

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

January 13, 2010

The fourth quarter, 2009 and inception-to-date performance of Threshold Capital Corp for the period ending December 31, 2009 was as follows:

	4Q 2009	2009	JAN 1, 2007 TO PRESENT
Threshold Capital Corp	+32.66%	+84.26%	+13.09%
DJIA	+7.37%	+18.82%	-(16.33)%
S&P 500	+5.49%	+23.45%	-(21.38)%
NASDAQ	+6.91%	+43.89%	-(6.05)%
Russell 2000	+3.49%	+25.22%	-(20.60)%

Threshold Capital outperformed the majority of the U.S. indices for the fourth quarter and 2009 by remaining with its core positions – China Yuchai, Philip Morris International, Lorillard, Unilever, and Altria Group. Threshold Capital’s performance also benefitted by its exposure to gold – specifically Yamana Gold Inc., Compania De Minas Buenaventura SA, and the Market Vectors Gold Miners ETF. Also, during the quarter, Threshold Capital re-established its position in China BAK Battery, Inc. (NASDAQ:CBAK), added to its position in Crucell NV (NASDAQ:CRXL), and established a new position in Seven Days Group Holdings Ltd. (NYSE:SVN). Threshold Capital sold its entire position in Lingo Media Corp (OTCBB: LMDCF) due to the Company’s lack of execution with its primary subsidiary, Speak2Me. While this is an unfortunate event, Threshold Capital believes the Company currently lacks the focus, commitment, and direction to achieve its goal of profitability. Threshold Capital has also discovered that its model for Speak2Me subscriber growth was far too aggressive; in addition, Lingo Media is in desperate need to raise capital, and this will severely dilute current shareholders.

China Yuchai International, Limited (NYSE:CYD) experienced superior price appreciation during the fourth quarter. Their new President, Mr. BG Saw, formerly of Cummins Inc., announced explosive profits for the third quarter and the Company held its first investor conference call since 2005. The Company reported a profit of US\$0.98 per share for the quarter bringing 2009 earnings to US\$2.09. Mr. Saw commented, “We are pleased to be reporting a strong quarter resulting from improved profitability....we successfully shifted our product mix as the Chinese commercial market is on a health recovery track.” The Company also noted on the conference call that the fourth quarter was tracking “very similar” to the third quarter and Threshold Capital strongly believes CYI will earn just under US\$3.00 for 2009. The Company also announced during the quarter an impressive milestone - on December 14, 2009, CYI announced a joint venture with Caterpillar to remanufacture diesel engines. Remanufacturing, one of the fastest-growing industries, is a highly sophisticated form of recycling, taking end-of-life components and transforming them into like-new products through salvage technology and state-of-the-art remanufacturing practices. Remanufacturing is a cost-effective alternative for customers as well as being an environmentally friendly repair choice which reduces waste and minimizes the need to use raw materials to make new parts. Threshold Capital remains confident that Mr. Saw will continue to unlock shareholder value that has eluded shareholders the past several, frustrating years. CYI management is currently planning to visit the U.S. and Threshold Capital expects this visit early this year.

As mentioned above, Threshold Capital re-established a small, research position in China BAK Battery (NASDAQ:CBAK) and added a new position in Seven Days Group Holdings Ltd (NYSE:SVN).

To review, China Battery is one of the largest manufacturers of lithium-based battery cells in the world, as measured by production output. It produces battery cells that are the principal component of rechargeable batteries commonly used in cellular phones, notebook computers and portable consumer electronics, such as digital media devices, portable media players, portable audio players, portable gaming devices, and PDA’s. Recently, China BAK was accepted into the approved vendor list of an international first-tier OEM notebook computer manufacturer. China BAK Battery, Inc.’s 3.0-million-square-foot facilities are located in Shenzhen and Tianjin, PRC, and have been recently expanded to produce new products. CBAK completed a large infrastructure build out during the economic downturn in 2008-2009 to take advantage

of the fast growing EV (Electric Vehicle) market. This market is expected to grow from approximately US\$50 million in 2009 to over US\$20 Billion by 2015. CBAK is currently in discussions with nine (9) EV makers and have Letters of Intent (LOI's) with four (4) of them. The Company has set up indirect relationships with automakers such as BMW and Chrysler, but has yet to sign a significant contract with them. The Chinese government has also just established and sponsored EV Bus deals in ten of the largest cities for 20,000 buses; and on December 22, 2009 CBAK signed a small contract with Jilin Hi-Tech Electric Vehicle Co. Ltd. to provide battery packs and management systems for 20 electric buses. As the price of crude oil has rebounded strongly from March 2009, Threshold Capital believes the Chinese government will continue to invest and subsidize millions of dollars in the largest municipalities in order to lower their dependence on carbon emitting fuels. Threshold believes China BAK Battery is perfectly positioned for this opportunity. The Company has reported small losses and breakeven results for the past twelve months and Threshold Capital will continue to watch them closely.

Seven Days Group (NYSE:SVN) is the third largest economy hotel chain in China with 283 hotels and over 28,000 rooms in operation. The Company successfully completed its Initial Public Offering in November 2009 and raised over US\$100 million dollars. Seven Days offers consistent and high quality accommodations and services primarily to the growing population of value conscious business and leisure travelers who demand affordable, clean, comfortable, convenient and safe lodging and to respond to its guests' needs. The Company also has over eight (8) million registered members of its Seven Days Club – a program which enhances customer loyalty; during the first nine months of 2009, members of the Club who had previously stayed at their hotels at least once before accounted for approximately 81% of the hotels' room bookings. Seven Days Group currently has an additional 77 hotels with 7,400 hotel rooms under conversion, and upon completion the Company will have coverage in 59 cities across China. Seven Days should generate US\$170 million in revenue for 2009 and earn \$0.20; and in 2010, revenues should grow over 30% to US\$235 million and earn 0.45 per share. Just this month, J.P. Morgan and Oppenheimer initiated research coverage of Seven Days Group with an Overweight and Outperform ratings respectively.

As mentioned in Threshold's third quarter correspondence to clients, the tobacco companies in the portfolio – Philip Morris International (NYSE:PM), Altria Group (NYSE:MO), and Lorillard (NYSE:LO) continue their outstanding operating performance for 2009. PM is expected to earn US\$3.20 – 3.25 this year, and the Company announced a new initiative to generate an additional US\$750 million to \$1 Billion in cash through improvements in working capital over the period 2010 to 2012. Since the spin-off in March 2008, PM has returned US\$15 Billion to shareholders through dividends and stock repurchases, representing more than 15% of the company's market capitalization. Altria continues its dominance of the U. S. cigarette market with 50% market share and strong brand names – Marlboro and Marlboro Lights - while also seeing good growth in the smokeless segment with their premier products that include Copenhagen and Skoal. Altria still has an attractive yield of over 6.5%. Lorillard has earned US\$4.24 for the first nine months of 2009 and is on track to earn close to US\$6.00 for the year. Also during the quarter, the tobacco analyst at Credit Suisse reiterated his "Outperform" rating for Lorillard and raised his price target from US\$82 to US\$90 per share. Threshold Capital still believes Lorillard is the subject of "takeover talk" and will be acquired in the next several years.

Threshold Capital added to its position in Crucell NV (NASDAQ:CRXL) during the fourth quarter. This biopharmaceutical company focuses on research development, production and marketing vaccines, proteins, and antibodies for infectious diseases. About five years ago, many drug companies abandoned the vaccine business; but today, this business is now viewed as a path to growth as the drug companies seek for ways to enhance slower prescription medicine sales amid vicious generic competition and government intervention to lower prices under the federal health overhaul. According to market research firm Kalorama Information, vaccine sales should double from US\$19 Billion last year to US\$39 Billion in 2013 – that's five times the \$US8 Billion in vaccine sales in 2004. It is also noteworthy that the government's list of vaccines for children has more than doubled since 1985 to 17 immunizations. Crucell and its new partner, Johnson & Johnson are working to develop the "holy grail" – a universal flu vaccine targeting a part of the virus that doesn't change year to year. Threshold Capital still believes Crucell may become the eventual target of its new partner, Johnson & Johnson.

As of January 13, 2010, Threshold Capital Corp.'s current long positions are:

Agnico Eagle Mines Ltd.	Lorillard Inc.
Altria Group Inc.	Market Vectors ETF Gold Miners
China BAK Battery	Philip Morris International Inc.
China Yuchai International Ltd	Seven Days Group Holdings Ltd.
Compania De Minas Buenaventura SA	Unilever Plc
Crucell NV	Yamana Gold Inc.

China continues on its path of growth, leading the global economic recovery with a rate of approximately 9%. China's expansion in industrial output, the backbone of the manufacturing heavy economy, accelerated further to 13.9% in the early fall and has led to strong price gains for crude oil, copper, rubber, and other commodities. Money continues to flow into the coffers of the China Central Bank which now holds approximately US\$2.4 Trillion in U.S. currency reserves. China's rapid snap back from the lows of 2008 is a cause for concern, especially in the real estate sector. Prices for commercial properties and high end luxury apartments have surpassed their previous records, especially in the major first tier cities. The central government has now begun taking steps to curve speculation in this area of its economy – Beijing imposed a sales tax last month on homes sold within five years of their purchase. The People's Bank of China raised interest rates for the first time in five months and also increased reserve requirements, a measure to remove excess liquidity from the market. Turning to China's domestic stock markets, all of their indices performed spectacularly; Shanghai was up 80%, Shenzhen up 117%, even Hong Kong rose 52%. Most important, in October 2009, China successfully launched Chi Next, also known as the Growth Enterprise Market (GEM). This market is aimed at the young China start-ups that are hungry for cash and will also introduce these small and growing companies to the Chinese investing public. For 2009, China saw 186 Initial Public Offerings (IPO's) which raised over US\$50 Billion – this equates to 45% of the total IPO deals for the year. This is an intriguing data milestone and shows where the capital is flowing. Threshold Capital Corp has tremendous confidence in its China focused companies – China Yuchai, China BAK Battery, Seven Days Group and they will be wonderful beneficiaries of China's continued strong GDP growth. Threshold Capital will continue to search for opportunities in this geographic local in order to take further advantage of superior GDP performance.

Turning to the United States, our domestic economy continues its sluggish recovery; growing at an annual rate of 2.2% for the third quarter of 2009. U.S. unemployment currently stands at 10%; the U.S. continues to lose jobs in construction and manufacturing; however, the areas of services and healthcare have stabilized and even added jobs. The current administration has pledged to do all it can to pull the U.S. out of its economic doldrums and spur job growth. However, the amount of debt being issued to restore growth is alarming. In 2002, the U.S. federal debt ceiling was \$6 Trillion; and last month Congress voted to increase the debt ceiling by another \$290 Billion to \$12.4 Trillion. Come February 2010, Congress will have to raise it again by another \$1.6 Trillion which equates to an increase of 133% in only 8 years. It is still to be seen if the U.S. debt crisis will be solved by adding more debt. Historically, has this strategy ever been successful anywhere in the world? Interest rates in the U.S. have begun to slowly rise as the Federal Reserve plans its "exit strategy" of a "zero interest rate policy." The Fed has a very delicate situation on their hands – how will they stimulate the economy enough to increase payrolls while raising rates? Individuals and particularly U.S. corporations have retrenched and are still hesitant to spend and/or invest unless they see stronger signs of an economic recovery. And now the U.S. has the healthcare reform bill still to be being finalized, where U.S. taxpayers will be faced with an even higher burden. Stability has undoubtedly returned to the global financial system and we have begun to see a slight rebuild in company inventories. This event may prove to be a major positive for companies to report several stronger quarters of profits, but not similar to the pre-crash quarters of 2007. For 2009, S&P 500 companies are slated to earn in a range of \$59 -\$62 which puts the current PE ratio for the S&P 500 at pricey 18 times earnings. For 2010, forecasts are for a range of \$75-\$80, which lowers this ratio to a more reasonable 14.7 times earnings. The U.S. has entered a period now defined as "the new normal" – a term coined by Mr. Bill Gross of PIMCO. This "new normal" is a period characterized with lower rates of GDP growth, only 1-2% and not the 3%+ that the U.S. has experienced in the past. With the combination of higher government

obligations, higher tax rates, and slower rates of GDP growth investors should be cautious regarding overly optimistic assumptions for U.S. profits.

Looking towards 2010, Threshold Capital will continue its in-depth fundamental research and analysis – searching for opportunities, including special situations.

Threshold Capital Corp is pleased with its 2009 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,

Principal
Peter A Delgado II
Threshold Capital Corp