

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

| | | | | | | | | |
|---|--------------------------------------|--|---|---|---|--|---|--|
| 1. Name and Address of Reporting Person PEQUOT CAPITAL MANAGEMENT INC | | 2. Issuer Name and Ticker or Trading Symbol THRESHOLD PHARMACEUTICALS INC [THLD] | | 5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director _____ 10% Owner _____ Officer (give title below) _____ <input checked="" type="checkbox"/> Other (specify below) _____ See Footnote 1 | | | | |
| (Last) 500 NYALA FARM ROAD | (First) WESTPORT, CT 06880 | (Middle) | 3. Date of Earliest Transaction (Month/Day/Year) 05/25/2006 | | 6. Individual or Joint/Group Filing (Check Applicable Line) Form filed by One Reporting Person _____ <input checked="" type="checkbox"/> Form filed by More than One Reporting Person | | | |
| (Street) | | 4. If Amendment, Date Original Filed (Month/Day/Year) | | | | | | |
| (City) | (State) | (Zip) | Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned | | | | | |
| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) | |
| | | | Code | V | Amount | (A) or (D) | Price | |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | 8. Price of Derivative Security (Instr. 5) | 9. Number of Derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Beneficial Ownership (Instr. 4) |
|--|--|--------------------------------------|--|--------------------------------|---|--|---------------------------|---|----------------------------|--|--|--|--|
| | | | | | | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | | | | |
| Stock Option (Right-to-buy) | \$ 4.13 | 05/25/2006 | | A | 15,000 (2) (3) | 06/25/2006 ⁽³⁾ | 05/24/2016 ⁽³⁾ | Common Stock | 15,000 (2) (3) | \$ 0 ⁽³⁾ | 15,000 (2) (3) | I ⁽²⁾ | Investment Advisor ⁽¹⁾ |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|---------|----------------|
| | Director | 10% Owner | Officer | Other |
| PEQUOT CAPITAL MANAGEMENT INC 500 NYALA FARM ROAD WESTPORT, CT 06880 | | | | See Footnote 1 |
| ENRIGHT PATRICK G 500 NYALA FARM ROAD WESTPORT, CT 06880 | X | | | |

Signatures

| | | |
|--|--|---------------------|
| Aryeh Davis, GC & COO, Pequot Capital Management, Inc. | | 09/07/2006 |
| <small>Signature of Reporting Person</small> | | <small>Date</small> |
| Patrick G. Enright, Director (1) | | 09/07/2006 |
| <small>Signature of Reporting Person</small> | | <small>Date</small> |

Explanation of Responses:

* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

- Pequot Capital Management, Inc. ("Pequot") is an investment advisor registered under Section 203 of the Investment Advisers Act of 1940 and has voting and investment power with respect to securities in its clients' accounts. Pequot disclaims any obligation to file this report, and this report shall not be deemed an admission that Pequot is subject to Section 16 with respect to the Issuer of
- (1) such securities. Patrick G. Enright is an employee of Pequot and serves on the Board of Directors of the Issuer and disclaims beneficial ownership of these securities except to the extent of his pecuniary interest.
 - (2) Pequot disclaims beneficial ownership of these securities, and this report shall not be deemed an admission that Pequot is, for the purposes of Section 16 of the Exchange Act or otherwise, the beneficial owner of such securities.
 - (3) Patrick G. Enright received an option to purchase 15,000 shares of Common Stock (the "Option") as compensation for his service as a director on the Board of Directors of the Issuer. The Option shall vest 1/12th for the first 11 months following the date of the grant and the remaining shares will vest subject to the date of the Issuer's annual stockholder meeting for the year following the year of the grant of the option. The Option is exercisable into Common Stock at an exercise price of \$4.13 and the expiration of the Option is May 24, 2016.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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