

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

January 5, 2011

The fourth quarter, year-to-date 2010 and inception-to-date performance of Threshold Capital Corp for the period ending December 31, 2010 was as follows:

	Q4 2010	2010	JAN 1, 2007 TO PRESENT
Threshold Capital Corp	+29.55%	+42.80%	+61.49%
DJIA	+7.32%	+11.02%	-(7.11)%
S&P 500	+10.20%	+12.78%	-(11.33)%
NASDAQ	+12.00%	+16.91%	+9.84%
Russell 2000	+15.90%	+25.31%	-(0.51)%

Threshold Capital outperformed the majority of the U.S. indices for the fourth quarter and year-to-date 2010 by remaining with its core positions – China Yuchai International, Duoyuan Global Water, Search Media Holdings, Philip Morris International, and Lorillard. During the quarter, Threshold trimmed its position further in China Yuchai (NYSE:CYD), added to its position in SearchMedia Holdings (NYSE AMEX:IDI), and established new positions in General Electric (NYSE:GE), ChinaCast Education Corp (NASDAQ:CAST), and Ultrapar Participacoes SA (NYSE:UGP).

China Yuchai International (NYSE:CYD) continues to be a core position in Client portfolios. China Yuchai's stock rose approximately fifty percent (+50%) during the quarter as institutional investors began to take notice of the Company. On November 10, 2010, the Company announced another strong quarter - earning of US\$0.87 per share on \$497.6 million in revenue. This brings nine month profits of US\$2.68 per share on US\$1.9 Billion in revenue. The Company's product mix continues to improve – selling more of the higher margin medium and heavy duty units – which is driving profit growth. China Yuchai will easily earn over US\$3.00 this year and Threshold Capital is estimating a range of \$3.40 to \$3.60 for 2011. Executive management of China Yuchai was unable to accomplish its trip to the U.S. in 2010 and Threshold Capital will remain diligent in its efforts to persuade Yuchai's management team to commit to a U.S. visit.

As stated in Threshold Capital's third quarter letter, SearchMedia Holdings (NYSE AMEX:IDI) is a leading nationwide multi-platform media company and one of the largest operators of integrated outdoor billboard and in-elevator advertising networks in China. The Company currently operates a network of over 1,500 high-impact billboards with over 500,000 square feet of surface display area and one of China's largest networks of in-elevator advertisement panels consisting of approximately 125,000 frames in 50 cities throughout China. Also, the Company operates a network of large format light boxes in concourses of eleven major subway lines in Shanghai. Threshold Capital added to its and Client positions during the fourth quarter as Search Media continues to get its fiscal house in order. The Company filed its fully audited 2009 results on November 1, 2010 – reporting revenue of US\$37.7 million. In mid November, Mr. Paul Conway, Chief Executive Officer of SearchMedia, announced preliminary nine month financial results for the Company and gave guidance for the remainder of 2010 and initial goals for 2011. For 2010, he is secure that the Company can generate revenue of approximately US\$ 61 million and US\$11 million in net income. For 2011, management is estimating close to 90% growth in net income; and as the Company has returned to timely financial reporting, Threshold Capital is confident that Mr. Conway and his team can devote all of their time to the business and push the Company towards its growth milestones.

As mentioned above, Threshold Capital Corp established new positions in several companies during the fourth quarter – General Electric, ChinaCast Education Corp., (both returning companies to the portfolio) and Ultrapar Participacoes SA.

General Electric (NYSE: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's profits suffered immensely during the

2008-2009 credit crisis due to its overexposure and leverage in the GE Capital division. Now, over two years later, provisions for loan losses have slowed dramatically and this division is on track to generate a profit for 2010. GE's industrial businesses have also rebounded robustly from the downturn, with GE Healthcare division being the top performer. Just last month, GE's CEO – Jeffrey Immelt – held a comprehensive investor meeting and stated that the Company's industrial divisions will return to growth in 2011 and will help generate solid earnings gains over the next two years. In the last quarter of 2010, GE increased its dividend and said GE Capital may start contributing cash to the parent again in 2012. Also, GE is hopeful that the closing of the sale of its media division - NBC Universal for US\$13.75 Billion – will occur in the first quarter of 2011.

Established in 1999, ChinaCast Education Corporation (NASDAQ:CAST) is a leading for-profit, post secondary education and e-learning services provider in China. The Company provides post secondary degree and diploma programs through its three fully accredited universities: The Foreign Trade and Business College of Chongqing Normal University, Lijiang College of Guangxi Normal University, and Hubei Industrial University Business College. These universities offer three and four year, career oriented bachelor's degree and diploma programs in business, finance, economics, law, IT, engineering, hospitality, and tourism management, advertising, language studies, art, and music. The Company also provides e-learning services to post secondary institutions, K-12 schools, government agencies and corporations via its nationwide satellite broadband network. ChinaCast has earned US\$0.32 on \$51.4 million in revenue so far in 2010 and will remain profitable in the foreseeable future. The Company has a very strong balance sheet and holds approximately US\$3.00 per share in cash; also noteworthy for investors is the fact that over the last twelve months, the Executive Management Team and Directors collectively have purchased over 1.3 million shares with their own capital with a total value of US\$9.54 million.

Ultrapar Participacoes SA (NYSE:UGP), based in San Paulo Brazil, is a fuel distributor and chemical company. Its premier brands include Ipiranga (fuel distribution with over 5,500 service stations), Oxiteno (chemicals – sole producer of ethylene oxide in Brazil – used in production of solvents, textiles, detergents, adhesives, and pharmaceuticals), and Ultracargo (shipping and storage of bulk liquids). Ultrapar is an excellent way to play Brazil's strong GDP growth which is estimated to come in at approximately 7% for 2010. The Company has also experienced sixteen consecutive quarters of growth across all of its business lines. The country of Brazil will be experiencing strong, economic growth in the next several years. Brazil will be hosting the World Cup in 2014 and the Olympic Games in 2016. It is estimated that the country will have to spend at least US\$ 14 Billion upgrading roads, power grids, build new hotels, and improve airports. Ultrapar is attractive at current price levels and also sports a yield of 2.4%.

Threshold Capital continues to hold its positions in the tobacco companies – Altria Group, Lorillard Inc., and Philip Morris International Inc. as each respective cigarette producer maintains their commitment to increase shareholder value through share repurchases and increasing stock dividend payouts. As these companies shares have also risen in 2010, their yields still remain among the highest in the S&P 500, ranging from 4.36% to 6.20%.

As of December 31, 2010, Threshold Capital Corp.'s current long positions are:

Agnico Eagle Mines Ltd.	Market Vectors ETF Gold Miners
Altria Group Inc.	Market Vectors ETF Junior Gold Miners
China Yuchai International Ltd	Philip Morris International Inc.
ChinaCast Education Corp.	SearchMedia Holdings Limited
Duoyuan Global Water Inc.	Ultrapar Participacoes SA
General Electric	Yamana Gold Inc.
Lorillard Inc.	

Exposure to China remains a dominant theme for Threshold Capital and its Clients. Early in the fourth quarter, China reported that its central bank holds US\$2.65 Trillion in foreign currency reserves, with approximately 40% in U.S. treasuries. In October 2010, governing rulers in Beijing released a rough draft of China's Twelfth Five Year Plan (2011 to 2015). This broad, economic plan will be focused on

“smoothing” economic development across the country, while encouraging consumers to spend on capital goods, and building an energy efficient and environmentally friendly society. This essentially translates into Beijing, once again, spending Billions on infrastructure projects, healthcare, and education. From this rough outline, worldwide economists began raising their GDP growth estimates for China – 10% for the first half of 2011, then slowing to 8.5% by year end, and a range of 8.75% to 9.25% going out until 2012. These high growth rates have not come without consequences. China is now experiencing much higher inflation than anticipated and its central bank has responded with a series of tightening measures; the first in almost three years. Food prices have been the biggest culprit – rice, flour, and vegetables have all risen dramatically in the second half of 2010. Once again, the critics of China have begun to bang their drums and claim that China’s economic growth will slow to the mid single digits. Threshold Capital does not concur with this opinion. The primary goal of the central government is to insure social stability and to keep the economy growing at an acceptable pace. Again, investors need to understand a simple point – China, with a fifth of the world’s population, is experiencing its first taste of capitalism and its citizens appetites for goods and services are enormous. A recent study just completed by McKinsey states that China “plans to build new subway systems, highways, and high-speed trains in its top 170 cities”. At this current pace, that equates to one Manhattan’s worth of residential and commercial space every two to three years. Threshold Capital Corp has tremendous confidence in its China focused companies – China Yuchai, Duoyuan Global Water, Search Media Holdings, and ChinaCast Education as 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 U.S., economic activity appears to be picking up; however, unemployment is still very high at 9.8%. The Federal Reserve has begun its second round of stimulus and will pump an additional US\$600 Billion into the economy by purchasing more U.S. government bonds. Investors also experienced some interesting developments in the political arena – Republicans have regained control of the House and many State Governorships. In early November 2010, the price of gold rocketed to new highs, shooting above \$1,400 per ounce on comments by The World Bank President who encouraged the inclusion of gold in a revamped global monetary system. Threshold Capital Corp and its Clients continue to hold its gold positions and may add to them if gold has any significant short term retracement. As 2010 drew to a close, Threshold Capital believed that consumer and business sentiment was improving and added new positions to its and Client portfolios. Threshold Capital was especially encouraged by the passing of the New Tax Deal, which will keep in place most of the Bush era tax policies. This is expected to help the U.S. get out of its “economic funk” and quite possibly will stimulate job growth. There is also evidence of stronger retail sales trends of consumer goods – specifically clothing, sporting goods, and books; and as a result, the Dow Jones Industrial Average reached a two year high of 11, 476 in mid December – a level not seen since right before the Lehman Brothers failure. While the U.S. stock indices experienced robust performance for 2010, investors should still be acutely aware of the fiscal imbalances still current in our own backyards. U.S. treasury debt has risen almost fivefold in the last eight years and combine that with the current stresses of state and local government fiscal obligations, all investors should prepare for some sort of austerity measures that will be required in order to climb out of this dangerous debt predicament.

Looking towards 2011, Threshold Capital will continue its in-depth fundamental research and analysis – searching for opportunities, including special situations. Threshold Capital Corp is pleased with its year-to-date 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.

Threshold Capital Corp will once again be hosting a year end event – scheduled for Friday, January 21, 2011 at The Princeton Club of New York located in Midtown Manhattan beginning at 5:45pm. Please contact me for further details.

Sincerely,

Peter A Delgado II
Principal
Threshold Capital Corp