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**STATE OF CALIFORNIA**  
**BUSINESS, TRANSPORTATION AND HOUSING AGENCY**  
**DEPARTMENT OF CORPORATIONS**

TO: James Thomas Martin C.E.O.  
Threshold Corporation  
625 Second Street, Suite 200  
Petaluma, California 94952

**DESIST AND REFRAIN ORDER**  
**(For violation of section 25110 of the Corporations Code)**

The California Corporations Commissioner finds that:

1. Beginning on or about, 2004, James Thomas Martin was the chief executive officer (“CEO”) of Threshold Corporation, a California corporation first incorporated on November 4, 2003 with a registered business address of 625 Second Street, Suite 200, Petaluma, California 94952. Threshold Corporation is a technology start up company which claimed it would produce and market a comprehensive line of home server products and peripherals that would allow programmable or remote controlled automation of heating, security, lighting, entertainment and other electronic devices for the home. The products would enable what was referred to as “green home” or “smart home” technology to make home electronic devices function more easily and efficiently. Threshold Corporation claims on its website at thresholdsmarthome.com to own the trademarks “BlueSpot” and “A smart home with a simple touch” and the website shows pictures of 19 of its products which it claims are “coming soon”, although it is unclear if any of Threshold Corporation products were ever produced and sold.

2. Beginning in or about 2005, James Thomas Martin and Threshold Corporation offered and sold to the general public “Promissory Notes” and investment contracts entitled “Convertible Promissory Note,” “Note and Warrant Purchase Agreement,” and “Warrant To Purchase Series A Preferred Stock” (hereafter referred to collectively as “Investment Contracts”) issued by Threshold Corporation. The terms of the Promissory Notes indicated that the purchaser of the notes would receive their entire investment back with %8 interest within one year. The terms of the Investment Contracts varied, but generally claimed that investors would be making a loan to Threshold

1 Corporation and would have their money repaid with interest within a certain period of time in  
2 addition to having rights to receive or buy stock in Threshold Corporation or to convert their “loan”  
3 into stock in Threshold Corporation. Purchasers of the Promissory Notes and Investment Contracts  
4 issued by Threshold Corporation were not repaid as promised and lost most or all of their investment.

5 3. The California Department of Corporations has not issued any permit, license or other form  
6 of authorization, approval or qualification to allow any person or entity to offer and sell securities in  
7 the form of Investment Contracts or Promissory Notes issued by Threshold Corporation.

8 Based upon the foregoing findings, the California Corporations Commissioner is of the  
9 opinion that the Investment Contracts and Promissory Notes offered and sold by James Thomas  
10 Martin and Threshold Corporation to California residents constitute securities, which are subject to  
11 qualification under the California Corporate Securities Law of 1968, and that these securities have  
12 been offered and sold without being qualified or exempt.

13 Pursuant to Corporations Code section 25532, James Thomas Martin and Threshold  
14 Corporation, are hereby ordered to desist and refrain from the further offer or sale of securities in the  
15 State of California, including but not limited to Promissory Notes and Investment Contracts  
16 entitled “Convertible Promissory Note,” “Note and Warrant Purchase Agreement,” and “Warrant To  
17 Purchase Series A Preferred Stock” unless and until qualification has been made under the  
18 California Corporate Securities Law or unless exempt.

19 This Order is necessary, in the public interest, for the protection of investors and is consistent  
20 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

21 Dated: December 29, 2010  
22 Los Angeles, California

23 PRESTON DuFAUCHARD  
24 California Corporations Commissioner

25 By \_\_\_\_\_  
26 ALAN S. WEINGER  
27 Deputy Commissioner  
28 Enforcement Division