

T H R E S H O L D C A P I T A L C O R P

February 18, 2009

The fourth quarter, year-to-date and inception-to-date performance of Threshold Capital Corp for the period ending December 31, 2008 was as follows:

	4Q 2008	2008 YTD	INCEPTION TO DATE
Threshold Capital Corp	-(35.36)%	-(51.43)%	-(38.63)%
DJIA	-(19.12)%	-(33.84)%	-(29.58)%
S&P 500	-(22.45)%	-(38.49)%	-(36.31)%
NASDAQ	-(24.27)%	-(40.54)%	-(34.71)%
Russell 2000	-(26.51)%	-(34.82)%	-(36.59)%

The U.S. markets experienced their worst performance in the fourth quarter of 2008 since The Great Depression. The bankruptcy of U.S. investment bank, Lehman Brothers, has proven to be a catastrophic event for the global financial markets. Equities in the U.S. along with those on most global stock markets were sold very aggressively; the emerging markets suffered even deeper losses as investors worldwide rushed to de-leverage their investment portfolios.

Lingo Media Corp (TSX:LM and OTCBB:LMDCF) continues to make wonderful progress with its wholly owned subsidiary, Speak2Me. On November 26, 2008, the Company announced Mercedes Benz as its first launch advertiser. The Speak2Me platform ended the year with approximately 500,000 registered users and is now available to China's more than 298 million Internet users. The Company also launched its 1.0 Version which includes social networking tools and expanded lesson library which is expected to dramatically increase the user base and generate revenue from Speak2Me's proprietary Conversational Advertising Platform. Just this month, the Company hired Steven Chiu as President, Greater China. Mr. Chiu was a co-founder of Zhaopin.com, China's first and largest internet recruitment website, and his experience and extensive contacts in the industry should catapult Lingo's Speak2Me platform to the pinnacle of spoken English learning in China.

China Yuchai International, Limited (NYSE:CYD), China BAK Battery (NASDAQ:CBAK), and Philip Morris International (NYSE:PM) continue to be prominent positions in the portfolio. Threshold Capital took advantage of extreme market weakness during October and November 2008 to add to these positions as they became extremely oversold and presented great opportunities to pick up discounted shares. CYI finally reported its fully audited 2007 financials on January 30, 2009. For 2007, the Company generated sales of \$U.S. 1.39 Billion and earned \$2.06 per share. I expect the company to earn in the range of \$1.75-\$1.95 for 2008 on \$1.5 Billion in sales. Threshold Capital expects CYI to be a great beneficiary of China's recently announced stimulus plan which is mentioned in greater detail towards the end of this correspondence. The company and Threshold Capital were positively mentioned in Barron's, the financial weekly dated February 16, 2009 in the Asian Trader column written by Leslie Norton. CBAK reported its first quarter 2009 results on January 23, 2009. The Company swung to a loss of .03 per share as a result of lower demand for electronics due to the global economic slowdown. CBAK also lowered its revenue guidance for 2009 from over \$300 million to a range of \$270 to \$300 million; this new range will still reflect a 16% growth rate from 2008 levels. The company also expects to achieve reductions in operating expenses totaling at least \$1.5 million per quarter for the rest of 2009. Investors still await the official announcement of the HP contract and other OEM orders. Philip Morris International reported 2008 results on February 4, 2009; they earned \$3.32, up 16% versus 2007. For 2009, PM expects an \$0.80 adverse currency impact but is still expected to earn between \$2.85 and \$3.00 per share; the stock currently yields 6.0%. Management also expects stock buybacks to be on par with 2008 levels where the Company spent \$5.4 Billion.

Threshold Capital Corp recently added two new positions to its portfolio. They are General Electric (NYSE:GE) and Whole Foods Market, Inc. (NASDAQ:WFMI).

GE is a diversified technology, media, and financial services company that has worldwide exposure and prominence. The Company operates in four (4) segments – GE Capital, Energy Infrastructure, Technology Infrastructure, and NBC Universal. GE over the past several years has generated over half of its profits from its GE Capital business and now trades at levels not seen in over a decade. GE has pledged to lower its exposure to the finance business and concentrate on making great products to its global customers. Warren Buffet purchased a stake in the Company (October 2008) in the low \$20's and GE Energy and Infrastructure backlogs remain strong – in early February, GE won a \$1 Billion contract from Saudi Electricity to supply 30 gas turbines. GE currently yields over 10% but is expected to potentially cut its dividend in the second half of 2009 to provide greater financial flexibility.

Whole Foods Market is an owner and operator of natural and organic supermarkets primarily in the U.S. Historically, the grocery business has been a difficult business with low margins and not much pricing power; but Threshold Capital believes its share price reflects an opportunity to purchase a well-known, consumer grocery brand with a loyal customer following. Whole Foods also has a strong, in-house private label brand that carries higher than average margins. Most significant for the Company are the two (2) new recent equity holders of the Company. Leonard Green & Partners and Yucaipa Cos. (Ron Burkle) recently announced stakes of 17% and 7% respectively in Whole Foods. Leonard Green is a shop that focuses on turnaround retail situations and has had previous success with Petco and FTD Group. Mr. Burkle's Yucaipa Cos. made his Billion dollar fortune in the grocery business. He purchased and sold grocery chains in southern California (Ralph's Grocery) and Chicago (Dominick's). Whole Foods currently yields over 6%.

As of the end of January 31, 2009, Threshold Capital's current long positions are:

Altria Group Inc.	Lingo Media Corp.
China BAK Battery Inc.	Lorillard Inc,
China Yuchai International Ltd	Philip Morris International Inc.
General Electric	Unilever Plc

To review, early in the fourth quarter, the global markets were gripped by fear – worldwide, approximately \$9.5 Trillion was lost. In the U.S., the financial markets experienced their sharpest declines since The Great Depression. Financial institutions hoarded cash in droves; and the \$2 Trillion global hedge fund business was hit with massive redemptions. Such well known hedge fund players such as T. Boone Pickens and Kenneth Griffin of Citadel have lost close to 50% of their clients' assets – Citadel managed over \$15 Billion in assets and BP Capital over \$6 Billion. The commodities markets too suffered a similar fate during the fourth quarter. Crude oil plummeted over 50%, copper lost nearly 60%, and lumber slid 40%. This bear market is very emotional – bringing fear, anguish, and outright panic to all investors. However, at this poignant time, Threshold Capital believes investors have the opportunity to buy what is cheap and prosper in the recovery that will follow. As of December 11, 2008, Industrial companies in the S&P 500 are sitting on nearly \$650 Billion in cash, a record.

The People's Republic of China began to feel the effects (October – November 2008) of the credit crisis that culminated in the U.S. and spread to Europe. Analysts cut their GDP forecasts for China from 11% down to a range of 7-9% for the remainder of 2008 and 2009. China's economy has slowed particularly sharply because export decline is combining with weaker domestic demand. New housing sales have dropped and prices have declined in most major cities. New construction has also slowed which has cut demand for cement, steel, and copper. In early November 2008, government officials in Beijing unveiled a 4 Trillion Yuan (US\$ 586 Billion) stimulus plan to ease China's declining growth. China accounted for 27% of global economic growth in 2007 and Central Bank Governor Zhou Xiaochuan stated that boosting spending at home will be the best way China can help avert a prolonged world recession. China's stimulus package will be focused on low-rent housing, infrastructure in rural areas, and continued investment in roads, railways, and airports. Threshold Capital firmly believes there are still compelling opportunities in

China despite its slowing GDP growth; and as a result it has kept and added to its China focused positions – China Yuchai, China BAK Battery, and Lingo Media, Inc.

As of early December 2008, financial firms worldwide have taken nearly \$1 Trillion of write downs, losses and credit provisions since the start of this crisis. More than 200,000 jobs have been lost across the financial industry and the S&P 500 Index has dropped over 38% this year – the worst annual decline since 1937. Since September, the Fed’s assets have ballooned from \$905.7 Billion to over \$2.31 Trillion. The Fed pays for these assets with newly produced dollars – more dollars in the global financial system, combined with other global central banks doing the same will result in inflationary pressures. Threshold Capital is currently diligently working to find and add exposure to such commodities such as gold, silver, and agriculture.

For 2009, Threshold Capital will continue with its in-depth fundamental research and analysis – purchase the great global “brands” and special situations. These brands, General Electric, Unilever, and Phillip Morris International will continue to focus on their respective businesses and increase shareholder value. Unfortunately, periodic losses are inevitable with a portfolio focused on equities and built to grow over time. Threshold Capital also believes that in the near future the financial markets will begin again to discriminate between companies that have prudent business strategies and will profit in a rebounding economy, which will translate into increased market share and higher earnings and stock prices.

Given the current volatile global economic environment, clients of Threshold Capital Corp can be assured their assets are secure with Fidelity. Fidelity Brokerage Services LLC is a member of the Securities Investor Protection Corporation (SIPC). Brokerage accounts maintained with Fidelity are protected by SIPC. SIPC protects brokerage accounts of each customer up to \$500,000 in securities, including a limit of \$100,000 on claims for cash awaiting reinvestment. Money market funds held in brokerage accounts are considered securities. Several of Threshold’s clients have taken this opportunity of extreme market weakness to add equity to their accounts; and Threshold would recommend this action to all investors as well.

Threshold Capital Corp is dissatisfied with its fourth quarter and 2008 year end performance and no assurances can or will be made to outperform the US market indices. Please feel free to contact me with any questions, comments, or ideas. Thank you for your continued support.

Sincerely,

Peter A. Delgado II
Principal
Threshold Capital Corp