenture is duly registered on the Company's Debenture Register as the owner hereof for the purpose of receiving payment as herein provided and all other purposes, whether or not this Debenture is then overdue, and the Company shall not be affected by notice to the contrary.

3. Definitions. For purposes hereof, the following terms shall have the following meanings:

"Ceiling" shall mean an amount that is equal to the lesser of (x) $14.36875 or (y) $14.7125, which represents 110% of the Market Price for one share of Common Stock on the day immediately preceding the Closing Date; provided, however, that the Ceiling shall increase by an additional $0.50 on each of the second and the third anniversaries of the Closing Date.

"Closing Date" shall mean the date of original issuance of this Debenture.

"Common Stock" shall mean the Common Shares, no par value, of the Company.

"Conversion Date Market Price" shall mean, at any Holder Conversion Date or Forced Conversion Date, as the case may be, the lesser of (i) an amount that is equal to ninety-two percent (92%) of the average Market Price for one share of Common Stock for the five trading days immediately preceding the date of a Conversion Notice, and (ii) the Ceiling.

"Conversion Deficiency" shall have the meaning set forth in Paragraph 9(b).

"Conversion Notice" shall have the meaning set forth in Paragraph 5(c)

"Conversion Rate" shall have the meaning set forth in paragraph 5(b).

"Equity Offerings" shall mean the issuance or sale by the Company of any Common Stock or securities which are convertible into or exchangeable for Common Stock, or any warrants or other rights to subscribe for or to purchase, or any options for the purchase of, Common Stock or any such convertible or exchangeable securities (other than shares or options issued or which may be

issued pursuant to the Company's employee or director option plans or shares issued upon exercise of options, warrants or rights outstanding on the Closing Date and listed in the SEC Documents (as defined in the Purchase Agreement)).

"Event of Default" shall have the meaning set forth in Paragraph 17.

"Forced Conversion Date" shall have the meaning set forth in Paragraph (5)(c)(ii).

"Forced Conversion Notice" shall have the meaning set forth in Paragraph (5)(c)(ii).

"Holder Conversion Date" shall have the meaning set forth in Paragraph 5(c)(i).

"Market Price" shall mean, as of any relevant date, the price of one share of Common Stock determined as follows:

(i) If the Common Stock is listed on the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable, the closing price on the relevant date, as reported by Bloomberg Financial Markets; or

(ii) If (i) does not apply but the Common Stock is listed on any other securities exchange or automated quotation system, the closing bid price on the relevant date, as reported by Bloomberg Financial Markets; or

(iii) If neither (i) nor (ii) applies, but the Common Stock is quoted in the over-the-counter market on the pink sheets or bulletin board, the lowest sales price on the relevant date, as reported by Bloomberg Financial Markets; or

(iv) If none of clause (i), (ii) or (iii) above applies, the market value as determined by an independent nationally recognized investment banking firm or financial advisor retained in good faith by the Company for such purpose, taking into consideration, among other factors, the earnings history, book value and prospects for the Company, and the prices at which shares of Common Stock recently have been traded. Such determination shall be conclusive and binding on all persons.

"Minimum Number of Shares" shall mean, at any time, the sum of (i) the number of shares of Common Stock issued prior to such time upon conversion of all or any part of the Debentures, plus (ii) the number of shares (as may be adjusted in accordance with the terms hereof) of Common Stock issuable at such time upon conversion of the Debentures (without giving effect to any applicable conversion restrictions), minus (iii) the number of shares of Common Stock described in clause (i) above that have been sold prior to such time by the Holders pursuant to a registration statement or Rule 144.

"Outstanding Amount" shall mean the principal sum outstanding under this Debenture and all accrued but unpaid interest thereon.

"Redemption Date" shall have the meaning set forth in Paragraph 6(a).

"Redemption Debentures" shall have the meaning set forth in Paragraph 6(d).

"Redemption Price" shall have the meaning set forth in Paragraph 6(c).

"Registration Rights Agreement" shall have the meaning set forth in the Purchase Agreement.

Other terms defined in the Purchase Agreement and not otherwise defined herein shall have the same meanings herein as are set forth for such terms in the Purchase Agreement.

4. Intentionally Omitted.

5. Conversion. This Debenture is subject to conversion as follows:

(a) (i) Holder's Right to Convert. This Debenture shall be convertible at any time and from time to time after the Closing Date, in whole or in part, at the option of the Holder hereof, into fully paid, validly issued and nonassessable shares of Common Stock; provided that the Conversion Date Market Price is greater than the Ceiling. During the periods set forth below, if the Conversion Date Market Price is less than the Ceiling, no Holder may convert more than the following percentages of the original principal amount of all Debentures held by all Holders:

Date	Percentage
1 to 45 days after Closing Date	0%
46 to 90 days after Closing Date	25%
91 to 135 days after Closing Date	50%
136 to 180 days after Closing Date	75%
181 days after Closing Date and thereafter	100%

The foregoing conversion restrictions shall immediately terminate, and the Holder shall be permitted to convert all or any part of this Debenture without

regard to the conversion restrictions, upon the occurrence of any Event of Default, Paragraph 4 Transaction or upon the commencement by any person (other than the Holder) of any tender offer for shares of Common Stock.

Exhibit 4.2

(ii) Company's Right to Force Conversion. (A) The Company may require conversion of all or any part of the Outstanding Amount of this Debenture from time to time into fully paid, validly issued and nonassessable shares of Common Stock; provided, that

(1) prior to the date on which the Company may require such conversion, the Registration Statement contemplated by the Registration Rights Agreement shall have been declared effective (and not subject to any stop orders or other prohibitions on sale of Common Stock thereunder) and shall permit the sale thereunder of not less than the Minimum Number of Shares;

(2) the Registration Statement shall be effective (and not subject to any stop orders or other prohibitions on sale of Common Stock thereunder) as of the date of delivery of the Forced Conversion Notice and on each trading day commencing with the date of delivery of the Forced Conversion Notice and ending on the Forced Conversion Date for the sale thereunder of not less than the Minimum Number of Shares;

(3) the average closing price per share of Common Stock for the five trading days immediately preceding the delivery of the Forced Conversion Notice shall have been greater than or equal to 130% of the Ceiling;

(4) (A) no Event of Default as specified in Section 17(c), (d), (e), (f), (g) or (h) shall have occurred prior to the Forced Conversion Date and (B) no Event of Default as specified in Section 17(a) or (b) shall have occurred and be continuing as of the Forced Conversion Date;

(5) no Conversion Deficiency shall have occurred prior to the Forced Conversion Date; and

(6) any such required conversion shall be made from each Holder, pro rata according to the portion of the total Outstanding Amount of all Debentures held by each Holder.

(B) Notwithstanding clause (A) of this Paragraph 5(a)(ii), after the second anniversary of the Closing Date, the Company may require conversion of

all or any part of this Debenture from time to time into fully paid, validly issued and nonassessable shares of Common Stock; provided, that

(1) (A) no Event of Default as specified in Section 17(c), (d), (e), (f), (g) or (h) shall have occurred prior to the Forced Conversion Date and (B) no Event of Default as specified in Section 17(a) or (b) shall have occurred and be continuing as of the Forced Conversion Date;

(2) no Conversion Deficiency shall have occurred prior to the Forced Conversion Date; and

(3) any such required conversion shall be made from each Holder, pro rata according to the portion of the total Outstanding Amount of all Debentures held by each Holder.

(iii) Automatic Conversion. At the Maturity Date, the Outstanding Amount of this Debenture plus any unpaid charges or amounts shall automatically be converted into fully paid, validly issued and nonassessable shares of Common Stock and, except for the Holder's right to receive the Common Stock into which this Debenture is automatically so converted, and except for any portion of this Debenture which cannot be converted because of the limitations contained in Paragraphs 5(d) and 9(b), this Debenture shall be deemed to have been canceled whether or not surrendered upon such automatic conversion.

(iv) Accrued But Unpaid Interest. Notwithstanding anything in this Debenture to the contrary, the Outstanding Amount of this Debenture on any Holder Conversion Date or any Forced Conversion Date, as the case may be, shall include, without limitation, all accrued but unpaid interest under this Debenture through such date.

(b) Conversion Price for Holder Converted Shares. The Outstanding Amount of this Debenture shall be convertible into the number of validly issued, fully paid and non-assessable shares of Common Stock determined in accordance with the following formula:

$$\frac{P + I}{\text{Conversion Date Market Price}}$$

P = principal amount of this Debenture submitted for conversion

I = accrued but unpaid interest on the principal amount of this Debenture submitted for conversion plus any unpaid charges or amounts through the Holder Conversion Date or Forced Conversion Date, as the case may be.

The number of shares of Common Stock into which the Outstanding Amount of this Debenture may be converted pursuant to this paragraph is herein referred to as the "Conversion Rate."

(c) (i) Mechanics of Conversion by Holder. In order to convert this Debenture (in whole or in part) into shares of Common Stock, the Holder shall surrender this Debenture, duly endorsed, by either overnight courier or two-day courier, to the Company, and, in case of any conversion pursuant to

Paragraph 5(a)(i), shall give written notice in the form of Exhibit A hereto (the "Conversion Notice") by facsimile (with the original of such notice forwarded with the foregoing courier) to the Company that the Holder elects to convert all or the portion of the Outstanding Amount of this Debenture specified therein, which notice and election shall be irrevocable by the Holder unless the Company shall default in or fail to fulfill any or all of its obligations arising hereunder or otherwise by reason of such notice or election, in which case, in addition to and not in lieu of any and all other rights and remedies to which the Holder may thereby be and become entitled, such notice and election, by further notice to the Company may be revoked and rescinded at the election of the Holder exercised in its sole discretion; provided, however, that the Company shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon conversion unless this Debenture with evidence of the principal amount hereof to be converted is delivered to the Company as provided above, or the Holder notifies the Company that this Debenture has been lost, stolen or destroyed and promptly executes an agreement reasonably satisfactory to the Company to indemnify the Company from any loss which may be incurred by it in connection with this Debenture; and provided, further, that each Conversion Notice shall provide for the Holder's election to convert either (A) at least $250,000 of the Outstanding Amount of this Debenture, or (B) if such Outstanding Amount shall then be less than $250,000, the entire Outstanding Amount. The date on which a Conversion Notice is given (the "Holder Conversion Date") shall be deemed to be the date the Company received by facsimile the Conversion Notice, as evidenced by a printed confirmation of receipt received by

the Holder and confirmed by telephone conference between the Holder and the Company. Upon receipt of any Conversion Notice, the Company shall immediately verify the Holder's calculation of the Conversion Rate. Unless the Company objects, in writing, to the Holder's calculation within four (4) business days after the Holder Conversion Date, the Company will be deemed to have accepted such calculation.

(ii) Mechanics of Forced Conversion by Company. In order to require conversion of this Debenture pursuant to Paragraph 5(a)(ii), the Company shall give written notice in the form of Exhibit B hereto, appropriately completed (the "Forced Conversion Notice"), by facsimile (with the original of such notice forwarded with the foregoing courier) to each Holder of Debentures. Such Forced Conversion Notice shall state that the Company elects to force conversion of all or a specified portion of the Outstanding Amount of the Debentures of each Holder, which notice and election shall be irrevocable by the Company and shall be delivered at least 10 trading days prior to the date of conversion specified in the Forced Conversion Notice (the "Forced Conversion Date"). Each Holder will, within two business days after the Forced Conversion Date, to the extent the Debenture has not been converted by such Holder prior to the Forced Conversion Date, deliver such Debenture evidencing the Outstanding Amount of such Debenture to be converted to the Company, duly endorsed, by either overnight courier or two-day courier, or notify the Company that such Debenture has been lost, stolen or destroyed and promptly execute an agreement reasonably satisfactory to the Company to indemnify the Company from any loss

which may be incurred by it in connection with such Debenture. Notwithstanding anything herein to the contrary, any Holder may convert any portion of its Debentures prior to the Forced Conversion Date.

(iii) Issuance of Certificates. In the case of any Conversion Notice given by the Holder or any Forced Conversion Notice given by the Company, the Company shall use its best efforts to cause the Company's transfer agent for the Common Stock to issue and deliver as promptly as practicable and in no event later than two (2) business days after delivery to the Company of the Debenture, or after receipt of such agreement and indemnification, to such Holder or to its designee, a certificate or certificates for the number of shares of Common Stock to which the Holder shall be entitled, together with a Debenture for the principal amount not submitted for conversion or forced to convert, as the case may be. The person or persons entitled to receive the shares of Common Stock issuable upon conversion shall be treated for all purposes as the record holder

or holders of such shares of Common Stock on the Holder Conversion Date or the Forced Conversion Date, as the case may be. If the Company shall not have the requisite number of shares of Common Stock issuable upon conversion of the Debentures by any Holder, then, without limiting the Company's obligation to convert all of the Debentures, such conversion shall be made for each Holder, pro rata according to the portion of the total Outstanding Amount of the portion of the Debentures sought to be converted. At the Holder's option, the request for conversion by the Holder or the required conversion by the Company shall be null and void for any portion of the Debentures for which the Company does not have shares of Common Stock issuable upon conversion as of the Holder Conversion Date or the Forced Conversion Date.

6. Redemption.

(a) Company Option To Redeem. Any portion of this Debenture may be redeemed at the Company's option expressed by a written notice (a "Redemption Notice") to the Holder; provided that

(i) the closing price per share of Common Stock for each of the ten (10) consecutive trading days immediately preceding the delivery of the Redemption Notice shall have been less than $6.50 per share, such price to be proportionately adjusted in the event of a subdivision, split-up, spin-off or combination in accordance with Section 7(a);

(ii) the Redemption Notice delivered by the Company shall be received by the Holder at least ten (10) trading days (but not more than forty (40) trading days) prior to the date (the "Redemption Date") of redemption;

(iii) at all times from and after the effective date of the Registration Statement contemplated by the Registration Rights Agreement, the

Registration Statement shall have been effective for sale thereunder (except pursuant to suspension periods contemplated by the Registration Rights Agreement) of not less than the Minimum Number of Shares;

(iv) the Registration Statement shall be effective (and not subject to any stop orders or other prohibitions on sale of Common Stock thereunder) on the date of delivery of the Redemption Notice and on each day from the date of such delivery through the Redemption Date for the sale

thereunder of not less than the Minimum Number of Shares;

(v) on the date of the Redemption Notice, the Company shall have deposited at least seventy percent (70%) of the Redemption Price in an escrow account reasonably satisfactory to the Holder, and shall have notified the Holder in writing that the Company shall have adequate liquidity to pay the Redemption Price on the Redemption Date, and shall not be prohibited under the terms of any financing or other agreements or applicable law from redeeming the Debentures on the Redemption Date; and

(vi) no Conversion Deficiency, as defined in Paragraph 9(b), shall have occurred prior to the Redemption Date.

(b) Company's Obligation To Redeem. Upon a determination by the Holders of more than 50% of the principal amount of Debentures then outstanding, the Holders of the Debentures shall have the right to demand from the Company, upon written notice to the Company at any time after the occurrence of any of the following events, redemption of all Debentures in cash at the Redemption Price pursuant to this Paragraph 6 in the event of the following:

(i) the Registration Statement shall not have been declared effective within 180 days after the Closing Date; or

(ii) the failure of the Company to comply with a Conversion Notice, other than pursuant to Paragraph 9(b) hereof.

(c) Redemption Price. The redemption price for the portion of this Debenture being redeemed, except as provided in the Registration Rights Agreement, shall equal 110% of the outstanding principal amount of this Debenture being so redeemed, plus all accrued but unpaid interest and all late payment charges and all other amounts accrued under this Debenture and not previously paid (the "Redemption Price"). The Redemption Price shall be payable in cash in United States Dollars.

(d) Mechanics of Redemption. If less than all of the Outstanding Amount of Debentures are to be redeemed at any time, selection of Debentures for redemption will be made by the Company on a pro rata basis. In the event the

Company shall be required or elects to redeem any part or all of the Outstanding Amount of the Debentures, the Company shall send by either overnight courier or

two-day courier (with a copy sent by facsimile) confirmation of such determination or obligation to the record Holders of the Debentures being redeemed (the "Redemption Debentures"), which confirmation shall be included in the Redemption Notice, if the redemption is made pursuant to Paragraph 6(a) above. Such confirmation shall specify the Redemption Date, which shall be (i) no later than seven (7) business days after the receipt by the Company of the notice requiring redemption pursuant to Paragraph 6(b) above, or (ii) at least 20 trading days (but not more than 40 trading days) after receipt by the Holder of the Redemption Notice, as applicable. On the Redemption Date, the Redemption Debentures shall be redeemed automatically without any further action by the Holders of such Debentures and whether or not the Debentures are surrendered to the Company (but only to the extent that the Company complies with its obligation to pay the Redemption Price therefor); provided, that the Company shall be obligated to pay the cash consideration due to a Holder of such Debentures upon redemption when such Debentures are either delivered to the principal office of the Company or the Holder notifies the Company that such Debentures have been lost, stolen or destroyed and executes an agreement reasonably satisfactory to the Company to indemnify the Company from any loss which may be incurred by it in connection with such Debenture. Thereupon, there shall be promptly issued and delivered to such Holder, within seven (7) business days after the Redemption Date and delivery to the Company of such Debentures, or after receipt of such agreement and indemnification, at the address of such Holder on the books of the Company, payment in immediately available funds to the name as shown on the books of the Company in the amount of the Redemption Price as calculated as set forth in Paragraph 6(c). If the Company shall not have the funds available to pay the aggregate Redemption Price of all Redemption Debentures, then, without limiting the Company's obligation to redeem all Redemption Debentures, such redemption shall be made from each Holder, pro rata according to the portion of the total Outstanding Amount of all Redemption Debentures then held by each Holder and the Company shall not be permitted to require any further redemption in accordance with Paragraph 6(a).

Notwithstanding anything to the contrary contained herein, the Holders' rights of conversion pursuant to Paragraph 5 hereof shall not be limited in any manner by the Company's rights of redemption pursuant to this Paragraph 6.

(e) Failure to Redeem. In the event that the Company fails to redeem any portion of the Outstanding Amount of the Debentures required to be redeemed on any Redemption Date, the Company shall pay, in cash, to each Holder on such Redemption Date, and on the last day of each 30-day period thereafter until the Company redeems such unredeemed portion, an amount equal to two percent (2%) of the unredeemed portion of the Outstanding Amount of the Debentures of such Holder. This amount shall be deemed to be liquidated damages and shall not be credited against the Redemption Price.

Exhibit 4.2

7. Stock Splits, Dividends, Reorganizations.

(a) Adjustment for Subdivisions, Combinations, etc. If the Company shall subdivide its outstanding Common Stock, by split-up, spin-off, or otherwise, or combine its outstanding Common Stock, then the Conversion Rate in effect as of the date of such subdivision, split-up, spin-off, or combination shall forthwith be proportionately adjusted.

(b) Adjustment for Dividends and Distributions. In the event the Company at any time or from time to time after the Closing Date makes, or fixes a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in Common Stock (or rights to acquire Common Stock), then and in each such event provision shall be made so that the Holders of Debentures shall receive upon conversion thereof pursuant to Paragraph 5 hereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of such other securities of the Company to which a Holder on the relevant record or payment date, as applicable, of the number of shares of Common Stock so receivable upon conversion would have been entitled, plus any dividends or other distributions which would have been received with respect to such securities, had such Holder thereafter, during the period from the date of such event to and including the Holder Conversion Date or Forced Conversion Date, as the case may be, retained such securities, subject to all other adjustments called for during such period under this Paragraph 7 with respect to the rights of the Holders of the Debentures. For purposes of this Paragraph 7(b), the number of shares of Common Stock so receivable upon conversion shall be deemed to be that number which the Holder would have received upon conversion of the entire Outstanding Amount hereof if the Holder Conversion Date or Forced Conversion Date, as the case may be, had been the day preceding the date upon which the Company announced the making of such dividend or other distribution.

(c) Adjustment for Merger, Reorganization; etc. In the event that at any time or from time to time after the Closing Date, the Common Stock issuable upon conversion of the Debentures is changed into the same or a different number of shares of any class or classes of stock, whether in connection with a merger or consolidation, by recapitalization, reclassification, reorganization or otherwise (other than a subdivision, or combination of shares or stock dividend or reorganization provided for elsewhere in this Paragraph 7), then and in each such event each Holder of Debentures shall have the right, for a period of fifteen (15) days following receipt of the Company's notice of such adjustment, to convert such Debentures into the kind of securities receivable by a holder of Common Stock upon such merger, recapitalization, reclassification or other change, all subject to further adjustment as provided herein. In the event a Holder does not elect to convert all of its Debentures during the fifteen-day period described in the preceding sentence, the Company may, in its discretion, elect to redeem all unconverted Debentures of the Holders at a redemption price

equal to 120% of the Outstanding Amount of the Debentures being so redeemed,

Exhibit 4.2

plus all late payment charges and all other amounts accrued under the Debentures and not previously paid. Such redemption price shall be payable in cash in United States Dollars. The Company shall make such redemption in accordance with Paragraph 6(d).

(d) Certificate as to Adjustments. Upon each occurrence of an adjustment pursuant to this Paragraph 7, the Company at its expense shall furnish to each Holder a certificate setting forth (i) in reasonable detail the facts upon which such adjustment is based, and (ii) the number of shares of Common Stock and the amount of other property or securities that after giving effect thereto would be received by the Holder upon conversion of this Debenture.

(e) Disputes. In the event of a reasonable, good faith dispute between a Holder of Debentures and the Company with respect to the adjustments required by Paragraphs 7(a), (b) or (c), then, at the option of either the Holders of Debentures evidencing 50% or more of the principal indebtedness evidenced by all Debentures held by Holders involved in such dispute or the Company, the dispute shall be submitted to the American Arbitration Association for resolution according to the then applicable rules thereof. The cost of such proceeding shall be borne by the non-prevailing party, except that each party shall bear its own legal and other expenses.

8. Fractional Shares. No fractional shares of Common Stock or scrip representing fractional shares of Common Stock shall be issuable hereunder. The number of shares of Common Stock that are issuable upon any conversion shall be rounded up or down to the nearest whole share.

9. Reservation of Stock Issuable Upon Conversion.

(a) Reservation Requirement. The Company has reserved and the Company shall continue to reserve and keep available at all times, free of preemptive rights, shares of Common Stock for the purpose of enabling the Company to satisfy any obligation to issue shares of its Common Stock upon conversion of the Debentures. The number of shares so reserved may be reduced by the number of shares actually delivered pursuant to conversion of Debentures (provided that in no event shall the number of shares so reserved be less than

the Minimum Number of Shares applicable to any Debenture) and the number of shares so reserved shall be increased or decreased proportionally to reflect stock splits, stock dividends and other distributions. In the event that the number of shares so reserved (either in the aggregate or as to any Debenture) shall be insufficient for issuance upon conversion of the Debentures (without giving effect to an applicable conversion restrictions), or if the Holders of the Debentures would at any time upon conversion thereof be entitled to the issuance of shares of Common Stock in excess of the limitation in Paragraphs 5(d) and 9(b) herein, then in either case, upon receipt by the Company of notice from any Holder, the Company shall use its best efforts and all due diligence to increase the number of shares so reserved (without giving effect to any

applicable conversion restrictions) to cure all such deficiencies (either in the aggregate or as to any Debenture) and, if necessary, to obtain the approval by its shareholders therefor, including the authorization of such additional number of shares of Common Stock as may be required to issue such shares in excess of the number so reserved (either in the aggregate or as to any Debenture) or in excess of such limitation, as the case may be.

(b) Conversion Deficiency. If, upon receipt of a Conversion Notice, the Company does not have a sufficient number of shares of Common Stock available to satisfy the Company's obligations to issue Common Stock upon conversion of all or any of the Debentures to be so converted (a "Conversion Deficiency"), any Holder of the Debentures shall have the right to demand from the Company immediate redemption of any portion of the Debentures with respect to which the Company does not have a sufficient number of shares available to satisfy such conversion obligations, in cash at the Redemption Price pursuant to Paragraph 6 hereof, without regard to Paragraphs 6(d) or 6(e) hereof. Within three business days of the occurrence of any Conversion Deficiency, the Company shall notify each Holder in writing of such occurrence.

Within three business days of the receipt of written demand for redemption from any Holder pursuant to this Paragraph 9(b), the Company shall notify each such Holder whether the Company has adequate liquidity to redeem such portion of the Debentures as required by the foregoing paragraph (and, if requested by such Holder, will provide reasonable written support for its position with respect thereto within ten business days of the occurrence of any Conversion Deficiency) and whether such redemption is prohibited under the terms of any financing or other agreements or applicable law.

In the event that the Company notifies the Holder in writing that the Company has adequate liquidity and is not otherwise restricted from redeeming such portion of this Debenture, then the Company shall pay, in cash, to such Holder within three business days after which a Conversion Deficiency shall have occurred and on the last day of each 30-day period for which a Conversion Deficiency is continuing, an amount equal to one percent (1%) of the amount of such portion of the Debentures which such Holder does not require the Company to redeem, for a maximum of three percent (3%) for such Conversion Deficiency.

In the event that the Company does not notify the Holder in writing that the Company has adequate liquidity to redeem such portion of the Debentures or that the Company is not otherwise restricted from redeeming such portion of this Debenture, the Company shall pay, in cash, to such Holder within three business days after which a Conversion Deficiency shall have occurred and on the last day of each 30-day period for which a Conversion Deficiency is continuing (or until the Company establishes to the reasonable satisfaction of the Holder that the Company has adequate liquidity to and is not otherwise prohibited from redeeming such Holder's Debentures, in which case the provisions of the foregoing

paragraph shall govern), two percent (2%) of the amount of such portion of the Debentures which such Holder does not require the Company to redeem.

10. Other Covenants of the Company.

(a) The Company shall not intentionally take any action which would be reasonably likely to impair the contractual rights and privileges of the Debentures set forth herein or of the Holders thereof.

(b) The Company shall not incur, create, assume, guarantee or otherwise become liable for any indebtedness that is subordinate or junior in right of payment to any Senior Indebtedness of the Company and senior in any respect in right of payment to the Debentures.

(c) The Company shall not redeem (other than pursuant to Paragraph 6), retire, purchase or otherwise acquire, directly or indirectly, Debentures held by any holder unless the Company shall have offered to redeem, retire, purchase or otherwise acquire, as the case may be, the same proportion of the aggregate principal amount of Debentures held by each other holder of Debentures at the time outstanding upon the same terms and conditions and such offer shall

remain open for a period of at least twenty (20) business days.

11. Holders' Rights if Shares are Delisted or if Trading in Common Stock is Suspended. In the event that at any time on or after the date hereof, trading in the shares of the Company's Common Stock is suspended on the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable, for a period of seven consecutive trading days, other than as a result of the suspension of trading in securities in general, or if such Shares are delisted and not relisted within twenty (20) trading days thereafter, then, at a Holder's option, the Company shall redeem such Holder's Debentures on a Redemption Date designated by such Holder, and at the Redemption Price and in accordance with Paragraph 6 hereof.

12. Limitations on Holder's Obligation to Convert. Notwithstanding anything to the contrary contained herein, no Holder shall be required to convert any part of this Debenture in excess of the portion then convertible into that number of shares of Common Stock specified in the Holder's representation to the Company that, after giving effect to the shares of the Common Stock to be issued pursuant to such Conversion Notice, the total number of shares of Common Stock deemed beneficially owned by the Holder, together with all shares of the Common Stock deemed beneficially owned by the Holder's affiliates" as defined in Rule 144 of the Act, would exceed 4.9% of the total issued and outstanding shares of the Common Stock.

13. Obligations Absolute. No provision of this Debenture, other than conversion as provided herein, shall alter or impair the obligation of the

Company, which is absolute and unconditional, to pay the principal of, and interest on, this Debenture at the time, place and rate, and in the manner, herein prescribed.

14. Waivers of Demand, Etc. The Company hereby expressly waives demand and presentment for payment, notice of nonpayment, protest, notice of protest, notice of dishonor, notice of intent to accelerate, prior notice of bringing of suit and diligence in taking any action to collect amounts called for hereunder and will be directly and primarily liable for the payments of all sums owing and to be owing hereon, regardless of and without any notice (except as required by law), diligence, act or omission as or with respect to the collection of any amount called for hereunder.

15. Replacement Debentures. In the event that the Holder notifies the

Company that its Debenture has been lost, stolen or destroyed, a replacement Debenture identical in all respects to the original Debenture (except for registration number and Outstanding Amount, if different than that shown on the original Debenture) shall be issued to the Holder, provided that the Holder executes and delivers to the Company an agreement reasonably satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with the Debenture and provided that the Company is provided a form of Debenture for such replacement purposes.

16. Limitation on Number of Conversion Shares. In the event that upon conversion of the Debentures the Company would be obligated to issue an aggregate amount of shares of Common Stock which exceeds 19.99% of the number of shares of Common Stock outstanding on the Closing Date (such amount to be proportionately and equitably adjusted from time to time in the event of stock dividends, subdivisions, combinations, reclassifications, capital reorganizations and similar events relating to the Common Stock) (the "Exchange Cap") and such issuance would constitute a breach of the Company's obligations under the rules or regulations of the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable, or any other principal securities exchange or market upon which the Common Stock is or becomes traded, the Company may elect to redeem in accordance with Paragraph 6 only that principal amount of Debentures which, if converted, would result in the issuance of more than the Exchange Cap. The Exchange Cap shall be allocated among the Debentures pro rata based on the total principal amount of Debentures then outstanding.

17. Defaults. If one or more of the following events hereinafter called "Events of Default") shall occur:

(a) Any of the representations or warranties made by the Company herein, in the Purchase Agreement, in the Registration Rights Agreement, in any other Transaction Document, or in any certificate or financial statements of the Company furnished

by or on behalf of the Company in connectionwith the execution and delivery of this Debenture, the Purchase Agreement, the Registration Rights Agreement or any other Transaction Document shall be false or (when taken together with other information furnished by or on behalf of the Company, including SEC Documents) misleading in any material respect at the time made; or

(b) As long as the Holder of this Debenture is Angelo, Gordon & Co. or any of its affiliates, the Company shall fail to perform or observe any covenant or agreement in the Purchase Agreement, the Registration Rights Agreement or any other Transaction Document or any other covenant, term, provision, condition, agreement or obligation of the Company under this Debenture, and such failure shall continue uncured for a period of twenty (20) business days after notice from the Holder of such failure; or if the Holder of this Debenture is a third party other than Angelo, Gordon & Co. or any of its affiliates, the Company shall fail to perform or observe any material covenant or agreement in the Purchase Agreement, the Registration Rights Agreement or any other Transaction Document or any other covenant, term, provision, condition, agreement or obligation of the Company under this Debenture, and such failure shall continue uncured for a period of twenty (20) business days after notice from the Holder of such failure; or

(c) The Company shall fail to make any payments of principal or interest when due under this Debenture or upon redemption of this Debenture when due or fail to issue shares of Common Stock upon conversion of this Debenture (other than in accordance with Section 9(b); or

(d) The Company shall (i) become insolvent; (ii) admit in writing its inability to pay its debts generally as they mature; (iii) make a general assignment for the benefit of creditors or commence proceedings for its dissolution; or (iv) apply for or consent to the appointment of a trustee, liquidator or receiver for it or for a substantial part of its property or business; or

(e) A trustee, liquidator or receiver shall be appointed for the Company or for a substantial part of its property or business without its consent and shall not be discharged within sixty (60) days after such appointment; or

(f) Any governmental agency or any court of competent jurisdiction shall assume custody or control of the whole or any substantial portion of the properties or assets of the Company and shall not be dismissed within sixty (60) days thereafter; or

(g) Any money judgment, writ or warrant of attachment or similar process in excess of Five Hundred Thousand Dollars ($500,000) in the aggregate shall be entered or filed against the Company or any of its properties or other assets and shall remain unpaid, unvacated, unbonded and unstayed for a period of sixty (60) days or in any event later than ten (10) days prior to the date of any proposed sale thereunder; or

(h) Bankruptcy, reorganization, insolvency or liquidation proceedings or other proceedings, or relief under any bankruptcy law or any law for the relief of debt, shall be instituted by or against the Company and, if instituted against the Company, shall not be dismissed within sixty (60) days after such institution, or the Company shall by any action or answer approve of, consent to, or acquiesce in any such proceedings or admit to any material allegations of, or default in answering a petition filed in, any such proceeding;

then, or at any time thereafter prior to the date on which all continuing Events of Default have been cured, and in each and every such case, unless such Event of Default shall have been waived in writing by the Holder (which waiver shall not be deemed to be a waiver of any subsequent default) at the option of the Holder and in the Holder's sole discretion, the Holder may, by notice to the Company declare this Debenture immediately due and payable, and the Holder may immediately, and without expiration of any period of grace, enforce any and all of the Holder's rights and remedies provided herein or any other rights or remedies afforded by law. In such event, the Debenture shall be redeemed at a redemption price per Debenture equal to the redemption price provided in Paragraph 6(c).

18. Savings Clause. In case any provision of this Debenture is held by a court of competent jurisdiction to be excessive in scope or otherwise invalid or unenforceable, such provision shall be adjusted rather than voided, if possible, so that it is enforceable to the maximum extent possible, and the validity and enforceability of the remaining provisions of this Debenture will not in any way be affected or impaired thereby.

19. Entire Agreement. This Debenture and the agreements referred to in this Debenture constitute the full and entire understanding and agreement between the Company and the Holder with respect to the subject hereof. Neither this Debenture nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the Company and a two-thirds-in-interest of the Holders.

20. Assignment Etc. The Holder may, subject to compliance with the Purchase Agreement, without notice, transfer or assign this Debenture or any

interest herein (but in no event in an amount less than $1,000,000 in

Exhibit 4.2

Outstanding Amount or, if less than $1,000,000, the total Outstanding Amount hereof); provided, however, that before the Registration Statement contemplated by the Registration Rights Agreement becomes effective, the Holder will furnish the Company with an opinion of counsel to the effect that such assignment or transfer is exempt from the registration requirements under the Securities Act. Each such assignee or transferee shall have all of the rights and obligations of, the Holder under this Debenture. The Company agrees that, subject to compliance with the Purchase Agreement, after receipt by the Company of written notice of assignment from the Holder or from the Holders' assignee, all principal, interest, and other amounts which are then due and thereafter become due under this Debenture shall be paid to such assignee at the place of payment designated in such notice. This Debenture shall be binding upon the Company and its successors and shall inure to the benefit of the Holder and its successors and assigns.

21. No Waiver. No failure on the part of the Holder to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Holder of any right, remedy or power hereunder preclude any other or future exercise of any other right, remedy or power. Each and every right, remedy or power hereby granted to the Holder or allowed it by law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by the Holder from time to time.

22. Miscellaneous. Unless otherwise provided herein, any notice or other communication to a party hereunder shall be deemed to have been duly given if personally delivered or sent by registered or certified mail, return receipt requested, postage prepaid with a copy in each case sent on the same day to the party by facsimile, Federal Express or other overnight delivery service to said party at its address set forth herein or such other address as either may designate for itself in such notice to the other and communications shall be deemed to have been received when delivered personally or, if sent by mail, when actually received by the party to whom it is addressed. Copies of all notices to the Company shall be sent to Altair International Inc., 230 South Rock Boulevard, Suite 21, Reno, Nevada, 89502, Facsimile No. (702) 857-1920, Attention: Chief Financial Officer, and to Altair International Inc., 1725 Sheridan Avenue, Suite 140, Cody, Wyoming, 82414, Facsimile No. (307) 587-8357, Attention: Dr. William P. Long, and to Parr Waddoups Brown Gee & Loveless P.C.,

185 South State Street, Suite 1300, Salt Lake City, Utah 84111, Facsimile No. (801) 532-7750, Attention: Brian G. Lloyd. Whenever the sense of this Debenture requires, words in the singular shall be deemed to include the plural and words in the plural shall be deemed to include the singular. Paragraph headings are for convenience only and shall not affect the meaning of this document.

23. Choice of Law and Venue: Waiver of Jury Trial. THIS DEBENTURE SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW OR CHOICE OF LAW THEREOF. The Company hereby (i)

irrevocably submits to the exclusive jurisdiction of the United States District Court for the Southern District of New York for the purposes of any suit, action or proceeding arising out of or relating to this Debenture and (ii) waives, and agrees not to assert in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. The Company consents to process being served in any such suit, action or proceeding by mailing a copy thereof to the Company at the address in effect for notices to it under this Debenture and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing in this paragraph shall affect or limit any right to serve process in any other manner permitted by law.

Exhibit 4.2

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed by an officer thereunto duly authorized.

Dated as of: _____, 1997

ALTAIR INTERNATIONAL INC.

By:_____
Name:_____
Title:_____

ATTEST:

Exhibit 4.2

EXHIBIT A

(To Be Executed by Registered Holder
in order to Convert Debenture)

CONVERSION NOTICE

FOR

5% CONVERTIBLE SUBORDINATED DEBENTURES DUE , 2001

The undersigned, as Holder of the 5% Convertible Subordinated Debenture Due _____, 2001 of Altair International Inc. ("Altair"), No. _____, in the outstanding principal amount of U.S.$_____ (the "Debenture"), hereby irrevocably elects to convert U.S.$_____ of the outstanding principal amount of the Debenture and U.S.$_____ of interest accrued but unpaid under the Debenture into shares of the Common Shares, no par value (the "Common Stock"), of Altair according to the conditions of the Debenture, as of the date written below. The undersigned hereby requests that share certificates for the Common Stock to be issued to the undersigned pursuant to this Conversion Notice be issued in the name of, and delivered to, the undersigned or its designee as indicated below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto. No fee will be charged to the Holder for any conversion, except for transfer taxes, if any.

Accompanying this Conversion Notice is a Conversion Rate Computation Schedule setting forth the determination by the undersigned of the number of shares of Common Stock issuable pursuant to this Conversion Notice.

Conversion Information: NAME OF HOLDER_____

By:_____
Print Name:
Print Title:

Print Address of Holder:

_____

_____

Issue Common Stock to:_____

at:_____

Date of Conversion

Exhibit 4.2

CONVERSION RATE COMPUTATION SCHEDULE

Conversion Date Market Price (as such term is defined in the Debenture) equal to the lesser of (i) an amount that is equal to ninety-two percent (92%) of the average Market Price for Shares of Common Stock for the five trading days immediately preceding the date of this Conversion Notice, and (ii) an amount (the "Ceiling") that is equal to the lesser of (x) $14.36875 or (y) 110% of the Market Price for Shares of Common Stock on the day immediately preceding the Closing Date (the Ceiling shall increase by an additional $0.50 on each of the second and the third anniversaries of the Closing Date):

Trading Day	Market Price

Conversion Date Market Price

Average of Market Prices listed above: _____

Applicable X% thereof: _____%

Principal To Be Converted:
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plus

Interest To Be Converted: $_____

Divided by Conversion Date
Market Price per above: $_____

Shares of Common Stock to be
issued on conversion _____

Exhibit 4.2

EXHIBIT B

FORCED CONVERSION NOTICE

FOR

5% CONVERTIBLE SUBORDINATED DEBENTURES DUE , 2001

The undersigned, an authorized officer of Altair International Inc. (the "Company"), issuer of the 5% Convertible Subordinated Debenture Due _____, 2001 of the Company, No. _____, held by _____ (the "Holder") in the outstanding principal amount of U.S.$_____ and accrued but unpaid interest thereon in the amount of U.S.$_____ (the "Debenture"), hereby irrevocably elects to require conversion of U.S. $_____ of the outstanding principal amount of the Debenture and U.S. $_____ of interest, fees and other amounts accrued but unpaid under the Debenture into shares of the Common Shares, no par value (the "Common Stock"), of the Company according to the terms and conditions of the Debenture, on the Forced Conversion Date written below.1 Capitalized terms used in this Forced Conversion Notice and not otherwise defined shall have the meanings ascribed thereto in or by reference in the Debenture.

The undersigned hereby certifies on behalf and in the name of and the Company that all of the conditions set forth in Paragraph 5(a)(ii) of the Debenture have been satisfied.

Accompanying this Forced Conversion Notice is a Computation Schedule completed by the Company setting forth the determination by the Company of the Outstanding Amount of such Debenture, plus fees and other charges and amounts, to be converted. The calculation of the number of shares of Common Stock issuable pursuant to this Forced Conversion Notice shall be made in accordance with the terms of the Debenture.

The Company shall issue and deliver to the Holder share certificates for the Common Stock issuable pursuant to this Forced Conversion Notice. If the Holder desires the shares to be issued in the name of, and delivered to a person other than, the Holder, the Holder should so indicate below and deliver a copy of this Forced Conversion Notice to the Company, 1725 Sheridan Avenue, Suite 140, Cody, Wyoming, 82414, Attention: President, at least two business days prior to the Forced Conversion Date. No fee will be charged to the Holder for this

conversion, except for transfer taxes, if any.

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1 The Forced Conversion Date shall be at least 10 trading days from the date of delivery of this Forced Conversion Notice.

Exhibit 4.2

Forced Conversion Date

ALTAIR INTERNATIONAL INC.

By:_____
Name:
Title:

Issue Common Stock to:_____
_____
At:_____
_____

Exhibit 4.2

CONVERSION RATE COMPUTATION SCHEDULE

Conversion Date Market Price (as such term is defined in the Debenture) equal to the lesser of (i) an amount that is equal to ninety-two percent (92%) of the average Market Price for Shares of Common Stock for the five trading days immediately preceding the date of this Conversion Notice, and (ii) an amount (the "Ceiling") that is equal to the lesser of (x) $14.36875 or (y) 110% of the Market Price for Shares of Common Stock on the day immediately preceding the Closing Date (the Ceiling shall increase by an additional $0.50 on each of the second and the third anniversaries of the Closing Date):

Trading Day	Market Price

Conversion Date Market Price:

Average of Market Prices listed above: _____

Applicable X% thereof: _____%

Principal To Be Converted:

plus

Interest To Be Converted: $_____

Divided by Conversion Date Market Price per above: $_____

Shares of Common Stock to be issued on conversion _____

Exhibit 4.3

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT (this "Agreement"), dated as of December 24, 1997, by and among Altair International Inc., an Ontario corporation, with headquarters located at 1725 Sheridan Avenue, Suite 140, Cody, Wyoming 82414 (the "Company"), Prudential Securities Incorporated (the "Placement Agent") and the investors listed on the Schedule of Buyers attached hereto (each, a "Buyer" and collectively, the "Buyers").

WHEREAS:

24. In connection with the Securities Purchase Agreement by and among the parties of even date herewith (the "Securities Purchase Agreement"), the Company has agreed, upon the terms and subject to the conditions of the Securities Purchase Agreement, to issue and sell to the Buyers 5% Convertible Subordinated Debentures due December 29, 2001 (the "Debentures"), which will be convertible into shares of the Company's common shares, no par value (the "Common Stock") (as converted, the "Conversion Shares"), and warrants (the "Warrants") to purchase shares of Common Stock (the "Warrant Shares"); and

25. To induce the Buyers to execute and deliver the Securities Purchase Agreement, the Company has agreed to provide certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar successor statute (collectively, the "1933 Act"), and applicable state securities laws; and

26. In connection with the transactions contemplated by the Securities Purchase Agreement, the Company has issued to the Placement Agent warrants (the "Placement Warrants") to purchase shares of Common Stock (the "Placement Warrant Shares"), and has agreed to provide certain registration rights under the 1933 Act and applicable state securities laws:

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the buyers hereby agree as follows:

(a) DEFINITIONS.

As used in this Agreement, the following terms shall have the following meanings:

(i) "Investor" means a Buyer, the Placement Agent and any transferee or assignee thereof to whom a Buyer or the Placement Agent assigns its rights

under this Agreement and who agrees to become bound by the provisions of this Agreement in accordance with Section 9.

(ii) "Person" means a corporation, a limited liability company, an association, a partnership, an organization, a business, a trust, an individual, a governmental or political subdivision thereof or a governmental agency.

(iii) "Register," "registered," and "registration" refer to a registration effected by preparing and filing one or more Registration

Statements in compliance with the 1933 Act and pursuant to Rule 415 under the 1933 Act or any successor rule providing for offering securities on a continuous basis ("Rule 415"), and the declaration or ordering of effectiveness of such Registration Statement(s) by the United States Securities and Exchange Commission (the "SEC")

(iv) "Registrable Securities" means the Conversion Shares issued or issuable upon conversion of the Debentures, the Warrant Shares issued or issuable upon exercise of the Warrants and the Placement Warrant Shares issued or issuable upon exercise of the Placement Warrants and any shares of capital stock issued or issuable with respect to the Conversion Shares, the Warrant Shares or the Placement Warrant Shares as a result of any stock split, stock dividend, recapitalization, exchange, recapitalization, combination, merger, consolidation, distribution or similar event or otherwise.

(v) "Registration Statement" means a registration statement of the Company filed under the 1933 Act.

Capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Securities Purchase Agreement.

(b) REGISTRATION.

(i) Mandatory Registration. The Company shall prepare, and, on or prior to 90 days after the date of issuance of the relevant Debentures, Warrants and Placement Warrants, file with the SEC a Registration Statement or Registration Statements (as is necessary) on Form S-3 (or, if such form is unavailable for such a registration, on such other form as is available for such a registration, subject to the consent of the Investors holding a majority of the Registrable Securities and the provisions of Section 2(c), which consent will not be unreasonably withheld), covering the resale of all of the Registrable Securities, which Registration Statement(s) shall state that, in accordance with Rule 416 promulgated under the 1933 Act, such Registration Statement(s) also covers such intermediate number of additional shares of Common Stock as may become issuable upon conversion of the Debentures and upon exercise of the Warrants and Placement Warrants (i) to prevent dilution resulting from

stock splits, stock dividends or similar transactions and (ii) by reason of changes in the Conversion Price or Conversion Rate of the Debentures and the Exercise Price of the Warrants and the Exercise Price of the Placement Warrants in accordance with the terms thereof. Such Registration Statement shall initially register for resale at least such number of shares of Common Stock equal to the number of relevant Conversion Shares, Warrant Shares and Placement Warrant Shares, subject to adjustment as provided in Section 3(b). Such registered shares of Common Stock shall be allocated among the Investors pro rata based on the total number of Registrable Securities issued or issuable as of each date that a Registration Statement, as amended, relating to the resale of the Registrable Securities is declared effective by the SEC. The Company shall use its best efforts to have the Registration Statement(s) declared effective by the SEC as soon as practicable, but in no event later than 150 days after the issuance of the relevant Debentures, Warrants and Placement Warrants. The Company or any other holder of the Company's securities who has registration rights (other than the Investors and their assignees or transferees) may include its securities in an aggregate amount not to exceed 100,000 in any registration effected pursuant to this Section 2(a); provided, however, that at such time as the total number of Registrable Securities held by the Investors is less than ten percent (10%) of an amount equal to the total number of Registrable Securities covered by the Registration Statement(s) described in this Section 2(a) less the number of securities of the Company or any other holder of the Company's securities included in such Registration Statement(s) as previously described, the Company shall not be limited in any manner with respect to the

number of securities to be covered by such Registration Statement(s).

(ii) Counsel and Investment Bankers. Subject to Section 5, in connection with any offering pursuant to Section 2, the Investors shall have the right to select one legal counsel and an investment banker or bankers and manager or managers to administer their interest in the offering, which investment banker or bankers or manager or managers shall be reasonably satisfactory to the Company. The Company shall reasonably cooperate with any such counsel and investment bankers. The Investors shall pay all expenses of such counsel, investment bankers and managers.

(iii) Piggy-Back Registrations. If a Registration Statement in compliance with this Agreement is not effective, and prior to the expiration of the Registration Period (as hereinafter defined), the Company proposes to file with the SEC a Registration Statement relating to an offering for its own account or the account of others under the 1933 Act of any of its securities (other than (i) a Registration Statement on Form S-4 or Form S-8 or their then equivalents relating to securities to be issued solely in connection with any acquisition of any entity or business securities issuable in connection with stock option or other employee benefit plans or (ii) a Registration Statement relating to the sale of securities pursuant to Rule 145 promulgated under the 1933 Act), the Company shall promptly send to each Investor who is entitled to registration rights under this Section 2(c), at least twenty (20) days prior to the anticipated date of filing, written notice of the Company's intention to

file a Registration Statement and of such Investor's rights under this Section 2(c) and, if within twenty (20) days after receipt of such notice, such Investor shall so request in writing, the Company shall include in such Registration Statement the Registrable Securities such Investor requests to be registered, subject to the priorities set forth in Section 2(d). No right to registration of Registrable Securities under this Section 2(c) shall be construed to limit any registration required under Section 2(a). The obligations of the Company under this Section 2(c) may be waived by Investors holding a majority of the Registrable Securities. If an offering in connection with which an Investor is entitled to registration under this Section 2(c) is an underwritten offering, then each Investor whose Registrable Securities are included in such Registration Statement shall unless otherwise agreed by the Company, offer and sell such Registrable Securities in an underwritten offering using the same underwriter or underwriters and, subject to the provisions of this Agreement, on the same terms and conditions as other shares of Common Stock included in such underwritten offering.

(iv) Priority in Piggy-Back Registration Rights in connection with Registrations for Company Account. If the registration referred to in Section 2(c) is to be an underwritten public offering and the managing underwriter(s) advise the Company in writing, that in their reasonable good faith opinion, marketing or other factors dictate that a limitation on the number of shares of Common Stock which may be included in the Registration Statement (which may include a total "cut-back" of all Registrable Securities) is necessary to facilitate and not adversely affect the proposed offering, then the Company shall include in such registration: (1) first, all securities the Company proposes to sell for its own account, (2) second, up to the full number of securities proposed to be registered for the account of the holders of securities entitled to inclusion of their securities in the Registration Statement by reason of demand registration rights, and (3) third, the securities requested to be registered by the Investors and other holders of securities entitled to participate in the registration, as of the date hereof, drawn from them pro rata based on the number each has requested to be included in such registration.

(v) Eligibility for Form S-3. In the event that Form S-3 is not available for the sale by the Investors of the Registrable Securities, then the

Company (i) with the consent of the Investors holding a majority of the Registrable Securities pursuant to Section 2(a), shall, in accordance with Section 2(a), register the sale of the Registrable Securities on another appropriate form and (ii) the Company shall undertake to register the Registrable Securities on Form S-3 as soon as such form is available, provided that the Company shall maintain the effectiveness of the Registration Statement then in effect, if any, until such time as a Registration Statement on Form S-3 covering the Registrable Securities has been declared effective by the SEC.

(vi) Liquidated Damages. If pursuant to Section 2(a) a Registration Statement is not (i) filed with the SEC on or prior to 90 days after the date of issuance of the relevant Debentures, the Warrants and the Placement Warrants or

(ii) declared effective within 150 days after the date of issuance of the relevant Debentures, Warrants and Placement Warrants (each a "Registration Default"), the Company agrees to pay to each Investor liquidated damages ("Liquidated Damages") in an amount equal to two percent (2%) of the principal amount of the relevant Debentures per month. All accrued Liquidated Damages shall be paid to the affected Investors by the Company by wire transfer of immediately available funds on the first calendar day of each month, except that if such date is not a business day, then the next business day immediately following such date. As of the date of the cure of all Registration Defaults relating to any particular Registrable Securities, the accrual of Liquidated Damages with respect to such Registrable Securities will cease.

(vii) Limitation on Registration Rights. Notwithstanding anything contained in this Agreement to the contrary, when, in the opinion of counsel to the Company (which counsel shall be experienced in securities law matters), registration of the Registrable Securities is not required by the 1933 Act and other applicable securities laws in connection with a proposed sale of such Registrable Securities, an Investor shall have no rights pursuant to this Section 2 to request registration in connection with such proposed sale, and the Company shall promptly provide to the transfer agent and the Investor's broker in connection with any sale transaction an opinion to the effect set forth above.

(c) RELATED OBLIGATIONS.

Whenever an Investor has requested that any Registrable Securities be registered pursuant to Section 2(c) or at such time as the Company is obligated to file a Registration Statement with the SEC pursuant to Section 2(a), the Company will use its best efforts to effect the registration of the Registrable Securities in accordance with the intended method of disposition thereof and, pursuant thereto, the Company shall have the following obligations:

(i) The Company shall promptly prepare and file with the SEC a Registration Statement with respect to the Registrable Securities on or prior to the ninetieth (90th) day after the date of issuance of any Debentures, Warrants and Placement Warrants for the registration of Registrable Securities pursuant to Section 2(a) and use its best efforts to cause such Registration Statement relating to the Registrable Securities to become effective as soon as possible after such filing (but in no event later than 150 days after the issuance of any Debentures, Warrants and Placement Warrants for the registration of Registrable Securities pursuant to Section 2(a)), and keep such Registration Statement effective pursuant to Rule 415 at all times until the earlier of (i) the date as of which the Investors may sell all of the Registrable Securities without restriction pursuant to Rule 144(k) (or its then equivalent) promulgated under the 1933 Act or (ii) the date on which (A) the Investors shall have sold all the Registrable Securities and (B) none of the Debentures, Warrants and Placement Warrants is outstanding (the "Registration Period"), which Registration Statement (including any amendments or supplements thereto and prospectuses

contained therein) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

(ii) Subject to Section 3(f), the Company shall prepare and file with the SEC such amendments (including post-effective amendments) and supplements to a Registration Statement and the prospectus forming a part of such Registration Statement, which prospectus is to be filed pursuant to Rule 424 promulgated under the 1933 Act, as may be necessary to keep such Registration Statement effective at all times during the Registration Period, and, during such period, comply with the provisions of the 1933 Act with respect to the disposition of all Registrable Securities of the Company covered by such Registration Statement until such time as such Registrable Securities shall have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof as set forth in such Registration Statement. In the event the number of shares available under a Registration Statement filed pursuant to this Agreement is insufficient to cover all of the Registrable Securities, the Company shall amend such Registration Statement, or file a new Registration Statement (on the short form available therefor, if applicable), or both, so as to cover all of the Registrable Securities, in each case, as soon as practicable, but in any event within fifteen (15) business days after the necessity therefor arises (based on the market price of the Common Stock and other relevant factors on which the Company reasonably elects to rely). The Company shall use its best efforts to cause such amendment and/or new Registration Statement to become effective as soon as reasonably practicable following the filing thereof. For purposes of the foregoing provision, the number of shares available under a Registration Statement shall be deemed "insufficient to cover all of the Registrable Securities" if at any time the number of Registrable Securities issued or issuable upon conversion of the Debentures, the Warrants and the Placement Warrants is greater than the quotient determined by dividing (i) the number of shares of Common Stock available for resale under such Registration Statement by (ii) 1.5. For purposes of the calculation set forth in the foregoing sentence, any restrictions on the convertibility of the Debentures and the exercise of the Warrants and the Placement Warrants shall be disregarded and such calculation shall assume that the Debentures are then convertible into shares of Common Stock at the then prevailing Conversion Rate (as defined in the certificate representing the Debentures) and the Warrants and the Placement Warrants are then exercisable into shares of Common Stock at the prevailing Exercise Price, as applicable (as defined in the certificate representing the Warrants and the certificate representing the Placement Warrants).

(iii) The Company shall furnish to each Investor whose Registrable Securities are included in any Registration Statement and its legal counsel without charge (i) promptly after the same is prepared and filed with the SEC at least one copy of such Registration Statement and any amendment(s) thereto, including financial statements and schedules, all documents incorporated therein by reference and all exhibits, the prospectus included in such Registration Statement (including each preliminary prospectus) and, with regard to such

Registration Statement(s), any correspondence by or on behalf of the Company to the SEC or the staff of the SEC and any correspondence from the SEC or the staff of the SEC to the Company or its representatives, (ii) upon the effectiveness of any Registration Statement, ten (10) copies of the prospectus included in such Registration Statement and all amendments and supplements thereto (or such other number of copies as such Investor may reasonably request) and (iii) such other documents, including any preliminary prospectus, as such Investor may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Investor.

(iv) The Company shall use reasonable efforts to (i) register and qualify the Registrable Securities covered by a Registration Statement under such other securities or "blue sky" laws of such jurisdictions in the United States as any Investor reasonably requests, (ii) prepare and file in those jurisdictions, such amendments (including post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof during the Registration Period, (iii) take such other actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period, and (iv) take all other actions reasonably necessary or advisable to qualify the Registrable Securities for sale in such jurisdictions; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to (x) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(d), (y) subject itself to general taxation in any such jurisdiction, or (z) file a general consent to service of process in any such jurisdiction. The Company shall promptly notify each Investor who holds Registrable Securities of the receipt by the Company of any notification with respect to the suspension of the registration or qualification of any of the Registrable Securities for sale under the securities or "blue sky" laws of any jurisdiction in the United States or its receipt of actual notice of the initiation or threatening of any proceeding for such purpose.

(v) Intentionally omitted.

(vi) As promptly as practicable after becoming aware of such event, the Company shall notify each Investor in writing of the happening of any event as a result of which the prospectus included in a Registration Statement, as then in effect, includes an untrue statement of a material fact or omission to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and promptly prepare a supplement or amendment to such Registration Statement to correct such untrue statement or omission, and deliver ten (10) copies of such supplement or amendment to each Investor (or such other number of copies as such Investor may reasonably request). The Company shall also promptly notify each Investor in writing (i) when a prospectus or any prospectus supplement or post-effective amendment has been filed, and when a Registration Statement or any post-effective amendment has become effective (notification of such effectiveness shall be delivered to each Investor by facsimile on the same day of such effectiveness and by overnight mail), (ii) of

any request by the SEC for amendments or supplements to a Registration Statement or related prospectus or related information, and (iii) of the Company's reasonable determination that a post-effective amendment to a Registration Statement would be appropriate. Notwithstanding anything to the contrary in this Section 3(f), at any time after the Registration Statement has been declared effective, the Company may delay the disclosure of any information concerning the Company if the Board of Directors of the Company determines in good faith that in its reasonable business judgment such disclosure would interfere in any material respect with any financing, acquisition, corporate reorganization or other transaction or development involving the Company that in the reasonable

good faith business judgment of such board is a transaction or development that is or would be material to the Company and, in the opinion of counsel to the Company, such disclosure is not otherwise required (a "Grace Period"); provided, that the Company shall promptly (i) notify the Investors in writing of the existence of material non-public information giving rise to a Grace Period and the date on which the Grace Period will begin, and (ii) notify the Investors in writing of the date on which the Grace Period ends; and, provided further, that (A) during any consecutive 120 day period, the Grace Period shall not exceed thirty (30) calendar days in the aggregate, and (B) during any consecutive 365 day period, the Grace Period shall not exceed forty-five (45) calendar days in the aggregate, and (C) there has been no Underwriting Lock-Up Period (as defined in the Securities Purchase Agreement) in the 20 day period prior to the Company's notice to the Investors of a Grace Period. For purposes of determining the length of a Grace Period above, the Grace Period shall begin on and include the date the holders receive the notice referred to in clause (i) of this Section 3(f) and shall end on and include the date the holders receive the notice referred to in clause (ii) of this Section 3(f). Upon expiration of the Grace Period, the Company shall again be bound by the first sentence of this Section 3(f) with respect to the information giving rise thereto.

(vii) The Company shall use its best efforts to prevent the issuance of any stop order or other suspension of effectiveness of a Registration Statement, or the suspension of the qualification of any of the Registrable Securities for sale in any jurisdiction and, if such an order or suspension is issued, to obtain the withdrawal of such order or suspension at the earliest possible moment and to notify each Investor who holds Registrable Securities being sold of the issuance of such order and the resolution thereof or its receipt of actual notice of the initiation or threat of any proceeding for such purpose.

(viii) The Company shall permit each Investor and a single firm of counsel, initially Kramer, Levin, Naftalis & Frankel or such other counsel as thereafter designated as selling stockholders' counsel by the Investors who hold a majority of the Registrable Securities being sold, to review and comment upon a Registration Statement and all amendments and supplements thereto at least seven business days prior to their filing with the SEC.

(ix) At the request of the Investors who hold a majority of the Registrable Securities being sold, the Company shall use its best efforts to

furnish, on the date that Registrable Securities are delivered for sale in connection with the Registration Statement an opinion, dated as of such date, of counsel representing the Company for purposes of such Registration Statement, addressed to the Investors.

(x) The Company shall make reasonably available for inspection by (i) any Investor, (ii) any underwriter participating in any disposition pursuant to a Registration Statement, (iii) one firm of attorneys and one firm of accountants or other agents retained by the Investors, and (iv) one firm of attorneys retained by all such underwriters (collectively, the "Inspectors") all pertinent financial and other records, and pertinent corporate documents and properties of the Company (collectively the "Records"), as shall be reasonably deemed necessary by each Inspector to enable each Inspector to exercise its due diligence responsibility, and cause the Company's officers, directors and employees to supply all information which any Inspector may reasonably request for purposes of such due diligence; provided, however, that each Inspector shall hold in confidence and shall not make any disclosure (except to an Investor) or use of any Record or other information which the Company determines in good faith to be confidential, and of which determination the Inspectors are so notified in writing, unless (a) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in any Registration Statement or is otherwise required under the 1933 Act, (b) the release of such Records is

ordered pursuant to a final, non-appealable subpoena or order from a court or government body of competent jurisdiction, or (c) the information in such Records has been made generally available to the public other than by disclosure in violation of this or any other agreement of which the Inspector has knowledge. The Company shall not be required to disclose any confidential information in such Record to an Inspector unless and until such Inspector shall have entered into a confidentiality agreement with the Company with respect thereto, substantially in accordance with the provisions of this Section 3(j). Each Investor shall agree that, upon learning that disclosure of such Records is sought in or by a court or governmental body of competent jurisdiction or through other means, it will give prompt notice to the Company and allow the Company, at its expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, the Records deemed confidential. The Investors shall pay all costs and expenses incurred by the Company in connection with its obligations under this Section 3(j).

(xi) The Company shall hold in confidence and not make any disclosure of information concerning an Investor provided to the Company unless (i) disclosure of such information is necessary to comply with any federal or state securities law, (ii) the disclosure of such information is necessary to avoid or correct a misstatement or omission in any Registration Statement, (iii) the release of such information is ordered pursuant to a subpoena or other final, non-appealable order from a court or governmental body of competent jurisdiction, or (iv) such information has been made generally available to the public other than by disclosure in violation of this Agreement or any other agreement. The Company agrees that it shall, upon learning that disclosure of

such information concerning an Investor is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt written notice to such Investor and allow such Investor, at the Investor's expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, such information.

(xii) The Company shall use its best efforts (i) to secure the inclusion for quotation on the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable, for all the Registrable Securities covered by a Registration Statement and, without limiting the generality of the foregoing, to arrange for at least two market makers to register with the National Association of Securities Dealers, Inc. as such with respect to such Registrable Securities or (ii) to cause such Registrable Securities to be listed or traded on each securities exchange or automated quotation system on which securities of the same class or series issued by the Company are then listed or traded, if any, if the listing or trading of such Registrable Securities is then permitted under the rules of such exchange or automated quotation system. The Company shall pay all fees and expenses in connection with satisfying its obligation under this section 3(l).

(xiii) The Company shall cooperate with the Investors who hold Registrable Securities being offered to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legend) representing the Registrable Securities to be offered pursuant to a Registration Statement and enable such certificates to be in such denominations or amounts, as the case may be, as the Investors may reasonably request and registered in such names as the Investors may request.

(xiv) The Company shall provide a transfer agent and registrar for all such Registrable Securities not later than the effective date of such Registration Statement.

(xv) If requested by Investors holding a majority of the Registrable Securities, the Company shall (i) immediately incorporate in a prospectus supplement or post-effective amendment such information as the Investors

reasonably agree should be included therein relating to the sale and distribution of Registrable Securities; (ii) make all required filings of such prospectus supplement or post-effective amendment as soon as notified of the matters to be incorporated in such prospectus supplement or post-effective amendment; and (iii) supplement or make amendments to any Registration Statement if requested by Investors holding a majority of the Registrable Securities.

(xvi) The Company shall use its best efforts to cause the Registrable Securities covered by the applicable Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to consummate the disposition of such Registrable Securities.

(xvii) The Company shall make generally available to its security holders as soon as practical, but not later than 90 days after the close of the period covered thereby, an earnings statement (in form complying with the provisions of Section 11(a) of the 1933 Act and Rule 158 promulgated thereunder) covering a twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the effective date of the Registration Statement.

(xviii) The Company shall otherwise use its best efforts to comply with all applicable rules and regulations of the SEC in connection with any registration hereunder.

(xix) Within two (2) business days after the Registration Statement which includes the Registrable Securities is ordered effective by the SEC, the Company shall deliver, and shall cause legal counsel for the Company to deliver, to the transfer agent for such Registrable Securities (with copies to the Investors whose Registrable Securities are included in such Registration Statement) confirmation that the Registration Statement has been declared effective by the SEC in the form attached hereto as Exhibit A.

(d) OBLIGATIONS OF THE INVESTORS.

(i) At least seven (7) days prior to the first anticipated filing date of a Registration Statement, the Company shall notify each Investor in writing of the information the Company requires from each such Investor if such Investor elects to have any of such Investor's Registrable Securities included in such Registration Statement. It shall be a condition precedent to the obligations of the Company to complete the registration pursuant to this Agreement with respect to the Registrable Securities of a particular Investor that such Investor shall furnish to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it as shall be reasonably required to effect the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request.

(ii) Each Investor, by such Investor's acceptance of the Registrable Securities, agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of any Registration Statement hereunder, unless such Investor has notified the Company in writing of such Investor's election to exclude all of such Investor's Registrable Securities from such Registration Statement.

(iii) In the event any Investor elects to participate in an underwritten public offering pursuant to Section 2, each such Investor agrees to enter into and perform such Investor's obligations under an underwriting agreement, in usual and customary form, including, without limitation, customary indemnification and contribution obligations (only with respect to violations

which occur in reliance upon and in conformity with information furnished in writing to the Company by such Investor expressly for use in the Registration

Statement for such underwritten public offering), with the managing underwriter of such offering and take such other actions as are reasonably required by the Company in order to expedite or facilitate the disposition of the Registrable Securities, unless such Investor notifies the Company in writing of such Investor's election to exclude all of such Investor's Registrable Securities from such Registration Statement.

(iv) Each Investor agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3(g) or the first sentence of 3(f), such Investor will immediately discontinue disposition of Registrable Securities pursuant to any Registration Statement(s) covering such Registrable Securities until such Investor's receipt of the copies of the supplemented or amended prospectus contemplated by Section 3(g) or the first sentence of 3(f).

(v) No Investor may participate in any underwritten registration hereunder unless such Investor (i) agrees to sell such Investor's Registrable Securities on the basis provided in any underwriting arrangements approved by the Company and the Investors entitled hereunder to approve such arrangements, (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements, and (iii) agrees to pay its pro rata share of all underwriting discounts and commissions.

(e) EXPENSES OF REGISTRATION.

Except as otherwise provided in this Agreement, all reasonable expenses incurred in connection with registrations, filings or qualifications pursuant to Sections 2 and 3, including, without limitation, all registration, listing and qualifications fees, printers and accounting fees, fees and disbursements of counsel and accountants for the Company shall be paid by the Company, whether or not any registration statement becomes effective. In the event the Investors select underwriters pursuant to Section 2(b) for the offering of any Registrable Securities, all fees, costs, charges and expenses of such underwriters in the offering shall be paid by the Investors. Any fees to be paid by the Investors pursuant to this Agreement shall be paid on a pro rata basis among the Investors.

(f) INDEMNIFICATION.

In the event any Registrable Securities are included in a Registration Statement under this Agreement:

(i) To the fullest extent permitted by law, the Company will, and hereby does, indemnify, hold harmless and defend each Investor who holds such Registrable Securities, the directors, officers, partners, employees, agents of,

and each Person, if any, who controls, any Investor within the meaning of the 1933 Act or the Securities Exchange Act of 1934, as amended (the "1934 Act") (each, an "Indemnified Person"), against any losses, claims, damages, liabilities, judgments, fines, penalties, charges, costs, attorneys' fees, amounts paid in settlement or expenses, joint or several, (collectively, "Claims") incurred in investigating, preparing or defending any action, claim, suit, inquiry, proceeding, investigation or appeal taken from the foregoing by or before any court or governmental, administrative or other regulatory agency, body or the SEC, whether pending or threatened, whether or not an indemnified party is or may be a party thereto ("Indemnified Damages"), to which any of them may become subject insofar as such Claims (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon: (i) any untrue statement or alleged untrue statement of a material fact in a Registration Statement or any post-effective amendment thereto or in any filing made in connection with the qualification of the offering under the securities or other "blue sky" laws of any jurisdiction in which Registrable Securities are offered ("Blue Sky Filing"), or the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which the statements therein were made, not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus if used prior to the effective date of such Registration Statement, or contained in the final prospectus (as amended or supplemented, if the Company files any amendment thereof or supplement thereto with the SEC) or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading, or (iii) any violation or alleged violation by the Company of the 1933 Act, the 1934 Act, any other law, including, without limitation, any state securities law, or any rule or regulation thereunder relating to the offer or sale of the Registrable Securities pursuant to a Registration Statement (the matters in the foregoing clauses (i) through (iii) being, collectively, "Violations"). Subject to the restrictions set forth in Section 6(d) with respect to the number of legal counsel, the Company shall reimburse the Indemnified Persons promptly as such expenses are incurred and are due and payable, for any reasonable legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(a): (i) shall not apply to a Claim arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company by any Indemnified Person or its counsel, agent or representative for use in connection with the preparation of the Registration Statement or any such amendment thereof or supplement thereto, if such prospectus was timely made available by the Company pursuant to Section 3(c); and (ii) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Person and shall survive the transfer of the Registrable Securities by the Investors pursuant to Section 9. Notwithstanding anything to the contrary contained herein, the indemnification agreement

contained in this Section 6(a) with respect to any preliminary prospectus shall not inure to the benefit of any Indemnified Person if the untrue statement or omission of material fact contained in the preliminary prospectus was corrected on a timely basis in the prospectus, as then amended or supplemented.

(ii) In connection with any Registration Statement in which an Investor is participating, each such Investor agrees to severally and not jointly indemnify, hold harmless and defend, to the same extent and in the same manner as is set forth in Section 6(a), the Company, each of its directors, each of its officers who signs the Registration Statement, each Person, if any, who

controls the Company within the meaning of the 1933 Act or the 1934 Act (collectively and together with an Indemnified Person, an "Indemnified Party"), against any Claim or Indemnified Damages to which any of them may become subject, under the 1933 Act, the 1934 Act or otherwise, insofar as such Claim or Indemnified Damages arise out of or are based upon (i) any Violation, in each case to the extent, and only to the extent, that such Violation occurs in reliance upon and in conformity with written information furnished to the Company by such Investor for use in connection with such Registration Statement or (ii) any action or failure to act of an underwriter selected by the Investors pursuant to Section 2(b); and, subject to Section 6(d), such Investor will reimburse any legal or other expenses reasonably incurred by them in connection with investigating or defending any such Claim; provided, however, that the indemnity agreement contained in this Section 6(b) and the agreement with respect to contribution contained in Section 7 shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of such Investor, which consent shall not be unreasonably withheld; provided, further, however, that the Investor shall be liable under this Section 6(b) for only that amount of a Claim or Indemnified Damages as does not exceed the net proceeds to such Investor as a result of the sale of Registrable Securities pursuant to such Registration Statement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Indemnified Party and shall survive the transfer of the Registrable Securities by the Investors pursuant to Section 9. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(b) with respect to any preliminary prospectus shall not inure to the benefit of any Indemnified Party if the untrue statement or omission of material fact contained in the preliminary prospectus was corrected on a timely basis in the prospectus, as then amended or supplemented.

(iii) The Company shall be entitled to receive indemnities from underwriters, selling brokers, dealer managers and similar securities industry professionals participating in any distribution, to the same extent as provided above, with respect to information such persons so furnished in writing expressly for inclusion in the Registration Statement.

(iv) Promptly after receipt by an Indemnified Person or Indemnified Party under this Section 6 of notice of the commencement of any action or proceeding (including any governmental action or proceeding) involving a Claim,

such Indemnified Person or Indemnified Party shall, if a Claim in respect thereof is to be made against any indemnifying party under this Section 6, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume control of the defense thereof with counsel mutually satisfactory to the indemnifying party and the Indemnified Person or the Indemnified Party, as the case may be; provided, however, that an Indemnified Person or Indemnified Party shall have the right to retain its own counsel with the fees and expenses to be paid by the indemnifying party, if, in the reasonable opinion of counsel retained by the indemnifying party, the representation by such counsel of the Indemnified Person or Indemnified Party and the indemnifying party would be inappropriate due to actual or potential differing interests between such Indemnified Person or Indemnified Party and any other party represented by such counsel in such proceeding. The Company shall pay reasonable fees for only one separate legal counsel for the Investors, and such legal counsel shall be selected by the Investors holding a majority in interest of the Registrable Securities included in the Registration Statement to which the Claim relates. The Indemnified Party or Indemnified Person shall cooperate fully with the indemnifying party in connection with any negotiation or defense of any such action or claim by the indemnifying party and shall furnish to the indemnifying party all information reasonably available to the Indemnified Party or Indemnified Person which relates to such action or claim.

The indemnifying party shall keep the Indemnified Party or Indemnified Person fully apprised at all times as to the status of the defense or any settlement negotiations with respect thereto. No indemnifying party shall be liable for any settlement of any action, claim, suit, inquiry, proceeding, investigation or appeal taken from the foregoing effected without its written consent, provided, however, that the indemnifying party shall not unreasonably withhold, delay or condition its consent. No indemnifying party shall, without the consent of the Indemnified Party or Indemnified Person, consent to entry of any judgment or enter into any settlement or other compromise which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party or Indemnified Person of a release from all liability in respect to such action, claim, suit, inquiry, proceeding, investigation or appeal taken from the foregoing. Following indemnification as provided for hereunder, the indemnifying party shall be subrogated to all rights of the Indemnified Party or Indemnified Person with respect to all Persons relating to the matter for which indemnification has been made. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnified Person or Indemnified Party under this Section 6, except to the extent that the indemnifying party is materially prejudiced in its ability to defend such action.

(v) The indemnification required by this Section 6 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or Indemnified Damages are incurred.

(vi) The indemnity agreements contained herein shall be in addition to (i) any cause of action or similar right of the Indemnified Party or Indemnified Person against the indemnifying party or others, and (ii) any liabilities the indemnifying party may be subject to pursuant to the law.

(g) CONTRIBUTION.

To the extent any indemnification by an indemnifying party is prohibited or limited by law, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable under Section 6 to the fullest extent permitted by law; provided, however, that: (i) no contribution shall be made under circumstances where the maker would not have been liable for indemnification under the fault standards set forth in Section 6; (ii) no seller of Registrable Securities guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any seller of Registrable Securities who was not guilty of fraudulent misrepresentation; and (ill) contribution by any seller of Registrable Securities shall be limited in amount to the net amount of proceeds received by such seller from the sale of such Registrable Securities.

(h) REPORTS UNDER THE 1934 ACT.

With a view to making available to the Investors the benefits of Rule 144 promulgated under the 1933 Act or any other similar rule or regulation of the SEC that may at any time permit the Investors to sell securities of the Company to the public without registration ("Rule 144"), the Company agrees to:

(i) make and keep public information available, as those terms are understood and defined in Rule 144;

(ii) file with the SEC in a timely manner all reports and other documents required of the Company under the 1933 Act and the 1934 Act so long as the Company remains subject to such requirements (it being understood that nothing herein shall limit the Company's obligations under Section 4(c) of the

Securities Purchase Agreement) and the filing of such reports and other documents is required for the applicable provisions of Rule 144; and

(iii) furnish to Angelo, Gordon & Co., as agent for the Buyers, and the Placement Agent, so long as any Investor owns Registrable Securities, promptly upon request, (i) a written statement by the Company that it has complied with the reporting requirements of the 1934 Act, (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may

be reasonably requested to permit the Investors to sell such securities pursuant to Rule 144 without registration.

(i) ASSIGNMENT OF REGISTRATION RIGHTS.

The rights under this Agreement shall be automatically assignable by the Investors to any transferee of all or any portion of Registrable Securities if: (i) the Company is, within a reasonable time after such transfer or assignment, furnished with written notice of (a) the name and address of such transferee or assignee, and (b) the securities with respect to which such registration rights are being transferred or assigned in accordance with the terms of the Securities Purchase Agreement; (ii) at or before the time the Company receives such written notice the transferee or assignee agrees in writing with the Company to be bound by all of the provisions contained herein, including providing the Company with a current address for all required notices; (iii) such transfer shall have been made in accordance with the applicable requirements of the Securities Purchase Agreement, the Debentures, the Warrants and the Placement Warrants; and (iv) such transferee shall be an "accredited investor" as that term is defined in Rule 501 of Regulation D promulgated under the 1933 Act.

(j) AMENDMENT OF REGISTRATION RIGHTS.

Provisions of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and Investors who hold two-thirds (2/3) of the Registrable Securities. Any amendment or waiver effected in accordance with this Section 10 shall be binding upon each Investor and the Company.

(k) MISCELLANEOUS.

(i) A person or entity is deemed to be a holder of Registrable Securities whenever such person or entity owns of record such Registrable Securities. If the Company receives conflicting instructions, notices or elections from two or more persons or entities with respect to the same Registrable Securities, the Company shall act upon the basis of instructions, notice or election received from the registered owner of such Registrable Securities.

(ii) Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided a confirmation of transmission is mechanically generated and kept on file by the sending party); (iii) three (3) days after being sent by U.S. certified mail, return receipt requested; or (iv) one (1) day after deposit with a nationally

recognized overnight delivery service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company:

Altair International Inc.
230 South Rock Boulevard, Suite 21
Reno, Nevada 89502
Telephone: 702-857-1966
Facsimile: 702-857-1920
Attention: Chief Financial Officer

With copies to:

Altair International Inc.
1725 Sheridan Avenue, Suite 140
Cody, Wyoming 82414
Telephone: 307-587-8245
Facsimile: 307-587-8357
Attention: Dr. William P. Long

and

Parr Waddoups Brown Gee & Loveless
185 South State Street, Suite 1300
Salt Lake City, Utah 84111
Telephone: 801-532-7840
Facsimile: 801-532-7750
Attention: Brian G. Lloyd, Esq.

If to a Buyer, to its address and facsimile number on the Schedule of Buyers attached hereto, with copies to such Buyer's counsel as set forth on the Schedule of Buyers.

If to the Placement Agent:

Prudential Securities Incorporated
One New York Plaza, 17th Floor
New York, New York 10292
Telephone: 212-778-3166
Facsimile: 212-778-4196
Attention: John McKenna

Each party shall provide five (5) days prior notice to the other party of any change in address, phone number or facsimile number or the person to whose attention notices are to be sent.

(iii) Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

(iv) This Agreement shall be governed by and interpreted in

accordance with the laws of the State of New York without regard to the principles of conflict of laws. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the state and federal courts sitting in the City of New York, borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction.

(v) This Agreement, the Securities Purchase Agreement, the Debentures and the Warrants constitute the entire agreement among the Company and the Buyers with respect to the subject matter hereof and thereof. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein. This Agreement, the Securities Purchase Agreement, the Debentures and the Warrants supersede all prior agreements and understandings among the Company and the Buyers with respect to the subject matter hereof and thereof. This Agreement and the Placement Warrants constitute the entire agreement between the Company and the Placement Agent with respect to the subject matter hereof and thereof. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein. This Agreement and the Warrants supersede all prior agreements and understandings between the Company and the Placement Agent with respect to the subject matter hereof and thereof.

(vi) Subject to the requirements of Section 9, this Agreement shall inure to the benefit of and be binding upon the permitted successors and assigns of each of the parties hereto and, with respect to Section 6, to the benefit of the Indemnified Persons and Indemnified Parties.

(vii) The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect, the meaning hereof. Any reference to "Section __" shall refer to the applicable section of this Agreement.

(viii) This Agreement may be executed in two or more identical counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

(ix) Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

(x) All consents and other determinations to be made by the Investors pursuant to this Agreement shall be made, unless otherwise specified

in this Agreement, by Investors holding a majority of the Registrable Securities, determined as if all of the Debentures then outstanding have been converted into, all of the Warrants have been exercised for, and all of the Placement Warrants have been exercised for, Registrable Securities.

(xi) The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent and no rules of strict construction will be applied against any party.

Exhibit 4.3

IN WITNESS WHEREOF, the Buyers and the Company have caused this Registration Rights Agreement to be duly executed as of the date first written above.

COMPANY:

ALTAIR INTERNATIONAL INC.

By:_____
Name:
Its:

BUYERS:

LEONARDO, L.P.
By: Angelo, Gordon & Co., L.P.
Its: General Partner

By:_____
Name: Michael L. Gordon
Its: Chief Operating Officer

GAM ARBITRAGE INVESTMENTS, INC.
By: Angelo, Gordon & Co., L.P.
Its: Investment Advisor

By:_____
Name: Michael L. Gordon
Its: Chief Operating Officer

AG SUPER FUND INTERNATIONAL
PARTNERS, L.P.
By: Angelo, Gordon & Co., L.P.
Its: General Partner

By:_____
Name: Michael L. Gordon

Its: Chief Operating Officer

RAPHAEL, L.P.

By:_____
Name: Michael L. Gordon
Its: Chief Operating Officer

Exhibit 4.3

RAMIUS FUND, LTD.
By: AG Ramius Partners, L.L.C.
Its: Investment Advisor

By:_____
Name: Michael L. Gordon
Its: Managing Officer

BALDWIN ENTERPRISES, LTD.
By: AG Ramius Partners, L.L.C.
Its: Investment Advisor

By:_____
Name: Michael L. Gordon
Its: Managing Officer

PLACEMENT AGENT:

PRUDENTIAL SECURITIES INCORPORATED

By:_____
Name:
Its:

Exhibit 4.3
<TABLE>

SCHEDULE OF BUYERS

<CAPTION>

Investor Name	Investor Address and Facsimile Number	Principal Amount of Initial Debenture	Investor's Representatives' Address and Facsimile Number
<S>	<C>	<C>	<C>
Leonardo, L.P.	c/o Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf Facsimile: 212-867-6449	$3,000,000	Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf Facsimile: 212-867-6449

GAM Arbitrage Investments, Inc.	c/o Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf Facsimile: 212-867-6449	$ 300,000	Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf Facsimile: 212-867-6449
AG Super Fund International Partners, L.P.	c/o Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf Facsimile: 212-867-6449	$ 300,000	
Raphael, L.P.	c/o Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf Facsimile: 212-867-6449	$ 300,000	c/o Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf Facsimile: 212-867-6449
Ramius Fund, Ltd.	c/o Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf Facsimile: 212-867-6449	$ 500,000	c/o Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf Facsimile: 212-867-6449
Baldwin Enterprises, Inc.	c/o Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf Facsimile: 212-867-6449	$ 600,000	c/o Angelo, Gordon & Co., L.P. 245 Park Avenue - 26th Floor New York, New York 10167 Attn: Gary Wolf Facsimile: 212-867-6449

</TABLE>

Exhibit 4.3

EXHIBIT A

FORM OF NOTICE OF EFFECTIVENESS
OF REGISTRATION STATEMENT

[ ]
[ADDRESS]

Attn:

Re: Altair International Inc.

Ladies and Gentlemen:

We are counsel to Altair International Inc., an Ontario corporation (the "Company"), and have represented the Company in connection with that certain Securities Purchase Agreement (the "Purchase Agreement") entered into by and among the Company and the buyers named therein (collectively, the "Holders") pursuant to which the Company issued to the Holders its 5% Convertible Subordinated Debentures due December __, 2001 (the "Debentures"), convertible into shares of the Company's common shares, no par value (the "Common Stock"), and warrants (the "Warrants") to purchase shares of Common Stock. Pursuant to the Purchase Agreement, the Company also has entered into a Registration Rights Agreement with the Holders and Prudential Securities Incorporated (the "Registration Rights Agreement") pursuant to which the Company agreed, among other things, to register the Registrable Securities (as defined in the Registration Rights Agreement), including the shares of Common Stock issuable upon conversion of the Debentures and the shares of Common Stock issuable upon exercise of the Warrants and the Placement Warrants (as defined in the Registration Rights Agreement), under the Securities Act of 1933, as amended (the "1933 Act"). In connection with the Company's obligations under the Registration Rights Agreement, the Company filed a Registration Statement (the

"Registration Statement") with the Securities and Exchange Commission (the "SEC") relating to the Registrable Securities which names each of the Holders and Prudential Securities Incorporated as a selling stockholder thereunder.

In connection with the foregoing, we advise you that a member of the SEC's staff has advised us by telephone that the SEC has entered an order declaring the Registration Statement effective under the 1933 Act at [ENTER TIME OF EFFECTIVENESS] on [ENTER DATE OF EFFECTIVENESS] and we have no knowledge, after telephonic inquiry of a member of the SEC's staff, that any stop order suspending its effectiveness has been issued or that any proceedings for that purpose are pending before, or threatened by, the SEC and the Registrable Securities are available for resale under the 1933 Act pursuant to the Registration Statement.

Very truly yours,

[ ]

By:_____

Exhibit 4.4

THE WARRANT REPRESENTED BY THIS CERTIFICATE AND THE SHARES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, ANY STATE SECURITIES LAWS OR ANY OTHER SECURITIES LAWS. THE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF (I) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RECEIPT OF ALL NECESSARY STATE AND FOREIGN APPROVALS OR (II) AN OPINION OF COUNSEL, IN FORM AND SUBSTANCE REASONABLY ACCEPTABLE TO ALTAIR INTERNATIONAL INC., THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR ANY APPLICABLE STATE OR FOREIGN SECURITIES LAWS OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT.

THE TRANSFER OF THIS WARRANT IS
RESTRICTED AS DESCRIBED HEREIN.

ALTAIR INTERNATIONAL INC.
(INCORPORATED UNDER THE LAWS OF THE PROVINCE OF ONTARIO)

Warrant for the Purchase of Common Shares,
no par value

THIS WARRANT EXPIRES ON DECEMBER 29, 1999

No. __ _____ Shares

THIS CERTIFIES that, for value received, _____ with an address at _____ (including any transferee, the "Holder"), is entitled to subscribe for and purchase from Altair International Inc., an Ontario corporation (the "Company"), upon the terms and conditions set forth herein, at any time or from time to time before 5:00 P.M. on December 29, 1999, New York time (the "Exercise Period"), _____ of the Company's Common Shares, no par value ("Common Stock"), at a price equal to $16.7188, which represents 125% of the closing price per share of the Common Stock on the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable, on the date immediately prior to the date of issuance hereof (the "Exercise Price").

This Warrant is the warrant or one of the warrants (collectively, including any warrants issued upon the exercise or transfer of any such warrants in whole or in part, the "Warrants") issued pursuant to the Securities Purchase Agreement (the "Securities Purchase Agreement") by and among the Company and the purchasers of the original issue of the Warrants, pursuant to which the Company has agreed to issue and sell its 5% Convertible Subordinated Debentures due

December 29, 2001 (the "Debentures") and warrants to purchase shares of Common Stock. As used herein the term "this Warrant" shall mean and include this Warrant and any Warrant or Warrants hereafter issued as a consequence of the exercise or transfer of this Warrant in whole or in part.

The number of shares of Common Stock issuable upon exercise of the Warrants (the "Warrant Shares") and the Exercise Price may be adjusted from time to time as hereinafter set forth.

1. This Warrant may be exercised during the Exercise Period, as to the whole or any lesser number of whole Warrant Shares equal to or greater than 25,000 Warrant Shares, by the surrender of this Warrant (with the election at the end hereof duly executed) to the Company at its office at Altair International Inc., 1725 Sheridan Avenue, Suite 140, Cody, Wyoming 82414, or at such other place as is designated in writing by the Company. Such executed election must be accompanied by payment in an amount equal to the Exercise Price multiplied by the number of Warrant Shares for which this Warrant is being exercised. Such payment may be made by certified or bank cashier's check payable to the order of the Company.

Exhibit 4.4

2. Upon each exercise of the Holder's rights to purchase Warrant Shares and the Company's receipt of the full amount of the Exercise Price payable in connection therewith, the Holder shall be deemed to be the holder of record of the Warrant Shares issuable upon such exercise, notwithstanding that the transfer books of the Company shall then be closed or certificates representing such Warrant Shares shall not then have been actually delivered to the Holder. As soon as reasonably practicable after each such exercise of this Warrant, the Company shall issue and deliver to the Holder a certificate or certificates for the Warrant Shares issuable upon such exercise, registered in the name of the Holder or its designee. If this Warrant should be exercised in part only, the Company shall, upon surrender of this Warrant for cancellation, execute and deliver a new Warrant evidencing the right of the Holder to purchase the balance of the Warrant Shares (or portions thereof) subject to purchase hereunder.

3. (a) Any Warrants issued upon the transfer or exercise in part of this Warrant shall be numbered and shall be registered in a Warrant Register as they are issued. The Company shall be entitled to treat the registered holder of any Warrant on the Warrant Register as the owner in fact thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in such Warrant on the part of any other person, and shall not be liable for any registration or transfer of Warrants which are registered or to

be registered in the name of a fiduciary or the nominee of a fiduciary unless made with the actual knowledge that a fiduciary or nominee is committing a breach of trust in requesting such registration or transfer, or with the actual knowledge of such facts that its participation therein amounts to bad faith. This Warrant shall be transferable only (i) in increments with respect to a number of Warrant Shares equal to or greater than 25,000 Warrant Shares and (ii) on the books of the Company upon delivery thereof duly endorsed by the Holder or by its duly authorized attorney or representative, or accompanied by proper evidence of succession, assignment, or authority to transfer. In all cases of transfer by an attorney, executor, administrator, guardian, or other legal representative, duly authenticated evidence of his or its authority shall be produced. Upon any registration of transfer, the Company shall deliver a new Warrant or Warrants to the person entitled thereto. This Warrant may be exchanged, at the option of the Holder thereof, for another Warrant, or other Warrants of different denominations, of like tenor and representing in the aggregate the right to purchase a like number of Warrant Shares (or portions thereof), upon surrender to the Company or its duly authorized agent. Notwithstanding the foregoing, the Company shall have no obligation to cause Warrants to be transferred on its books to any person if, in the opinion of counsel to the Company, such transfer does not comply with the provisions of the Securities Act of 1933, as amended (the "Act"), and the rules and regulations thereunder. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of a Warrant, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it and reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of the Warrant if mutilated, the Company will make and deliver a new Warrant of like tenor to the registered owner in lieu of the Warrant so lost, stolen, destroyed or mutilated.

(b) The Holder acknowledges that it has been advised by the Company that neither this Warrant nor the Warrant Shares have been registered under the Act, that this Warrant is being or has been issued and the Warrant Shares may be issued on the basis of the statutory exemption provided by Section 4(2) of the Act or Regulation D promulgated thereunder, or both, relating to transactions by an issuer not involving any public offering, and that the Company's reliance thereon is based in part upon the representations made by the original Holder in the Securities Purchase Agreement. The Holder acknowledges that he has been informed by the Company of, or is otherwise familiar with, the nature of the

limitations imposed by the Act and the rules and regulations thereunder on the transfer of securities. In particular, the Holder agrees that no sale,

assignment or transfer of this Warrant or the Warrant Shares issuable upon exercise hereof shall be valid or effective, and the Company shall not be required to give any effect to any such sale, assignment or transfer, unless (i) the sale, assignment or transfer of this Warrant or such Warrant Shares is registered under the Act, it being understood that neither this Warrant nor such Warrant Shares are currently registered for sale and that the Company has no obligation or intention to so register this Warrant or such Warrant Shares except as specifically provided in the Registration Rights Agreement by and among the Company and the purchasers of the original issue of the Warrants, or (ii) this Warrant or such Warrant Shares are sold, assigned or transferred in accordance with all the requirements and limitations of Rule 144 under the Act, it being understood that Rule 144 is not available at the time of the original issuance of this Warrant for the sale of this Warrant or such Warrant Shares and that there can be no assurance that Rule 144 sales will be available at any subsequent time, or (iii) such sale, assignment or transfer is otherwise exempt from registration under the Act.

(c) Following any assignment or other transfer permitted by this Warrant and the Securities Purchase Agreement that results in the issuance of warrants to purchase Warrant Shares purchasable hereunder to more than one person or entity, all elections that may be made by the Holders under such warrants shall be made by written notice of Holders representing rights to purchase a majority of the Warrant Shares for which such warrants are then exercisable.

4. The Company shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for the purpose of providing for the exercise of the rights to purchase all Warrant Shares granted pursuant to the Warrants, such number of shares of Common Stock as shall, from time to time, be sufficient therefor. The Company covenants that all shares of Common Stock issuable upon exercise of this Warrant, upon receipt by the Company of the full Exercise Price therefor, shall be validly issued, fully paid, nonassessable, and free of preemptive rights. The Company shall provide for and maintain the listing of the Common Stock, including the Warrant Shares, upon the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable (or any other securities exchange or automated quotation system which is the principal exchange or system on which the Common Stock is then traded or listed).

5. (a) In case the Company shall at any time after the date this Warrant is first issued (i) declare a dividend on the outstanding Common Stock payable in shares of Common Stock or in rights to acquire shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then, in each such case, the Exercise Price, and the number of Warrant Shares issuable upon exercise of this Warrant, in effect at the time of the record date for such dividend or of the effective date of such subdivision or combination, shall be proportionately adjusted so that the Holder after such time shall be entitled to receive the aggregate number and kind of shares for such consideration which, if such Warrant had been exercised immediately prior to such time at the then-current exercise price, he would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision or combination. Such

adjustment shall be made successively whenever any event listed above shall occur.

(b) In case the Company shall issue or fix a record date for the issuance to all holders of Common Stock of rights, options, or warrants to subscribe for or purchase Common Stock (or securities convertible into or exchangeable for Common Stock) at a price per share (or having a conversion or

exchange price per share, if a security convertible into or exchangeable for Common Stock) less than the lesser of the Exercise Price or the Current Market Price per share of Common Stock on such record date, then, in each case, the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding on such record date plus the number of shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so to be offered (or the aggregate initial conversion or exchange price of the convertible or exchangeable securities so to be offered) would purchase at such Exercise Price or Current Market Price, as applicable, and the denominator of which shall be the number of shares of Common Stock outstanding on such record date plus the number of additional shares of Common Stock to be offered for subscription or purchase (or into which the convertible or exchangeable securities so to be offered are initially convertible or exchangeable); provided, however, that no such adjustment pursuant to this Section 5(b) shall be made which results in an increase in the Exercise Price. Such adjustment shall become effective at the close of business on such record date; provided, however, that, to the extent the shares of Common Stock (or securities convertible into or exchangeable for shares of Common Stock) are not delivered, or if securities convertible into or exchangeable for shares of Common Stock are delivered but are not converted into or exchanged for shares of Common Stock, the Exercise Price shall be readjusted after the expiration of such rights, options, or warrants (but only with respect to Warrants exercised after such expiration), to the Exercise Price which would then be in effect had the adjustments made upon the issuance of such rights, options, or warrants been made upon the basis of delivery of only the number of shares of Common Stock (or securities convertible into or exchangeable for shares of Common Stock) actually issued. In case any subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the board of directors of the Company, whose determination shall be conclusive absent manifest error. Shares of Common Stock owned by or held for the account of the Company or any majority-owned subsidiary shall not be deemed outstanding

for the purpose of any such computation.

(c) For the purpose of any computation under this Section 5 or Section 1, the Current Market Price per share of Common Stock on any date shall be deemed to be the average of the daily closing prices of the Common Stock for the 10 consecutive trading days immediately preceding the date in question. The closing price for each day shall be the closing price on the principal securities exchange (including, for purposes hereof, the Nasdaq SmallCap Market or the Nasdaq National Market, as applicable) on which the Common Stock is listed or admitted to trading or, if the Common Stock is not listed or admitted to trading on any securities exchange, the highest reported bid price for the Common Stock as furnished by the National Association of Securities Dealers, Inc. through Nasdaq or a similar organization if Nasdaq is no longer reporting such information. If on any such date the Common Stock is not listed or admitted to trading on any securities exchange and is not quoted by Nasdaq or any similar organization, the fair value of a share of Common Stock on such date, as determined in good faith by the board of directors of the Company, whose determination shall be conclusive absent manifest error, shall be used.

(d) No adjustment in the Exercise Price shall be required if such adjustment is less than $.05; provided, however, that any adjustments which by reason of this Section 5 are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 5 shall be made to the nearest cent or to the nearest one-thousandth of a share, as the case may be (with 0.005 being rounded to 0.01 and 0.0005 being rounded to 0.001).

(e) In any case in which this Section 5 shall require that an adjustment in the Exercise Price be made effective as of a record date for a specified event, the Company may elect to defer, until the occurrence of such event, issuing to the Holder, if the Holder exercised this Warrant after such record date, the shares of Common Stock, if any, issuable upon such exercise over and above the shares of Common Stock, if any, issuable upon such exercise on the basis of the Exercise Price in effect prior to such adjustment; provided, however, that the Company shall deliver to the Holder a due bill or other appropriate instrument evidencing the Holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(f) Upon each adjustment of the Exercise Price as a result of the calculations made in Section 5(b) hereof, this Warrant shall thereafter evidence the right to purchase, at the adjusted Exercise Price, that number of shares

(calculated to the nearest thousandth) obtained by dividing (A) the product obtained by multiplying the number of shares purchasable upon exercise of this Warrant prior to adjustment of the number of shares by the Exercise Price in effect prior to adjustment of the Exercise Price by (B) the Exercise Price in effect after such adjustment of the Exercise Price.

(g) Whenever there shall be an adjustment as provided in this Section 5, the Company shall promptly cause written notice thereof to be sent by certified mail, postage prepaid, to the Holder, at its address as it shall appear in the Warrant Register, which notice shall be accompanied by an officer's certificate setting forth the number of Warrant Shares purchasable upon the exercise of this Warrant and the Exercise Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment and the computation thereof, which officer's certificate shall be conclusive evidence of the correctness of any such adjustment absent manifest error.

(h) The Company shall not be required to issue a fraction of a share of Common Stock or other capital stock of the Company upon the exercise of this Warrant. If any fraction of a share would be issuable on the exercise of this Warrant (or specified portions thereof), the Company shall purchase such fraction for an amount in cash equal to the same fraction of the Current Market Price of such share of Common Stock on the date of exercise of this Warrant.

6. (a) In case of any consolidation of the Company with, or merger of the Company with or into, another corporation (other than a merger or consolidation in which the Company is the surviving or continuing corporation), or in case of any sale, lease or conveyance to another corporation of the property and assets of any nature of the Company as an entirety or substantially as an entirety, such successor, leasing or purchasing corporation, as the case may be, shall (i) execute and deliver to the Holder an agreement providing that the Holder shall have the right thereafter to receive upon exercise of this Warrant solely the kind and amount of shares of stock and other securities, property, cash or any combination thereof receivable upon such consolidation, merger, sale, lease or conveyance by a holder of the number of shares of Common Stock for which this Warrant might have been exercised immediately prior to such consolidation, merger, sale, lease or conveyance, and (ii) make effective provision in its certificate of incorporation or otherwise, if necessary, to effect such agreement. Such agreement shall provide for adjustments which shall be as nearly equivalent as practicable to the adjustments in Section 5.

(b) In case of any reclassification or change of the shares of

Common Stock issuable upon exercise of this Warrant (other than a change in par value or from no par value to a specified par value, or as a result of a subdivision or combination, but including any change in the shares into two or more classes or series of shares), or in case of any consolidation or merger of another corporation into the Company in which the Company is the continuing corporation and in which there is a reclassification or change (including a change to the right to receive shares of stock (other than Common Stock), other securities, property or cash) of the shares of Common Stock (other than a change in par value, or from no par value to a specified par value, or as a result of a subdivision or combination, but including any change in the shares into two or more classes or series of shares), the Holder shall have the right thereafter to receive upon exercise of this Warrant solely the kind and amount of shares of stock and other securities, property, cash or any combination thereof receivable upon such reclassification, change, consolidation or merger by a holder of the number of shares of Common Stock for which this Warrant might have been exercised immediately prior to such reclassification, change, consolidation or merger. Thereafter, appropriate provision shall be made for adjustments which shall be as nearly equivalent as practicable to the adjustments in Section 5.

(c) The above provisions of this Section 6 shall similarly apply to successive reclassifications and changes of shares of Common Stock and to successive consolidations, mergers, sales, leases, or conveyances.

7. In case at any time the Company shall propose to:

(a) pay any dividend or make any distribution on shares of Common Stock in shares of Common Stock or rights to acquire Common Stock to all holders of Common Stock; or

(b) issue any rights, warrants, or other securities to all holders of Common Stock entitling them to purchase any additional shares of Common Stock or any other rights, warrants, or other securities; or

(c) effect any reclassification or change of outstanding shares of Common Stock, or any consolidation, merger, sale, lease, or conveyance of property, described in Section 6 hereof; or

(d) effect any liquidation, dissolution, or winding-up of the Company; or

(e) take any other action which would cause an adjustment to the Exercise Price;

then, and in any one or more of such cases, the Company shall give written notice thereof, by certified mail, postage prepaid, to the Holder at the Holder's address as it shall appear in the Warrant Register, mailed at least 15 days prior to (i) the date as of which the holders of record of shares of Common Stock to be entitled to receive any such dividend, distribution, rights, warrants, or other securities are to be determined, (ii) the date on which any such reclassification, change of outstanding shares of Common Stock, consolidation, merger, sale, lease, conveyance of property, liquidation,

dissolution, or winding-up is expected to become effective, and the date as of which it is expected that holders of record of shares of Common Stock shall be entitled to exchange their shares for securities or other property, if any, deliverable upon such reclassification, change of outstanding shares, consolidation, merger, sale, lease, conveyance of property, liquidation, dissolution or winding-up, or (iii) the date of such action which would require an adjustment to the Exercise Price.

8. The issuance of any shares or other securities upon the exercise of this Warrant, and the delivery of certificates or other instruments representing such shares or other securities, shall be made without charge to the Holder for any tax or other charge in respect of such issuance. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of any certificate in a name other than that of the Holder and the Company shall not be required to issue or deliver any such certificate unless and until the person or persons requesting the issue thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

9. Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction, or mutilation of any Warrant (and upon surrender of any Warrant if mutilated), including an affidavit of the Holder thereof that this Warrant has been lost, stolen, destroyed or mutilated, together with an indemnity against any claim that may be made against the Company on account of such lost, stolen, destroyed or mutilated Warrant, and upon reimbursement of the Company's reasonable incidental expenses, the Company shall execute and deliver to the Holder thereof a new Warrant of like date, tenor, and denomination.

10. The Holder of any Warrant shall not have solely on account of such status, any rights of a stockholder of the Company, either at law or in equity, or to any notice of meetings of stockholders or of any other proceedings of the Company, except as provided in this Warrant.

11. This Warrant shall be construed in accordance with the laws of the State of New York applicable to contracts made and performed within such State, without regard to principles governing conflicts of law.

12. The Company irrevocably consents to the jurisdiction of the courts of the State of New York and of any federal court located in such State in connection with any action or proceeding arising out of or relating to this Warrant, any document or instrument delivered pursuant to, in connection with or

simultaneously with this Warrant, or a breach of this Warrant or any such document or instrument. In any such action or proceeding, the Company waives personal service of any summons, complaint or other process and agrees that service thereof may be made in accordance with Section 9 of the Securities Purchase Agreement.

13. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be mailed by certified mail, return receipt requested, or by Federal Express or similar overnight delivery or courier service or delivered (in person or by telecopy, telex or similar telecommunications equipment) against receipt to the party to whom it is to be given, (i) if to the Company, at Altair International Inc., 230 South Rock Boulevard, Suite 21, Reno, Nevada 89502, Attention: Chief Financial Officer, Fax No. 702-857-1920 and Altair International Inc., 1725 Sheridan Avenue, Suite 140, Cody, Wyoming, 82414, Attention: Dr. William P. Long, Fax No. (307)-587-8357, and to Parr Waddoups Brown Gee & Loveless P.C., 185 South State Street, Suite 1300, Salt Lake City, Utah 84111, Attention: Brian G. Lloyd, Fax No. (801) 532-

7750, (ii) if to the Holder, at its address set forth on the first page hereof, or (iii) in either case, to such other address or person's attention as the party shall have furnished in writing in accordance with the provisions of this Section 13. Notice to the estate of any party shall be sufficient if addressed to the party as provided in this Section 13. Any notice or other communication given by certified mail shall be deemed given at the time of certification thereof, except for a notice changing a party's address which shall be deemed given at the time of receipt thereof. Any notice given by other means permitted by this Section 13 shall be deemed given at the time of receipt thereof.

14. No course of dealing and no delay or omission on the part of the Holder in exercising any right or remedy shall operate as a waiver thereof or otherwise prejudice the Holder's rights, powers or remedies. No right, power or remedy conferred by this Warrant upon the Holder shall be exclusive of any other right, power or remedy referred to herein or now or hereafter available at law, in equity, by statute or otherwise, and all such remedies may be exercised singly or concurrently.

15. This Warrant may be amended or any of its provisions waived only by a written consent or consents executed by the Company and Holders of Warrants representing a majority of Warrant Shares issuable upon exercise of the Warrants issued to investors pursuant to the Securities Purchase Agreement. Any amendment or waiver shall be binding upon all future Holders.

Dated: _____, 1997

ALTAIR INTERNATIONAL INC.

By: _____
Name:
Title:

Secretary

Exhibit 4.4

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the attached Warrant.)

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto _____ a Warrant to purchase _____ Common Shares, no par value, of Altair International Inc. (the "Company"), together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ attorney to transfer such Warrant on the books of the Company, with full power of substitution.

Dated: _____

Signature_____

_____
Signature Guarantee

NOTICE

The signature on the foregoing Assignment must correspond to the name as written upon the face of this Warrant in every particular, without alteration or enlargement or any change whatsoever.

Exhibit 4.4

To: Altair International Inc.
1725 Sheridan Avenue, Suite 140
Cody, Wyoming 82414

ELECTION TO EXERCISE

The undersigned hereby exercises his, her or its rights to purchase _____ Warrant Shares covered by the within Warrant, and tenders payment herewith in the aggregate amount of $_____ by certified or bank cashier's check, in accordance with the terms thereof, and requests that certificates for such securities be issued in the name of, and delivered to:

(Print Name, Address and Social Security
or Tax Identification Number)

and, if such number of Warrant Shares shall not be all the Warrant Shares covered by the within Warrant and the remaining portion of the within Warrant be not cancelled in payment of the Exercise Price, that a new Warrant for the balance of the Warrant Shares covered by the within Warrant be registered in the name of, and delivered to, the undersigned at the address stated below.

(Print Name, Address and Social Security
or Tax Identification Number)

Dated: _____

Name:_____
(Print)

Address:_____

_____

(Signature)

_____(Signature Guarantee)

_____

Exhibit 99.1

ALTAIR INTERNATIONAL
1725 Sheridan Avenue
Suite 140
Cody, WY 82414
Tel: (307) 587-8245
Fax: (307) 587-8357

FOR IMMEDIATE RELEASE: December 30, 1997

ALTAIR COMPLETES $10 MILLION CONVERTIBLE DEBT FINANCING OFFERED THROUGH PRUDENTIAL SECURITIES

CODY, WY -- Altair International Inc. (NASDAQ:ALTIF/ASE:AIL) today announced the closing of a $10 million convertible debt financing. Under the terms of the financing, funding will be made in two blocks - $5 million at closing with the additional $5 million available between eight and ten months after closing, at Altair's option. Financing was provided by an institutional investor. Prudential Securities Incorporated acted as placement agent and financial advisor to Altair.

"This financing gives Altair increased financial strength to proceed with our Tennessee property and bring the centrifugal jig to market," said Dr. William Long, Altair's President.

The debt conversion price is determined by using a formula based on Altair's stock price at the time of conversion. The convertible debt accrues interest at 5%, payable in cash or common stock. The investors also received two year warrants to purchase up to 150,000 shares of the company's common stock at 125% of the common stock price on the day prior to closing. Altair will fie a registration statement for the necessary shares of common stock underlying the convertible debt and warrants. Final documentation will be filed with the Alberta Stock Exchange.

Prudential Securities Incorporated is a fully diversified, global securities firm based in New York City, serving clients in the U.S. and overseas through approximately 6,000 Financial Advisors. The fifth-largest brokerage firm in the U.S., Prudential Securities is a subsidiary of the Prudential Insurance Company of America.

Altair International is in the development stage of commercializing its state-of-the-art technology, the Centrifugal Jig, which recovers extremely fine, heavy particulate matter using a combination of a mechanical jig and centrifugal force. Potential applications include gold/mineral recovery, coal cleaning and environmental remediation. Altair is the 100% owner of a large titanium/zircon mineral deposit in Tennessee.

The Alberta Stock Exchange neither approves nor disapproves of the information contained herein. This press release may be deemed to contain certain forward-looking statements with respect to the Company that are subject to risks and uncertainties that include, but are not limited to, those identified in the Company's press releases or discussed from time to time in the Company's Securities and Exchange Commission filings. Actual results may vary materially.

FOR MORE INFORMATION CONTACT:

Carl Thompson, CEO	Dr. William P. Long
Carl Thompson Associates	Altair International Inc.
(303) 494-5472	(307) 587-8245

News releases, 10K and other information on Altair can be accessed at no charge at Web Site http://www.ctaonline.com/ir/aig.htm on the Internet.