

FORM 4

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

OMB APPROVAL
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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

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

(Print or Type Responses)

1. Name and Address of Reporting Person* PEQUOT CAPITAL MANAGEMENT INC <small>(Last) (First) (Middle)</small> 500 NYALA FARM ROAD <small>(Street)</small> WESTPORT, CT 06880 <small>(City) (State) (Zip)</small>	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
3. Date of Earliest Transaction (Month/Day/Year) 09/25/2006		6. Individual or Joint/Group Filing (Check Applicable Line) <input type="checkbox"/> Form filed by One Reporting Person <input checked="" type="checkbox"/> Form filed by More than One Reporting Person
4. If Amendment, Date Original Filed (Month/Day/Year)		

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)
				Code	V		Date Exercisable	Expiration Date	Title	Amount or Number of Shares				
Stock Option (Right-to-buy)	\$ 6.26	09/25/2006		D ⁽³⁾		15,000 <small>(2) (3)</small>	06/19/2005	05/19/2015	Common Stock	15,000 <small>(2) (3)</small>	(3)	0 <small>(2) (3)</small>	I <small>(2)</small>	Investment Advisor <small>(1)</small>
Stock Option (Right-to-buy)	\$ 4.13	09/25/2006		D ⁽⁴⁾		15,000 <small>(2) (4)</small>	06/25/2006	05/24/2016	Common Stock	15,000 <small>(2) (4)</small>	(4)	0 <small>(2) (4)</small>	I <small>(2)</small>	Investment Advisor <small>(1)</small>

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.		09/27/2006
<small>**Signature of Reporting Person</small>		Date
Patrick G. Enright, Director (1)		09/27/2006

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

- (1) Issuer of 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.

On September 25, 2006, the Issuer cancelled, pursuant to the Issuer's Option Exchange Program (the "Program"), an option granted to the Reporting Person on May 19, 2005 to purchase 15,000 shares of the Issuer's common stock at an exercise price of \$6.26 per share, which vested monthly over one year (1/12th per month) beginning on June 19, 2005. In exchange for the cancellation of the option, the Reporting Person will receive a replacement option on September 27, 2006 for the same number of shares, that will have an exercise price equal to the closing price of the Issuer's common stock as of the close of business on September 27, 2006 and will be fully vested as of the same date of the replaced option grant.

- (3)
- On September 25, 2006, the Issuer cancelled, pursuant to the Issuer's Option Exchange Program (the "Program"), an Option granted to the Reporting Person on May 25, 2006 to purchase 15,000 shares of the Issuer's common stock at an exercise price of \$4.13 per share, which vested 1/12th for the first 11 months following the date of the grant and the remaining shares will
- (4) vest on the date of the Issuer's annual stockholder meeting for the year following the year of the grant of the Option. In exchange for the cancellation of the Option, the Reporting Person will receive a replacement option on September 27, 2006 for the same number of shares, that will have an exercise price of equal to the closing price of the Issuer's common stock as of the close of business on September 27, 2006 and will be fully vested as of the same date of the replaced option grant.

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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