

THERMAGE INC  
Form S-4  
August 11, 2008  
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As filed with the Securities and Exchange Commission on August 11, 2008

Registration No. 333-

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

## THERMAGE, INC.

(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

3845  
(Primary Standard Industrial  
Classification Code Number)  
25881 Industrial Boulevard

68-0373593  
(I.R.S. Employer  
Identification Number)

Hayward, CA 94545

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(510) 782-2286

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

**Stephen J. Fanning**

**Chairman, President and Chief Executive Officer**

**Thermage, Inc.**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*Copies to:*

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**(650) 843-5000**

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**Approximate date of commencement of proposed sale to the public:** Upon consummation of the transaction described herein.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box. and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  x  
 Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock, \$0.001 par value	24,000,000(3)	N/A	\$0	\$0

- (1) This registration statement relates to common stock, \$0.001 par value per share, of Thermage, Inc. expected to be issued in connection with the transaction described herein.
- (2) Estimated solely for the purpose of calculating the registration fee required by the Securities Act of 1933, as amended, and computed pursuant to Rule 457(f)(2) and (3). The proposed maximum aggregate offering price has been estimated as \$0 because (i) the amount of cash to be paid by Thermage pursuant to the merger (\$25.0 million) exceeds (ii) the product of (A) the par value of a share of Reliant capital stock (\$0.001) and (B) 10,084,444 shares of Reliant capital stock to be exchanged in connection with the merger. Reliant Technologies is a privately held corporation with no market for its securities.
- (3) Includes up to an aggregate of 400,000 shares of Thermage common stock issuable upon cancellation and conversion of certain Reliant warrants or upon the future exercise of other assumed Reliant warrants.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this proxy statement/prospectus/information statement is not complete and may be changed. Thermage, Inc. may not issue these securities until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus/information statement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**Subject to Completion, Dated August 11, 2008**

**PROXY STATEMENT/PROSPECTUS/INFORMATION STATEMENT**

Thermage, Inc. and Reliant Technologies, Inc. have entered into a merger agreement under which Reliant will merge with a wholly-owned subsidiary of Thermage and the stockholders of Reliant will become stockholders of Thermage. The closing of this merger is subject to the approval of the stockholders of Thermage and certain other closing conditions. Certain Reliant stockholders holding the requisite number of shares to approve the transaction have already acted by written consent to approve this transaction.

In the merger, all shares of Reliant capital stock will be exchanged for aggregate merger consideration of 23,600,000 shares of Thermage common stock and approximately \$25.0 million in cash. The cash portion of the merger consideration payable to Reliant stockholders upon completion of the first merger is subject to a number of adjustments, including adjustments for (i) the amount, if any, by which Reliant's working capital at the closing is less than negative \$1.0 million, (ii) the amount, if any, by which Reliant's net indebtedness at closing is greater than \$7.0 million and (iii) the amounts payable in respect of Reliant stock options and Reliant restricted stock units. Following completion of the merger, Reliant will be a wholly-owned subsidiary of Thermage, Reliant stockholders will own approximately 49.5% of the outstanding common stock of the combined company and current Thermage stockholders will own approximately 50.5% of the outstanding common stock of the combined company based on shares outstanding as of July 31, 2008.

Upon completion of the merger, each outstanding share of Reliant's common stock will be converted into the right to receive a combination of cash and shares of Thermage common stock, as more fully described in this proxy statement/prospectus/information statement.

Thermage common stock is listed on the NASDAQ Global Market under the symbol THRM. On August 8, 2008, the closing sales price of Thermage common stock was \$2.33 per share.

A special meeting of the stockholders of Thermage will be held at 25881 Industrial Boulevard, Hayward, California 94545, on [ ], 2008, at 10:00 a.m., local time, at which the stockholders of Thermage will be asked to consider and vote upon a proposal to approve the issuance of Thermage common stock in connection with the proposed merger.

On July 7, 2008, certain Reliant stockholders of record holding a majority of the outstanding shares of the capital stock and a majority of the outstanding shares of preferred stock executed a written consent adopting the merger agreement and approving of the transactions contemplated thereby. This proxy statement/prospectus/information statement serves as notice to all Reliant stockholders of these actions by written consent. **IN CONNECTION WITH THE SPECIAL MEETING OF STOCKHOLDERS OF THERMAGE, WE ARE NOT ASKING RELIANT STOCKHOLDERS FOR A PROXY AND RELIANT STOCKHOLDERS ARE NOT REQUESTED TO SEND US A PROXY.**

This proxy statement/prospectus/information statement provides you with detailed information about the merger, a description of which begins on page 56. We strongly urge you to read and carefully consider this proxy statement/prospectus/information statement in its entirety, including the matters referred to under Risk Factors beginning on page 17.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Thermage common stock to be issued in the merger or determined if this proxy statement/prospectus/information statement is accurate or adequate. Any representation to the contrary is a criminal offense.**

The date of this proxy statement/prospectus/information statement is [ ], 2008, and this proxy statement/prospectus/information statement and the accompanying proxy card are first being mailed to the stockholders of Thermage on or about [ ], 2008.

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**MERGER PROPOSAL YOUR VOTE IS IMPORTANT**

Dear Thermage Stockholders:

As announced in July 2008, Thermage, Inc. and Reliant Technologies, Inc. entered into a definitive merger agreement under which Thermage will acquire Reliant in a stock and cash transaction.

Thermage's board of directors has unanimously approved the transaction, as further described herein, including the issuance of shares of Thermage common stock, and the merger agreement pursuant to which Reliant will become a wholly-owned subsidiary of Thermage.

The transaction cannot be completed unless Thermage stockholders approve the issuance of 23,600,000 shares of Thermage common stock in connection with the acquisition of Reliant by Thermage at a special meeting of stockholders or any adjournment or postponement thereof. Certain Thermage stockholders, holding approximately 38% of the outstanding shares of Thermage, have agreed to vote in favor of such issuance of shares of Thermage common stock. The stockholders of Reliant have already approved the transaction by written consent. More detailed information about Thermage and Reliant and the proposed transaction is contained in this proxy statement/prospectus/information statement. **We encourage you to carefully read this proxy statement/prospectus/information statement before voting, including the section entitled Risk Factors beginning on page 17.**

Thermage's board of directors unanimously recommends that Thermage stockholders vote **FOR** the issuance of shares of Thermage common stock in connection with the merger.

The date, time and place of the special stockholders meeting is as follows:

[ ], 2008

10:00 a.m. local time

25881 Industrial Boulevard

Hayward, California 94545

Your vote is very important. Whether or not you plan to attend Thermage's special meeting of stockholders, please take the time to vote by completing and mailing to us the enclosed proxy card or voting instructions or by submitting your proxy or voting instructions by telephone or over the Internet. If your shares are held in street name, you must instruct your broker in order to vote. If you do not instruct your broker how to vote shares, your shares will have no effect on the outcome of the proposals being made at the special meeting.

Sincerely,

Stephen J. Fanning

*Chairman, President and Chief Executive Officer*

*Thermage, Inc.*

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES TO BE ISSUED IN CONNECTION WITH THIS PROXY STATEMENT/PROSPECTUS/INFORMATION STATEMENT, OR DETERMINED IF THIS PROXY STATEMENT/PROSPECTUS/INFORMATION STATEMENT IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

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This proxy statement/prospectus/information statement is dated [ ], 2008, and is first being mailed to stockholders of Thermage on or about [ ], 2008.

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**THERMAGE, INC.**

25881 Industrial Boulevard

Hayward, California 94545

(510) 259-7117

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**To Be Held [ ], 2008**

Dear Stockholders of Thermage:

You are cordially invited to attend a special meeting of stockholders of Thermage, Inc. at 25881 Industrial Boulevard, Hayward, California 94545 on [ ], 2008, at 10:00 a.m. local time. At the special meeting, you will be asked to consider, vote upon and approve the following proposals:

1. To approve the issuance of 23,600,000 shares of Thermage common stock pursuant to the Agreement and Plan of Merger and Reorganization dated as of July 7, 2008 by and among Thermage, Relay Acquisition Company, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Thermage, and Reliant Technologies, Inc., a Delaware corporation, and with respect to Articles VIII and X only, Steven Mendelow as Securityholder Representative and U.S. Bank National Association as Escrow Agent.
2. To transact any other business that properly comes before the special meeting or any adjournments or postponements thereof pursuant to Thermage's bylaws.

These proposals are described more fully in the proxy statement/prospectus/information statement accompanying this notice. Please give your careful attention to all of the information in the proxy statement/prospectus/information statement.

Only stockholders of record at the close of business on [ ], 2008, the record date for the special meeting, are entitled to notice of and to vote at the special meeting and any adjournments or postponements thereof. Approval of the proposal relating to the issuance of shares of Thermage common stock will require the affirmative vote of the holders of a majority of the shares of Thermage's common stock represented in person or by proxy and entitled to vote at the special meeting.

**Thermage's board of directors has unanimously approved the issuance of shares of Thermage common stock pursuant to the merger agreement and recommends that Thermage stockholders vote FOR the issuance of shares of Thermage common stock pursuant to the merger agreement.**

**Your vote is important. To ensure that your shares are represented at the special meeting, we encourage you to complete, date, sign and promptly return your proxy card in the enclosed postage-paid envelope or follow the instructions for telephone or Internet voting, whether or not you plan to attend the special meeting in person. You may revoke your proxy in the manner described in the proxy statement/prospectus/information statement at any time before it has been voted at the special meeting. Any stockholder attending the special meeting may vote in person even if the stockholder has returned a proxy.**

By Order of the Board of Directors,

Stephen J. Fanning

*Chairman, President and Chief Executive Officer*

[ ], 2008

Hayward, California



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**ADDITIONAL INFORMATION**

See the section entitled "Where You Can Find More Information" on page 214 of this proxy statement/prospectus/information statement for more information about the documents referred to in this proxy statement/prospectus/information statement.

You should rely only on the information contained in this proxy statement/prospectus/information statement in deciding how to vote on the proposal set forth in this proxy statement/prospectus/information statement. No one has been authorized to provide you with information that is different from that contained in this proxy statement/prospectus/information statement. This proxy statement/prospectus/information statement is dated [ ], 2008. You should not assume that the information contained in this proxy statement/prospectus/information statement is accurate as of any date other than that date.

This proxy statement/prospectus/information statement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Information contained in this proxy statement/prospectus/information statement regarding Reliant has been provided by Reliant; and information contained in this proxy statement/prospectus/information statement regarding Thermage, Relay Merger Corp. and Relay Acquisition Company, LLC has been provided by Thermage.

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**QUESTIONS AND ANSWERS ABOUT THE TRANSACTION  
AND SPECIAL MEETING OF THERMAGE STOCKHOLDERS**

*The following are some questions that stockholders of Thermage, Inc., or Thermage, and Reliant Technologies, Inc., or Reliant, may have regarding the proposed transaction and special meeting of Thermage stockholders, and brief answers to those questions. Thermage and Reliant urge you to read carefully the entirety of this proxy statement/prospectus/information statement because the information in this Q&A section may not provide all the information that may be important to you with respect to the proposed merger and the issuance of Thermage common stock in connection with the merger. Additional information is also contained in the annexes to this proxy statement/prospectus/information statement.*

**Q: What is the merger?**

A: The merger will combine the businesses of Thermage and Reliant. Under the proposed integrated merger, Relay Merger Corp., a wholly-owned subsidiary of Thermage, will be merged with and into Reliant, with Reliant continuing as the surviving company. Following this first merger, Reliant will be merged with and into Relay Acquisition Company, LLC, a wholly-owned subsidiary of Thermage. Relay Acquisition Company, LLC will continue as the surviving company in the second merger and will be a wholly-owned subsidiary of Thermage.

**Q: What will Reliant stockholders receive in the merger?**

A: If we complete the first merger, all shares of Reliant capital stock will be exchanged for aggregate merger consideration of 23,600,000 shares of Thermage common stock and approximately \$25.0 million in cash. The cash portion of the merger consideration payable to Reliant stockholders upon completion of the first merger is subject to a number of adjustments, including adjustments for (i) the amount, if any, by which Reliant's working capital at the closing is less than negative \$1.0 million, (ii) the amount, if any, by which Reliant's net indebtedness at closing is greater than \$7.0 million and (iii) the amounts payable in respect of Reliant stock options and Reliant restricted stock units. The value of the stock portion of the merger consideration payable to Reliant stockholders upon completion of the first merger may vary due to possible changes in market value of the Thermage common stock to be received. As a result, the exact consideration that a Reliant stockholder will receive is not known as of the date of this proxy statement/prospectus/information statement as it will depend on the magnitude of the adjustments, if any, described above. All Reliant stockholders will also have a portion of the merger consideration that they would otherwise be entitled to receive deposited in an escrow account that will be used to compensate Thermage if Thermage is entitled to indemnification under the merger agreement.

**Q: Will Thermage stockholders receive any shares as a result of the merger?**

A: No. Thermage stockholders will continue to hold the Thermage shares they currently own.

**Q: What vote is required by Thermage stockholders to approve the issuance of Thermage common stock?**

A: The affirmative vote of the holders of a majority of the Thermage shares represented, in person or by proxy, and entitled to vote at the Thermage special meeting at which a quorum is present is required to approve the issuance of Thermage common stock in connection with the merger. Thermage stockholders who collectively hold approximately 38% of the outstanding common stock of Thermage, as of July 7, 2008, have agreed to vote all of their shares in favor of approval of the issuance of Thermage common stock in connection with the merger.



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**Q: What approval is required by Reliant stockholders to adopt the merger agreement and approve the transactions contemplated thereby?**

A: The requisite approval of holders of Reliant capital stock necessary to adopt the merger agreement and approve the transactions contemplated thereby already has been obtained via written consent, as of July 7, 2008.

**Q: Does Thermage's board of directors recommend voting in favor of the issuance of Thermage common stock in connection with the proposed merger?**

A: Yes. After careful consideration, Thermage's board of directors unanimously determined that the merger is advisable and is fair to, and in the best interests of, Thermage and its stockholders. Thermage's board of directors unanimously recommends that Thermage stockholders vote FOR the issuance of Thermage common stock in connection with the merger.

For a description of the factors considered by the Thermage board of directors in making its determination, see the section entitled "The Merger - Thermage's Reasons for Entering into the Merger" on page 60.

**Q: Did Reliant's board of directors recommend voting in favor of the merger?**

A: Yes. After careful consideration, Reliant's board of directors unanimously determined that the merger is advisable and is fair to, and in the best interests of, Reliant and its stockholders. Reliant's board of directors unanimously recommended that Reliant stockholders adopt the merger agreement and approve the transactions contemplated thereby.

For a description of the factors considered by the Reliant board of directors in making its determination, see the section entitled "The Merger - Reliant's Reasons for Entering into the Merger" on page 70.

**Q: Will I be entitled to appraisal rights in connection with the merger?**

A: The stockholders of Reliant may be entitled, under certain circumstances, to appraisal rights under Delaware law. For a detailed discussion of appraisal rights under Delaware law, please see "The Merger - Appraisal Rights for Reliant" beginning on page 74.

**Q: When do you expect to complete the merger?**

A: We are working to complete the merger as quickly as possible. We anticipate completing the merger during the fourth calendar quarter of 2008.

For a description of the conditions precedent to completion of the merger, see the section entitled "The Merger Agreement - Conditions to Completion of the First Merger" beginning on page 92.

**Q: Will Reliant stockholders recognize gain or loss for U.S. federal income tax purposes as result of the merger?**

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- A: Thermage and Reliant each expect the merger to qualify as a reorganization for U.S. federal income tax purposes. If the merger qualifies as a reorganization, the U.S. federal income tax consequences of the merger to each Reliant stockholder will vary depending on whether that stockholder receives Thermage common stock and cash or exercises appraisal rights and receives only cash in exchange for that stockholder's Reliant stock.

Assuming that the merger qualifies as a reorganization, a Reliant stockholder that does not exercise appraisal rights generally will recognize gain (but will not be permitted to recognize loss) for U.S. federal income tax purposes equal to the lesser of (i) the amount of cash received by such stockholder and (ii) the

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excess of the amount of cash and the fair market value of Thermage common stock received by such stockholder over such stockholder's tax basis in the Reliant stock surrendered. A Reliant stockholder that exercises appraisal rights generally will recognize gain or loss equal to the difference between the amount of cash received by such stockholder and such stockholder's tax basis in the Reliant stock surrendered. As discussed below in Material U.S. Federal Income Tax Consequences of the Merger, the fair market value of stock of the newly formed Reliant subsidiary received in the Distribution (as defined herein) will be treated by Thermage and Reliant for U.S. federal income tax purposes as cash received from Thermage in the merger in an amount equal to the fair market value of the stock of such subsidiary.

Tax consequences are complex. Reliant stockholders should consult with their own tax advisors as to the tax consequences to them of the merger as well as review the more detailed description of the tax consequences of the merger entitled Material U.S. Federal Income Tax Consequences of the Merger on page 75.

### **Q: What risks should I consider in deciding whether to vote in favor of the merger?**

A: You should carefully review the section of this proxy statement/prospectus/information statement entitled Risk Factors beginning on page 17, which presents risks and uncertainties relating to the transaction and the businesses of each of Thermage and Reliant.

### **Q: Will my rights as a Thermage stockholder be different from my rights as a Reliant stockholder?**

A: Yes. Upon completion of the merger, you will become a Thermage stockholder. There are important differences between the rights of stockholders of Thermage and stockholders of Reliant. Please carefully review the description of these differences in the section of this proxy statement/prospectus/information statement entitled Comparison of Stockholder Rights beginning on page 208.

### **Q: What do I need to do now?**

A: We urge you to carefully read and consider the information contained in this proxy statement/prospectus/information statement, including the annexes, and to consider how the merger and the issuance of shares in connection with the merger will affect you as a stockholder. You also may want to review the documents referenced under the section entitled Where You Can Find More Information on page 214. Thermage stockholders should then vote as soon as possible in accordance with the procedures provided in this proxy statement/prospectus/information statement. We are not asking Reliant stockholders for a proxy and Reliant stockholders are not requested to send us a proxy.

### **Q: How do I vote?**

A: Thermage stockholders should complete and sign your proxy card and return it in the enclosed envelope as soon as possible, or follow the instructions on your proxy card to submit your proxy over the Internet, so that your shares may be represented at the special meeting. If you return your proxy card but do not include instructions on how to vote your proxy, Thermage will vote your shares **FOR** the proposals being made at the special meeting unless your shares are held in street name in a brokerage account. You may also attend the special meeting and vote in person instead of submitting a proxy.

### **Q: What happens if I do not vote?**



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- A: If you are a Thermage stockholder and you do not submit a proxy card or vote at the special meeting, your shares will not be counted as present for the purpose of determining a quorum and will have no effect on the outcome of the proposal to approve the issuance of shares of Thermage common stock in connection with the merger. If you submit a proxy card and affirmatively elect to abstain from voting, your proxy will be counted as present for the purpose of determining the presence of a quorum but will not be voted at the special meeting. As a result, your abstention will have the same effect as a vote *against* the issuance of Thermage common stock in connection with the merger.

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**Q: If my shares are held in street name by my broker, will my broker vote my shares for me?**

A: If you are a Thermage stockholder, your broker cannot vote your shares unless you provide instructions on how to vote in accordance with the information and procedures provided to you by your broker. If you do not instruct your broker how to vote shares, your shares will have no effect on the outcome of the proposals being made at the special meeting.

For a more complete description of voting shares held in street name, see the section entitled The Special Meeting of the Thermage Stockholders on page 52.

**Q: Can I change my vote after I have mailed my signed proxy?**

A: If you are a Thermage stockholder and you want to change your vote, send the corporate secretary of Thermage a later-dated, signed proxy card before the Thermage special meeting or attend the special meeting and vote in person. You may also revoke your proxy by sending written notice to the Thermage corporate secretary before the special meeting. If you have instructed your broker to vote your shares, you must follow your broker's directions in order to change those instructions.

**Q: Should Reliant stockholders send in their stock certificates now?**

A: No. Reliant stockholders should not send in their stock certificates now. After the merger is completed, Thermage will arrange for the delivery to Reliant stockholders of written instructions for exchanging their Reliant stock certificates. Thermage stockholders should not submit their stock certificates because their shares will not be converted in the merger.

**Q: Whom should I call with questions?**

A: If you have any questions about the merger or if you need additional copies of this proxy statement/prospectus/information statement or the enclosed proxy, you should contact:

**Thermage, Inc. Stockholders:**

*Thermage, Inc.*

25881 Industrial Boulevard

Hayward, California 94545

(510) 259-7117

Attn: Investor Relations

**Reliant Technologies, Inc. Stockholders:**

*Reliant Technologies, Inc.*

464 Ellis Street

Mountain View, California 94043

(650) 605-2275

Attn: Marta Woods

**You may also obtain additional information about Thermage from documents filed with the Securities and Exchange Commission by following the instructions in the section entitled Where You Can Find More Information on page 214.**

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**SUMMARY OF THE PROXY STATEMENT/PROSPECTUS/INFORMATION STATEMENT**

*The following is a summary of the information contained in this proxy statement/prospectus/information statement. This summary may not contain all of the information that is important to you. You should carefully read this entire proxy statement/prospectus/information statement and the other documents to which we refer. In particular, you should read the annexes attached to this proxy statement/prospectus/information statement, including the merger agreement which is attached as Annex A and is incorporated by reference into this proxy statement/prospectus/information statement. You may obtain additional information without charge by following the instructions in the section entitled *Where You Can Find More Information* beginning on page 214 of this proxy statement/prospectus/information statement.*

**The Companies**

***Thermage, Inc. (see page 107)***

***Relay Acquisition Company, LLC***

***Relay Merger Corp.***

25881 Industrial Boulevard

Hayward, California 94545

(510) 259-7117

<http://www.thermage.com>

Thermage designs, develops, manufactures and markets medical devices for the non-invasive treatment of wrinkles. The Thermage<sup>®</sup> procedure can be performed on any part of the body where treatment of wrinkles is desired. The ThermoCool<sup>®</sup> system uses patented monopolar radiofrequency, or RF, energy to heat and shrink collagen and tighten dermis and subcutaneous tissue while simultaneously cooling and protecting the surface of the skin. The heating and shrinking of the collagen can cause a healing process to begin, which may further tighten the skin and reduce wrinkles over the next two to six months. The Thermage procedure is normally performed in a medical office setting as a single treatment that takes from 20 minutes to two hours, depending on the treatment area. The Thermage procedure provides patients seeking wrinkle reduction as a non-invasive alternative to surgical procedures that cost up to tens of thousands of dollars and can involve weeks of recovery. Thermage offers, and is continuing to develop, a variety of ThermoTips designed to optimize the Thermage procedure for new conditions and different parts of the body.

***Reliant Technologies, Inc. (see page 138)***

464 Ellis Street

Mountain View, California 94043

Phone: (888) 437-2935

<http://www.reliant-tech.com>

Reliant is a medical device company that designs, develops and markets non-surgical therapies for the treatment of various skin conditions under the Fraxel brand. Reliant believes its Fraxel laser systems have created a new class of skin rejuvenation therapy and provide patients with consistent and effective treatments that can be delivered quickly without significant pain or downtime. Fraxel laser systems are used by physicians to treat a broad range of skin conditions that include wrinkles and fine lines, acne and surgical scars, pigmentation, sun damage, uneven tone and texture and melasma. Patients undergo treatments from Reliant's Fraxel laser systems in order to reverse the signs of aging, achieve healthier, younger looking skin and improve their overall appearance. Fraxel laser systems represent a new class of skin rejuvenation therapy based on fractional resurfacing technology, which Reliant introduced and commercialized in 2004. Reliant believes that fractional resurfacing offers significant advantages over other alternatives for skin rejuvenation. Reliant's fractional resurfacing technology can achieve advanced aesthetic results by creating thousands of microscopic treatment



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zones per square centimeter which affect only a fraction of the total skin in the area of treatment. Reliant's products utilize optimized laser wavelengths and its proprietary laser delivery system which enables the delivery of precise dosages of energy, quickly, consistently and safely.

The internet addresses provided in this proxy statement/prospectus/information statement are textual references only. The Thermage and Reliant websites, including Reliant's product website located at [www.fraxel.com](http://www.fraxel.com), are not part of this proxy statement/prospectus/information statement.

**Structure of the Integrated Merger (see page 78)**

Under the terms of the proposed integrated merger, Relay Merger Corp., a wholly-owned subsidiary of Thermage formed for the purpose of the first merger, will be merged with and into Reliant and Reliant will continue as the surviving company in the first merger. Immediately following the first merger, Reliant will merge with and into Relay Acquisition Company, LLC, a wholly-owned subsidiary of Thermage formed for the purpose of the second merger, and Relay Acquisition Company, LLC will continue as the surviving company in the second merger and will be a wholly-owned subsidiary of Thermage. As a result of the integrated merger, holders of Reliant capital stock will become holders of Thermage common stock. The terms and conditions of each of the mergers are contained in the merger agreement, which is attached as Annex A to this proxy statement/prospectus/information statement. Please carefully read the merger agreement as it is the legal document that governs the proposed transaction.

**Merger Consideration (see page 79)**

Upon completion of the first merger, Reliant stockholders will be entitled to receive aggregate merger consideration consisting of approximately \$25.0 million in cash and 23,600,000 shares of Thermage common stock, which will represent approximately 49.5% of the outstanding common stock of the combined company, based on shares of Thermage common stock outstanding as of July 31, 2008. The cash portion of the merger consideration payable to Reliant stockholders upon completion of the first merger is subject to a number of adjustments, including adjustments for (i) the amount, if any, by which Reliant's working capital at the closing is less than negative \$1.0 million, (ii) the amount, if any, by which Reliant's net indebtedness at closing is greater than \$7.0 million and (iii) the amounts payable in respect of Reliant stock options and Reliant restricted stock units. The value of the stock portion of the merger consideration payable to Reliant stockholders upon completion of the first merger may vary due to possible changes in market value of the Thermage common stock to be received. As a result, the exact consideration that a Reliant stockholder will receive is not known as of the date of this proxy statement/prospectus/information statement as it will depend on the magnitude of the adjustments, if any, described above. All Reliant stockholders will also have a portion of the merger consideration that they would otherwise be entitled to receive deposited in an escrow account that will be used to compensate Thermage if Thermage is entitled to indemnification under the merger agreement.

At the effective time of the first merger, each issued and outstanding share of Reliant capital stock will be converted into the right to receive a combination of cash and shares of Thermage common stock in accordance with the terms of the merger agreement which approximates the terms of the amended and restated certificate of incorporation of Reliant in effect as of the date of the merger agreement. Holders of each series of Reliant preferred stock will receive payment of the greater of (A) their respective liquidation preference as set forth below and (B) the per share merger consideration payable in respect of a share of Reliant common stock in a combination of cash and shares of Thermage common stock on a pro rata basis with all other recipients of the merger consideration, other than holders of Reliant stock options and Reliant restricted stock units who will be paid solely in cash. Payment of the liquidation preference shall be made to holders of Reliant preferred stock prior to any payment or allocation of merger consideration to holders of Reliant common stock, provided, however, that in the event that holders of Reliant common stock are allocated less than \$0.50 per share, such

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holders shall be paid \$0.50 per share of Reliant common stock and the merger consideration allocated and paid to holders of Reliant preferred stock will be reduced pro rata in proportion to the merger consideration. In the event that the merger consideration allocated to each share of Reliant common stock after the aggregate liquidation preference has been paid is greater than the liquidation preference set forth below, the holder shall be entitled to receive the per share consideration payable in respect of Reliant common stock.

Series	Liquidation Preference
Series A	\$ 4.50
Series B	\$ 4.50
Series C	\$ 10.53
Series D	\$ 15.09
Series E	\$ 15.00

Holders of Reliant preferred stock are entitled to receive approximately \$68,780,959 in satisfaction of the aggregate liquidation preference in respect of outstanding shares of Reliant preferred stock. The actual stock consideration and cash consideration to be paid per share of Reliant capital stock at closing will depend upon numerous variable factors, including the average trading price of Thermage common stock during the 30 days prior to the closing, the total cash consideration payable after adjustments for the closing working capital and the net indebtedness at closing and the cash consideration payable to holders of Reliant options and restricted stock units.

Assuming that the capitalization of Reliant at closing is as set forth in [Comparison of Stockholder Rights Authorized Capital Stock](#) and assuming that the closing working capital of approximately negative \$1.0 million, net indebtedness at closing of \$7.0 million, and that the average trading price of Thermage common stock during the 30-day period ending the third day immediately preceding the closing date is \$2.50, each share of Reliant preferred stock outstanding as of the closing (other than Series A preferred stock and Series B preferred stock) would receive a combination of cash and shares of Thermage common stock with a value equal to the respective liquidation preference as set forth above. Given these assumptions, holders of Reliant common stock outstanding as of the closing would be entitled to receive a combination of cash and shares of Thermage common stock with a value equal to approximately \$4.62 per share and because this amount is greater than \$4.50, holders of shares of Series A preferred stock and Series B preferred stock would receive the consideration payable per share of Reliant common stock in lieu of the liquidation preference. An amount of cash equal to 10% of the value of the merger consideration received per share would be withheld from the merger consideration paid at closing and placed in the escrow account. If funds remain in the escrow account after the expiration of the escrow period, the cash consideration received by each Reliant stockholder will increase.

Reliant stockholders will not know the dollar value of the Thermage common stock they will receive in the first merger until the first merger is completed. The dollar value of the Thermage common stock will depend upon its market price when the first merger is completed.

The number of shares of Thermage common stock to which a Reliant stockholder is entitled to receive will be aggregated and any fractional shares will be paid out as set forth below in [The Merger Agreement Fractional Shares](#). The terms and conditions of the escrow fund are described in more detail in the section entitled [The Merger Agreement Escrow Fund](#).

You should be aware that the above per share amounts are estimates only and are subject to change under certain circumstances as described above and set forth more fully in the merger agreement attached as Annex A to this registration statement. The actual consideration you receive in exchange for your Reliant capital stock may be more, less or the same as these estimates.

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The maximum number of shares of Thermage common stock to be issued by Thermage in the first merger was fixed at the time the merger agreement was signed.

### **Treatment of Reliant Stock Options and Restricted Stock Units (see pages 82 and 83)**

No outstanding Reliant stock options shall be assumed, continued or substituted for by Thermage. As of immediately prior to the effective time of the first merger, and contingent upon the effectiveness of the first merger, each then outstanding Reliant stock option will become immediately vested and exercisable in full. Options to purchase shares of Reliant common stock shall be treated in the manner provided in the merger agreement and summarized in the section entitled "The Merger Agreement Treatment of Reliant Stock Options" beginning on page 82 of this proxy statement/prospectus/information statement. No outstanding Reliant restricted stock units shall be assumed, continued or substituted for by Thermage. Reliant restricted stock units shall be treated in the manner provided in the merger agreement and summarized in the section entitled "The Merger Agreement Treatment of Reliant Restricted Stock Units" beginning on page 83 of this registration statement.

### **Treatment of Reliant Warrants (see page 83)**

Except for Reliant warrants that cannot be cancelled pursuant to their terms by virtue of the first merger, Thermage shall not assume any Reliant warrants. Warrants to purchase shares of Reliant common stock shall be treated in the manner provided in the merger agreement and summarized in the section entitled "The Merger Agreement Treatment of Reliant Warrants" beginning on page 83 of this proxy statement/prospectus/information statement.

### **Fractional Shares (see page 81)**

Thermage will not issue any fractional shares of common stock in connection with the first merger. Instead, each holder of Reliant capital stock who would otherwise be entitled to receive a fraction of a share of Thermage common stock will be entitled to receive cash, without interest, in an amount equal to such fraction multiplied by the closing price of Thermage common stock on the trading day immediately preceding the closing date.

### **Effective Time and Timing of Closing (see page 78)**

We will complete the first merger when all of the conditions to completion of the first merger are satisfied or waived. The first merger will become effective when the certificate of merger we file with the State of Delaware is accepted for filing or at a later time if we specify a later time in the certificate. Immediately thereafter, we will complete the second merger.

While we cannot predict the exact timing, we currently expect to complete the integrated merger in the fourth calendar quarter of 2008.

### **Conditions to Completion of the First Merger (see page 92)**

Each of Reliant's and Thermage's obligation to complete the first merger is subject to the satisfaction or waiver of a number of conditions, including:

that the registration statement, of which this proxy statement/prospectus/information statement is a part, be effective;

that the Reliant stockholders shall have adopted the merger agreement and approved the transactions contemplated thereby, including the appointment of Steven Mendelow as the stockholder representative and that the Thermage stockholders shall have approved the issuance of Thermage common stock to Reliant stockholders pursuant to the merger agreement;

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that (i) the waiting period (and any extension thereof) applicable to the transactions contemplated by the merger agreement under any antitrust or competition legal requirements of any jurisdiction in which Thermage or Reliant have substantial business or operations or where Thermage and Reliant mutually agree to make a filing under applicable antitrust or competition legal requirements, shall have expired or been terminated; (ii) all clearances, consents, approvals, authorizations and orders applicable to the transactions contemplated by the merger agreement which are required under any antitrust or competition legal requirement of any jurisdiction in which Thermage or Reliant have substantial business or operations, or in which Thermage and Reliant mutually agree to make a filing under applicable antitrust or competition legal requirements, shall have been received, and (iii) all governmental authorities that have the authority to enforce any such antitrust or competition legal requirements shall have approved, cleared or decided neither to initiate proceedings or otherwise intervene in respect of the transactions contemplated by the merger agreement;

no governmental authority of competent jurisdiction shall have enacted, issued, promulgated, entered, enforced or deemed applicable to the first merger any legal requirement that is in effect and has the effect of making the first merger illegal in any jurisdiction in which Thermage or Reliant have substantial business or operations or which has the effect of prohibiting, preventing or otherwise restraining the consummation of the first merger in any jurisdiction in which Thermage or Reliant have substantial business or operations;

no governmental authority of competent jurisdiction shall have issued or granted any order (whether temporary, preliminary or permanent) that has the effect of making the first merger illegal in any jurisdiction in which Thermage or Reliant have substantial business or operations or which has the effect of prohibiting, preventing or otherwise restraining the consummation of the first merger;

the shares of Thermage common stock issuable in the first merger and the shares of Thermage common stock issuable in respect of all assumed warrants, shall have been authorized for listing on the NASDAQ Global Market upon official notice of issuance;

receipt of opinions by the parties of their respective tax counsel, in form and substance reasonably satisfactory to them and as further described in The Merger Material U.S. Federal Income Tax Consequences of the Merger beginning on page 75 of this proxy statement/prospectus/information statement, that the merger will qualify as a reorganization pursuant to Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code );

completion of the distribution of the shares of Spinco, as described below;

that each company's representations and warranties in the merger agreement are true and correct, to the extent set forth in the merger agreement, except when the failure of such representations or warranties to be true and correct has not resulted, and would not reasonably be expected to result in, individually or in the aggregate with other such failures, a material adverse effect, to the other party;

that each party has complied in all material respects with its covenants and agreements in the merger agreement, to the extent set forth in the merger agreement; and

that no material adverse effect exist with respect to either company.

**Termination of the Merger Agreement (see page 95)**

Reliant and Thermage may mutually agree at any time to terminate the merger agreement without completing the first merger.





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In addition, either of Reliant or Thermage may, without the consent of the other, terminate the merger agreement in any of the following circumstances:

if any governmental authority of competent jurisdiction shall have: (i) enacted, promulgated or issued or deemed applicable to the first merger any legal requirements that would make completion of the merger illegal in any jurisdiction in which Thermage or Reliant have substantial business operations, or (ii) issued or granted any final non-appealable order of a federal or state court in effect that has the effect of making the first merger illegal or would otherwise prohibit, prevent or restrain the first merger in any jurisdiction in which Thermage or Reliant have substantial business operations;

if the first merger is not completed by January 7, 2009; or

if the Thermage stockholders do not approve the issuance of Thermage common stock to Reliant stockholders at the Thermage stockholder meeting.

In addition, Thermage may, without the consent of Reliant, terminate the merger agreement if:

there has been a breach of any representation, warranty, covenant or agreement of Reliant contained in the merger agreement such that the closing conditions regarding such representations, warranties and covenants would not be satisfied and such breach has not been cured within 30 calendar days after written notice to Reliant, unless the breach, by its nature, cannot be cured through the exercise of commercially reasonable efforts.

In addition, Reliant may, without the consent of Thermage, terminate the merger agreement if:

there has been a breach of any representation, warranty, covenant or agreement of Thermage contained in the merger agreement such that the closing conditions regarding such representations, warranties and covenants would not be satisfied and such breach has not been cured within 30 calendar days after written notice thereof to Thermage, unless the breach, by its nature, cannot be cured through the exercise of commercially reasonable efforts; or

the Thermage board of directors or any committee thereof has changed its recommendation in favor of the issuance of Thermage common stock to Reliant stockholders in a manner adverse to Reliant, the Thermage board of directors approves or recommends that its stockholders recommend an alternative acquisition transaction with respect to Thermage or Thermage enters into a contract for an alternative acquisition transaction with respect to Thermage.

### **Payments by Thermage following Termination (see page 96)**

Thermage would be required to pay Reliant a termination fee of \$3.5 million if the merger agreement is terminated under certain circumstances. Alternatively, if Thermage stockholder approval has not been obtained at the stockholder meeting called with respect to the issuance of stock pursuant to the first merger, Thermage will pay the transaction expenses of Reliant up to \$1.3 million.

### **Non-Solicitation by Thermage and Reliant (see page 86)**

Thermage and Reliant have agreed that each party will not:

solicit, initiate, knowingly encourage or facilitate or induce any inquiries regarding any acquisition proposals by third parties;

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furnish to any third party any nonpublic information, or take any other action to facilitate any inquiries or the making of any proposal that constitutes or would reasonably be expected to lead to a third party acquisition proposal;

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participate or engage in discussions with any third party with respect to any acquisition proposal;

approve, endorse or recommend any third party acquisition proposal;

enter into any letter of intent, memorandum of understanding or contract contemplating or otherwise relating to any third party acquisition proposal or such transaction; or

terminate, amend or waive any rights under any standstill or other similar contract with a third party.

Thermage and Reliant must promptly notify the other party by oral and written notice if it receives any other acquisition proposals or requests for nonpublic information or request for information it receives which would reasonably be expected to lead to an acquisition proposal or inquiries with respect to, or which it reasonably believes might lead to, an acquisition proposal. The party providing the notification must also provide the identity of the third party making the acquisition proposal and a copy of all written materials provided in connection with such proposal.

If Thermage receives an acquisition proposal from a third party that its board determines otherwise is or is reasonably likely to lead to a superior proposal, as defined in the merger agreement, it may furnish nonpublic information to the third party making the acquisition proposal and engage in negotiations with the third party regarding such proposal if its board of directors determines that failure to do so would be reasonably expected to be a breach of its fiduciary obligations under Delaware law and at least three business days prior to engaging in any discussions or negotiations or furnishing non-public information, Thermage gives Reliant written notice of the identity of the third party and the material terms and conditions of the acquisition proposal and contemporaneously with the furnishing of any non-public information to a third party, Thermage furnishes Reliant with such information.

### **Change in Thermage Board Recommendation (see page 89)**

The Thermage board of directors may withhold, withdraw, amend or modify its recommendation to its stockholders to vote in favor of the issuance of common stock in connection with the first merger, if Thermage receives a superior proposal (as defined in the merger agreement), and after discussions with Reliant, the Thermage board of directors reasonably determines in good faith, after consultation with outside legal counsel and after considering in good faith any counter-offer or proposal made by Reliant, that the failure to effect such change in recommendation would be reasonably likely to result in a breach of its fiduciary duties under Delaware law.

### **Vote Required for Reliant and Reliant Support Agreements (see pages 72 and 96)**

The stockholders of Reliant adopted the merger agreement and approved the transactions contemplated thereby, including the first merger by written consent shortly after the execution of the merger agreement.

In addition, Reliant's executive officers, directors and their affiliates holding more than 50% of Reliant's capital stock on an as-converted-to-common-stock-basis have entered into support agreements pursuant to which each such stockholder agreed to vote his, her or its shares of Reliant capital stock in favor of the adoption of the merger agreement and approval of the transactions contemplated thereby and against any action that would delay or prevent the first merger and against any alternative transaction. In connection with the support agreements, these stockholders granted an irrevocable proxy appointing members of the Thermage board of directors, and each of them individually, as their sole and exclusive attorneys and proxies to vote their shares in accordance with the terms of the support agreements.

### **Thermage Voting Agreements (see page 97)**

As an inducement to Reliant entering into the merger agreement, Thermage's executive officers, directors and certain stockholders entered into a voting agreement with Reliant in which each has agreed, among other

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things, to vote his, her or its shares of Thermage capital stock in favor of the issuance of Thermage capital stock to Reliant stockholders pursuant to the terms of the merger agreement and against any action that would delay or prevent the first merger and against any alternative transaction. These persons have the right, as of July 7, 2008, to vote a total of approximately 38% shares of Thermage common stock. In connection with the voting agreements, these persons have granted an irrevocable proxy appointing members of the Reliant board of directors, and each of them individually, as their sole and exclusive attorneys and proxies to vote their shares in accordance with the terms of the voting agreements.

**Lock-up Agreements (see page 98)**

Concurrently with the execution and delivery of the merger agreement, the executive officers and directors (and their respective affiliates) of Thermage and the executive officers and directors (and their respective affiliates) of Reliant entered into lock-up agreements pursuant to which each of the signatories agreed not to sell or otherwise transfer any shares of Thermage common stock held at the closing of the first merger until the first business day after Thermage announces earnings for the first full quarter after the closing.

**Note and Security Agreement (see page 98)**

In connection with the execution of the merger agreement, Thermage extended an advance of \$5.0 million to Reliant pursuant to a secured bridge financing. The advance is evidenced by a secured promissory note issued by Reliant and secured by a subordinated lien on substantially all assets of Reliant excluding intellectual property pursuant to the terms of a security agreement between Reliant and Thermage. Amounts outstanding at the closing under this \$5.0 million advance will be considered as part of Reliant's net indebtedness for purposes of the purchase price adjustments pursuant to the merger agreement.

**License Agreement (see page 98)**

Prior to and in connection with the first merger, Reliant will irrevocably and exclusively license, with limited exceptions, to a newly formed wholly owned subsidiary, which we refer to as Spinco, Reliant patents and non-exclusively license certain Reliant know-how for use outside of the field of aesthetics. The license will be royalty free and fully paid. All of the shares of Spinco will be distributed to certain of the current Reliant stockholders in a taxable dividend prior to the closing of the first merger. As a result, Thermage will possess the right to Reliant patents only within the aesthetics field. Reliant has only immaterial sales, and has no products planned or currently under development which use the Reliant intellectual property outside of the aesthetics field.

**Reliant Certificate Amendment (see page 98)**

The Reliant board of directors and the requisite number of Reliant stockholders have approved an amendment to the certificate of incorporation of Reliant. The amendment provides that Reliant may make a distribution of shares of Spinco to holders of Reliant Series A preferred stock, Reliant Series B preferred stock and Reliant common stock without making an equivalent distribution to the other holders of Reliant preferred stock. In addition, the amendment provides that upon the closing of the first merger pursuant to the merger agreement, holders of Reliant preferred stock and Reliant common stock will only be entitled to receive the amounts they are entitled to receive under the merger agreement. A copy of the amendment to Reliant's certificate of incorporation, which will be filed prior to the first merger with the Secretary of State of the State of Delaware, is included as Annex D to this proxy statement/prospectus/information statement.

**Material U.S. Federal Income Tax Consequences of the Merger (see page 75)**

It is a closing condition of the transaction that each of Wilson Sonsini Goodrich & Rosati, Professional Corporation, outside counsel to Thermage, and Cooley Godward Kronish LLP, outside counsel to Reliant, issue a tax opinion to their respective clients to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. If the merger so qualifies, the U.S. federal income tax consequences of the merger to each Reliant stockholder will vary depending on whether that stockholder receives Thermage

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common stock and cash or exercises appraisal rights and receives only cash in exchange for that stockholder's Reliant stock. For purposes of the discussion below, the Distribution (as defined herein) of shares of the newly-formed Reliant subsidiary to the Reliant stockholders will be treated by Thermage and Reliant as the payment of additional cash in the merger in an amount equal to the fair market value of the stock of such subsidiary.

Assuming that the merger qualifies as a reorganization, a Reliant stockholder who does not exercise appraisal rights generally will recognize gain (but will not be permitted to recognize loss) for U.S. federal income tax purposes equal to the lesser of (i) the amount of cash received by such stockholder and (ii) the excess of the amount of cash and the fair market value of the Thermage common stock received by such stockholder over such stockholder's tax basis in the Reliant stock surrendered. A Reliant stockholder that exercises appraisal rights generally will recognize gain or loss equal to the difference between the amount of cash received by such stockholder and such stockholder's tax basis in the Reliant stock surrendered.

**TAX MATTERS CAN BE COMPLICATED AND THE TAX CONSEQUENCES OF THE MERGER TO YOU WILL DEPEND ON THE FACTS OF YOUR OWN SITUATION. YOU SHOULD READ THE SECTION ENTITLED "THE MERGER MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER" BEGINNING ON PAGE 75 OF THIS PROXY STATEMENT/PROSPECTUS/INFORMATION STATEMENT. IN ADDITION, YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISORS TO FULLY UNDERSTAND THE TAX CONSEQUENCES OF THE MERGER TO YOU, INCLUDING THE APPLICABILITY AND EFFECT OF FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX LAWS.**

**Opinion of Thermage's Financial Advisor (see page 62)**

*Fairness Opinion Received by Thermage.* Stanford Group Company delivered its opinion to Thermage's board of directors that, as of July 6, 2008 and based on and subject to the factors and assumptions set forth therein, the merger consideration to be paid by Thermage was fair to Thermage from a financial point of view.

The full text of the written opinion of Stanford Group Company, dated July 6, 2008, which sets forth the assumptions made, procedures followed, matters considered, qualifications and limitations on and scope of the review undertaken by Stanford Group Company, is attached to this proxy statement/prospectus/information statement as Annex D. Stanford Group Company provided its opinion for the information and assistance of Thermage's board of directors in connection with its consideration of the merger. The written opinion of Stanford Group Company is not a recommendation as to how any holder of Thermage common stock should vote with respect to the issuance of shares of Thermage common stock in the merger. **Thermage urges you to read the entire opinion carefully.**

**Table of Contents****THERMAGE SUMMARY FINANCIAL DATA**

The summary statement of operations data for the years ended December 31, 2005, 2006 and 2007 and the summary balance sheet data as of December 31, 2006 and 2007 are derived from our audited financial statements that are included elsewhere in this proxy statement/prospectus/information statement. The summary statement of operations data for the six-month periods ended June 30, 2007 and June 30, 2008 and summary balance sheet data as of June 30, 2008 are derived from our unaudited interim financial statements included elsewhere in this proxy statement/prospectus/information statement.

Our historical results are not necessarily indicative of future operating results. Our operating results for the six months ended June 30, 2008 should not be considered indicative of operating results for the full fiscal year or any other future period. The summary financial data set forth below should be read in conjunction with our financial statements, and the related notes thereto, and Thermage Management's Discussion and Analysis of Financial Condition and Results of Operations, included elsewhere in this proxy statement/prospectus/information statement.

	Years Ended December 31,			Six Months Ended	
	2005	2006	2007	2007	2008
	(in thousands, except share and per share data)				
<b>Statement of Operations Data:</b>					
Net revenue	\$ 40,655	\$ 54,320	\$ 63,101	\$ 32,654	\$ 34,112
Cost of revenue	12,309	15,259	15,976	8,970	8,453
Gross margin	28,346	39,061	47,125	23,684	25,659
Operating expenses					
Sales and marketing	19,997	24,071	26,195	13,189	14,415
Research and development	8,908	9,639	9,099	4,698	4,904
General and administrative	7,414	9,973	11,300	5,467	7,598
Litigation settlement gain	(1,646)				
Total operating expenses	34,673	43,683	46,594	23,354	26,917
Income (loss) from operations	(6,327)	(4,622)	531	330	(1,258)
Interest and other income	340	768	2,520	1,184	1,146
Interest, warrants and other expense	(1,549)	(55)			
Income (loss) before income taxes and cumulative effect of change in accounting principle	(7,536)	(3,909)	3,051	1,514	(112)
Provision for income taxes			(271)	(147)	(86)
Net income (loss) before cumulative effect of change in accounting principle	(7,536)	(3,909)	2,780	1,367	(198)
Cumulative effect of change in accounting principle	(697)				
Net income (loss)	\$ (8,233)	\$ (3,909)	\$ 2,780	\$ 1,367	\$ (198)
<b>Net income (loss) per share basic and diluted:</b>					
Before cumulative effect of change in accounting principle	\$ (2.06)				
Cumulative effect of change in accounting principle	(0.19)				
Net income (loss) per share basic	\$ (2.25)	\$ (0.60)	\$ 0.12	\$ 0.06	\$ (0.01)
Net income (loss) per share diluted	\$ (2.25)	\$ (0.60)	\$ 0.11	\$ 0.06	\$ (0.01)

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Weighted average shares outstanding used in  
calculating net income (loss) per common share:

Basic	3,664,990	6,561,648	23,241,031	23,041,983	23,743,043
Diluted	3,664,990	6,561,648	24,884,458	24,761,794	23,743,043



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	As of December 31,		As of
	2006	2007	June 30,
	(in thousands)		
<b>Balance Sheet Data:</b>			
Cash and cash equivalents	\$ 45,915	\$ 13,650	\$ 15,358
Marketable investments		38,707	36,882
Working capital	46,153	55,834	58,243
Total assets	59,875	68,727	69,630
Total stockholders' equity	\$ 49,121	\$ 58,118	\$ 60,369

**Table of Contents****RELIANT SUMMARY FINANCIAL DATA**

The summary statement of operations data for the years ended December 31, 2005, 2006 and 2007 and the summary balance sheet data as of December 31, 2006 and 2007 are derived from our audited consolidated financial statements that are included elsewhere in this proxy statement/prospectus/information statement. The summary consolidated statement of operations data for the six-month periods ended June 30, 2007 and June 30, 2008 and summary consolidated balance sheet data as of June 30, 2008 are derived from our unaudited interim financial statements included elsewhere in this proxy statement/prospectus/information statement.

Our historical results are not necessarily indicative of future operating results. Our operating results for the six months ended June 30, 2008 should not be considered indicative of operating results for the full fiscal year or any other future period. The summary financial data set forth below should be read in conjunction with our consolidated financial statements, and the related notes thereto, and Reliant Management's Discussion and Analysis of Financial Condition and Results of Operations, included elsewhere in this proxy statement/prospectus/information statement.

	Year ended December 31,			Six Months ended	
	2005	2006	2007	2007	2008
	(in thousands)				
<b>Consolidated Statements of Operation Data:</b>					
Net revenues:					
Products	\$ 33,699	\$ 56,412	\$ 68,664	\$ 34,478	\$ 38,892
Services and other	101	1,078	1,812	803	2,074
<b>Total net revenues</b>	<b>33,800</b>	<b>57,490</b>	<b>70,476</b>	<b>35,281</b>	<b>40,966</b>
Cost of revenues:					
Products	16,988	26,527	31,692	15,650	14,698
Services and other		120	1,029	362	1,534
<b>Total cost of net revenues</b>	<b>16,988</b>	<b>26,647</b>	<b>32,721</b>	<b>16,012</b>	<b>16,232</b>
<b>Gross profit</b>	<b>16,812</b>	<b>30,843</b>	<b>37,755</b>	<b>19,269</b>	<b>24,734</b>
Operating expenses:					
Research and development	7,854	10,458	13,932	6,135	6,806
Sales and marketing	9,748	23,343	33,315	16,471	17,832
General and administrative	10,962	17,506	14,575	6,540	6,996
<b>Total operating expenses</b>	<b>28,564</b>	<b>51,307</b>	<b>61,822</b>	<b>29,146</b>	<b>31,634</b>
Loss from operations	(11,752)	(20,464)	(24,067)	(9,877)	(6,900)
Interest income	57	544	355	239	25
Interest expense	(762)	(1,533)	(902)	(421)	(473)
Gains (losses) on preferred stock warrant liability	(207)	528	6,676	(734)	651
Other income (expense), net	(46)	30	201	(92)	(3)
<b>Loss before income taxes and cumulative effect of change in accounting principle</b>	<b>(12,710)</b>	<b>(20,895)</b>	<b>(17,737)</b>	<b>(10,885)</b>	<b>(6,700)</b>
Provision for income taxes	(10)	(10)	(25)	(10)	(3)
<b>Net loss before cumulative effect of change in accounting principle</b>	<b>(12,720)</b>	<b>(20,905)</b>	<b>(17,762)</b>	<b>(10,895)</b>	<b>(6,703)</b>
Cumulative effect of change in accounting principle	(5,493)				
<b>Net loss</b>	<b>\$ (18,213)</b>	<b>\$ (20,905)</b>	<b>\$ (17,762)</b>	<b>\$ (10,895)</b>	<b>\$ (6,703)</b>



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	As of December 31,		As of June 30,
	2006	2007	2008
	(in thousands)		
<b>Consolidated Balance Sheet Data:</b>			
Cash, cash equivalents and short-term investments	\$ 9,474	\$ 5,714	\$ 5,858
Working capital (deficiency)	(4,039)	(23)	(1,741)
Total assets	31,326	26,136	23,652
Preferred stock warrant liability	7,967	1,505	865
Current and long-term debt	6,204	6,503	8,989
Redeemable convertible preferred stock	45,486	60,660	60,704
Common stock and additional paid in capital	14,829	22,209	26,290
Total stockholders deficit	\$ (48,632)	\$ (59,013)	\$ (61,635)

**Table of Contents****SUMMARY UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA**

The following table presents summary unaudited pro forma combined financial data which reflects the proposed merger of Thermage and Reliant. The summary unaudited pro forma condensed combined financial data are derived from and should be read in conjunction with the unaudited pro forma condensed combined financial statements and related notes thereto included in this proxy statement/prospectus/information statement. See Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 99.

	Six Months Ended June 30, 2008			
	Historical		Pro Forma	
	Thermage	Reliant	Adjustments	Combined
<b>Unaudited Pro Forma Condensed Combined Statement of Operations Data:</b>				
Net revenue	\$ 34,112	\$ 40,966	\$	\$ 75,078
Loss from operations	(1,258)	(6,900)	(1,861)	(10,019)
Loss before income taxes	(112)	(6,700)	(3,075)	(9,887)
Net loss	\$ (198)	\$ (6,703)	\$ (3,075)	\$ (9,976)
Net loss per share:				
Basic and diluted	\$ (0.01)			\$ (0.21)
Weighted average common shares outstanding:				
Basic and diluted	23,743			47,343

	Year Ended December 31, 2007			
	Historical		Pro Forma	
	Thermage	Reliant	Adjustments	Combined
<b>Unaudited Pro Forma Condensed Combined Balance Sheet Data:</b>				
Net revenue	\$ 63,101	\$ 70,476	\$	\$ 133,577
Income (loss) from operations	531	(24,067)	(3,721)	(27,257)
Income (loss) before income taxes	3,051	(17,737)	(11,522)	(26,208)
Net income (loss)	\$ 2,780	\$ (17,762)	\$ (11,522)	\$ (26,504)
Net income (loss) per share basic				
	\$ 0.12			\$ (0.57)
Net income (loss) per share diluted				
	\$ 0.11			\$ (0.57)
Weighted average shares outstanding:				
Basic	23,241			46,841
Diluted	24,884			46,841

	As of June 30, 2008			
	Historical		Pro Forma	
	Thermage	Reliant	Adjustments	Combined
<b>Unaudited Pro Forma Condensed Combined Balance Sheet Data:</b>				
Cash and cash equivalents	\$ 15,358	\$ 5,858	\$	\$ 21,216
Marketable investments	36,882		(25,000)	11,882
Working capital	58,243	(1,741)	(27,712)	28,790

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Total assets	69,630	23,652	56,150	149,432
Long-term liabilities	892	3,579	(77)	4,394
Redeemable convertible preferred stock		60,704	(60,704)	
Total stockholders' equity (deficit)	\$ 60,369	\$ (61,635)	\$ 113,445	\$ 112,179

**Table of Contents****COMPARATIVE AND HISTORICAL PER SHARE MARKET PRICE AND DIVIDEND INFORMATION**

Thermage's common stock trades on the NASDAQ Global Market under the symbol "THRM" since our initial public offering on November 9, 2006. There is currently no public market for Reliant's common stock.

As of August 8, 2008, there were approximately 90 holders of record of our common stock, one of whom was CEDE & Co., a large clearing house that holds shares in its name for banks, brokers and institutions, in order to expedite the sale and transfer of stock. Since many stockholders' shares are listed under their brokerage firm's name, we believe the actual number of stockholders is approximately 3,200. As of such date, 24,068,910 shares of Thermage common stock were outstanding.

The following table shows the high and low sales prices per share of Thermage common stock as reported on the NASDAQ Global Market on (1) July 3, 2008, the last full trading day preceding public announcement that Thermage and Reliant had entered into the merger agreement, and (2) August 8, 2008.

	Thermage Common Stock	
	High	Low
July 3, 2008	\$ 2.65	\$ 2.61
August 8, 2008	\$ 2.36	\$ 2.29

The following table sets forth quarterly high and low sales prices of Thermage common stock for the indicated periods:

	Thermage Common Stock	
	High (\$)	Low (\$)
<b>Year Ending December 31, 2008</b>		
Third Quarter (through August 8, 2008)	\$ 2.99	\$ 2.16
Second Quarter	3.58	2.47
First Quarter	6.32	3.10
<b>Year Ended December 31, 2007</b>		
Fourth Quarter	7.98	5.43
Third Quarter	9.08	6.94
Second Quarter	9.10	6.80
First Quarter	10.70	7.00
<b>Year Ended December 31, 2006</b>		
Fourth Quarter (beginning November 10, 2006)	8.15	6.40

The foregoing tables show only historical information. These tables may not provide meaningful information to Thermage stockholders in determining whether to approve the issuance of shares of Thermage common stock in connection with the merger. Thermage stockholders should review carefully the other information contained in this proxy statement/prospectus/information statement in considering whether to approve the issuance of shares of Thermage common stock in connection with the merger. Also see the section entitled "Where You Can Find More Information" on page 214 of this proxy statement/prospectus/information statement.

***Dividend Policy for Thermage***

Thermage has never paid or declared any cash dividends on its common stock and does not anticipate paying any cash dividends on its common stock in the foreseeable future. Thermage intends to retain all available funds and any future earnings, if any, to fund the development and expansion of its business. The Thermage board of directors will determine the timing and amount of any such future dividends.

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***Dividend Policy for Reliant***

Reliant has never declared or paid any cash dividends on its capital stock. Reliant does not anticipate paying any cash dividends on its capital stock for the foreseeable future. In addition, Reliant's loan agreements with its current lenders contain covenants prohibiting the payment of cash dividends without the lenders' consent.



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**RISK FACTORS**

*If the transaction is completed, Thermage and Reliant will operate as a combined company in a market environment that is difficult to predict and that involves significant risks, many of which will be beyond the combined company's control. In addition to information regarding Thermage and Reliant contained elsewhere in this proxy statement/prospectus/information statement, you should carefully consider the risks described below before voting your shares. Additional risks and uncertainties not presently known to us or that we do not currently believe are important to an investor, if they materialize, also may adversely affect the transaction, Thermage, Reliant and the combined company.*

**Risks Related to the Transaction**

**Thermage and Reliant must overcome significant challenges in integrating their businesses, operations and product offerings in order for Thermage to realize the benefits of the acquisition of Reliant.**

The merger will not achieve its anticipated benefits unless Thermage successfully combines its operations with those of Reliant and integrates the two companies' business operations and products in a timely manner. Integrating Thermage and Reliant will be a complex, time-consuming and expensive process and may result in revenue disruption and operational difficulties if not completed in a timely and efficient manner. Prior to the merger, Thermage and Reliant operated independently, each with its own business, business culture, markets, clients, employees and systems. Following the merger, the combined company must operate as a combined organization utilizing common information communication systems, operating procedures, financial controls and human resource practices, including benefits, training and professional development programs. There may be substantial difficulties, costs and delays involved in integrating Thermage and Reliant. These difficulties, costs and delays may include:

the potential disruption of the combined company's ongoing business and diversion of management resources;

the possibility that the business cultures of Thermage and Reliant will not be compatible;

the difficulty of incorporating acquired products, technology and rights into the combined company's products and services;

unanticipated expenses related to integration of Thermage and Reliant operations;

the impairment of relationships with employees and customers as a result of any integration of new personnel;

potential unknown liabilities associated with the acquired business and technology of Reliant;

costs and delays in implementing common systems and procedures, including financial accounting systems and customer information systems; and

potential inability to retain, integrate and motivate key management, marketing, technical sales and customer support personnel.

The combined company may not succeed in addressing these risks or any other problems encountered in connection with the merger. The success of the merger depends upon the combined company realizing the potential benefits and synergies sought by Thermage and Reliant, including improved market position through product bundling, enhanced consumable opportunities, cross-selling opportunities by an expanded sales force, and operational cost savings. If the benefits and synergies of the merger do not exceed the costs associated with the merger, including any dilution to Thermage stockholders resulting from the issuance of shares in connection with the merger, Thermage's business and financial results could be harmed.



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### **Customer uncertainty related to the merger could harm the combined company.**

Thermage's or Reliant's customers may, in response to the announcement of the merger, delay or defer purchasing decisions. Any delay or deferral in purchasing decisions by Thermage's or Reliant's customers could adversely affect the business of the combined company.

### **The merger may result in loss of Thermage and Reliant employees.**

Despite Thermage's and Reliant's efforts to retain their key employees, the companies might lose some of their key employees following the merger. Competition for qualified technical, engineering, sales and management employees in the aesthetics industry is intense. Competitors and other companies may recruit employees prior to the merger and during the integration process following the closing of the merger, which has become a common practice in life sciences industry mergers. In addition, any real or perceived differences in the policies, compensation levels and culture between Reliant and Thermage may cause Reliant employees to leave. As a result, employees of Reliant or the combined company could leave with little or no prior notice, which could cause delays and disruptions in the efforts to integrate the two companies and result in expenses associated with finding replacement employees. Thermage and Reliant cannot assure you that the combined company will be able to attract, retain and integrate employees following the merger.

### **The market price of Thermage common stock may decline as a result of the merger.**

The market price of Thermage common stock could decline as a result of the merger, based on the occurrence of a number of events, including:

the failure to successfully integrate Reliant into Thermage;

delays or failure in the integration of Reliant and Thermage products and technology;

the belief that Thermage has not realized the perceived benefits of the acquisition of Reliant in a timely manner or at all; and

the potential negative effect of the merger on Thermage's operating results, including the impact of amortization of intangible assets, other than goodwill, created by the merger.

**Reliant stockholders will receive a fixed number of shares of Thermage common stock, regardless of the market price of Thermage common stock. Declines in the market price of Thermage common stock will reduce the value received by Reliant stockholders in the merger. Increases in the market price of Thermage common stock will increase the value paid by Thermage in consideration of the merger.**

Under the terms of the merger agreement, a fixed number of shares of Thermage common stock will be issued in exchange for shares of Reliant capital stock, and there is no mechanism to adjust this number of shares based on changes in the market price for Thermage common stock. As a result, there will be no adjustment for changes in the market price of Thermage common stock. Furthermore, Reliant is not permitted to withdraw from the merger solely because of changes in the market price of Thermage common stock. As a result of the fixed number of shares, the specific dollar value of Thermage common stock received by Reliant stockholders upon completion of the merger will depend on the market value of Thermage common stock at the time of completion of the merger. A decline in the market price for Thermage common stock will result in a decline in the value received by Reliant stockholders. An increase in the market price for Thermage common stock will result in an increase in the value paid by Thermage in consideration of the merger.

The price of Thermage common stock has been volatile in the past and will likely continue to fluctuate in the future. See the section entitled "Risk Factors - Risks Related to Thermage." We expect that the price of our common stock will fluctuate substantially. Information regarding the market price of Thermage common stock, including its historical trading range and a trading price on a recent date is set forth under the section entitled

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Comparative and Historical Per Share Market Price and Dividend Information, as well as information regarding fluctuations in the value to be received by Reliant stockholders as a result of the merger.

### **Failure to complete the merger could harm Thermage's and Reliant's business and could cause a decline in Thermage's stock price.**

Failure to complete the merger could harm the businesses of Thermage and Reliant in a number of ways. The transaction costs, including accounting, legal and certain financial advisory fees, must still be paid, without any offsetting benefits from the merger. Customers and strategic partners may delay or defer decisions concerning either company until the merger is completed or abandoned. In the event Reliant elects to seek another merger or business combination, it may not be able to find another party willing to pay an equal or greater price than the price to be paid in the merger. During the time while the merger agreement is in effect, Reliant is prohibited from soliciting, initiating or encouraging or entering into certain transactions, such as a merger, sale of assets or other business combination with a party other than Thermage. This uncertainty could cause Reliant employees to leave Reliant. In addition, if the merger is not completed, the market price of Thermage common stock could decline, to the extent that the market price of Thermage common stock reflects a market belief that the merger will be completed and its potential benefits realized.

### **Thermage and Reliant expect to incur significant costs associated with the merger.**

Thermage estimates that it will incur direct transaction costs of approximately \$3.1 million associated with the merger, which will be included as a part of the total purchase cost for accounting purposes. In addition, Reliant estimates that it will incur direct transaction costs of approximately \$1.8 million. Thermage and Reliant believe the combined entity may incur charges to operations, which are not currently reasonably estimable, in the quarter in which the merger is completed or the following quarters, to reflect costs associated with integrating the two companies. Thermage expects to incur severance costs, retention bonus and other integration costs in the quarter in which the merger is completed and also expects ongoing charges for amortization of intangibles, consisting primarily of purchased technology, trade name, customer relationships and a collaboration agreement acquired in the merger. There can be no assurance that the combined company will not incur additional material charges in subsequent quarters to reflect additional costs associated with the merger. Thermage will pay up to an aggregate of approximately \$25.0 million in cash to stockholders of Reliant and will incur additional cash expenditures in connection with the merger. These payments will significantly deplete Thermage's capital resources after payment of these amounts, Thermage will have less than \$20.0 million of cash, cash equivalents and marketable securities. In the future Thermage may be required to seek debt or equity financing should the combined company require additional liquidity.

### **Prior to the closing of the merger, Thermage and Reliant are prohibited from initiating, or are severely restricted in their ability to consider, potentially more favorable transactions.**

The merger agreement prohibits Thermage and Reliant from soliciting alternative acquisition proposals and prohibits Reliant from considering unsolicited acquisition proposals. The merger agreement also places significant restrictions on the ability of Thermage to consider or pursue unsolicited acquisition proposals by third parties that may become available prior to the closing of the merger. These contractual terms make it less likely that either Thermage or Reliant would be able to complete an alternative transaction to the merger, even if these other potential opportunities could be considered more favorable by their respective stockholders.

### **There may be sales of substantial amounts of Thermage common stock after the merger, which could cause Thermage's stock price to fall.**

A substantially large number of shares of Thermage common stock may be sold into the public market within a short period of time following the closing of the merger, including a substantial number of shares that

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will be available for resale by certain former stockholders of Reliant and certain other stockholders of Thermage who are not parties to lock-up agreements that restrict the timing of the resale of these shares. As a result, our stock price could fall. Under the lock-up agreements, additional shares will be released and available for sale in the public market on the first business day after Thermage announces earnings for the first full quarter after the closing date of the merger. A sale of a large number of newly-released shares of Thermage common stock could therefore result in a sharp decline in Thermage's stock price. In addition, the sale of these shares could impair Thermage's ability to raise capital through the sale of additional stock. See the sections entitled "The Merger Restrictions on Sales of Thermage Common Stock Received in the Transaction" on page 73 and "Agreements Related to the Integrated Merger Lockup Agreements" on page 98.

**Reliant officers and directors have conflicts of interest that may have influenced them to support or approve the merger.**

Some of the directors and officers of Reliant have interests in the merger that are different from, or in addition to, your interests, including the following:

In connection with, and effective upon the closing of, the merger, Leonard DeBenedictis, the current Chief Technology Officer of Reliant, will be the Chief Technology Officer of Thermage, and certain other executive officers may enter into offer letters for employment with Thermage.

Following the closing of the merger, three individuals from the current Reliant board of directors, Eric B. Stang, Leonard DeBenedictis, Henry E. Gauthier, William T. Harrington, M.D., Maynard A. Howe, Ph.D., Steven Mendelow, Glen D. Nelson, M.D., Robert J. Quillinan and Robert Zollars, will be appointed to the Thermage board of directors.

Each of Reliant's executive officers, including Eric B. Stang, Leonard DeBenedictis, Andrew H. Galligan, Keith J. Sullivan and Jeffrey S. Jones, has provisions in his employment agreement providing for acceleration of equity awards and/or severance in connection with a change of control of Reliant.

For six years after the closing of the merger, Thermage has agreed to maintain in effect, for the benefit of each current and former officer or director of Reliant party to an indemnification agreement at the date of the merger agreement, the existing director's and officer's insurance policies or an insurance and indemnification policy that is not less favorable than the existing director's and officer's insurance policies.

Prior to and in connection with the merger, Reliant will irrevocably and exclusively license to a newly formed wholly owned subsidiary, referred to as Spinco, Reliant patents and non-exclusively license certain Reliant know-how for use outside of the field of aesthetics. The license will be royalty free and fully paid. All of the shares of Spinco will be distributed to holders of Reliant's Series A preferred stock, Series B preferred stock and common stock in a taxable dividend prior to the closing of the first merger. Each executive officer and director of Reliant holds common stock, Series A preferred stock, Series B preferred stock and/or options to purchase common stock.

For the above reasons, the directors and officers of Reliant could be more likely to favor the merger than if they did not hold these interests. Reliant stockholders should consider whether these interests may have influenced these directors and officers to support or recommend the merger.

**Litigation relating to Section 2115 of the California General Corporation Law could adversely impact the merger.**

Although Reliant is incorporated in the state of Delaware, Reliant may be subject to Section 2115 of the California General Corporation Law, which purports to require corporations with a specified nexus to California to comply with a number of California's statutory corporate law provisions (a quasi-California corporation).

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To the extent Reliant is deemed to be a quasi-California corporation, Section 2115 would require that the principal terms of the definitive merger agreement also be approved by holders of a majority of the outstanding shares of the common stock of Reliant. Reliant currently meets the requirements of a quasi-California corporation specified under Section 2115. In a recent Delaware Chancery Court case in which neither Reliant nor Thermage was involved, the Delaware Supreme Court affirmed the Delaware Chancery Court's decision that because a company was incorporated in Delaware, only Delaware law applied to its internal affairs, including the voting rights of the class of stockholders. Reliant has not received the vote of the holders of a majority of the outstanding shares of its common stock and the receipt of such vote is not a condition to closing in the definitive merger agreement. If a Reliant stockholder were to challenge the merger based upon the requirements of Section 2115, the resulting litigation could delay or prevent the closing of the merger, and any litigation could be expensive and time-consuming and could divert management's attention from Thermage's and Reliant's core businesses.

### **Risks Related to Thermage**

*In the following section discussing risks facing Thermage, references to we, us, our and ours refer to Thermage.*

#### **Risks Related to the Thermage Business**

##### **We may not be able to achieve sustainable profitability even if we are able to generate significant revenue.**

While we have had five consecutive quarters of profitable results through the end of 2007, we incurred a loss in the first quarter ended March 31, 2008 and we were profitable during the second quarter ended June 30, 2008. In the past, we have expanded our business and increased our expenses in order to grow revenue. We expect this trend to continue for the foreseeable future. For example, in order to promote revenue growth and geographic expansion, during the fourth quarter of 2007, we began to execute a plan to increase our U.S. sales force by about 50% in headcount, which we substantially achieved by the first quarter of 2008. We will have to increase our revenue while effectively managing our expenses in order to achieve sustained profitability. Our failure to achieve sustained profitability could negatively impact the market price of our common stock.

##### **It is difficult to forecast future performance, which may cause our financial results to fluctuate unpredictably.**

Our limited operating history makes it difficult for us to predict future performance. Historically, the demand for our ThermaCool system has varied from quarter to quarter. A number of factors, over which we have limited or no control, may contribute to fluctuations in our financial results, such as:

delays in receipt of anticipated purchase orders;

seasonal variations in patient demand for aesthetic procedures;

the potential impact of general economic conditions on the demand for aesthetic procedures;

performance of our independent distributors;

positive or negative media coverage of our ThermaCool system, the Thermage procedure or products of our competitors or our industry;

our ability to obtain further regulatory clearances or approvals;

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delays in, or failure of, product and component deliveries by our subcontractors and suppliers;

changes in the length of the sales process;

customer response to the introduction of new product offerings; and

fluctuations in foreign currency.

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In addition, we expect to continue to evaluate potential strategic acquisitions of complementary businesses, products or technologies. We incurred approximately \$1.0 million pursuing such a strategic acquisition in the first quarter of 2008. We may incur similar expenses in future periods as we continue to evaluate potential strategic transactions. Such expenditures could negatively impact our financial performance in future periods.

### **If there is not sufficient patient demand for Thermage procedures, practitioner demand for our ThermaCool system, including our single-use ThermaTips, could drop, resulting in unfavorable operating results.**

Most procedures performed using our ThermaCool system are elective procedures, the cost of which must be borne by the patient, and are not reimbursable through government or private health insurance. The decision to undergo a Thermage procedure is thus driven by consumer demand. Our business is sensitive to a number of factors that influence the level of consumer spending, including political and economic conditions such as recessionary environments, the levels of disposable consumer income, consumer debt, interest rates and consumer confidence. Declines in consumer spending on aesthetic procedures could have an adverse effect on our operating results. Consumer demand may be influenced by a number of factors, such as:

our sales and marketing efforts directed toward consumers, as to which we have limited experience and resources;

the extent to which physicians recommend our procedures to their patients;

the cost, safety and effectiveness of a Thermage procedure versus alternative treatments; and

general consumer sentiment about the benefits and risks of aesthetic procedures.

Our financial performance could be materially harmed in the event that any of the above factors discourage patients from seeking Thermage procedures.

### **Any acquisitions that we make could disrupt our business and harm our financial condition.**

Our growth strategy includes evaluation of potential strategic acquisitions of complementary businesses, products or technologies. We may also consider joint ventures and other collaborative projects. We incurred approximately \$1.0 million pursuing such a strategic acquisition in the three months ended March 31, 2008. We may incur similar expenses in future periods as we continue to evaluate potential strategic transactions. Such expenditures could negatively impact our financial performance in future periods.

On July 7, 2008, we and Reliant jointly announced that we had entered into a definitive merger agreement under which we will acquire Reliant for approximately \$25.0 million in cash and 23,600,000 shares of Thermage common stock, subject to post closing adjustments. In addition, we have agreed to provide bridge financing to Reliant in the amount of \$5.0 million. The proposed transaction will require stockholder approval and is expected to close during the fourth quarter of 2008.

We may not be able to successfully integrate the combined business, products or technologies. In addition, the integration of such acquisition and management of any collaborative project may divert management's time and resources from our core business and disrupt our operations. We have not acquired companies or products in the past. If we decide to expand our product offerings, we may spend time and money on projects that do not increase our revenue. Any cash acquisition we pursue would diminish funds available to us for other uses, and any stock acquisition would dilute our stockholders' ownership. While we from time to time evaluate potential collaborative projects and acquisitions of businesses, products and technologies, and anticipate continuing to make these evaluations, besides the proposed transaction with Reliant, we have no present understandings, commitments or agreements with respect to any other acquisitions or collaborative projects.



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**We are totally dependent upon the success of our ThermaCool system, which has a limited commercial history. If the ThermaCool system fails to increase market acceptance, our business will suffer.**

We introduced our ThermaCool system in 2002, and expect that sales of our ThermaCool system, including our line of single-use ThermaTips, will account for substantially all of our revenue for the foreseeable future. We expect to continue to expand our line of ThermaTips for new applications. This may not occur when expected, or at all, which would negatively affect our anticipated revenue. Our ThermaCool system may not significantly penetrate current or new markets. If demand for the ThermaCool system does not increase as we anticipate, or declines, our business, financial condition and results of operations will be harmed.

**Our success depends on growing physician adoption of our ThermaCool system and continued use of our ThermaTips.**

Our target physician customers typically already own one or more aesthetic device products. Our ability to grow our business and convince physicians to purchase our ThermaCool system depends on the success of our clinical and sales and marketing efforts. Our business model involves both a capital equipment purchase of our ThermaCool RF generator and continued purchases by our customers of single-use ThermaTips. This may be a novel business model for many potential customers who may be used to competing products that are either exclusively capital equipment, such as many laser-based systems, or that are exclusively single-use products, such as Botox or dermal fillers. We must be able to demonstrate that the cost of our ThermaCool system and the revenue that the physician can derive from performing procedures using our product are compelling when compared to the cost and revenue associated with alternative products. When marketing to plastic surgeons, we must also, in some cases, overcome a bias against non-invasive aesthetic procedures. If we are unable to increase physician adoption of our ThermaCool system and use of our ThermaTips, our financial performance will be adversely affected.

**We may fail to effectively build and manage our sales force or to market and distribute our ThermaCool system.**

We rely on a direct sales force to sell our ThermaCool system in the United States. During the fourth quarter of 2007, we began to expand and realign our U.S. sales force to better address customer needs. We began to execute our plan to increase our U.S. sales force by about 50% in headcount and realign resources into two groups, with about two-thirds of the sales force focusing on existing customers on sales of treatment tips, upgrades and training, and the remainder focusing on securing new accounts. As the Company grows, we expect to grow or realign, if necessary, our sales organization to meet our anticipated sales objectives. There are significant risks involved in building and managing our sales organization, including risks related to our ability to:

hire qualified individuals as needed;

provide adequate training for the effective sale of our ThermaCool system; and

retain and motivate our sales employees.

In addition, sales to non-traditional practitioners of aesthetic procedures is a key element of our growth strategy. However, our sales force historically has sold primarily to dermatologists and plastic surgeons. Also, our ThermaCool system competes with products that are well-established in the market. Accordingly, it is difficult for us to predict how well our sales force will perform. Our failure to adequately address these risks could have a material adverse effect on our ability to sell our ThermaCool system, causing our revenue to be lower than expected and harming our results of operations.

**We may not be successful in selling and marketing our new products.**

The commercial success of the products and technologies we develop will depend upon the acceptance of these products by physicians and their patients. It is difficult for us to predict how successful recently introduced products and procedures, or products we are currently developing, will be over the long term. If the products we

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develop do not gain market acceptance, our revenues and operating results could suffer. In addition, we expect to face significant competition in our new products, in some cases from companies that are more established, market more widely known products and have greater resources than we do. We may not be able to differentiate our new products sufficiently from our competitors' products to achieve significant market penetration. As a result of these factors, we may incur significant sales and marketing expenses for our new products without achieving commercial success, which could harm our business and our competitive position.

**We are involved in intellectual property litigation, which could be costly and time consuming, and may impact our future business and financial performance.**

We advised Alma Lasers Ltd. and Alma Lasers, Inc. (together Alma) as early as February 2006 that its Accent product infringed numerous Thermage patents. A number of these patents are the same as those at issue in our 2004 litigation against Syneron, which was settled in 2005 with Syneron acknowledging the validity of these patents in a paid license. In April 2007, Alma filed a complaint in federal court in Delaware seeking a declaratory judgment of non-infringement, and invalidity of nine of Thermage's U.S. patents. On June 20, 2007, we filed an answer to this complaint and counterclaims, alleging that Alma infringed one or more claims of ten of Thermage's U.S. patents. Our counterclaims were subsequently amended on December 10, 2007 to include a claim of infringement of an eleventh Thermage patent. Among other things, our counterclaim alleges that both Alma's Harmony and Accent XL systems infringe our patents. In addition to damages and attorney fees, we have asked the court to enjoin Alma from engaging in further infringement. Alma has responded to all our counterclaims by denying infringement and alleging invalidity of all 11 U.S. patents asserted by us. The litigation is active and discovery is ongoing. In May and June 2008, Alma filed with the U.S. Patent and Trademark Office requests that eight of 11 of the patents asserted by us be reexamined. Our intellectual property has not been tested at trial. If we initiate litigation to protect our rights, we run the risk of having our patents invalidated, which would undermine our competitive position.

Litigation related to infringement and other intellectual property claims, with or without merit, is unpredictable, can be expensive and time-consuming and could divert management's attention from our core business. If we lose this kind of litigation, a court could require us to pay substantial damages, and prohibit us from using technologies essential to our ThermaCool system, any of which would have a material adverse effect on our business, results of operations and financial condition. We do not know whether necessary licenses would be available to us on satisfactory terms, or whether we could redesign our ThermaCool system or processes to avoid infringement.

Our industry has been characterized by frequent intellectual property litigation. Our competitors or other patent holders may assert that our ThermaCool system and the methods we employ are covered by their patents. If our ThermaCool system or methods are found to infringe, we could be prevented from marketing our ThermaCool system. In addition, we do not know whether our competitors or potential competitors have applied for, or will apply for or obtain, patents that will prevent, limit or interfere with our ability to make, use, sell, import or export our ThermaCool system. Competing products may also appear in other countries in which our patent coverage might not exist or be as strong. If we lose a foreign patent lawsuit, we could be prevented from marketing our ThermaCool system in one or more countries.

In addition, we may hereafter become involved in litigation to protect our trademark rights associated with our company name or the names used with our ThermaCool system. Names used with our ThermaCool system and procedures may be claimed to infringe names held by others or to be ineligible for proprietary protection. If we have to change the name of our company or ThermaCool system, we may experience a loss in goodwill associated with our brand name, customer confusion and a loss of sales.

**Intellectual property rights may not provide adequate protection for our ThermaCool system, which may permit third parties to compete against us more effectively.**

We rely on patent, copyright, trade secret and trademark laws and confidentiality agreements to protect our technology and ThermaCool system. As of June 30, 2008, we had 32 issued U.S. patents and 21 issued foreign

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patents outside of the United States, mostly covering our ThermoCool system. Some of our system components are not, and in the future may not be, protected by patents. Additionally, our patent applications may not issue as patents or, if issued, may not issue in a form that will be advantageous to us. Any patents we obtain may be challenged, invalidated or legally circumvented by third parties. Consequently, competitors could market products and use manufacturing processes that are substantially similar to, or superior to, ours. We may not be able to prevent the unauthorized disclosure or use of our technical knowledge or other trade secrets by consultants, vendors, former employees or current employees, despite the existence generally of confidentiality agreements and other contractual restrictions. Monitoring unauthorized uses and disclosures of our intellectual property is difficult, and we do not know whether the steps we have taken to protect our intellectual property will be effective. Moreover, we do not have patent rights in all foreign countries in which a market may exist, and where we have applied for foreign patent rights, the laws of many foreign countries will not protect our intellectual property rights to the same extent as the laws of the United States.

In addition, competitors could purchase our ThermoCool system and attempt to replicate some or all of the competitive advantages we derive from our development efforts, willfully infringe our intellectual property rights, design around our protected technology or develop their own competitive technologies that fall outside of our intellectual property rights. If our intellectual property is not adequately protected so as to protect our market against competitors' products and methods, our competitive position could be adversely affected, as could our business.

**Performing clinical studies on, and collecting data from, the Thermage procedure is inherently subjective, and we have limited data regarding the efficacy of our ThermoCool system. If future data is not positive or consistent with our prior experience, rates of physician adoption will likely be harmed.**

We believe that in order to significantly grow our business, we will need to conduct future clinical studies of the effectiveness of the ThermoCool system. Clinical studies of aesthetic wrinkle treatments and cellulite are subject to a number of limitations. First, these studies do not involve well-established objective standards for measuring the effectiveness of treatment. Subjective, before and after, evaluation of the extent of change in the patient's appearance, performed by a medical professional or by the patient, is the most common method of evaluating effectiveness. A clinical study may conclude that a treatment is effective even if the change in appearance is subtle and not long-lasting. Second, as with other non-invasive, energy-based devices, the effect of the Thermage procedure varies from patient to patient and can be influenced by a number of factors, including the area of the body being treated, the age and skin laxity of the patient and operator technique.

Most published studies of our ThermoCool system have investigated the tissue-tightening effect of our monopolar RF technology in procedures on the face, using a single treatment with our first generation 1.0 cm<sup>2</sup> ThermoTip and our prior procedure protocol, which involved the use of fewer energy pulses at a higher power than our current procedure protocol. We have not conducted any head-to-head clinical studies that compare results from treatment with our ThermoCool system to surgery or treatment with other aesthetic devices. Without head-to-head studies against competing alternative treatments, which we have no current plans to conduct, potential customers may not find clinical studies of our technology sufficiently compelling to purchase our ThermoCool system. If we decide to pursue additional studies in the future, they could be expensive and time consuming, and the data collected may not produce favorable or compelling results. If the results of such studies do not meet physicians' expectations, our ThermoCool system may not become widely adopted, physicians may recommend alternative treatments for their patients, and our business may be harmed.

**The failure of our ThermoCool system to meet patient expectations or the occurrence of unpleasant side effects from the Thermage procedure could impair our financial performance.**

Our future success depends upon patients having a positive experience with the Thermage procedure in order to increase physician demand for our products, as a result of both individual patients' repeat business and as a result of word-of-mouth referrals. We believe that patients may be dissatisfied with the Thermage procedure if they find it to be too painful. Furthermore, Thermage patients may experience temporary swelling or reddening of the skin as a procedure side effect. In rare instances patients may receive burns, blisters, skin discoloration or

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skin depressions. Experiencing excessive pain, any of these side effects or adverse events could discourage a patient from having a Thermage procedure or discourage a patient from having additional procedures or referring Thermage procedures to others. In order to generate repeat and referral business, we also believe that patients must be satisfied with the effectiveness of the Thermage procedure. Results obtained from a Thermage procedure are subjective and may be subtle. A Thermage treatment may produce results that may not meet patients' expectations. If patients are not satisfied with the procedure or feel that it is too expensive for the results obtained, our reputation and future sales will suffer.

**To successfully market and sell our ThermaCool system internationally, we must address many issues with which we have limited experience.**

International sales accounted for 48% of our revenue for the year ended December 31, 2007, and 50% of our revenue for the first six months ended June 30, 2008. We believe that a significant portion of our business will continue to come from international sales through increased penetration in countries where we currently sell our ThermaCool system, combined with expansion into new international markets. However, international sales are subject to a number of risks, including:

difficulties in staffing and managing our international operations;

difficulties in penetrating markets in which our competitors' products are more established;

reduced or no protection for intellectual property rights in some countries;

export restrictions, trade regulations and foreign tax laws;

fluctuating foreign currency exchange rates;

foreign certification and regulatory clearance or approval requirements;

difficulties in developing effective marketing campaigns for unfamiliar, foreign countries;

customs clearance and shipping delays;

political and economic instability; and

preference for locally produced products.

If one or more of these risks were realized, it could require us to dedicate significant resources to remedy the situation, and if we are unable to find a solution, our revenue may decline.

**To market and sell our ThermaCool system internationally, we depend on distributors, and they may not be successful.**

We currently depend primarily on third-party distributors to sell and service our ThermaCool system internationally and to train our international customers, and if these distributors terminate their relationships with us or under-perform we may be unable to maintain or increase our level of international revenue. We will also need to engage additional international distributors to grow our business and expand the territories in which we sell our ThermaCool system. Distributors may not commit the necessary resources to market, sell and service our ThermaCool system to the

level of our expectations. If current or future distributors do not perform adequately, or if we are unable to engage distributors in particular geographic areas, our revenue from international operations will be adversely affected.

**We compete against companies that have more established products, longer operating histories and greater resources, which may prevent us from achieving significant market penetration or increased operating results.**

The aesthetics market is highly competitive and dynamic, and is marked by rapid and substantial technological development and product innovations. Demand for our ThermaCool system could be diminished

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by equivalent or superior products and technologies offered by competitors. Specifically, our ThermaCool system competes against a variety of offerings in the aesthetics market, including laser and other light-based medical devices, pharmaceutical products such as Botox, filler injections, chemical peels, microdermabrasion, liposuction, cosmetic surgical procedures and less invasive surgical solutions such as implanted sutures. Our closest competitors are makers of laser and other light-based devices, which include public companies such as Candela, Cutera, Cynosure, Lumenis, Palomar Medical Technologies and Syneron Medical, as well as many private companies.

Competing in the aesthetics market could result in price-cutting, reduced profit margins and loss of market share, any of which would harm our business, financial condition and results of operations. Our ability to compete effectively depends upon our ability to distinguish our company and our ThermaCool system from our competitors and their products, and on such factors as:

safety and effectiveness;

product pricing;

success of our marketing initiatives;

compelling clinical data;

intellectual property protection;

quality of customer support; and

development of successful distribution channels, both domestically and internationally.

Some of our competitors have more established products and customer relationships than we do, which could inhibit our market penetration efforts. For example, we have encountered, and expect to continue to encounter, situations where, due to pre-existing relationships, potential customers decided to purchase additional products from our competitors. Potential customers also may need to recoup the cost of expensive products that they have already purchased from our competitors and thus may decide not to purchase our ThermaCool system, or to delay such purchase. If we are unable to achieve continued market penetration, we will be unable to compete effectively and our business will be harmed.

In addition, some of our current and potential competitors have significantly greater financial, research and development, manufacturing, and sales and marketing resources than we have. Our competitors could utilize their greater financial resources to acquire other companies to gain enhanced name recognition and market share, as well as new technologies or products that could effectively compete with our existing product line. Given the relatively few competitors currently in the market, any business combination could exacerbate any existing competitive pressures, which could harm our business.

**Competition among providers of devices for the aesthetics market is characterized by rapid innovation, and we must continuously develop new products or our revenue may decline.**

While we attempt to protect our ThermaCool system through patents and other intellectual property rights, there are few barriers to entry that would prevent new entrants or existing competitors from developing products that compete directly with ours. For example, while we believe our monopolar RF technology maintains a strong intellectual property position, there are other companies employing competing technologies which claim to have a similar clinical effect to ours. Additionally, there are others who may market monopolar RF technology for competing purposes in a direct challenge to our intellectual property position. As we continue to create market demand for a non-surgical, non-invasive way to treat wrinkles, competitors will enter the market with other products making similar or superior claims. We expect that any competitive advantage we may enjoy from our current and future innovations may diminish over time, as companies successfully respond to our, or create their own, innovations. Consequently, we believe that we will have to continuously innovate and improve our ThermaCool



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system and technology to compete successfully. If we are unable to innovate successfully, our ThermaCool system could become obsolete and our revenue will decline as our customers purchase competing products.

### **Negative publicity and other publicly-available information regarding our Thermage procedure could harm demand, which would adversely affect sales and our financial performance.**

We have in the past experienced, and expect that in the future we will experience, negative media exposure. Such publicity may present negative individual physician or patient experience regarding the safety or effectiveness of the Thermage procedure. Competitors could attempt to use such publicity to harm our reputation and disrupt current or potential future customer relationships. While, to date, we have not observed a material impact on our quarterly financial results of operations from negative publicity, future results could be negatively impacted. Additionally, while we believe that obtaining positive publicity is important to our success, and it is an important component of our marketing efforts, we have also not observed a material impact on our quarterly financial results of operations from positive publicity.

Our reputation and competitive position may be harmed not only by negative media exposure, but also by other publicly-available information suggesting that our Thermage procedure is not safe. For example, we file adverse event reports with the FDA that are publicly available on the FDA's website if our product may have caused or contributed to a serious injury or malfunctioned in a way that would likely cause or contribute to a serious injury if it were to recur. Competitors may attempt to harm our reputation by pointing to isolated injuries that have been reported or publicized, or by claiming that their product is superior because they have not filed as many adverse event reports with the FDA. Such negative publicity and competitor behavior could harm our reputation and our future sales.

### **We outsource the repair of key elements of our first generation ThermaCool RF generator to a single repair subcontractor.**

We outsource the repair of our first generation RF generator to a single repair subcontractor, Stellartech. If Stellartech's operations are interrupted, we may be limited in our ability to repair equipment. Stellartech is dependent on trained technical labor to effectively repair our ThermaCool RF generator. In addition, Stellartech is a medical device manufacturer and is required to demonstrate and maintain compliance with the FDA's Quality System Regulation, or QSR. If Stellartech fails to comply with the FDA's QSR, its repair operations could be halted and our ability to repair first generation ThermaCool systems would be impaired.

### **Our manufacturing operations and those of our key manufacturing subcontractors are dependent upon third-party suppliers, making us vulnerable to supply shortages and price fluctuations, which could harm our business.**

Several components and materials that comprise our ThermaCool system are currently manufactured by a single supplier or a limited number of suppliers. In many of these cases, we have not yet qualified alternate suppliers and rely upon purchase orders, rather than long-term supply agreements. A supply interruption or an increase in demand beyond our current suppliers' capabilities could harm our ability to manufacture our ThermaCool system until new sources of supply are identified and qualified. Our reliance on these suppliers subjects us to a number of risks that could harm our business, including:

interruption of supply resulting from modifications to or discontinuation of a supplier's operations;

delays in product shipments resulting from uncorrected defects, reliability issues or a supplier's variation in a component;

a lack of long-term supply arrangements for key components with our suppliers;

inability to obtain adequate supply in a timely manner, or to obtain adequate supply on commercially reasonable terms;



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difficulty locating and qualifying alternative suppliers for our components in a timely manner;

production delays related to the evaluation and testing of products from alternative suppliers, and corresponding regulatory qualifications;

delay in delivery due to our suppliers prioritizing other customer orders over ours;

damage to our brand reputation caused by defective components produced by our suppliers;

increased cost of our warranty program due to product repair or replacement based upon defects in components produced by our suppliers; and

fluctuation in delivery by our suppliers due to changes in demand from us or their other customers.

Any interruption in the supply of components or materials, or our inability to obtain substitute components or materials from alternate sources at acceptable prices in a timely manner, could impair our ability to meet the demand of our customers, which would have an adverse effect on our business.

**If, in the future, we decide to perform additional manufacturing functions internally that we currently outsource, our business could be harmed by our limited manufacturing experience and related capabilities.**

We currently perform certain value-added and proprietary manufacturing processes internally at our principal facility, and we outsource the manufacture of components, subassemblies and certain finished products to a limited number of third parties. For financial or operational purposes, we may elect to perform additional component or system manufacturing functions internally. In that event, we may face a number of challenges beyond those that we currently address in our internal assembly, inspection, testing and certification activities. Implementing complex or specialized manufacturing processes could lead to difficulties in producing sufficient quantities of manufactured items that meet our quality standards and that comply with applicable regulatory requirements in a timely and cost-effective manner. In addition, if we experience these types of internal manufacturing difficulties, it may be expensive and time consuming to engage a new or previous subcontractor or supplier to fulfill our replacement manufacturing needs. The occurrence of any of these events could harm our business.

Problems in our manufacturing processes, or those of our manufacturing subcontractors, that lead to an actual or possible malfunction in the ThermaCool system, may require us to recall product from customers and could disrupt our operations. Our results of operations, our reputation and market acceptance of our products could be harmed if we encounter difficulties in manufacturing that result in a recall or patient injury, and delays in our ability to fill customer orders.

**We may not be able to develop an alternative cooling system that will be in compliance with changing environmental regulations in a timely or cost-effective manner.**

The cooling capability of our ThermaCool RF generators relies upon a hydrofluorocarbon, or HFC, called R134a, to protect the outer layer of the skin from over-heating while our device delivers RF energy to the subcutaneous tissue. New environmental regulations phasing out certain HFCs over the next decade have been adopted or are under consideration in a number of countries, and recent European Union directives require the phase-out of certain HFCs and place certain restrictions which became effective in July 2007 on the import of R134a, and new products that utilize R134a. Our research and development staff continues to develop an alternative cooling system to address changing environmental regulations. We have also put in place a solution for the European Union import restrictions. If we are unable to develop an alternative cooling system for our device in a timely or cost-effective manner, our ThermaCool system may not be in compliance with changing environmental regulations, which could result in fines, civil penalties and the inability to sell our products in certain major international markets.

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**We forecast sales to determine requirements for components and materials used in our ThermaCool system, and if our forecasts are incorrect, we may experience delays in shipments or increased inventory costs.**

We keep limited materials, components and finished product on hand. To manage our manufacturing operations with our suppliers, we forecast anticipated product orders and material requirements to predict our inventory needs up to six months in advance and enter into purchase orders on the basis of these requirements. Our limited historical experience may not provide us with enough data to accurately predict future demand. If our business expands, our demand for components and materials would increase and our suppliers may be unable to meet our demand. If we overestimate our component and material requirements, we will have excess inventory, which would increase our expenses. If we underestimate our component and material requirements, we may have inadequate inventory, which could interrupt, delay or prevent delivery of our ThermaCool system to our customers. Any of these occurrences would negatively affect our financial performance and the level of satisfaction our customers have with our business.

**Even though we require training for users of our ThermaCool system and do not sell our ThermaCool system to non-physicians, there exists a potential for misuse, which could harm our reputation and our business.**

While we only sell our ThermaCool system to licensed physicians who have met our training requirements, Federal regulations allow us to sell our ThermaCool system to licensed practitioners. The definition of licensed practitioners varies from state to state. As a result, our ThermaCool system may be operated by licensed practitioners with varying levels of training, and in many states by non-physicians, including physician assistants, registered nurses and nurse practitioners. Thus, in some states, the definition of licensed practitioner may result in the legal use of our ThermaCool system by non-physicians. Outside the United States, our independent distributors sell in many jurisdictions that do not require specific qualifications or training for purchasers or operators of our ThermaCool system. We do not supervise the procedures performed with our ThermaCool system, nor can we be assured that direct physician supervision of our equipment occurs according to our recommendations. We, and our distributors, require purchasers of our ThermaCool system to undergo an initial training session as a condition of purchase, but do not require ongoing training. In addition, we prohibit the sale of our system to companies that rent our system to third parties without our approval, but cannot prevent an otherwise qualified physician from contracting with a rental company in violation of their purchase agreement with us. The use of our ThermaCool system by non-physicians, as well as noncompliance with the operating guidelines set forth in our training programs, may result in product misuse and adverse treatment outcomes, which could harm our reputation and expose us to costly product liability litigation.

**Product liability suits could be brought against us due to defective design, labeling, material or workmanship, or misuse of our ThermaCool system, and could result in expensive and time-consuming litigation, payment of substantial damages and an increase in our insurance rates.**

If our ThermaCool system is defectively designed, manufactured or labeled, contains defective components or is misused, we may become subject to substantial and costly litigation by our customers or their patients. Misusing our ThermaCool system or failing to adhere to operating guidelines could cause significant skin damage and underlying tissue damage. In addition, if our operating guidelines are found to be inadequate, we may be subject to liability. We have been and may, in the future, be involved in litigation related to the use of our ThermaCool system. Product liability claims could divert management's attention from our core business, be expensive to defend and result in sizable damage awards against us. We may not have sufficient insurance coverage for all future claims. We may not be able to obtain insurance in amounts or scope sufficient to provide us with adequate coverage against all potential liabilities. Any product liability claims brought against us, with or without merit, could increase our product liability insurance rates or prevent us from securing continuing coverage, could harm our reputation in the industry and reduce product sales. Product liability claims in excess of our insurance coverage would be paid out of cash reserves, harming our financial condition and reducing our operating results.

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The dielectric material in our ThermaTips may degrade with prolonged operation of our device, which could, in turn, lead to skin burns. Our research and development staff continues to be innovative in designing and implementing strategies to mitigate the risks associated with breakdown of the dielectric material in our ThermaTips. If we are unable to address this issue effectively, we could be subject to product liability litigation, as well as damage to our reputation in the marketplace, as a result of potential injury to patients.

**After-market modifications to our ThermaTips by third parties and the development of counterfeit treatment tips could reduce ThermaTip sales, expose us to product liability litigation and dilute our brand quality.**

Third parties have introduced adulterated after-market modifications to our ThermaTips which have enabled re-use of our ThermaTips in multiple procedures. Because our ThermaTips are designed to withstand a finite number of firings, modifications intended to increase the number of firings could result in patient injuries caused by the use of worn-out or damaged ThermaTips. In addition, third parties may seek to develop counterfeit treatment tips that are compatible with our ThermaCool system and available to practitioners at lower prices than our own. If security features incorporated into the design of our ThermaCool system are unable to prevent after-market modifications to our ThermaTips or the introduction of counterfeit treatment tips, we could be subject to reduced ThermaTip sales, product liability lawsuits resulting from the use of damaged or defective goods and damage to our reputation for providing a quality product.

**We depend on skilled and experienced personnel to operate our business effectively. If we are unable to recruit, hire and retain these employees, our ability to manage and expand our business will be harmed, which would impair our future revenue and profitability.**

Our success largely depends on the skills, experience and efforts of our officers and other key employees. Many of our officers and key employees do not have employment contracts with us and can terminate their employment at any time. The loss of any of our senior management team members could weaken our management expertise and harm our business.

Our ability to retain our skilled labor force and our success in attracting and hiring new skilled employees will be a critical factor in determining whether we will be successful in the future. We may not be able to meet our future hiring needs or retain existing personnel. We will face particularly significant challenges and risks in hiring, training, managing and retaining engineering and sales and marketing employees, as well as independent distributors, most of whom are geographically dispersed and must be trained in the use and benefits of our ThermaCool system. Failure to attract and retain personnel, particularly technical and sales and marketing personnel, would materially harm our ability to compete effectively and grow our business.

### **Risks Related to Regulatory Matters**

**If we fail to obtain and maintain necessary FDA clearances for our ThermaCool system and indications, if clearances for future products and indications are delayed, not issued or rescinded or if there are federal or state level regulatory changes, our commercial operations would be harmed.**

Our ThermaCool system is a medical device that is subject to extensive regulation in the United States by the FDA for manufacturing, labeling, sale, promotion, distribution and shipping. Before a new medical device, or a new use of or claim for an existing product, can be marketed in the United States, it must first receive either 510(k) clearance or premarket approval from the FDA, unless an exemption applies. Either process can be expensive and lengthy. The FDA's 510(k) clearance process usually takes from one to three months, but it can last significantly longer. The process of obtaining premarket approval is much more costly and uncertain than the 510(k) clearance process, and it generally takes from one to three years, or even longer, from the time the application is filed with the FDA.

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Medical devices may be marketed only for the indications for which they are approved or cleared. We have obtained 510(k) clearance for the non-invasive treatment of wrinkles and rhytids. However, our clearances can be revoked if safety or effectiveness problems develop. We also are subject to Medical Device Reporting regulations, which require us to report to the FDA if our product causes or contributes to a death or serious injury, or malfunctions in a way that would likely cause or contribute to a death or serious injury. Our ThermaCool system is also subject to state regulations which are, in many instances, in flux. Changes in state regulations may impede sales. For example, federal regulations allow our ThermaCool system to be sold to, or on the order of, licensed practitioners, as determined on a state-by-state basis. As a result, in some states, non-physicians may legally purchase and operate our ThermaCool system. However, a state could change its regulations at any time, disallowing sales to particular types of end users. We cannot predict the impact or effect of future legislation or regulations at the federal or state levels.

The FDA and state authorities have broad enforcement powers. Our failure to comply with applicable regulatory requirements could result in enforcement action by the FDA or state agencies, which may include any of the following sanctions:

warning letters, fines, injunctions, consent decrees and civil penalties;

repair, replacement, refunds, recall or seizure of our product;

operating restrictions or partial suspension or total shutdown of production;

refusing our requests for 510(k) clearance or premarket approval of new products, new intended uses or modifications to our existing product;

withdrawing 510(k) clearance or premarket approvals that have already been granted; and

criminal prosecution.

If any of these events were to occur, our business could be harmed.

**If we modify our FDA-cleared device, we may need to seek and obtain new clearances, which, if not granted, would prevent us from selling our modified product or require us to redesign our product.**

Any modifications to an FDA-cleared device that would significantly affect its safety or effectiveness or that would constitute a major change in its intended use would require a new 510(k) clearance or possibly a premarket approval. We may not be able to obtain additional 510(k) clearances or premarket approvals for new products or for modifications to, or additional indications for, our existing product in a timely fashion, or at all. Delays in obtaining future clearances would adversely affect our ability to introduce new or enhanced products in a timely manner, which in turn would harm our revenue and potential future profitability. We have made modifications to our device in the past and may make additional modifications in the future that we believe do not or will not require additional clearances or approvals. If the FDA disagrees, and requires new clearances or approvals for the modifications, we may be required to recall and to stop marketing the modified device, which could harm our operating results and require us to redesign our product.

**If we or our repair subcontractor fail to comply with the FDA's Quality System Regulation, our business would suffer.**

We and our repair subcontractor are required to demonstrate and maintain compliance with the FDA's Quality System Regulation, or QSR. The QSR is a complex regulatory scheme that covers the methods and documentation of the design, testing, control, manufacturing, labeling, quality assurance, packaging, storage and shipping of our product. The FDA enforces the QSR through periodic unannounced inspections. We have been, and anticipate in the future to be, subject to such inspections. Our failure, or the failure of our repair subcontractor, to take satisfactory corrective action in response to an adverse QSR inspection could result in enforcement actions, including a public warning letter, a shutdown of our manufacturing operations, a recall of our product, civil or criminal penalties or other sanctions, which would cause our sales and business to suffer.



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### **We may be unable to obtain or maintain international regulatory qualifications or approvals for our current or future products and indications, which could harm our business.**

Sales of our ThermaCool system outside the United States are subject to foreign regulatory requirements that vary widely from country to country. In addition, the FDA regulates exports of medical devices from the United States. Complying with international regulatory requirements can be an expensive and time-consuming process and approval is not certain. The time required to obtain clearance or approvals, if required by other countries, may be longer than that required for FDA clearance or approvals, and requirements for such clearances or approvals may significantly differ from FDA requirements. We primarily rely upon third-party distributors to obtain most regulatory clearances and approvals required in other countries, and these distributors may be unable to obtain or maintain such clearances or approvals. Our distributors may also incur significant costs in attempting to obtain and in maintaining foreign regulatory approvals or qualifications, which could increase the difficulty of attracting and retaining qualified distributors. If our distributors experience delays in receiving necessary qualifications, clearances or approvals to market our products outside the United States, or if they fail to receive those qualifications, clearances or approvals, we may be unable to market our products or enhancements in international markets effectively, or at all. In addition, if we are unable to anticipate, plan or comply with changes in foreign regulatory requirements, our business may be significantly affected. To support the registration of products outside the United States, we must comply with and be registered to the ISO 13485: 2003 Quality System Standard. Failure to adequately maintain our ISO 13485: 2003 registration may adversely impact or prevent the registration of our products in some foreign countries.

### **Risks Related to Our Capital Requirements and Finances**

### **While we believe we currently have adequate internal control over financial reporting, we are required to assess our internal control over financial reporting on an annual basis and any future adverse results from such assessment could result in a loss of investor confidence in our financial reports and have an adverse effect on our stock.**

Pursuant to the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated by the SEC, we are required to maintain disclosure controls and procedures and adequate internal control over financial reporting. Under such requirements, we must furnish in our Form 10-K a report by our management regarding the effectiveness of our internal control over financial reporting. The report includes, among other things, an assessment of the effectiveness of our internal control over financial reporting as of the end of our fiscal year, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management. While we currently believe our internal control over financial reporting is effective, the effectiveness of our internal controls in future periods is subject to the risk that our controls may become inadequate because of changes in conditions. The effectiveness of our controls and procedures may in the future be affected by a variety of factors, including:

faulty human judgment and simple errors, omissions or mistakes;

fraudulent action of an individual or collusion of two or more people;

inappropriate management override of procedures; and

the possibility that any enhancements to controls and procedures may still not be adequate to assure timely and accurate financial information.

If we are unable to assert that our internal control over financial reporting is effective in any future period, or if our auditors are unable to express an opinion on the effectiveness of our internal controls, or conclude that our internal controls are ineffective, or if we fail to maintain adequate and effective internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our stock price.

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**Risks Related to Our Common Stock**

**If our public guidance or our future operating performance does not meet investor expectations, our stock price could decline.**

We provide guidance to the investing community regarding our anticipated future operating performance. In the past we have updated guidance because our actual results were different than originally anticipated. Our business typically has a short sales cycle, so that we do not have significant backlog of orders at the start of a quarter, and our ability to sell our ThermaCool system successfully is subject to many uncertainties, as discussed. In light of these factors, it is difficult for us to estimate with accuracy our future results. Our expectations regarding these results will be subject to numerous risks and uncertainties that could make actual results differ materially from those anticipated. If our actual results do not meet our public guidance or our guidance or actual results do not meet the expectations of third-party financial analysts, our stock price could decline significantly.

**We expect that the price of our common stock will fluctuate substantially.**

The market price of our common stock is likely to be highly volatile and may fluctuate substantially due to many factors, including:

volume and timing of sales of our ThermaCool system;

the introduction of new products or product enhancements by us or our competitors;

disputes or other developments with respect to our intellectual property rights or the intellectual property rights of others;

our ability to develop, obtain regulatory clearance or approval for and market new and enhanced products on a timely basis;

hiring or departure of executive officers or key employees;

product liability claims or other litigation;

quarterly variations in our or our competitors' results of operations;

sales of large blocks of our common stock, including sales by our executive officers and directors;

developments in our industry;

media exposure of our ThermaCool system or products of our competitors;

changes in governmental regulations or in the status of our regulatory approvals or applications;

changes in earnings estimates or recommendations by securities analysts; and

general market conditions and other factors, including factors unrelated to our operating performance or the operating performance of our competitors.

These and other factors may make the price of our stock volatile and subject to unexpected fluctuation.

**A sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.**

If our stockholders sell substantial amounts of our common stock in the public market, for example, liquidation of shares held by our principal shareholders, including shares issued upon the exercise of outstanding options or warrants, the market price of our common stock could decline. These sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.



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### **Our directors, officers and principal stockholders have significant voting power and may take actions that may not be in the best interests of our other stockholders.**

Our officers, directors and principal stockholders each holding more than 5% of our common stock collectively control approximately 40% of our outstanding common stock. As a result, these stockholders, if they act together, will be able to significantly influence the management and affairs of our company and most matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing a change in control and might adversely affect the market price of our common stock. This concentration of ownership may not be in the best interests of our other stockholders.

### **Anti-takeover provisions in our Amended and Restated Certificate of Incorporation and Bylaws, and Delaware law, contain provisions that could discourage a takeover.**

Our certificate of incorporation and bylaws, and Delaware law, contain provisions that might enable our management to resist a takeover, and might make it more difficult for an investor to acquire a substantial block of our common stock. These provisions include:

a classified board of directors;

advance notice requirements to stockholders for matters to be brought at stockholder meetings;

a supermajority stockholder vote requirement for amending certain provisions of our amended and restated certificate of incorporation and bylaws;

limitations on stockholder actions by written consent; and

the right to issue preferred stock without stockholder approval, which could be used to dilute the stock ownership of a potential hostile acquirer.

These provisions might discourage, delay or prevent a change in control of our company or a change in our management. The existence of these provisions could adversely affect the voting power of holders of common stock and limit the price that investors might be willing to pay in the future for shares of our common stock.

### **We have a large number of authorized but unissued shares of stock, which could negatively impact you if you purchase our common stock.**

Our certificate of incorporation provides for 100,000,000 shares of authorized common stock, of which approximately 75.9 million shares will be available for future issuance, and 10,000,000 shares of preferred stock, all of which will be available for future issuance. The issuance of additional shares of common stock may have a dilutive effect on earnings per share and relative voting power. We could use the shares of common stock that are available for future issuance in dilutive equity financing transactions, or to oppose a hostile takeover attempt or delay or prevent changes in control or changes in or removal of management, including transactions that are favored by a majority of the stockholders or in which the stockholders might otherwise receive a premium for their shares over then-current market prices or benefit in some other manner.

Our board of directors will be authorized, without further stockholder approval, to issue up to 10,000,000 shares of preferred stock with such rights, preferences and privileges as our board may determine. These rights, preferences and privileges may include dividend rights, conversion rights, voting rights and liquidation rights that may be greater than the rights of our common stock. As a result, the rights of holders of our common stock will be subject to, and could be adversely affected by, the rights of holders of any preferred stock that may be issued in the future.

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**We have not paid dividends in the past and do not expect to pay dividends in the future, and any return on investment may be limited to the value of our stock.**

We have never paid cash dividends on our common stock and do not anticipate paying cash dividends on our common stock in the foreseeable future. The payment of dividends on our common stock will depend on our earnings, financial condition and other business and economic factors affecting us at such time as our board of directors may consider relevant. If we do not pay dividends, our stock may be less valuable because a return on investment will only occur if our stock price appreciates.

### **Risks Related to Reliant**

#### **Risks Related to Reliant's Business**

**Reliant has a limited history of operations with its Fraxel laser systems and Reliant has a history of net losses.**

Reliant began the development of fractional laser technology and the design of its first Fraxel laser systems in 2001. Reliant commercially launched its first laser system, the Fraxel SR750 laser system, the predecessor to its Fraxel re:store laser system, in North America in late 2004 and outside North America in early 2005. Consequently, Reliant has a limited operating history with its Fraxel laser systems upon which you can evaluate its business. Reliant incurred net losses of approximately \$18.2 million, \$20.9 million, and \$17.8 million in 2005, 2006 and 2007, respectively, and as of June 30, 2008, Reliant had an accumulated deficit of \$87.9 million. The future success of the combined businesses will depend on a number of factors, including Reliant's ability to increase sales and distribution capabilities, increase consumable treatment tip sales, successfully develop and receive regulatory approval for new applications for the Fraxel laser systems, and control costs, which it may be unable to do.

**Reliant currently derives substantially all of its revenue from sales of the Fraxel laser systems and the consumable treatment tips required to perform procedures. These products were recently introduced and could fail to generate significant revenue or achieve market acceptance.**

Reliant's current product offering consists of the Fraxel laser systems and the consumable treatment tips required to perform treatments with the Fraxel laser systems. As of June 30, 2008, substantially all of Reliant's revenue has been derived from the sale of its Fraxel re:store laser system, its predecessor the Fraxel SR750 laser system, the Fraxel re:fine laser system and associated consumables. Reliant expects that its Fraxel laser systems and associated consumables will account for substantially all of its revenue for at least the next several years.

Reliant's Fraxel laser systems have limited product and brand recognition and have been used by only a limited number of practitioners. Additionally, Fraxel laser systems implement a recently developed technology which is referred to as fractional resurfacing. Reliant may have difficulty gaining widespread acceptance of the Fraxel laser systems among physicians and patients for a number of reasons, including:

their failure to understand or recognize the benefits of fractional resurfacing;

failure to differentiate Reliant's systems and technology from other laser or light-based skin aesthetic systems and technology;

failure to establish the Fraxel brand in the marketplace and to realize the benefits of Reliant's investment in branding;

the absence of reimbursement from third-party sources for procedures performed with Reliant's products;

actual or perceived liability risks associated with the use of Reliant's technologies or procedures;

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the costs of the Fraxel laser systems and Reliant's consumable treatment tips;

the introduction or existence of competing products or procedures that may be cheaper, more effective, safer or easier to use than the Fraxel laser systems or marketed by companies with greater resources, better known brands or with a larger installed base of treatment systems;

adverse results from any long-term clinical studies or patient experience relating to the safety or effectiveness of the Fraxel laser systems; and

the actual or perceived effectiveness of the Fraxel laser systems compared to other surgical and non-surgical treatments for improving skin texture and appearance or for treating a number of aesthetic skin conditions including wrinkles around the eyes, acne and surgical scars, pigmented lesions (including age spots, sun damage and melasma), and soft tissue coagulation.

If physicians and patients do not adopt fractional resurfacing technology or Fraxel laser systems in significant numbers, Reliant's operating results would be harmed.

**Reliant competes against a number of companies, many of which have longer operating histories, more established products and greater resources, which may prevent it from achieving significant market penetration or improved operating results.**

Reliant's products compete directly against laser and light based skin rejuvenation products offered by companies such as Alma Lasers, Cutera, Cynosure, Lumenis, Lutronic, Palomar Medical Technologies, Sciton, and Syneron Medical. Palomar Medical Technologies and, more recently, Lutronic, have obtained FDA 510(k) clearance for laser products, claiming a Fraxel laser system as a predicate device, and other companies may do the same. Reliant also competes against existing and emerging laser and light-based products that in many cases require a lower initial capital investment by the practitioner and that may have treatment prices significantly lower than those performed with Reliant's products. In addition, Reliant competes against existing and emerging treatment alternatives such as cosmetic surgery, chemical peels, dermabrasions, microdermabrasions, Botox, dermal fillers and collagen injections. These alternative procedures often require a lower initial capital investment by the practitioner, are well established with a larger number of practitioners, and may be less invasive than Reliant's procedures. Some of Reliant's competitors are publicly-traded companies and others have significantly greater operating histories than Reliant, and many of them may enjoy several competitive advantages, including:

greater name recognition;

more extensive intellectual property protection;

established relationships with practitioners and other health care professionals;

established domestic and international distribution networks;

additional lines of products or existing treatment systems, and the ability to offer rebates or bundle products to offer higher discounts or incentives to gain a competitive advantage;

greater experience in conducting research and development, manufacturing, clinical trials, obtaining regulatory approval for products and marketing approved products; and

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greater financial resources for product development, sales and marketing and patent litigation. Additionally, some of Reliant's potential customers may have already invested significant capital in one or more of its competitors' treatment systems or laser systems and, as a result, may be unwilling or unable to invest additional amounts in the purchase of Reliant's system.

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Reliant's ability to compete effectively depends upon its ability to distinguish its company and its products from its competitors and their products, and includes such factors as:

product performance;

product pricing;

development of successful distribution channels, both domestically and internationally;

success and timing of new product development and introduction;

development of a recognized consumer brand; and

intellectual property protection.

If Reliant is unable to compete effectively as a result of these factors or in these areas, it will not be able to achieve its targeted market penetration and its business will be harmed.

**If Reliant is unable to convince patients and physicians, particularly physicians who are not specialists already active in the field, that Fraxel laser systems are an effective alternative to existing therapies and treatments, Reliant's operating results will be significantly harmed.**

Fraxel laser systems treat patients through fractional resurfacing, a relatively new technology in the field of treatments for aesthetic skin conditions. Reliant believes that physicians and patients will not adopt Fraxel laser treatments unless they determine, based on experience and other factors, that the procedure is a safe and effective alternative to existing therapies and treatments, including those offered by other aesthetic laser companies. Physicians who are not specialists already active in the field are likely to be especially cautious in adopting Fraxel laser treatments. If Fraxel laser systems do not receive support from an increasing number of physicians and other health care providers, or if new long-term studies or comparative studies generate results that are not as favorable as Reliant's current clinical results, fewer physicians may purchase Reliant's systems and fewer patients may elect to undergo Reliant's procedure. As a result, Reliant's operating results and business would be harmed.

To achieve increasing sales of Fraxel laser systems over time, Reliant believes it must continue to penetrate the market for the treatment of aesthetic skin conditions and expand physicians' education with respect to the Fraxel laser systems. Reliant's current U.S. list prices for Fraxel laser systems exceed the list prices of laser systems offered by some competitors. Moreover, many competing laser systems do not require the purchase of consumable treatment tips, and could be perceived by practitioners as providing roughly equivalent results for patients at a lower initial investment or without the additional cost of consumable tips. Not all physicians who may be otherwise interested in performing procedures with Fraxel laser systems may be willing to make such a capital investment, particularly physicians who are not specialists already active in the field. Furthermore, there are less expensive alternative procedures that can be used to treat some of the skin conditions that Fraxel laser systems treat and require little or no capital investment, such as microdermabrasions, Botox injections, dermal fillers and chemical peels. As a result, Reliant cannot be certain of gaining greater market acceptance of Fraxel laser systems and therefore may not achieve further revenue growth or become profitable. Failure of Fraxel laser systems to significantly penetrate current or new markets would negatively impact Reliant's business, financial condition and results of operations.

**Because Reliant generates a significant percentage of its revenue at the end of each quarter, delays in sales beyond the end of a particular quarter can substantially diminish its revenue for that quarter.**

Reliant has typically generated, and expects to continue to generate, the majority of the sales of its Fraxel laser systems in the final month of each quarter, with a significant portion of such revenue generated in the last week of the quarter. A delay in shipments beyond the end of a

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particular quarter could substantially diminish Reliant's anticipated revenue for that quarter. In addition, many of Reliant's expenses must be incurred whether

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or not it generates revenue. As a result, if orders are not received when expected in any given quarter, revenues could fall short of its expectations, in which case expenditure levels would be disproportionately high in relation to revenue for that quarter.

**Reliant's quarterly financial results are difficult to predict and are likely to fluctuate significantly from period to period and could be below expectations.**

Reliant's limited operating history and short commercialization experience make it difficult to predict future performance. Due to the price of Reliant's Fraxel laser systems, variations in unit sales and/or product mix can cause revenue to vary significantly from quarter to quarter. In addition, Reliant's Fraxel laser systems utilize consumable treatment tips that need to be replaced following a certain amount of usage. Reliant bases its production, inventory and operating expenditure levels on anticipated orders of the Fraxel laser systems and consumable treatment tips. In recent quarters, the majority of Reliant's sales have occurred in the last part of the quarter, and, if orders are not received when expected in any given quarter, revenues could fall short of its expectations, in which case expenditure levels would be disproportionately high in relation to revenue for that quarter. A number of additional factors, over which Reliant has limited control, may contribute to fluctuations in Reliant's quarterly financial results, such as:

market pricing of aesthetic laser products and procedures or related maintenance or services;

utilization levels of Reliant's consumable treatment tips;

seasonal factors and timing of the sale of the Fraxel laser systems;

spending related to expansion of Reliant's sales, marketing, manufacturing and administrative staff and product development activities;

timing of orders received;

performance of Reliant's international third-party distributors;

timing of marketing campaigns by Reliant or its competitors;

media coverage of Reliant or the industries in which it operates;

Reliant's ability to train practitioners in using the Fraxel laser systems;

delays in, or failure of, delivery of components by Reliant's suppliers;

delays in the introduction or acceptance of Reliant's future products;

introductions of new and improved products by competitors;

increases in the length of Reliant's sales cycle, particularly as it introduces new products targeted at a broader group of practitioners;

product recalls;

levels of returns and repairs;

issuances, and changes in value, of equity grants;

fluctuations in foreign currencies;

general financial, economic and political reasons;

fluctuations in Reliant's product or channel mix;

changes in Reliant's ability to obtain and maintain regulatory approvals and their timing;

Reliant's ability to recruit and retain talented sales personnel; and

reductions in the efficiency of Reliant's manufacturing or shipping processes.



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These factors, many of which are not within Reliant's control, may cause its revenue and other quarterly results of operations to fluctuate substantially. For example, Fraxel laser system sales that are initially expected to fall into one quarter may not be made until the following quarter. In addition, customers may purchase the consumable treatment tips in bulk quantities infrequently as opposed to as needed throughout the year.

### **As a result of seasonal patterns in Reliant's revenue, its quarterly results may fluctuate.**

Reliant has experienced seasonal patterns in the sale of its Fraxel laser systems. Historically, a disproportionate amount of Reliant's sales have occurred during the fourth quarter primarily as a result of the tax incentives available to its physician customers for capital equipment purchased prior to year end. In particular, approximately 32%, 39% and 27% of Reliant's net revenues for the years ended December 31, 2005, December 31, 2006 and December 31, 2007, respectively, were generated during the fourth quarter of each year. In the future, Reliant's seasonal sales patterns may become more pronounced and may cause a shortfall in revenue as compared to expenses in a given period, which would substantially harm its business and results of operations. Reliant does not expect these seasonal patterns to change significantly in the foreseeable future.

### **Reliant is dependent on sole-source suppliers, in particular IPG Photonics, and the loss of any of these suppliers, their failure to comply with applicable regulations, or their inability to supply Reliant with an adequate amount of high-quality materials could harm Reliant's business.**

Reliant depends on several sole-source suppliers to develop and manufacture the critical components used in the Fraxel laser systems. Reliant depends exclusively on IPG Photonics, or IPG, to supply it with the highly specialized fiber lasers used in the Fraxel re:store and Fraxel re:fine products. Reliant has entered into a supply agreement with IPG that terminates in December 2009. Reliant is currently unaware of any alternative suppliers that could manufacture a fiber laser meeting the required specifications and quality standards and believe it could take a year or longer to locate and qualify an alternative supplier of the fiber laser, if ever. In the event IPG was to cease supplying Reliant with fiber lasers, Reliant cannot assure you that it would be able to locate an alternative supplier or that any alternative supplier could supply Reliant with fiber lasers in a timely manner and on reasonable terms or at all. While many of the other components used in the Fraxel laser systems are available from multiple sources, Reliant obtains some components, including the scanning wheel, scanning wheel motor and CO<sub>2</sub> laser for the Fraxel re:pair product, from single sources. To be successful, Reliant's manufacturers and suppliers must provide it with the components of its systems in requisite quantities, in compliance with regulatory requirements, in accordance with agreed upon specifications, at acceptable cost and on a timely basis. Reliant's reliance on these sole-source suppliers subjects it to a number of risks that could harm its business, including:

Reliant may not receive the number of quality parts it requires from its suppliers should these suppliers give other customers' needs a higher priority than Reliant's;

Reliant may experience interruptions of supply resulting from modifications to or temporary or permanent interruptions in a supplier's operations;

Reliant may experience delays in product shipments or product unavailability resulting from uncorrected defects, regulatory noncompliance, reliability issues or a supplier's variation in a component;

Reliant may be unable to obtain adequate supply in a timely manner, or on commercially reasonable terms;

Reliant may have difficulty locating and qualifying alternative suppliers for its components in a timely manner;

suppliers may discontinue parts or otherwise refuse to supply parts to Reliant;

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suppliers may raise prices on Reliant's parts to the point where production of its laser systems is less profitable or is not commercially viable;

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once Reliant identifies alternative suppliers, it could experience production delays related to the evaluation and testing of products from those alternative suppliers and to obtaining corresponding regulatory qualifications; and

some of Reliant's suppliers are small, privately-held companies which could encounter financial or other difficulties that could cause them to modify or discontinue their operations at any time.

Any interruption in the supply of components or materials, or Reliant's inability to obtain substitute components or materials from alternate sources at acceptable prices in a timely manner, could impair Reliant's ability to meet the demand of its customers, which would have an adverse effect on its business.

**Reliant has limited marketing, sales and distribution capabilities and experience, and its efforts in most geographic regions outside the United States are dependent on third parties.**

In the United States, Reliant currently markets and sells its products primarily to plastic surgeons and dermatologists through a direct sales force that it began assembling in 2004. As a result, Reliant's direct sales force has limited experience in marketing and selling Reliant's products, and it competes directly against the experienced and well-funded sales organizations of some of Reliant's competitors. Reliant also markets its products to general practitioners, gynecologists, ophthalmologists and others. Reliant sells its products outside the United States generally through third-party distributors, and recently started to sell directly in Germany and the United Kingdom. Reliant's distributor agreements are for limited periods, usually one year, and Reliant generally grants the distributor the exclusive right to sell its products in the assigned territory, although the distributor is permitted to also represent products that could be deemed competitive to Reliant's Fraxel laser systems.

Reliant's future revenue growth will largely depend on its success in maintaining and expanding its marketing, sales and distribution channels, which will likely be an expensive and time-consuming process. Reliant is highly dependent upon the efforts of its sales force, and internationally, the efforts of third-party distributors, to increase its revenue. Reliant will face significant challenges and risks in training, managing and retaining these employees. Reliant may not be able to hire sufficient sales personnel to service demand for its products. With respect to international sales, Reliant cannot assure you that it will be able to enter into agreements with additional third-party distributors on commercially reasonable terms, or at all. Additionally, Reliant's existing distribution agreements are short-term and it cannot assure you that it will be able to renew them on commercially reasonable terms, or at all. The loss of one or more of Reliant's distributors could have a material adverse effect on its business. Even if Reliant is able to enter into agreements with additional third-party distributors and renew its existing agreements, its third-party distributors may not commit the necessary resources to effectively market, sell and distribute its products and services. Reliant also faces challenges in training its third-party distributors on the benefits of Reliant's products and in ensuring Reliant's third-party distributors have sufficient incentive to focus their efforts on selling its products. If Reliant is unable to maintain and expand its direct and third-party marketing, sales and distribution networks, it may be unable to sell enough of its products for its business to be profitable and its financial condition and results of operations will suffer.

**Because Reliant launched its first Fraxel laser system in 2004, it lacks published long-term data regarding the safety and efficacy of Fraxel laser systems. If any long-term data is not positive or consistent with Reliant's limited short-term data, its business will suffer.**

Reliant's Fraxel laser systems have only recently been introduced, and practitioners may choose not to purchase Fraxel laser systems until they receive additional published long-term data and recommendations from prominent physicians and other health care providers that Reliant's systems are safe and effective. Because Reliant launched its first Fraxel laser system in 2004, there is no data available regarding the long-term safety and efficacy of Fraxel laser systems, and the results in Reliant's existing clinical studies may not be indicative of results that will be experienced by patients over time. Clinical studies of aesthetic treatments are subject to a

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number of limitations. These studies do not involve well-established objective standards for measuring the effectiveness of treatment. Subjective before and after evaluation of the extent of change in the patient's appearance, performed by a medical professional or by the patient, is the most common method of evaluating effectiveness. A clinical study may conclude that a treatment is effective even if the change in appearance is subtle and not long-lasting. Furthermore, some of Reliant's existing data has been produced in studies that involve relatively small patient groups, and the data may not be reproducible in larger and more diverse patient populations or with less skilled practitioners. Additional long-term patient follow-up studies may indicate that Fraxel laser systems are not as safe and effective as Reliant believes or are as safe and effective as alternative treatments offered by others now or in the future. If new independent studies or comparative studies generate long-term results that are not as favorable as Reliant's current clinical results, Reliant's business will suffer.

**Reliant's products and products in development may cause undesirable side effects that could limit their use, require their removal from the market or prevent further development.**

The potential side effects associated with treatments using Fraxel laser systems may include bruising, redness, infection, swelling, burning, blistering, eye damage and undesirable pigmentation changes. These side effects may limit the use of Fraxel laser systems, particularly if physicians or patients perceive that the risk of side effects outweighs the benefits. If a severe side effect were to be associated with any of Reliant's products, Reliant could be required by the U.S. Food and Drug Administration, or FDA, or other regulators to suspend the marketing of the products, conduct additional safety tests and potentially cease the sale of its products. More severe effects associated with Reliant's products or products in development, including those that require reporting under Medical Device Reporting, or MDR, regulations, may be observed in the future. In addition, Reliant faces the potential for product liability claims from patients who experience side effects, whether or not any action is taken by a regulatory authority. Undesirable side effects could prevent Reliant from achieving or maintaining market acceptance of the affected product or could substantially increase the costs and expenses of commercializing the product. As of June 30, 2008, pursuant to the MDR regulations, Reliant has reported to the FDA 16 incidents related to scarring or necessary medical intervention to preclude the formation of scarring following treatments with the Fraxel SR750 laser or the Fraxel re:store laser. Two of these incidents also involved infections.

**Reliant's ability to compete depends upon its ability to innovate, develop and commercialize new products and product enhancements, and identify new markets for its products and technology.**

The market for aesthetic skin procedures is highly competitive and dynamic, and marked by rapid and substantial technological development and product innovations and aggressive sales and marketing activities by competitors. Because of the size of the market for aesthetic skin procedures, Reliant anticipates that new or existing competitors will develop competing products, procedures or clinical solutions. These products, procedures or clinical solutions could be more effective, less invasive, easier to perform or less costly than Reliant's Fraxel procedures. The introduction of new products, procedures or clinical solutions by competitors may result in price reductions, reduced margins or loss of market share and may render Reliant's products obsolete. In addition, there are few barriers that prevent new entrants or existing companies from developing additional products in this market, including products that compete directly with Reliant's. For example, existing competitors have developed products based on fractional resurfacing technology. To be successful, Reliant must, among other things, enhance its products, develop new and innovative applications of fractional resurfacing and design, develop and market new products that successfully respond to competitive developments. The success of any product enhancement or new product offering will depend on several factors, including Reliant's ability to:

develop or acquire new products that either add to or significantly improve Reliant's current product portfolio;

successfully establish the Fraxel brand in the minds of consumers thus driving demand for new and existing products;

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convince Reliant's current and future customers that any new product or product upgrade would be an attractive revenue-generating addition to their practices;

sell the Fraxel laser systems to additional customers, general practitioners, gynecologists, ophthalmologists, and others;

discover, test and validate new applications for the Fraxel laser systems;

protect the Fraxel laser systems with defensible intellectual property;

timely process Reliant's regulatory filings and satisfy and maintain all regulatory requirements for commercialization;

maintain effective research collaborations; and

maintain effective sales and marketing strategies.

Reliant may be unable, however, to develop new products and technologies or new applications for its products, at the rate it expects, or at all, which could adversely affect its ability to grow and its financial results.

**Reliant sells its Fraxel laser systems internationally and is subject to various risks relating to such international activities which could adversely affect its international sales and operating performance.**

During the year ended December 31, 2007 and the six months ended June 30, 2008, 38% and 35%, respectively, of Reliant's net revenues was attributable to sales to areas outside of the United States. Reliant believes that a significant percentage of its future revenue will come from international sales as it expands its overseas operations and develop opportunities in additional international areas. During the year ended December 31, 2005, 18% of Reliant's net revenues was attributable to sales in South Korea. Reliant's international business may be adversely affected by changing economic, political and regulatory conditions in foreign countries. Because the majority of Reliant's sales are currently denominated in U.S. dollars, if the value of the U.S. dollar increases relative to foreign currencies, its products could become more costly to the international consumer, and therefore less competitive in international markets, which could affect its financial performance. Furthermore, fluctuations in exchange rates could reduce Reliant's revenue and affect demand for its products. Engaging in international business inherently involves a number of other difficulties and risks, including:

required compliance with existing and changing foreign regulatory requirements and laws;

export or import restrictions;

controls relating to the import and use of technology;

pricing pressure that Reliant has experienced internationally;

laws and business practices favoring local companies;

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longer payment cycles;

difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;

political and economic instability;

potentially adverse tax consequences, tariffs, customs charges, bureaucratic requirements and other trade barriers;

international terrorism and anti-American sentiment;

cultural acceptance and attitudes towards aesthetic treatments;

difficulties in penetrating markets in which Reliant's competitors' products are more established;

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difficulties and costs of staffing and managing foreign operations; and

difficulties in protecting or procuring intellectual property rights.

If one or more of these risks occurs, it could require Reliant to dedicate significant resources to remedy, and if it is unsuccessful at finding a solution, Reliant's financial results will suffer.

**Procedures using Fraxel laser systems may be performed by non-physicians, which could increase the potential for misuse of Reliant's products, which could harm Reliant's reputation and business.**

Regulations in many states permit Reliant to sell its products only to licensed practitioners. Not all licensed practitioners may be specifically trained in performing aesthetic procedures. Additionally, in some states Reliant's products may be used by non-physicians, such as a nurse practitioners, technicians or physician assistants under the supervision of a licensed practitioner. Outside the United States, many regions do not require specific qualifications or training for purchasers or operators of Reliant's products. Reliant develops and markets its products with these users in mind. However, Reliant's products may be operated by persons with varying levels of experience and training. The lack of experience and training, and the use of Reliant's products by non-physicians, may result in product misuse and adverse treatment outcomes, which could harm Reliant's reputation and expose it to costly product liability litigation. In addition, some states have introduced legislation that restricts the use of laser treatment systems to physicians, or designated specialists which may negatively impact other licensed practitioner's decision to purchase Reliant's laser systems.

**If third parties are able to supply consumable treatment tips for Fraxel laser systems to Reliant's customers, Reliant's business could be adversely impacted.**

Reliant's consumable treatment tips are protected by an encryption technology that is designed to authenticate that the tips are supplied by Reliant or by a supplier authorized by Reliant. In March 2006, Reliant became aware that a third party had been able to reprogram its tips for the Fraxel SR750 laser systems. In August 2006, Reliant became aware that this third party had begun selling such refurbished tips to some of Reliant's customers. The Fraxel SR750 laser system, the predecessor to the Fraxel re:store laser system, is currently not actively marketed by Reliant. Reliant does not believe that any third party has been able to reprogram the tips for the other Fraxel laser systems. However, it is possible that a third party may be able to do so. In addition, a third party may find other methods of circumventing Reliant's encryption technology and other technological barriers that Reliant has employed to ensure that only Reliant's tips are used with Fraxel laser systems. If a third party is able to supply consumable treatment tips to Reliant's customers, this could result in:

a reduction in the rate of consumable treatment tip sales by Reliant;

price pressure on Reliant's sales of its consumable treatment tips;

reduction in the safety or efficacy of treatments performed with the Fraxel laser systems; and

damage to the Fraxel brand and associated loss of goodwill.

**Reliant has limited experience manufacturing Fraxel laser systems and consumable treatment tips in commercial quantities, which could adversely impact its business.**

Reliant began manufacturing its first Fraxel laser systems and consumable treatment tips in late 2004. Because Reliant has only limited experience in manufacturing in commercial quantities, Reliant may encounter unforeseen situations that would result in delays or shortfalls. Reliant faces significant challenges and risk in manufacturing Fraxel laser systems and consumable treatment tips, including:

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Reliant's production processes may have to change to accommodate any significant future expansion of its manufacturing operations and growth;



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key components of Fraxel laser systems are currently provided by a single supplier or limited number of suppliers, and Reliant does not maintain large inventory levels of these components;

Reliant has limited experience manufacturing Fraxel laser systems in compliance with FDA's Quality System Regulation; and

to increase Reliant's manufacturing output significantly, it will have to attract and retain qualified employees, who may be in short supply, for the assembly and testing operations.

If Reliant is unable to keep up with demand for Fraxel laser systems, its revenue could be impaired, market acceptance for Fraxel laser systems could be adversely affected and Reliant's customers might instead purchase competitors' products.

**Reliant forecasts sales to determine requirements for components and materials used in its products and if its forecasts are incorrect, it may experience either delays in shipments or increased inventory carrying costs.**

Reliant keeps limited materials and components on hand. To manage its manufacturing operations with its suppliers, Reliant forecasts anticipated product orders and material requirements to predict its inventory needs up to six months in advance and enter into purchase orders on the basis of these requirements. Reliant's limited historical experience may not provide it with enough data to accurately predict future demand. If Reliant's business expands, its demand for components and materials would increase and its suppliers may be unable to meet its demand. If Reliant overestimates its component and material requirements, it will have excess inventory. If Reliant underestimates its component and material requirements, it may have inadequate inventory, which could interrupt, delay or prevent delivery of its products to its customers. Any of these occurrences could negatively affect Reliant's financial performance and the level of satisfaction its customers have with its products.

**Components used in Reliant's products are complex in design, and any defects not discovered prior to shipment to customers could result in warranty claims, reducing Reliant's revenue and increasing its cost.**

In manufacturing its products, Reliant depends upon third parties for the supply of various components. Many of these components require a significant degree of technical expertise to produce. If Reliant's suppliers fail to produce components to specification, or if the suppliers, or Reliant, use defective materials or workmanship in the manufacturing process, the reliability and performance of Reliant's products will be compromised. In addition, the consumable treatment tips used by the Fraxel laser systems are currently designed to permit a number of treatments per tip, prior to replacement. If the consumable treatment tips wear out at a faster pace than Reliant expects, its customers may become dissatisfied and sales revenue may be harmed.

If Reliant's products contain defects that cannot be repaired easily and inexpensively, Reliant may experience:

loss of customer orders and delay in order fulfillment;

damage to its brand reputation;

increased cost of its warranty program due to product repair or replacement;

product recalls;

additional regulatory filings;

inability to attract new customers;

diversion of resources from its manufacturing and research and development departments into its service department; and

legal claims against it.

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The occurrence of any one or more of the foregoing could negatively affect Reliant's financial performance and the level of satisfaction its customers have with its business.

### **The expense and potential unavailability of insurance coverage for Reliant's customers could adversely affect Reliant's ability to sell its products and its financial condition.**

Some of Reliant's customers and prospective customers may have difficulty in procuring or maintaining liability insurance to cover their operation and use of the Fraxel laser systems. Medical malpractice carriers are withdrawing or reducing coverage in certain states or substantially increasing premiums. If this trend continues or worsens, Reliant's customers may discontinue using the Fraxel laser systems and, industry-wide, potential customers may opt against purchasing laser and other light based products due to the cost or inability to procure adequate and/or cost effective insurance coverage.

### **Reliant depends on skilled and experienced personnel to operate its business effectively. If Reliant is unable to recruit, hire and retain these employees, its ability to manage and expand its business will be harmed, which would impair future revenue and operating performance.**

Reliant's success will depend on its ability to attract and retain qualified personnel in the future, including scientists, clinicians, engineers and other highly skilled personnel. Competition for scientists, clinicians and engineers, is intense and Reliant may not be able to retain its personnel. The loss of the services of scientists, clinicians or engineers could prevent the implementation and completion of Reliant's objectives, including the development and introduction of its products. Reliant's ability to retain its skilled labor force and its success in attracting and hiring new skilled employees will be a critical factor in determining whether it will be successful in the future. Reliant will face particularly significant challenges and risks in hiring, training, managing and retaining engineering and sales and marketing employees, as well as independent distributors, most of whom are geographically dispersed and must be trained in the use and benefits of Reliant's products. Failure to attract and retain personnel, particularly technical and sales and marketing personnel, would materially harm Reliant's ability to compete effectively and grow its business.

## **Risks Related to Intellectual Property**

### **Reliant may be involved in future costly intellectual property litigation, which could impact its future business and financial performance.**

The medical device industry, and the aesthetic laser industry in particular, is characterized by extensive litigation and administrative proceedings over patent and intellectual property rights. Whether a product infringes a patent involves complex legal and factual issues, the determination of which is often uncertain. A third party has asserted and third parties may in the future assert, that Reliant's products and/or the methods it employs are covered by their patents or other intellectual property rights. In particular, in April 2006, Reliant received a letter from a third party asserting that its use of infrared laser technology in its laser systems potentially implicates patents exclusively licensed to the third party. Reliant engaged in discussions with the third party subsequent to receipt of the letter but Reliant does not believe that such third party possesses intellectual property rights that pertain to Reliant's products. In November 2007, Reliant received a letter from a third party asserting that Reliant needed a license to a patent not owned by Reliant. Reliant does not believe that the assertions of the third party have merit. Because patent applications can take many years to issue, there may be applications now pending of which Reliant is unaware that may later result in issued patents that Reliant's technology or its Fraxel laser systems may infringe. There also may be existing patents of which Reliant is unaware that one or more components of its Fraxel laser system may inadvertently infringe. In addition, Reliant's competitors may apply for and obtain patents that could prevent, limit or interfere with Reliant's ability to make, use, sell or import its products.

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Any litigation or claim against Reliant may cause it to incur substantial costs, could place a significant strain on its financial resources, divert the attention of management from its business and harm its reputation. If an asserted patent were upheld as valid and enforceable against Reliant and Reliant were found to infringe, Reliant could be prevented from selling its products unless and until it could obtain a license to use the technology covered by such patents or are able to redesign its products to avoid infringement. A license may not be available at all or on terms acceptable to Reliant, and Reliant may not be able to redesign its products to avoid any infringement. Modification of Reliant's products or development of new products that do not infringe could require Reliant to conduct additional clinical trials and to obtain new or modified approvals or clearances from the FDA, and other regulatory bodies, which would be time-consuming, expensive and uncertain. If Reliant is not successful in obtaining a license or redesigning its products, it may be unable to sell its products and its business would suffer.

Reliant may become involved in litigation not only as a result of alleged infringement of a third party's patents or other intellectual property rights but also to protect its own intellectual property. Reliant may become involved in litigation to protect the trademark rights associated with its brand names, including the names of its products. Although Fraxel is Reliant's registered trademark, Reliant did not adopt the name until 2004 and does not know whether others will assert that this name infringes their trademark rights. In addition, other names Reliant chooses for its products may be claimed to infringe trademarks held by others. If Reliant has to change the name of its products, it may experience a loss in goodwill associated with its brand names, customer confusion and a loss of sales.

**Reliant's intellectual property rights may not provide adequate protection for some or all of its products, which may permit third parties to compete against it more effectively.**

Reliant's success depends significantly on its ability to protect Reliant's proprietary rights and technologies used in its products. Reliant relies on a combination of patent, copyright, trademark and trade secret laws, and nondisclosure, confidentiality and other contractual restrictions to protect its technology and products. Some of the components of the Fraxel laser systems, such as Reliant's consumable treatment tips, currently are not, and in the future may not, be protected by Reliant's issued patents. Reliant has filed numerous patent applications for several of these components; however, its patent applications may not issue as patents or, if issued, may not issue in a form that will be advantageous to Reliant. Reliant's issued patents, and those that may issue in the future, may be challenged, invalidated based on prior art or legally circumvented by third parties. In addition, Reliant's issued patents do not preclude new or existing competitors from developing competing technologies based on fractional resurfacing generally. Consequently, Reliant's competitors have developed products based on fractional resurfacing technology and could market products and use manufacturing processes that are substantially similar, or superior, to Reliant's. Although Reliant has taken steps to protect its intellectual property and proprietary technology, Reliant cannot assure you that third parties will not be able to design around its current or future patents. Additionally, Reliant may not be able to prevent the unauthorized disclosure or use of its technical and proprietary information by consultants, vendors, former employees or current employees, despite the existence generally of confidentiality agreements and other contractual restrictions. Monitoring unauthorized uses and disclosures of Reliant's intellectual property is difficult and imprecise, and Reliant does not know whether the steps it has taken to protect its intellectual property will be effective. Moreover, the laws of many foreign countries will not protect Reliant's intellectual property rights to the same extent as the laws of the United States.

Reliant relies on licenses to use various patent rights that may be material to its business. Reliant has entered into an exclusive, royalty bearing, worldwide license with respect to a pending patent application with Massachusetts General Hospital relating to the method and apparatus used in the Fraxel laser systems. Under the agreement Reliant has made a milestone payment to Massachusetts General Hospital. Additionally, Reliant pays a royalty on the sale of the Fraxel laser systems as defined in the agreement. Reliant does not own the patent application that underlies this license. Reliant's right to use the underlying technology and employ the inventions claimed in the licensed patent application is subject to Reliant abiding by the terms of the license. In addition, Reliant does not control the prosecution of the patent application subject to this license or the strategy for determining when the patent(s), if any, should be enforced. As a result, Reliant is largely dependent upon

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Massachusetts General Hospital to determine the appropriate strategy for prosecuting and enforcing the resultant patent(s), if any.

If Reliant's intellectual property is not adequately protected against competitors' products and methods, its competitive position could be adversely affected.

### **Risks Related to Regulatory Matters**

**If Reliant fails to comply with the extensive government regulations relating to its business, it may be subject to fines, injunctions and other penalties that could harm its business.**

Reliant's medical device products and operations are subject to extensive regulation by the FDA and various other federal, state and foreign governmental authorities. Government regulations and foreign requirements specific to medical devices are wide ranging and govern, among other things:

design, development and manufacturing;

testing, labeling and storage;

clinical trials in humans;

product safety;

marketing, sales and distribution;

premarket clearance or approval;

record keeping procedures;

advertising and promotion;

post-market surveillance, including reporting of deaths or serious injuries and malfunctions that, if they were to recur, could lead to death or serious injury; and

product import and export.

If Reliant fails to comply with applicable government regulations, the FDA, state, foreign and other governmental authorities have broad enforcement powers. Reliant's failure to comply with applicable regulatory requirements could result in enforcement action which may include any of the following sanctions:

public warning letters, fines, injunctions, consent decrees and civil penalties;

repairs, replacements, refunds, recalls or seizures of Reliant's products;

operating restrictions or partial suspension or total shutdown of production;

refusing Reliant's requests for 510(k) clearance or premarket approval of new products, new intended uses, or modifications to existing products;

withdrawing 510(k) clearance or premarket approvals that have already been granted; and

criminal prosecution.

If any of these events were to occur, they could harm Reliant's business.

**Reliant may incur significant liability if it is determined that Reliant is promoting off-label use of its products in violation of federal or state regulations in the United States.**

In the course of practicing medicine, physicians may use Reliant's medical devices for an indication that has not been cleared or approved by the FDA or other applicable regulatory agencies. Although the FDA and other

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regulatory agencies do not regulate a physician's choice of treatments, the FDA and other regulatory agencies do restrict communications on the subject of off-label use. Reliant may not promote its medical devices for off-label uses. The FDA and other regulatory agencies actively enforce regulations prohibiting promotion of off-label uses and the promotion of products for which marketing clearance has not been obtained. If FDA determines that Reliant has improperly promoted off-label uses, it could request that Reliant modify its training or promotional materials or subject it to FDA enforcement actions. It is also possible that other federal, state or foreign enforcement authorities might take action if they consider promotional or training materials to constitute promotion of an off-label use, which could result in significant fines or penalties under other statutory authorities.

**If Reliant fails to comply with the FDA's Quality System Regulation and laser performance standards, its manufacturing operations could be halted and its business would suffer.**

Reliant is required to demonstrate and maintain compliance with the FDA's Quality System Regulation, or QSR. The QSR is a complex regulatory scheme that imposes methods, procedures and documentation requirements with respect to manufacturing and quality assurance activities, including the design, testing, control, manufacturing, labeling, quality assurance, packaging, storage and shipping of Reliant's products. Reliant is also subject to similar state and foreign requirements. Because Reliant's products involve the use of lasers, its products also are covered by a performance standard for lasers set forth in FDA regulations. The laser performance standard imposes specific record-keeping, reporting, product testing and product labeling requirements. These requirements include affixing warning labels to laser products, as well as incorporating certain safety features in the design of laser products.

The FDA and state governmental agencies enforce the QSR and similar regulations and the laser performance standards through unannounced inspections. Reliant has been, and anticipates in the future to be, subject to such inspections. The FDA inspected Reliant's facility in February 2005, and one 483 inspectional observation was noted. The observation noted the omission of a test procedure to verify the control system of the Fraxel SR750 laser system for the key switch removal process. In response to the observation, Reliant implemented a manufacturing test procedure in March 2005. Reliant cannot assure you that FDA would agree that its test procedure satisfactorily resolved the observation. Reliant's failure to take satisfactory corrective action in response to an adverse QSR inspection or its failure to comply with applicable laser performance standards and state requirements could result in significant FDA enforcement action against Reliant, which could cause Reliant's sales and business to suffer.

**Product sales or introductions may be delayed or canceled as a result of the FDA regulatory process, which could cause Reliant's sales or financial performance to decline.**

Before Reliant may market a new or significantly modified medical device in the United States, Reliant generally must first obtain either 510(k) clearance or premarket approval, or PMA, from the FDA. The process of obtaining and maintaining such regulatory clearances and approvals from the FDA and similar regulatory authorities abroad can be costly and time consuming, and Reliant cannot assure you that such clearances and approvals will be granted or maintained. The FDA's 510(k) clearance process usually takes from three to twelve months, but it can last significantly longer. The process of obtaining premarket approval is much more costly and uncertain, and generally takes from one to three years, or even longer, from the time a PMA application is filed with the FDA. Reliant may not be able to obtain additional 510(k) clearances or PMAs for new products or for modifications to, or additional 510(k) clearances or premarket approvals for, its existing products in a timely fashion, or at all. Delays in obtaining future clearances or approvals would adversely affect Reliant's ability to introduce new or enhanced products in a timely manner, which in turn would harm Reliant's revenue and potential future profitability. The FDA may also change its policies, adopt additional policies, or revise existing regulations, each of which could prevent or delay 510(k) clearance or premarket approval of Reliant's products, or could impact its ability to market its currently cleared device. Even Reliant's new products or modified products eligible for the 510(k) process may be delayed or fail to receive required clearances.

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Delays in obtaining regulatory clearances and approvals may:

delay or prevent or preclude commercialization of products Reliant develops;

require Reliant to perform costly procedures;

diminish any competitive advantages that Reliant may attain; and

reduce Reliant's ability to generate revenues.

Reliant has received 510(k) clearance from the FDA permitting it to market the Fraxel SR750 laser system, the Fraxel re:store laser system, the Fraxel re:fine laser system and the Fraxel re:pair laser system for multiple treatment indications. Reliant cannot assure you that the clearance of the Fraxel laser systems for any or all of these indications will not be withdrawn if safety or effectiveness problems develop. For example, Reliant is subject to medical device reporting, or MDR, regulations, which require it to report to the FDA if its product causes or contributes to a death or serious injury, or malfunctions in a way that would likely cause or contribute to a death or serious injury. As of June 30, 2008, Reliant has reported 16 incidents related to scarring and/or infection to the FDA under the MDR regulations. In some instances, the FDA has required Reliant to provide follow up information relating to MDR reports. If any MDR reports that Reliant files lead the FDA to conclude that the Fraxel laser systems presents an unacceptable risk to patients, Reliant may be forced to recall the product or withdraw it permanently from the market.

Reliant does not currently have any 510(k) submissions pending with the FDA. Reliant cannot assure you that future 510(k) clearances will be granted in a timely fashion, or at all. Delays in receipt or failure to receive new clearances or approvals or the failure to maintain existing clearances could reduce Reliant's sales, financial performance and future growth prospects.

**Modifications to the Fraxel laser systems may require new marketing clearances or approvals or require Reliant to cease marketing or recall the modified products until such clearances or approvals are obtained.**

Any modification to a 510(k)-cleared device that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, design or manufacture, requires a new 510(k) clearance or, possibly, approval of a premarket approval application. The FDA requires every manufacturer to make this determination in the first instance, but the FDA may review and reject any manufacturer's decision. Reliant has made modifications to elements of its Fraxel laser systems for which it has not sought additional 510(k) clearance. The FDA may not agree with Reliant's decisions regarding whether new clearances or approvals are required. If the FDA disagrees with Reliant, Reliant may be required to cease marketing or to recall the modified product until it obtains clearance or approval. In addition, Reliant could be subject to significant regulatory fines or penalties.

**Reliant may be unable to obtain or maintain international regulatory qualifications or approvals for its current or future products and indications, which could harm its business.**

Sales of Reliant's products outside the United States are subject to foreign regulatory requirements that may vary widely from country to country. Regulatory approval in the United States does not ensure regulatory approval in international jurisdictions. In addition, exports of medical devices from the United States are regulated by the FDA. Complying with international regulatory requirements can be an expensive and time-consuming process and approval is not certain. The time required to obtain clearances or approvals, if required by other countries, may be longer than that required for FDA clearances or approvals, and requirements for such clearances or approvals may significantly differ from FDA requirements. Reliant may be unable to obtain or maintain regulatory qualifications, clearances or approvals in other countries. Reliant may also incur significant costs in attempting to obtain and in maintaining foreign regulatory approvals or qualifications. If Reliant experiences delays in receiving necessary qualifications, clearances or approvals to market its products outside the United States, or if it fails to receive those qualifications, clearances or approvals, Reliant may be unable to market its products or modifications in international markets effectively, or at all.



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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This proxy statement/prospectus/information statement contains forward-looking statements that involve risks and uncertainties, as well as assumptions, that, if they never materialize or prove incorrect, could cause the results of Thermage, Reliant or the combined company to differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements generally are identified by the words expects, anticipates, believes, intends, estimates, should, would, strategy, plan and similar expressions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements.

If any of these risks or uncertainties materializes or any of these assumptions proves incorrect, results of Thermage and Reliant could differ materially from the expectations in these statements. The forward-looking statements included in this proxy statement/prospectus/information statement are made only as of the date of this proxy statement/prospectus/information statement, and neither Thermage nor Reliant is under any obligation to update their respective forward-looking statements and neither party intends to do so.

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**THE SPECIAL MEETING OF THERMAGE STOCKHOLDERS**

**General**

Thermage is furnishing this proxy statement/prospectus/information statement to Thermage stockholders in connection with the solicitation of proxies by the Thermage board of directors for use at the special meeting of Thermage stockholders, including any adjournment or postponement of the special meeting.

**Date, Time and Place of the Special Meeting**

Thermage will hold a special meeting of its stockholders on [ ], 2008, promptly at 10:00 a.m. local time at 25881 Industrial Boulevard, Hayward, California 94545.

**Purpose of the Thermage Special Meeting**

At the Thermage special meeting, including any adjournment or postponement thereof, Thermage stockholders will be asked to consider, vote upon and approve the following proposals:

1. To approve the issuance of 23,600,000 shares of Thermage common stock pursuant to the Agreement and Plan of Merger and Reorganization dated as of July 7, 2008 by and among Thermage, Relay Acquisition Company, LLC, a Delaware limited liability company and a wholly owned subsidiary of Thermage, and Reliant, and with respect to Articles VIII and X only, Steven Mendelow as Securityholder Representative and U.S. Bank National Association as Escrow Agent.
2. To transact any other business that properly comes before the special meeting or any adjournments or postponements thereof pursuant to Thermage's bylaws.

A copy of the merger agreement is attached to this proxy statement/prospectus/information statement as Annex A. Thermage stockholders are encouraged to read the merger agreement in its entirety.

THE MATTERS TO BE CONSIDERED AT THE THERMAGE SPECIAL MEETING ARE OF GREAT IMPORTANCE TO THERMAGE STOCKHOLDERS. ACCORDINGLY, THERMAGE STOCKHOLDERS ARE URGED TO READ AND CAREFULLY CONSIDER THE INFORMATION PRESENTED IN THIS PROXY STATEMENT/PROSPECTUS/INFORMATION STATEMENT, AND TO COMPLETE, DATE, SIGN AND PROMPTLY RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED PRE-ADDRESSED POSTAGE-PAID ENVELOPE.

**Recommendation of the Thermage Board of Directors**

After careful consideration, the Thermage board of directors determined that the transaction is advisable, is fair to and is in the best interests of Thermage and its stockholders, and unanimously approved the issuance of shares of Thermage common stock pursuant to the merger agreement. **The Thermage board of directors unanimously recommends that the Thermage stockholders vote FOR the issuance of shares of Thermage common stock pursuant to the merger agreement.**

**If your submitted proxy card does not specify how you want to vote your shares, your shares will be voted FOR the proposals described above.**

**Admission to the Special Meeting**

Only Thermage stockholders as of the close of business on [ ], 2008, and other persons holding valid proxies for the special meeting are entitled to attend the Thermage special meeting. Thermage stockholders and their proxies should be prepared to present valid government-issued photo identification. Thermage stockholders

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who are not record holders but hold shares through a broker or nominee (i.e., in street name ) should provide proof of beneficial ownership on the record date for the Thermage special meeting, such as their most recent account statement prior to [ ], 2008, or other similar evidence of ownership. Anyone who does not provide valid government-issued photo identification or comply with the other procedures outlined above upon request may not be admitted to the special meeting.

### **Record Date and Stockholders Entitled to Vote**

*Record Holders.* Record holders of Thermage common stock at the close of business on [ ], 2008, the record date, may vote at the special meeting. On August 8, 2008, Thermage had 24,068,910 outstanding shares of common stock, which were held by approximately 90 record holders.

*Registered Stockholders.* If your shares are registered directly in your name with Thermage's transfer agent, American Stock Transfer & Trust Company, you are considered, with respect to those shares, the stockholder of record, and these proxy materials are being sent to you by Thermage. As the stockholder of record, you have the right to grant your voting proxy directly to Thermage or to vote in person at the special meeting.

*Street Name Stockholders.* If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name. These proxy materials are being forwarded to you by your broker or nominee, who is considered, with respect to those shares, the record holder. As the beneficial owner, you have the right to direct your broker or nominee how to vote, and you are also invited to attend the special meeting. However, since you are not the record holder, you may not vote these shares in person at the special meeting unless you follow your broker's procedures for obtaining a legal proxy. Your broker or nominee has enclosed a voting instruction card for you to use.

A complete list of the stockholders entitled to vote at the special meeting will be available for examination by any stockholder for any purpose germane to the special meeting, during ordinary business hours, for a period of at least 10 days prior to the special meeting, at the offices of Thermage, Inc., 25881 Industrial Boulevard, Hayward, California 94545. Such list will also be available for examination at the special meeting.

### **How You Can Vote**

You can only vote your shares if you are either represented by proxy or eligible to vote your shares in person at the special meeting. You can submit your proxy by:

the Internet, as described on the proxy card;

telephone, as described on the proxy card; or

mail, by completing and returning the enclosed proxy card.

If you hold shares through a bank, broker or other nominee, please provide your voting instructions by Internet or telephone (if available) or mail in accordance with the instructions contained on your voting instruction card. If you return a properly signed proxy card, we will vote your shares as you direct.

Stockholders may receive more than one set of voting materials, including multiple copies of this proxy statement/prospectus/information statement and multiple proxy cards or voting instruction cards. For example, stockholders who hold shares in more than one brokerage account may receive a separate voting instruction card for each brokerage account in which shares are held. Stockholders of record whose shares are registered in more than one name will receive more than one proxy card. The Thermage board of directors urges Thermage stockholders to complete, sign, date and return each proxy card and voting instruction card they receive for the Thermage special meeting.

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### **Adjournment and Postponement**

Thermage's bylaws provide that a special meeting of the stockholders may be adjourned from time to time. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, Thermage may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days or if after the adjournment a new record date is fixed for the adjourned special meeting, a notice of the adjourned special meeting will be given to each stockholder of record entitled to vote at the special meeting.

### **Required Vote and Quorum**

Holders of Thermage common stock are entitled to one vote for each share held as of the record date. Approval of the proposal to be voted on by Thermage stockholders regarding the issuance of shares of Thermage common stock in connection with the merger requires the affirmative vote of the holders of a majority of the shares of common stock of Thermage represented, in person or by proxy, and entitled to vote at the special meeting.

Attendance at the meeting in person or by proxy of holders of shares representing a majority of the outstanding shares of Thermage common stock constitutes a quorum. If a quorum is not present at the Thermage special meeting, we expect that the meeting will be adjourned or postponed to solicit additional proxies.

We currently expect that American Stock Transfer & Trust Company, Thermage's transfer agent, will tally the votes. Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Thermage will not disclose your vote except to allow for the tabulation of votes and certification of the vote, to facilitate a successful proxy solicitation and as necessary to meet applicable legal requirements.

### **Abstentions and Broker Non-Votes**

Any abstentions will be counted for purposes of determining the presence or absence of a quorum and will have the same effect as votes against the approval of the proposals considered at the special meeting.

In the event that a broker, bank, custodian, nominee or other record holder of Thermage's common stock indicates on a proxy that it does not have discretionary authority to vote certain shares on a particular matter, which is called a broker non-vote, those shares will not be considered for purposes of determining the number of shares entitled to vote with respect to a particular proposal on which the broker has expressly not voted, but will be counted for purposes of determining the presence or absence of a quorum for the transaction of business.

### **Voting by Thermage Directors and Executive Officers**

As of July 31, 2008, Thermage's directors, executive officers and their affiliates, as a group, beneficially owned and were entitled to vote approximately 970,060 shares of Thermage common stock, or approximately 4.0% of the total outstanding shares of Thermage.

### **Revoking Your Proxy**

You can change your vote or revoke your proxy at any time before the final vote at the special meeting. To do so, if you are the record holder, you may:

send a written, dated notice to the corporate secretary of Thermage at Thermage's principal executive offices stating that you would like to revoke your proxy;

complete, date and submit a new later-dated proxy card;

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vote at a later date by telephone or by using the Internet; or

vote in person at the special meeting. Your attendance alone will not revoke your proxy.

If you hold shares through a bank, broker or other nominee, you must contact your financial institution, broker or nominee for information on how to revoke your proxy or change your vote. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request.

Written notices of revocation to the Corporate Secretary of Thermage should be addressed to Corporate Secretary, Thermage, Inc., 25881 Industrial Boulevard, Hayward, California 94545.

If you hold your shares in street name, you must give new instructions to your broker prior to the special meeting or obtain a signed legal proxy from the broker to revoke your prior instructions and vote in person at the meeting.

Any Thermage stockholder who has a question about the transaction or the approval of the issuance of shares of Thermage common stock pursuant to the merger agreement, or how to vote or revoke a proxy, or who wishes to obtain additional copies of this proxy statement/prospectus/information statement, should contact:

Investor Relations

Thermage, Inc.

25881 Industrial Boulevard

Hayward, California 94545

Phone: (510) 259-7117

Email: IR@thermage.com

## **Other Matters**

Other than the proposal described in this proxy statement/prospectus/information statement, the Thermage board of directors knows of no other matters to be acted upon at the special meeting. If any other matter should be duly presented at the special meeting in accordance with Thermage's bylaws and upon which a vote properly may be taken, shares represented by all proxies received by Thermage will be voted with respect thereto in accordance with the judgment of the persons named as attorneys in the proxies.

## **Solicitation of Proxies and Expenses**

Thermage will pay the expenses incurred in connection with the filing, printing and mailing of this proxy statement/prospectus/information statement. Thermage will be responsible for any fees incurred in connection with the solicitation of proxies for the Thermage special meeting. In addition to solicitation by mail, the directors, officers, employees and agents of Thermage may solicit proxies from Thermage stockholders by telephone or other electronic means or in person. Brokerage houses and other custodians, nominees and fiduciaries will be requested to forward soliciting materials to the beneficial owners of shares held of record by these persons. Thermage also may use several of its regular employees, who will not be specially compensated, to solicit proxies from Thermage stockholders, either personally or by telephone, Internet, telegram, facsimile or special delivery letter.

## **Stockholders Sharing an Address**

Thermage stockholders sharing an address with another stockholder may receive only one set of proxy materials at that address unless they have provided contrary instructions. Any such stockholder who wishes to receive a separate set of proxy materials now or in the future may write or call Thermage to request a separate copy of these materials as follows: Corporate Secretary, Thermage, Inc., 25881 Industrial Boulevard, Hayward, California 94545, or Investor Relations at (510) 259-7117.



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**THE MERGER**

*The following is a description of the material aspects of the proposed merger and related transactions. The following description may not contain all of the information that is important to you. You should read carefully this entire proxy statement/prospectus/information statement, including the section entitled Risk Factors beginning on page 17, and the other documents we refer to for a more complete understanding of the transaction.*

**Background of the Merger**

Both Thermage and Reliant regularly evaluate strategic opportunities, including potential mergers with other companies, acquisitions of other companies or assets, and other strategic alliances. The terms and conditions of the merger agreement and the merger are the result of arm's length negotiations between representatives of Thermage and of Reliant. The following is a summary of the background of these negotiations.

From March 2007 through July 2007, Stephen Fanning (President and Chief Executive Officer of Thermage) and Eric Stang (President and Chief Executive Officer of Reliant) met in person or spoke by telephone on a number of occasions to familiarize each other with their respective companies and to discuss potential strategic relationships or transactions between the two companies.

Beginning in June 2007, Thermage requested that its financial advisor, Thomas Weisel Partners LLC, prepare detailed analyses of a potential business combination with Reliant, and Thermage began more focused consideration of a strategic opportunity with Reliant.

On July 20, 2007, Thermage and Reliant entered into a mutual nondisclosure agreement.

On August 2, 2007, Mr. Fanning, Mr. Stang, Laureen DeBuono (then-Chief Financial Officer of Thermage), Andrew Galligan (Chief Financial Officer of Reliant) and Dan Ferrari (Vice President, Business and Financial Planning of Thermage) met to present business and financial information to one another regarding the two companies and to discuss the synergies and strategic rationale of a potential business combination.

From August 3 to September 12, 2007, Mr. Fanning and Mr. Stang continued to hold further exploratory discussions regarding a potential business combination of Reliant and Thermage.

On September 12, 2007, Mr. Stang indicated to Mr. Fanning in a telephone discussion that Reliant intended to pursue its initial public offering rather than a business combination with Thermage.

From September to November 2007, Reliant continued to pursue an initial public offering. Reliant completed the SEC registration statement review process and transaction marketing efforts, but it was unable to complete the offering on acceptable terms. Reliant withdrew its registration statement on November 15, 2007.

On November 19, 2007, Mr. Stang contacted Mr. Fanning and suggested holding further discussions on a potential business combination.

On November 21, 2007, Mr. Fanning and Mr. Stang met to discuss a potential transaction, but suspended discussions as a result of differing valuation expectations.

In mid-December 2007, the parties resumed discussions. On December 21, 2007, Mr. Fanning, Ms. DeBuono and Mr. Ferrari met with Mr. Stang, Reliant directors Leonard DeBenedictis, Henry Gauthier and William Harrington, and Reliant board observer Robert Ward. The parties continued to exchange information and hold additional discussions through the end of December 2007.

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On January 4, 2008, Thermage presented a preliminary written proposal to Reliant outlining an offer to acquire Reliant.

From January 4 to January 17, 2008, Thermage and Reliant negotiated terms of a potential transaction. During this period, the parties tentatively agreed on terms that would form the basis for a term sheet, including an approximate equity split of the combined company between the respective current stockholders of Thermage and Reliant.

On January 18, 2008, the Thermage board of directors met and reviewed the status of the acquisition discussions with Reliant. Representatives of Thomas Weisel Partners LLC, Thermage's financial advisor, and Wilson Sonsini Goodrich & Rosati, Professional Corporation, Thermage's corporate counsel, participated in the meeting and addressed questions of the board. The board reviewed potential synergies of a combination as well as potential benefits and risks of the transaction to Thermage and its stockholders. The board also discussed a preliminary timeline of the proposed transaction and structural and legal aspects of the transaction. The board authorized Thermage management to move forward with discussions and negotiations and provided guidance on the proposed terms.

On January 22, 2008, Thermage presented a draft of a preliminary, non-binding term sheet and no-shop agreement to Reliant.

From January 22 to March 6, 2008, the parties negotiated the preliminary, non-binding term sheet and no shop agreement. The parties also exchanged due diligence request lists and conducted due diligence on the parties' respective businesses.

On February 12, 2008, the Thermage board of directors met and reviewed the status of the acquisition discussions with Reliant, including the proposed terms and conditions and various analyses of the transaction prepared by management. Representatives of Wilson Sonsini Goodrich & Rosati participated in the meeting and addressed questions of the board. The board also discussed the strategic rationale for the transaction. The board authorized management to continue the discussions and negotiations with Reliant and provided guidance on the proposed terms.

On February 15, 2008, Thermage formally engaged Thomas Weisel Partners LLC as financial advisor.

On February 29, 2008, Mr. Fanning and Clint Carnell (Chief Operating Officer of Thermage) made a presentation to the Reliant board of directors regarding Thermage and the proposed transaction.

In early March 2008, Reliant informed Thermage that it had received an all-cash alternative acquisition proposal that reflected a substantial premium over the last price offered by Thermage to Reliant.

On March 5, 2008, the Thermage board of directors met and reviewed recent developments that had taken place in the acquisition discussions with Reliant. Representatives of Thomas Weisel Partners and Wilson Sonsini Goodrich & Rosati participated in the meeting and addressed questions of the board. The board discussed the alternative proposal received by Reliant and noted that Reliant's board of directors was expected to meet the following day to consider this proposal. After additional discussion, the board authorized Thermage management to present a revised, non-binding proposal to Reliant as outlined by management and Thermage's financial advisors.

On March 6, 2008, Thermage presented a revised offer to Reliant, and the parties executed a 14-day no shop agreement restricting Reliant from participating in acquisition discussions with other parties.

On March 11, 2008, the Thermage board of directors met and reviewed recent transaction developments. The board also received an update regarding the planned due diligence process. At this meeting, Thermage's financial



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and legal advisors also led a discussion regarding structural and procedural aspects of the transaction. Later this day, Thermage presented an initial draft of a definitive merger agreement to Reliant.

From March 11 to March 14, 2008, Thermage continued to conduct business, financial and legal due diligence on Reliant.

On March 14, 2008, members of management of each of Thermage and Reliant participated in due diligence meetings at the offices of Wilson Sonsini Goodrich & Rosati. Thermage's counsel distributed drafts of ancillary agreements, including bridge loan documents to Reliant's counsel.

On March 16, 2008, the Thermage board of directors met to review the status of the transaction. Representatives of Thomas Weisel Partners and Wilson Sonsini Goodrich & Rosati participated in the meeting and addressed questions of the board. Thermage's counsel reviewed the board's fiduciary duties, and management reviewed the results of due diligence reviews to date. Thermage's financial advisors presented a preliminary financial analysis of the transaction, and counsel reviewed the terms and conditions of the definitive merger agreement and the status of negotiations regarding key terms. The board authorized management and the company's legal and financial advisors to continue to pursue the transaction on the terms discussed.

From March 17 to March 21, 2008, counsel to each of Thermage and Reliant negotiated the definitive merger agreement, bridge loan documentation, no-shop extension and other ancillary agreements. Thermage continued to conduct financial, legal and business due diligence. Mr. Fanning contacted significant pre-IPO venture capital stockholders regarding the possibility of signing a nondisclosure agreement in order to discuss the transaction and the possibility of executing a voting agreement to support the transaction.

On March 21, 2008, the parties extended the expiration time of the no-shop agreement until 11:59 p.m. on March 24, 2008.

On March 24, 2008, counsel to each of Thermage and Reliant continued to negotiate the definitive merger agreement and ancillary agreements.

On March 24, 2008, the Reliant board of directors met and determined to terminate all discussions and negotiations with Thermage regarding the proposed transaction.

On March 24, 2008, at approximately the same time as the Reliant board meeting, the Thermage board of directors met to consider the transaction, during which meeting counsel reviewed the status of negotiations of the definitive agreement and the board received due diligence reports. The Thermage board meeting adjourned early when Mr. Stang telephoned Mr. Fanning to communicate the Reliant board's decision to terminate discussions.

From March 25 to June 27, 2008, Mr. Fanning and Mr. Stang communicated occasionally about the industry and Mr. Stang raised the possibility of restarting talks under a significantly altered transaction structure which was rejected by Mr. Fanning.

On June 12, 2008, Thermage received an unsolicited acquisition offer to buy Thermage from a third party ( Company A ).

On June 19, 2008, the Thermage board of directors met to consider the proposal by Company A. Representatives of Stanford Group Company and Wilson Sonsini Goodrich & Rosati participated in the meeting and addressed questions of the board. Stanford Group Company presented an analysis of Company A's proposal, and counsel reviewed the board's fiduciary duties in considering the proposal. The board discussed information regarding Company A and various analyses of the offer, including comparable companies, premiums paid and discounted cash flow analyses, an accretion/dilution analysis and the assumptions underlying such analyses. Following this discussion, the board determined to reject Company A's offer, and Thermage communicated this rejection to Company A.

On June 27, 2008, Mr. Stang contacted Mr. Fanning to indicate that Reliant would like to proceed with a transaction on substantially similar terms to those last discussed on March 24, 2008, except for a carve-out of

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certain technology outside of the field of aesthetics. Following this discussion, Mr. Fanning informally contacted members of the Thermage board of directors to advise them of Reliant's renewed interest in a transaction.

On June 30, 2008, Mr. Fanning, Mr. Ferrari and Jack Glenn (Chief Financial Officer of Thermage) met with Mr. Stang to perform management financial and other business due diligence regarding Reliant.

On July 1, 2008, counsel to each of Thermage and Reliant met with Mr. Fanning and Mr. Stang to negotiate key terms of the proposed transaction which were based largely on the same terms as those discussed on March 24, 2008, with the exception of the carve-out of certain technology outside of the field of aesthetics. Among other terms, Thermage insisted on receiving the requisite Reliant stockholder approval by written consent immediately after the execution of a definitive merger agreement, and Reliant agreed to this term.

From July 1 to July 2, 2008, Thermage continued to conduct updated due diligence on Reliant, and the parties negotiated a definitive merger agreement and ancillary agreements.

On July 2, 2008, Company A submitted another unsolicited acquisition offer to acquire Thermage.

On July 3, 2008, the parties continued to negotiate the definitive merger agreement and ancillary agreements, including a bridge loan agreement and an employment agreement for Reliant's Chief Technology Officer. Thermage continued to conduct updated due diligence on Reliant.

On July 3, 2008, the Thermage board of directors met to receive an update on the status of the transaction. Representatives of Stanford Group Company and Wilson Sonsini Goodrich & Rosati participated in the meeting and addressed questions of the board. The board received a review of its fiduciary duties from counsel, preliminary due diligence reports from management and counsel, a preliminary financial analysis from bankers, a description of terms of definitive merger agreement and an update on negotiations. The board authorized management and the company's legal and financial advisors to continue to negotiate to see if an acceptable resolution of open items could be achieved. At this meeting, the board also considered the revised offer made by Company A. Thermage's financial advisor presented an analysis of the offer and counsel reviewed the board's fiduciary duties. The board concluded that Company A's offer was highly speculative and contingent, and that it should not be pursued by Thermage, particularly in light of the advanced status of discussions with Reliant regarding a business combination. Following this discussion, the board authorized management to reject Company A's offer.

From July 4 through July 6, 2008, the parties negotiated final versions of the definitive merger agreement and ancillary agreements. Thermage completed its additional due diligence process.

On July 5, 2008, Thermage formally engaged Stanford Group Company to render a fairness opinion.

On July 6, 2008, the Reliant board of directors met to consider authorizing the company to enter into the proposed definitive merger agreement with Thermage. Following this meeting, Reliant proposed a collar arrangement to provide Reliant certain rights in the event that the Thermage stock price falls below a certain level. Thermage rejected this proposal, and Mr. Fanning and Mr. Stang negotiated certain final terms. In order to address this concern, Reliant and Thermage agreed to revise the merger agreement to provide that if the Thermage stock price drops to a level that would result in the per share merger consideration being received by Reliant's common stockholders pursuant to Reliant's charter documents equaling less than \$0.50 per share, then the common per share merger consideration would be fixed at \$0.50 per share and the merger consideration to be received by Reliant's preferred holders would be adjusted downward accordingly such that the overall amount of merger consideration would not change. The Reliant board of directors met again to consider authorizing the company to enter into the revised merger agreement. Representatives of Piper Jaffray and Cooley Godward Kronish LLP, Reliant's corporate counsel, participated in the meeting and addressed questions of the board. The board approved the merger agreement and the transactions contemplated thereby and authorized management to execute and deliver the merger agreement and ancillary agreements. Following these discussions, on the same date, the Thermage board of directors met to consider authorizing the company to enter into the proposed definitive merger agreement with Reliant. Representatives of Stanford Group Company and Wilson Sonsini

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Goodrich & Rosati participated in the meeting and addressed questions of the board. The board received final due diligence reports, a report on status of the definitive merger agreement and a review of the resolution of open issues, and a report by Thermage's financial advisors, including presentation of the Stanford Group Company fairness opinion. The board approved the transaction and authorized management to execute the definitive merger agreement and ancillary agreements.

On July 7, 2008, the parties executed the definitive merger agreement. Shortly thereafter, executive officers, directors and certain stockholders of Thermage delivered executed voting agreements and lock-up agreements, and executive officers, directors and certain stockholders of Reliant delivered executed support agreements, lock-up agreements and written consents.

On July 7, 2008, prior to the opening of the financial markets, the parties issued a press release announcing the proposed transaction. Later that day, Mr. Fanning and Mr. Stang held a joint investor conference call to review the proposed transaction.

On July 25, 2008, Thermage received an unsolicited written offer from a different third party ( Company B ), of substantially similar size to Thermage, proposing the acquisition of Thermage for \$4.50 per share of Thermage common stock by Company B, exclusive of Thermage's proposed transaction with Reliant. The offer did not specify the nature or source of the proposed consideration.

On July 26, 2008, Thermage provided Reliant with notice of Company B's proposal, as required by the merger agreement.

On July 31, 2008, the Thermage board of directors held a regularly scheduled meeting at which Company B's proposal was considered. After extensive discussion, including the presentation of analyses by financial advisors and a review of fiduciary duties and provisions of the Reliant merger agreement by counsel, the board of directors concluded that Company B's offer was not a bona fide acquisition proposal that was reasonably likely to lead to a superior proposal to the merger with Reliant and the failure to engage in discussion would normally be expected to be a breach of the board's fiduciary duties under Delaware law. The board of directors reached this conclusion, among other factors, due to the contingent nature of the offer, particularly with respect to the nature of the consideration, the ability of Company B to consummate such a transaction, the board's belief that the long-term value of Thermage was well in excess of the price offered by Company B, and the likelihood that pursuing Company B's offer would significantly disrupt Thermage's integration planning process with Reliant and thereby put at risk the benefits of the transaction.

### **Thermage's Reasons For Entering into the Merger**

At a meeting held on July 6, 2008, the Thermage board of directors concluded that the merger was consistent with and in furtherance of the long-term business interests of the company and fair to, and in the best interests of, Thermage and its stockholders, and that the merger agreement was advisable. Accordingly, the Thermage board of directors determined to recommend that the stockholders approve the issuance of shares of Thermage common stock pursuant to the merger agreement. The summary set forth below briefly describes the primary reasons, factors and information taken into account by the Thermage board of directors in reaching its conclusion. The Thermage board did not assign any relative or specific weights to the factors considered in reaching such determination, and individual directors may have given differing weights to different factors.

In the course of its deliberations regarding the merger, the Thermage board of directors consulted with Stanford Group Company regarding the financial aspects of the merger and with representatives of Wilson Sonsini Goodrich & Rosati, Professional Corporation, outside counsel to Thermage, regarding the fiduciary duties of the members of the board of directors, legal due diligence matters and the terms of the merger agreement and related agreements. The Thermage board of directors also considered the following potentially positive factors, among others, in connection with its review and analysis of the merger, including,

the belief that the combined companies will be able to expand their position in the global market and establish a leadership position in the skin tightening and skin resurfacing and rejuvenation markets;

the strategic fit between Thermage and Reliant;

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the belief that the complementary business models and customer bases of Reliant and Thermage will provide an opportunity to offer a broader range of complementary products to both new and existing customers;

the synergies of the combined company, including improved market position through product bundling, enhanced consumable opportunities and cross-selling opportunities by an expanded sales force;

the cost savings synergies that may be achieved from marketing, information technology and administrative and other operating efficiencies;

historical information concerning Reliant's and Thermage's respective businesses, financial performance and condition, operations, technology, management and competitive position;

the financial analyses of the Stanford Group Company presented to the Thermage board of directors on July 6, 2008 including, without limitation, analyses regarding current and historical market prices, prices paid in comparable acquisitions, valuations implied by multiple of certain measures of financial performance and forecasted financial results and valuations of comparable companies, and the opinion of the Stanford Group Company delivered to the Thermage board of directors, that, as of the date of such opinion, the merger consideration to be paid by Thermage was fair, from a financial point of view, to Thermage and to Thermage's stockholders (the full text of the written opinion is attached to this proxy statement/prospectus/information statement as Annex D, which you are urged to read in its entirety);

enhanced ability to retain key personnel and integrate the two companies given the close proximity of each company's corporate headquarters and manufacturing operations;

the impact of the merger on our customers and employees; and

the results of the due diligence review with respect to Reliant conducted by Thermage's management and its financial and legal advisors.

The Thermage board of directors also considered a number of potentially negative factors in its deliberations concerning the merger, including:

the risk that the potential benefits and cost synergies sought in the merger might not be fully realized;

the risk that the combined company's financial results will not meet expectations given the current economic climate;

the limitations imposed on the conduct of our business prior to the completion of the merger, including the fact that Thermage would be required to pay Reliant a \$3.5 million termination fee in connection with termination of the merger agreement in certain circumstances, and that Thermage is subject to certain other restrictions regarding its solicitation of or negotiation with regard to any acquisition proposal as well as certain requirements regarding the disclosure to Reliant of any unsolicited acquisition proposals Thermage receives;

the risks relating to Reliant's business and how they would affect the operations of the combined company;

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the risk that the merger might not be completed in a timely manner or at all;

the effect of the public announcement of the merger on our ability to attract and retain key management, marketing, technical, administrative and other personnel;

the substantial charges to be incurred in connection with the merger, including costs of integrating the businesses and transaction expenses arising from the merger;

the risk that, despite the efforts of the combined company, key management, marketing, technical, administrative and other personnel might not remain employed by the combined company;

the challenges of integrating the businesses of Thermage and Reliant; and

the other risks and uncertainties set forth in the section entitled Risk Factors.

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The foregoing information and factors considered by the Thermage board of directors are not intended to be exhaustive but are believed to include all of the material factors considered by the Thermage board of directors. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the Thermage board of directors did not find it useful, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. In considering the factors described above, individual members of the Thermage board of directors may have given different weight to different factors. The Thermage board of directors conducted an overall analysis of the factors described above, including thorough discussions with, and questioning of, Thermage's management and Thermage's legal advisors, and unanimously approved the merger agreement and the transaction contemplated thereby, including the merger.

### **Opinion of Thermage's Financial Advisor**

The Thermage board of directors engaged Stanford Group Company ( Stanford ) to render a fairness opinion with respect to the merger. At a meeting of the Thermage board of directors on July 6, 2008, Stanford delivered its oral opinion, which opinion was subsequently confirmed in writing, to the effect that, as of July 6, 2008, and based upon and subject to the factors, assumptions, procedures, qualifications and limitations set forth in the written opinion and described below, the merger consideration to be paid by Thermage in accordance with the terms of the Agreement and Plan of Merger and Reorganization dated July 7, 2008 (the Merger Agreement ) was fair to Thermage from a financial point of view.

The amount and form of consideration to be paid in the merger was determined through arm's-length negotiations between Reliant and Thermage and not by Stanford. Stanford was not asked to consider, and the Stanford opinion does not address, the underlying business decision of Thermage to engage in the merger, the relative merits of the merger as compared to other business strategies that might exist for Thermage, or the effect of any other transaction in which Thermage might engage. Stanford expressed no opinion or recommendation as to the value of Thermage common stock when and if issued in the merger or the prices at which shares of Thermage will trade at anytime.

The full text of the written opinion of Stanford, dated July 6, 2008, which sets forth the assumptions made, matters considered, qualifications, and limitations on and scope of the review undertaken by Stanford, is attached to this proxy statement/prospectus/information statement as Annex D and is incorporated herein by reference, all as consented to by Stanford. You are encouraged to, and should, read the Stanford opinion carefully and this summary of the written opinion of Stanford is qualified in its entirety by reference to the full text of such opinion. A materially complete discussion of the fairness opinion is set forth in this proxy statement/prospectus/information statement. The Stanford opinion addresses only the fairness, from a financial point of view, to Thermage of the merger consideration to be paid by Thermage. The Stanford opinion does not address any other aspect of the merger and does not express an opinion or recommendation to any director, stockholder or other person as to how to vote or act with respect to the merger. No limitations were imposed by the Thermage board of directors with respect to the investigations made or procedures followed by Stanford in rendering its opinion. In addition, the Stanford opinion does not express an opinion with respect to the amount or nature or any other aspect of any compensation payable to or to be received by any officers, directors or employees of any party to the merger, or any class of such persons, relative to the merger consideration pursuant to the Merger Agreement or with respect to the fairness of any such compensation. Finally, the Stanford opinion does not express an opinion as to the value of Thermage's common stock when issued pursuant to the merger or the prices at which Thermage's common stock will actually trade at any time.

The following is a summary of the various sources of information and valuation methodologies used by Stanford in arriving at its opinion.

In arriving at its opinion, Stanford:

reviewed a draft of the Merger Agreement;

reviewed certain publicly available information concerning Reliant and Thermage and certain other relevant financial and operating data of Reliant and Thermage furnished to it by Reliant and Thermage;

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reviewed the historical stock prices and trading volumes of Thermage common stock;

held discussions with members of management of Reliant and Thermage concerning the current operations of and future business prospects for Reliant and Thermage and joint prospects for the combined company, including the potential cost savings and other synergies that may be achieved by the combined company;

reviewed certain financial forecasts with respect to Reliant and Thermage prepared by the respective managements of Reliant and Thermage and held discussions with members of such management concerning those forecasts;

reviewed certain research analyst projections with respect to Thermage and held discussions with members of the management of Thermage concerning those projections;

compared certain publicly available financial data of companies whose securities are traded in the public markets and that it deemed relevant to similar data for Reliant;

reviewed the financial terms of certain other business combinations that it deemed generally relevant;

compared the relative contributions of each of Reliant and Thermage to the combined entity's expected financial performance following the merger; and

reviewed such other financial studies and analyses and considered such other matters as it deemed appropriate.

In connection with its review and arriving at its opinion, Stanford assumed and relied upon the accuracy and completeness of all of the financial, accounting, legal, tax and other information discussed with or reviewed by Stanford for purposes of its opinion and has neither attempted to verify independently nor assumed responsibility for verifying any of such information. With respect to the financial forecasts for Reliant and Thermage provided to us by the management of Reliant and Thermage, Stanford assumed, with Thermage's consent and based upon discussions with such management, that such forecasts had been reasonably prepared on bases reflecting the best currently available estimates and judgments of such management, at the time of preparation, of the future operating and financial performance of Reliant, Thermage and the combined company. Stanford relied, without independent verification, upon the estimates of Reliant's management and Thermage's management of the potential cost savings and other synergies, including the amount and timing thereof, that may be achieved as a result of the merger. Stanford expressed no opinion with respect to any of such forecasts or estimates or the assumptions on which they were based and did not verify independently such assumptions, forecasts or estimates.

Stanford relied on advice of counsel given to Thermage as to all legal matters with respect to Thermage, the merger and the Merger Agreement. Stanford did not assume any responsibility for or make or obtain any independent evaluation, appraisal or physical inspection of the assets or liabilities of Reliant or Thermage, nor did Stanford evaluate the solvency or fair value of Reliant or Thermage under any state or federal laws relating to bankruptcy, insolvency or similar matters. Stanford's services to Thermage in connection with the merger were comprised of rendering an opinion of the fairness, from a financial point of view, to Thermage of the merger consideration to be paid by Thermage and does not address Thermage's underlying business decision to engage in the merger or the relative merits of the merger as compared to other business strategies that might be available to Thermage. Stanford's opinion was necessarily based upon economic, monetary and market conditions and other circumstances as they existed and could be evaluated by Stanford on the date of its opinion. It should be understood that, although subsequent circumstances and events may affect its opinion, Stanford does not have any obligation to update or revise its opinion and Stanford expressly disclaims any responsibility to do so.

In addition, in rendering its opinion, Stanford has assumed, with Thermage's consent, that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986 and that the merger will be consummated upon the terms and subject to the conditions set forth in the Merger Agreement, without waiver, modification or amendment of any material term, condition or agreement thereof and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the merger, no





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delay, limitation, restriction or condition will be imposed that would have an adverse effect on Reliant, Thermage or the contemplated benefits of the merger.

The following is a summary of the principal financial analyses Stanford performed to arrive at its opinion. Some of the summaries of financial analyses set forth below include information presented in tabular format. In order to fully understand the financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data set forth in the tables without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses. Additionally, although the financial metrics of the selected public aesthetic companies were used for comparison purposes, none of them is directly comparable to Reliant or Thermage or the combined company.

Stanford performed certain of the financial analyses set forth below by comparing three separate cases as follows:

Management Case Excluding Synergies

Excludes transaction adjustments such as amortization and foregone interest

Management Case With Synergies

Includes \$14.0 million in synergies consisting of \$3.1 million in cost of goods sold and \$10.9 million in operating expenses

Includes transaction adjustments such as amortization and foregone interest

Downside Case With Synergies

Assumes slower revenue growth with constant gross margins and constant dollar value of operating expenses

Includes \$14.0 million in synergies consisting of \$3.1 million in cost of goods sold and \$10.9 million in operating expenses

Includes transaction adjustments such as amortization and foregone interest

All three cases were based upon management projections provided by both Reliant's and Thermage's management team.

***Selected Public Companies Trading Analysis***

Stanford reviewed certain publicly available financial information relating to the following nine selected public aesthetic companies:

BioForm Medical

Candela

Cutera

Cynosure

Mentor

Obagi Medical Products

Palomar Medical Technologies

Syneron Medical

Thermage

Although none of the selected companies is directly comparable to Reliant, the companies included were chosen because they are publicly traded companies with operations that for purposes of analysis may be considered similar to certain operations of Reliant.

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Using publicly available financial and share price information, Stanford analyzed, among other things, the equity value and the enterprise value for each selected public aesthetic company. Enterprise value is the difference between each selected public aesthetic company's fully-diluted market capitalization as of July 6, 2008 and the net debt for each selected company. The number of shares outstanding and the net cash for each selected public aesthetic company was as of the last reported quarter for each selected public aesthetic company and pro forma for subsequent equity financings, to the extent applicable to each such selected company. Stanford also calculated and compared various financial multiples and ratios for the selected companies, based on estimates for the selected public aesthetic companies. With respect to the selected public aesthetic companies, Stanford calculated, among other things:

Enterprise value as a multiple of 2008E Revenue

Enterprise value as a multiple of 2009E Revenue

Enterprise value as a multiple of 2010E Revenue

Enterprise value as a multiple of 2008E EBITDA

Enterprise value as a multiple of 2009E EBITDA

Enterprise value as a multiple of 2010E EBITDA

Equity value as a multiple of 2008E Net Income

Equity value as a multiple of 2009E Net Income

Equity value as a multiple of 2010E Net Income

The financial and valuation data analyzed as part of this analysis included:

	Selected Public Companies: 3rd Quartile	Selected Public Companies: 1st Quartile
2008E Revenue	0.3x	1.4x
2009E Revenue	0.6x	1.3x
2010E Revenue	1.0x	1.5x
2008E EBITDA	5.9x	6.6x
2009E EBITDA	3.4x	5.2x
2010E EBITDA	3.8x	4.3x
2008E Net Income	11.2x	17.9x
2009E Net Income	9.0x	12.9x
2010E Net Income	7.6x	11.0x

Stanford then used these multiples to calculate the implied enterprise value and equity value of Reliant based on the Management Case Excluding Synergies, the Management Case With Synergies and the Downside Case With Synergies.

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The analysis yielded an implied enterprise value range of \$18.9 million - \$199.3 million and an implied equity value range of \$11.9 million - \$192.3 million for the Management Case Excluding Synergies.

The analysis yielded an implied enterprise value range of \$52.5 million - \$199.3 million and an implied equity value range of \$45.5 million - \$192.3 million for the Management Case With Synergies.

The analysis yielded an implied enterprise value range of \$24.1 million - \$171.5 million and an implied equity value range of \$17.1 million - \$164.5 million for the Downside Case Excluding Synergies.

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*Selected Precedent Transactions Analysis*

Stanford reviewed selected data for Reliant and compared this data to corresponding data from a group of ten selected merger and acquisition transactions. Each of the merger and acquisition transactions met the following criteria:

Transaction completed since December 2003;

Transaction value between \$50.0 million - \$250.0 million;

Target company was a U.S.-headquartered medical device company; and

Target company was revenue generating.

The selected precedent transactions (Target/Acquirer) reviewed by Stanford were:

Liposonix/Medicis

Lifecore Biomedical/Warburg Pincus

MediSystems/NxStage Medical

Enpath Medical/Greatbatch

ZEVEX/Moog

RITA Medical Systems/AngioDynamics

Miltex/Integra LifeSciences

Compex Technologies/ReAble Therapeutics

Horizon Medical Products/Rita Medical Systems

Breg/Orthofix International

The financial and valuation data analyzed as part of this analysis included:

	3rd Quartile	1st Quartile
Implied Enterprise Value/LTM Revenue	1.6x	2.8x

Stanford then used these multiples to calculate the implied enterprise value of Reliant. The analysis yielded an implied enterprise value range of \$124.5 million - \$215.6 million and an implied equity value range of \$117.5 million - \$208.6 million.

#### *Discounted Cash Flow Analysis*

Stanford conducted a discounted cash flow analysis for Reliant for the purpose of determining the company's enterprise and equity values under the Management Case Excluding Synergies, the Management Case With Synergies and the Downside Case With Synergies.

Stanford calculated the unlevered free cash flows that Reliant is expected to generate during fiscal years 2009 through 2013 based upon financial projections prepared by the management of Reliant and Thermage in connection with the proposed transaction. Stanford also calculated a range of terminal values of Reliant at the end of the five-year period ending 2013 by applying an exit EBITDA multiple of 4.0x to 7.0x based on the Selected Public Companies Trading Analysis. The unlevered free cash flows and the range of terminal values were then discounted to present values using a range of discount rates from 13.3% to 17.3%, which were chosen by Stanford based upon an analysis of the cost of capital. The present value of the unlevered free cash flows and the range of terminal values were then adjusted for Reliant's estimated 2008 fiscal year-end net debt to obtain the present value of the free cash flows.

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The analysis yielded the following implied enterprise value range and equity value range for Reliant:

	<b>Enterprise Value</b>	<b>Equity Value</b>
Management Case Excluding Synergies	\$135.0 million - \$236.0 million	\$128.0 million - \$229.0 million
Management Case With Synergies	\$185.0 million - \$310.0 million	\$178.0 million - \$303.0 million
Downside Case With Synergies	\$113.0 million - \$190.0 million	\$106.0 million - \$183.0 million

**Contribution Analysis**

Stanford analyzed the contribution of each of Reliant and Thermage to the pro forma combined company with respect to revenue, gross profit, and EBITDA (before subtracting stock based compensation expense) and net income for fiscal years 2008 through 2009. The relative contribution analyses were prepared comparing the Management Case Excluding Synergies, the Management Case With Synergies and the Downside Case with Synergies. For purposes of the contribution analysis, Stanford assumed that the contributions with respect to revenue, gross profit, EBITDA and net income reflected each company's contribution to the combined company's pro forma enterprise value. Equity value contributions were derived by adjusting enterprise value contributions for outstanding net debt of both companies. The analyses yielded the following pro forma contributions:

**Management Case Excluding Synergies**

	<b>2008</b>	<b>2009</b>
<b>Revenue</b>		
Thermage contribution	43.9%	44.4%
Reliant contribution	56.1	55.6
<b>Gross Profit</b>		
Thermage contribution	49.0%	49.9%
Reliant contribution	51.0	50.1
<b>EBITDA</b>		
Thermage contribution	NM%	62.3%
Reliant contribution	NM	37.7
<b>Net Income</b>		
Thermage contribution	NM%	73.8%
Reliant contribution	NM	26.2

**Management Case With Synergies**

	<b>2008</b>	<b>2009</b>
<b>Revenue</b>		
Thermage contribution	43.9%	44.4%
Reliant contribution	56.1	55.6
Synergies contribution	0.0	0.0
<b>Gross Profit</b>		
Thermage contribution	47.6%	48.8%
Reliant contribution	49.6	48.9
Synergies contribution	2.8	2.3
<b>EBITDA</b>		
Thermage contribution	(0.7)%	32.0%
Reliant contribution	0.5	19.4
Synergies contribution	100.2	48.6
<b>Net Income</b>		
Thermage contribution	13.5%	46.5%
Reliant contribution	(65.1)	16.4
Synergies contribution	151.6	37.1





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	2008	2009
<b>Revenue</b>		
Thermage contribution	44.9%	44.9%
Reliant contribution	55.1	55.1
Synergies contribution	0.0	0.0
<b>Gross Profit</b>		
Thermage contribution	48.6%	49.2%
Reliant contribution	48.5	48.3
Synergies contribution	2.9	2.5
<b>EBITDA</b>		
Thermage contribution	(0.9)%	24.3%
Reliant contribution	(18.4)	(3.3)
Synergies contribution	119.3	79.0
<b>Net Income</b>		
Thermage contribution	21.3%	48.8%
Reliant contribution	(191.4)	(40.8)
Synergies contribution	270.1	92.0

The summary set forth above does not contain a complete description of the analyses performed by Stanford, but does summarize the material analyses performed by Stanford in rendering its opinion. The preparation of a fairness opinion is a complex process that involves various judgments and determinations as to the most appropriate and relevant quantitative and qualitative methods of financial and valuation analysis and the application of those methods to the particular circumstances involved. The opinion is, therefore, not readily susceptible to partial analysis or summary description. Stanford believes that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered, without considering all of the analyses and factors, would create a misleading and incomplete view of the processes underlying its opinion. Stanford based its analysis on assumptions that it deemed reasonable, including assumptions concerning general business and economic conditions, industry-specific factors and other matters, many of which are beyond the control of Reliant and Thermage or the combined company. Included in these assumptions were that there would be no material changes in the regulatory and other legal framework in which Reliant and Thermage operate, that the market would be accepting of the products being developed by Reliant and Thermage and that there would not be a material change in the competitive landscape in which Reliant and Thermage operate. Stanford did not form an opinion as to whether any individual analysis or factor, whether positive or negative, considered in isolation, supported or failed to support its opinion. In arriving at its opinion, Stanford considered the results of all its analyses and did not attribute any particular weight to any one analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Stanford arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole and believes that the totality of the factors considered and analyses performed by Stanford in connection with its opinion operated collectively to support its determination as to the fairness to Thermage of the merger consideration to be paid by Thermage from a financial point of view.

The analyses performed by Stanford, particularly those that rely on estimates and projections which are based upon numerous factors or events beyond the control of Reliant and Thermage or the combined company or their respective advisors, are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. None of the public companies used in the selected public companies trading analysis described above are identical to Reliant, and none of the transactions used in the selected precedent transactions analysis described above are identical to the merger. Accordingly, an analysis of selected public companies and selected precedent transactions is not strictly mathematical; rather, it involves complex considerations and judgments concerning the differences in financial and operating characteristics of the companies and transactions and other factors that could affect the value of Reliant and the public trading

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values of the companies and transactions to which they were compared. Additionally, analyses relating to the values of businesses or assets do not purport to be appraisals or necessarily reflect the prices at which businesses or assets may actually be sold. None of Reliant, Thermage, the combined company, Stanford or any other person assumes responsibility if future results are materially different from those projected.

Stanford's opinion was just one of the many factors taken into consideration by Thermage's board of directors. Consequently, Stanford's analysis should not be viewed as determinative of the decision of Thermage's board of directors with respect to the fairness to Thermage of the merger consideration to be paid by Thermage from a financial point of view.

Stanford has not previously been engaged by Thermage to provide investment banking or other services on matters unrelated to the merger. Stanford and its affiliates may provide investment banking and financial advisory services to Thermage, and may receive fees for the rendering of such services.

In addition, Stanford and its affiliates may actively trade the equity securities of Thermage for their own account or for the accounts of their customers and, accordingly, may at any time hold a long or short position in such securities.

Thermage paid Stanford a total of \$250,000 in connection with rendering its fairness opinion in this transaction. Such fee was not contingent upon consummation of the merger. In addition to this fee, Thermage will reimburse Stanford for certain of its out-of-pocket expenses and Thermage has agreed to indemnify Stanford against certain liabilities, including liabilities under federal securities laws, in connection with the delivery of its opinion. The terms of the fee arrangement with Stanford, which are customary in transactions of this nature, were negotiated on an arm's-length basis between Thermage and Stanford, and the Thermage board of directors was aware of the arrangement.

Stanford was selected by the Thermage board of directors to render an opinion to the Thermage board of directors because Stanford is a recognized investment banking firm that has substantial experience in transactions involving the valuation of businesses and their securities in connection with mergers and acquisitions. Stanford member FINRA/SIPC is part of Stanford Financial Group, a privately held global network of independent, affiliated financial services companies led by Chairman and CEO Sir Allen Stanford. Stanford Financial Group's core businesses are private wealth management and investment banking for institutions and emerging growth companies. The Stanford Financial Group of companies provides private and institutional investors with global expertise in asset allocation strategies, investment advisory services, award-winning policy and equity research, international private banking and trust administration, commercial banking, investment banking, merchant banking, institutional sales and trading, real estate investment and insurance. Additionally, as part of its investment banking business, Stanford is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes and other transactions for corporate and other purposes.

## **Recommendation of the Thermage Board of Directors**

After careful consideration and deliberation, and based on the foregoing analysis, as well as information evaluated at board meetings, including a meeting of the Thermage board of directors held on July 6, 2008, the Thermage board of directors determined that the transaction is advisable, and is fair to and in the best interests of Thermage and its stockholders, and unanimously approved the transaction and the merger agreement. The Thermage board of directors unanimously recommends that the Thermage stockholders vote FOR the issuance of shares of Thermage common stock pursuant to the merger agreement.

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### **Reliant's Reasons for Entering into the Merger**

In considering the transaction with Thermage, the Reliant board of directors consulted with Piper Jaffray & Co. regarding the financial aspects of the merger and consulted with representatives of Cooley Godward Kronish, LLP, outside counsel to Reliant, regarding the fiduciary duties of the members of the board of directors, legal due diligence matters and the terms of the merger agreement and related agreements. Based on these consultations and the factors discussed below, the Reliant board of directors unanimously determined that the merger and the merger agreement are substantively and procedurally fair to, and in the best interests of, Reliant stockholders.

In the course of reaching that determination and recommendation, the Reliant board of directors considered a number of factors supporting the proposed transaction in its deliberations, including the following:

its knowledge of Reliant's business, financial condition, results of operations and prospects, competitive position and its belief that the proposed transaction is more favorable to Reliant stockholders than any other strategic alternative reasonably available to Reliant, including remaining as a stand-alone entity;

its belief that Reliant faces many challenges in its efforts to increase stockholder value as an independent company, including the need to obtain additional financing and the risks associated with obtaining additional financing and the likely terms on which it would be able to obtain that financing, developing and commercializing new products, obtaining and maintaining regulatory approvals and other execution risks, as well as business and market risks generally;

Reliant's financial projections, including the risks related to the achievement of such projections in light of Reliant's prior history of achieving its projections and current market conditions;

its view that it was not reasonable to expect that Reliant would be able to solicit or conclude an alternative transaction with another party at a higher price, based on the process Reliant conducted and the results of such process;

the merger consideration to be received by Reliant stockholders in the merger;

the merger consideration is a mix of cash and stock, which provides Reliant's stockholders both an immediate cash value and the opportunity to participate in the long-term value of Reliant through ownership of Thermage common stock following the merger;

a public offering for Reliant would be very difficult and the merger will provide Reliant stockholders liquidity through merger consideration consisting of shares of Thermage common stock which is currently traded on the NASDAQ Global Market;

Thermage, as a public company, is better positioned than Reliant to raise additional capital;

the combined company will be led by experienced senior management and board of directors;

the ability to create a spin-off company, to which, prior to the merger, Reliant can exclusively license its patents and non-exclusively license its know-how for use outside of the field of aesthetics, which will provide certain Reliant stockholders the opportunity to participate in the long-term value of Reliant's patents and know-how outside of the field of aesthetics through their receipt of stock of the spin-off company in connection with the merger;

the fact that Thermage would be required to pay Reliant a \$3.5 million termination fee in connection with termination of the merger agreement in certain circumstances (as described in the sections entitled "Termination of the Merger Agreement" on page 95 and "Payments by Thermage following Termination" on page 96);

that, at the time of signing of the merger agreement, Thermage and Reliant would enter into a loan arrangement whereby Thermage would loan Reliant \$5.0 million, thus satisfying Reliant's short-term cash needs while avoiding an equity or debt financing on terms that could have been very dilutive to the Reliant stockholders, and the fact that the loan would not become due as a result of termination of the merger agreement, if it is terminated; and

the likelihood that the merger will be consummated on a timely basis, including the likelihood that the merger will receive all necessary regulatory approvals.

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The Reliant board of directors also considered a number of additional potentially countervailing factors in its deliberations concerning the merger, including the following:

the price volatility of Thermage's common stock, which may reduce the value of the Thermage common stock that Reliant stockholders will receive upon the consummation of the merger;

the possibility that the merger might not be completed and the potential adverse effect of the public announcement of the merger on Reliant's reputation and ability to obtain financing in the future;

the risk of diverting management's attention from other strategic priorities;

that, under the terms of the merger agreement, Reliant agreed that it will carry on its business in the ordinary course of business consistent with past practice and, subject to specified exceptions, that Reliant will not take a number of actions related to the conduct of its business;

the challenges and costs of combining the operations and the substantial expenses to be incurred in connection with the merger, including the risks that delays or difficulties in completing the integration and the inability to retain key employees as a result of the management and other changes that will be implemented in integrating the business could adversely affect the combined company's operating results and preclude the achievement of some benefits anticipated from the merger;

the risk of a delay in the closing of the merger due to the need for a Thermage stockholder vote and the risk that the Thermage stockholders will not approve the merger; and

various other applicable risks associated with the combined company and the merger, including those described in the section of this proxy statement/prospectus/information statement entitled "Risk Factors."

The foregoing information and factors considered by the Reliant board of directors are not intended to be exhaustive but are believed to include all of the material factors considered by the Reliant board of directors. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the Reliant board of directors did not find it useful, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. In considering the factors described above, individual members of the Reliant board of directors may have given different weight to different factors. The Reliant board of directors conducted an overall analysis of the factors described above, including thorough discussions with, and questioning of, Reliant's management and Reliant's legal advisors, and unanimously approved the merger agreement and the transaction contemplated thereby, including the merger.

## **Recommendation of the Reliant Board of Directors**

After careful consideration and deliberation, and based on the foregoing analysis, as well as information evaluated at board meetings, including a meeting of the Reliant board of directors held on July 6, 2008, the Reliant board of directors determined that the transaction is advisable, and is fair to and in the best interests of Reliant and its stockholders, and unanimously adopted the merger agreement and approved the transactions contemplated thereby. The Reliant board of directors unanimously recommended that the Reliant stockholders adopt the merger agreement and approve the transactions contemplated thereby.

## **Vote Required for Thermage**

Approval of the proposal regarding the issuance of shares of Thermage common stock pursuant to the merger agreement requires the affirmative vote of holders of a majority of the shares of Thermage common stock represented, in person or by proxy, and entitled to vote at the special meeting. For a description of the treatment and effect of abstentions and broker non-votes, see "The Special Meeting of the Thermage

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Stockholders Abstentions and Broker Non-Votes in this proxy statement/prospectus/information statement.

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### **Vote Required for Reliant**

The adoption of the merger agreement and approval of the transactions contemplated thereby required the effective vote of (i) a majority of the outstanding shares of Reliant common stock and Reliant preferred stock, voting together as a single class with each share of Reliant common stock entitled to cast one vote and each share of Reliant preferred stock entitled to cast a number of votes equal to the number of shares of Reliant common stock into which such share of Reliant preferred stock is convertible, pursuant to the requirements of the Delaware General Corporation Law, and (ii) a majority of the outstanding shares of Reliant preferred stock, voting as a separate class, pursuant to the requirements of Reliant's certificate of incorporation. The approval of the amendment to the certificate of incorporation of Reliant also required the vote of a majority of the outstanding shares of Reliant Series C preferred stock, Series D preferred stock and Series E preferred stock, voting together as a single class. Shortly after the execution of the merger agreement on July 7, 2008, Reliant received completed and executed actions by written consent from stockholders holding the requisite number of shares of Reliant common stock and preferred stock necessary under the Delaware General Corporation Law and Reliant's certificate of incorporation to adopt the merger agreement and approve the transactions contemplated thereby, including the approval of the amendment to the certificate of incorporation. See the section entitled "Risk Factors - Risks Related to the Transaction - Litigation relating to Section 2115 of the California General Corporation Law could adversely impact the merger."

Pursuant to this action by written consent, Reliant stockholders approved (1) the adoption of the merger agreement and approval of the transactions contemplated thereby, including the appointment of Steven Mendelow as stockholder representative, (2) an amendment to the certificate of incorporation of Reliant that provides that (a) Reliant may make a distribution of shares of Spinco to holders of Reliant Series A preferred stock, Reliant Series B preferred stock and Reliant common stock without making an equivalent distribution to the other holders of Reliant preferred stock, and (b) upon the closing of the first merger pursuant to the merger agreement, holders of Reliant preferred stock and Reliant common stock will only be entitled to receive the amounts they are entitled to receive under the merger agreement and (3) the license agreement with Spinco and the distribution of shares of Spinco to holders of Series A preferred stock, Series B preferred stock and common stock.

### **Interests of Certain Persons in the Transaction**

Reliant stockholders should be aware that Reliant's directors and executive officers and certain other persons may have interests in the transaction that are different from, or in addition to, the interests of Reliant stockholders generally, as described below. The board of directors of Reliant was aware of and considered these potentially conflicting interests when it adopted the merger agreement and approved the transactions contemplated thereby. These interests include, among other things, the following:

#### *Board of Directors and Management*

Following the closing of the merger, Leonard DeBenedictis, the current Chief Technology Officer of Reliant, will be the Chief Technology Officer of Thermage. In addition, following the closing of the merger, three individuals from the current Reliant board of directors, Eric B. Stang, Leonard DeBenedictis, Henry E. Gauthier, William T. Harrington, M.D., Maynard A. Howe, Ph.D., Steven Mendelow, Glen D. Nelson, M.D., Robert J. Quillinan and Robert Zollars, will be appointed to the Thermage board of directors.

The employment agreements Reliant has with its executive officers provide the following severance and change of control arrangements:

***Eric B. Stang, President and Chief Executive Officer.*** See the section entitled "Management - Executive Compensation Relating to Reliant - Severance and Change of Control Arrangements."

***Leonard DeBenedictis, Chief Technology Officer.*** See the section entitled "Management - Executive Compensation Relating to Reliant - Severance and Change of Control Arrangements."

***Andrew H. Galligan, Chief Financial Officer.*** In the event Mr. Galligan is employed with Reliant on the effective date of a change of control then the final 12 months of vesting of his then-unvested stock awards will become immediately vested. In the event Mr. Galligan is employed with Reliant, or a successor entity, for 12 months after a change of control, upon the one-year anniversary of the change





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of control, the second to last 12 months of vesting of his then-unvested stock awards will become immediately vested. Furthermore, if Mr. Galligan is terminated without cause or resigns for good reason in the period beginning one month prior to a change of control and ending just prior to the one-year anniversary of the change of control, then all then-unvested stock awards will become immediately vested. In the event Mr. Galligan is terminated without cause at any time or he resigns for good reason at any time prior to or within 12 months of a change of control, Mr. Galligan will commence a consulting relationship with Reliant or the successor entity. Mr. Galligan will serve as a consultant for six months and during that time will be entitled to receive his base salary and will be eligible to receive reimbursement for the cost of continuation of his then-current group health insurance benefits.

***Keith J. Sullivan, Vice President of Sales, and Jeffrey S. Jones, Chief Operating Officer.*** In the event of a change of control, the final 12 months of Mr. Sullivan's and Mr. Jones' then unvested stock awards will become immediately vested. Furthermore, in the event Reliant terminates Mr. Sullivan's and Mr. Jones' employment without cause or if either of them resigns for good reason within 12 months following a change of control, then such individual will be eligible to receive severance pay equal to six months of his then-current base salary plus up to six months reimbursement for the cost of continuation of his then-current group health insurance benefits and all of his then unvested stock awards will become immediately vested.

### *Indemnification; Directors' and Officers' Insurance*

For six years after the closing of the merger, Thermage has agreed to maintain in effect, for the benefit of each current and former officer or director of Reliant party to an indemnification agreement at the date of the merger agreement, the existing director's and officer's insurance policies or an insurance and indemnification policy that is not less favorable than the existing director's and officer's insurance policies. Thermage shall not, however, be required to pay an annual premium for such director's and officer's insurance policy that is in excess of 300% of the annual premium at the time of the merger agreement for the existing director's and officer's insurance policy.

### *Employment Agreements*

In connection with, and effective upon the closing of, the merger, Leonard DeBenedictis has entered into an offer letter with Thermage to serve as Chief Technology Officer of Thermage, and certain other officers may also enter into offer letters for employment with Thermage.

### *Spinco*

Prior to and in connection with the merger, Reliant will irrevocably and exclusively license to a newly formed wholly owned subsidiary, referred to as Spinco, Reliant patents and non-exclusively license certain Reliant know-how for use outside of the field of aesthetics. The license will be royalty free and fully paid. All of the shares of Spinco will be distributed to holders of Reliant's Series A preferred stock, Series B preferred stock and common stock in a taxable dividend prior to the closing of the first merger. Each executive officer and director of Reliant holds common stock, Series A preferred stock, Series B preferred stock and/or options to purchase common stock.

## **Governmental and Regulatory Approvals**

The parties are not aware of any governmental or regulatory approvals required in order to complete the transaction. However, governments, states or private persons may challenge the transaction at any time before or after its completion. There can be no assurance that a challenge to the transaction will not be made or that, if a challenge is made, we will prevail.

## **Restrictions on Sales of Shares of Thermage Common Stock Received in the Transaction**

The shares of Thermage common stock to be issued in connection with the proposed merger will be registered under the Securities Act. Concurrently with the execution and delivery of the merger agreement, the executive officers and directors (and their respective affiliates) of Thermage and the executive officers and directors (and their

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respective affiliates) of Reliant entered into lock-up agreements pursuant to which each of the signatories agreed not to sell or otherwise transfer any shares of Thermage common stock held at the closing of the first merger until the first business day after Thermage announces earnings for the first full quarter after the closing.

Persons who may be deemed to be affiliates of Reliant prior to the transaction may not sell any of the shares of Thermage common stock received by them in connection with the transaction except pursuant to:

an effective registration statement under the Securities Act covering the resale of those shares; or

any other applicable exemption under the Securities Act.

In addition, persons who become affiliates of Thermage after the transaction will be required to comply with Rule 144, promulgated under the Securities Act, if they wish to sell or otherwise transfer any of the shares of Thermage common stock they hold. Thermage's registration statement on Form S-4, of which this proxy statement/prospectus/information statement forms a part, does not cover the resale of shares of Thermage common stock to be received in connection with the transaction by persons who may be deemed to be affiliates of Reliant prior to the transaction or Thermage after the transaction.

## **Listing on the NASDAQ Global Market of Thermage Shares Issued Pursuant to the Transaction**

Thermage's common stock is currently traded on the NASDAQ Global Market under the symbol THRM. Thermage intends to apply for inclusion on the NASDAQ Global Market of the shares of our common stock to be issued and reserved for issuance in connection with the merger. NASDAQ's approval of this application is a condition of the consummation of the merger.

## **Appraisal Rights for Thermage**

Under Delaware law, holders of Thermage common stock are not entitled to appraisal rights in connection with the merger because Thermage common stock is listed on the NASDAQ Global Market.

## **Appraisal Rights for Reliant**

Subject to compliance with the procedures set forth in Section 262 of the Delaware General Corporation Law, or DGCL, Reliant stockholders who do not vote in favor of, or consent to, the adoption of the merger agreement and approval of the transactions contemplated thereby and otherwise comply with the requirements of the DGCL will not receive the merger consideration in exchange for their shares, but instead will be entitled to appraisal rights in connection with the first merger, whereby such stockholders may receive the appraised value of their shares of Reliant capital stock held by them in accordance with the provisions of such Section 262 of the DGCL. The applicable Delaware statute is attached as Annex F to this proxy statement/prospectus/information statement. Failure to take any of the steps required under Section 262 of the DGCL on a timely basis may result in a loss of those appraisal rights.

## **Accounting Treatment of the Transaction**

The transaction will be accounted for as a purchase transaction for accounting and financial reporting purposes, in accordance with U.S. generally accepted accounting principles. Thermage will be treated as the acquiring corporation. After the transaction, the results of operations of Reliant will be included in the consolidated financial statements of Thermage. The purchase price will be allocated based on the fair values of the assets acquired and the liabilities assumed. Pursuant to Statements of Financial Accounting Standards No. 141, Business Combinations and No. 142, Goodwill and Other Intangible Assets, goodwill is not amortized. Rather, goodwill will be subject to at least annual assessment for impairment based on a fair value test. A final determination of the required purchase accounting adjustments, including the allocation of the purchase price to the assets acquired and liabilities assumed based on their respective fair values, has not yet been made. Thermage will determine the fair value of assets and liabilities and will make appropriate business combination accounting adjustments. However, for purposes of disclosing unaudited pro forma information in this proxy statement/prospectus/information statement, Thermage has made a preliminary determination of the purchase price allocation, based upon current estimates and assumptions, which is subject to revisions upon consummation of the transaction.



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**Material U.S. Federal Income Tax Consequences of the Merger**

The following discussion summarizes the material U.S. federal income tax considerations of the initial merger of Merger Sub I into Reliant, the subsequent merger of Reliant into Merger Sub II and the Distribution (collectively, the Transaction) that are expected to apply generally to U.S. Holders (as defined below) of Reliant common and preferred stock upon an exchange of their Reliant stock for Thermage common stock in the Transaction. This summary is based upon current provisions of the Code, existing Treasury Regulations under the Code and current administrative rulings and court decisions, all of which are subject to change or different interpretation. Any change, which may or may not be retroactive, could alter the tax consequences to Reliant or the stockholders of Reliant as described in this summary. In addition, this summary assumes the truth and satisfaction of the statements and conditions described below as the basis for the tax opinions of Wilson Sonsini Goodrich & Rosati, Professional Corporation, tax counsel to Thermage, and Cooley Godward Kronish LLP, tax counsel to Reliant. No attempt has been made to comment on all U.S. federal income tax consequences of the Transaction that may be relevant to particular U.S. Holders, including holders:

who are subject to special tax rules such as dealers in securities, foreign persons, mutual funds, regulated investment companies, real estate investment trusts, insurance companies, banks or other financial institutions or tax-exempt entities;

who are subject to the alternative minimum tax provisions of the Code;

who acquired their shares in connection with stock option, warrant or stock purchase plans or in other compensatory transactions;

who hold their shares as a hedge or as part of a hedging, straddle or other risk reduction strategy;

partnerships and other pass-through entities and investors in pass-through entities;

who do not hold their shares as capital assets;

whose shares constitute qualified small business stock with the meaning of Section 1202 of the Code; or

who have a functional currency other than the U.S. dollar.

In addition, the following discussion does not address the tax consequences of the Transaction under state, local and foreign tax laws. Furthermore, the following discussion does not address any of the following:

the tax consequences of transactions effectuated before, after or at the same time as the Transaction, whether or not they are in connection with the Transaction; or

the tax consequences of the receipt of Thermage shares other than in exchange for Reliant shares.

For purposes of this discussion, a U.S. Holder means a beneficial owner of Reliant common or preferred stock who is:

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an individual who is a citizen or resident of the United States;

a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States or any subdivision thereof;

an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or

a trust (other than a grantor trust) if (A) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (B) it has a valid election in place to be treated as a U.S. person.

**HOLDERS OF RELIANT COMMON AND PREFERRED STOCK ARE ADVISED AND EXPECTED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE TRANSACTION IN LIGHT OF THEIR PERSONAL CIRCUMSTANCES AND THE CONSEQUENCES OF THE TRANSACTION UNDER STATE, LOCAL AND FOREIGN TAX LAWS.**

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It is a condition to the consummation of the transaction that each of Wilson Sonsini Goodrich & Rosati, Professional Corporation, outside counsel to Thermage, and Cooley Godward Kronish LLP, outside counsel to Reliant, render a tax opinion to their respective clients to the effect that the Transaction will qualify as an exchange pursuant to Section 368(a) of the Code. The tax opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation, and the tax opinion of Cooley Godward Kronish LLP, discussed in this section are each conditioned upon certain assumptions stated in their respective tax opinions and certain customary representations being delivered by Thermage, Reliant, Relay Merger Corp. and Relay Acquisition Company, LLC.

No ruling from the IRS has been or will be requested in connection with the Transaction. In addition, stockholders of Reliant should be aware that the tax opinions discussed in this section are not binding on the IRS, the IRS could adopt a contrary position and a contrary position could be sustained by a court. In addition, if any of the representations or assumptions upon which the closing tax opinions of Wilson Sonsini Goodrich & Rosati, Professional Corporation, and Cooley Godward Kronish LLP are based are inconsistent with the actual facts, the tax consequences of the Transaction could be adversely affected.

Thermage and Reliant intend that the Transaction will be treated as a reorganization pursuant to Section 368(a) of the Code. The discussion below assumes that the Transaction qualifies as a reorganization, and, except where specifically indicated, for purposes of this discussion of the tax consequences to Reliant stockholders, the Distribution will be treated by Thermage and Reliant as the payment of additional cash in the Transaction in an amount equal to the fair market value of the Spinco stock received.

Reliant will obtain a valuation of Spinco and will notify Reliant stockholders of the appraised value of the Spinco stock received in the Distribution. However, stockholders of Reliant should be aware that the valuation of Spinco as determined by the appraisal will not be binding on the IRS, and the IRS might challenge the valuation and assert that additional gain should be recognized in connection with the receipt of Spinco stock.

*Exchange of Reliant Stock for a Combination of Thermage Common Stock and Cash.* Except as discussed below under *Cash in Lieu of Fractional Thermage Common Stock* and *Cash in Satisfaction of Appraisal Rights*, a Reliant stockholder generally will recognize any gain, but not loss, that it realizes pursuant to the Transaction.

Such stockholder will recognize gain equal to the lesser of:

the amount of cash that it receives pursuant to the Transaction; and

the excess of the amount of cash and the fair market value of Thermage stock received by such stockholder over such stockholder's tax basis in the Reliant stock surrendered.

For this purpose, each Reliant stockholder must calculate the amount of gain or loss separately for each block of shares of Reliant common or preferred stock that it surrenders. Each Reliant stockholder therefore should consult with its own tax advisor with respect to the manner in which cash and Thermage common stock should be allocated among different blocks of Reliant stock.

*Tax Basis and Holding Period.* The tax basis of Thermage common stock received by a Reliant stockholder in the Transaction will be equal to such stockholder's tax basis in the Reliant stock surrendered therefor reduced by the amount of any cash received and increased by any gain recognized by such stockholder in the Transaction. The holding period of Thermage common stock received by a Reliant stockholder in the Transaction will be equal to such stockholder's holding period in the Reliant stock exchanged therefor. If a Reliant shareholder owns multiple blocks of Reliant stock, such stockholder should consult its tax advisor with respect to the proper allocation of the tax basis and holding periods of its Reliant stock among the Thermage common stock received in the Transaction. A Reliant stockholder who receives shares of Spinco in the Distribution will have a tax basis in such shares equal to the fair market value of such shares and its holding period for such shares will begin on the date the Transaction is consummated.

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*Character of Recognized Gain.* Any gain that a Reliant stockholder recognizes generally will be treated as capital gain. If a Reliant stockholder's holding period in a block of its Reliant stock is greater than one year as of the consummation of the Transaction, then such stockholder's capital gain with respect to that block will constitute long-term capital gain. Currently, long-term capital gains are generally subject to U.S. federal income tax at a maximum rate of 15% in the hands of certain U.S. holders such as individuals.

*Treatment of Payments from Escrow.* Although its exact application is unclear, the installment method should allow a Reliant stockholder receiving cash payments from escrow after the taxable year of such stockholder in which the Transaction is consummated to allocate a portion of such stockholder's taxable gain from the Transaction to the taxable year(s) in which such escrow payments are received. However, a stockholder receiving such escrow payments will likely have some portion of such payments recharacterized as imputed interest taxable at ordinary income rates.

*Cash in Lieu of Fractional Thermage Common Stock.* If a Reliant stockholder receives cash instead of a fractional share of Thermage common stock, it will recognize a taxable gain or loss based upon the difference between the amount of cash that stockholder receives with respect to such fractional share and its tax basis in the shares of Reliant stock that is allocated to such fractional share.

*Cash in Satisfaction of Appraisal Rights.* A Reliant stockholder which exercises appraisal rights and receives a cash payment for its Reliant common or preferred stock should generally recognize gain or loss measured by the difference between the amount of cash received and such stockholder's tax basis in such stock. Any gain or loss that such stockholder recognizes generally will be treated as capital gain or loss. If such stockholder's holding period in a block of its Reliant stock is greater than one year as of the consummation of the Transaction, then such stockholder's capital gain or loss with respect to that block will constitute long-term capital gain or loss. Currently, long-term capital gains are generally subject to U.S. federal income tax at a maximum rate of 15% in the hands of certain U.S. holders such as individuals. The use of capital losses to offset ordinary income from other sources is subject to limitations.

*Treatment of Thermage and Reliant.* No gain or loss will be recognized by Thermage or Reliant solely as a result of the mergers, although either Thermage or Reliant will likely recognize gain or loss as a result of the Distribution.

Certain Reliant stockholders may be required to attach a statement to their tax returns for the year in which the Transaction is consummated that contains the information listed in Treasury Regulation Section 1.368-3(b), if applicable. Reliant stockholders are urged to consult their own tax advisors with respect to the applicable reporting requirements.

*Backup Withholding.* Any cash payments to Reliant stockholders in connection with the Transaction may be subject to backup withholding on a holder's receipt of cash (not including any shares received in the Distribution and otherwise treated as cash for purposes of this discussion), unless such holder furnishes a correct taxpayer identification number and certifies that he or she is not subject to backup withholding or such stockholder is otherwise exempt from backup withholding. Any amount withheld under the backup withholding rules will generally be allowed as a refund or credit against the holder's U.S. federal income tax liability, provided the required information is furnished to the IRS.

**THE PRECEDING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE TRANSACTION AND DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OR DISCUSSION OF ALL OF THE TRANSACTION'S POTENTIAL TAX EFFECTS. RELIANT STOCKHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES TO THEM OF THE TRANSACTION, INCLUDING TAX RETURN REPORTING REQUIREMENTS AND THE APPLICABILITY AND EFFECT OF FEDERAL, STATE, LOCAL, FOREIGN AND OTHER APPLICABLE TAX LAWS.**

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**AGREEMENTS RELATED TO THE INTEGRATED MERGER**

*This section of the proxy statement/prospectus/information statement describes material aspects of the agreements related to the integrated merger. While we believe that the description covers the material terms of the agreements related to the integrated merger, this summary may not contain all of the information that is important to you. Thermage stockholders should review carefully the other information contained in this proxy statement/prospectus/information statement in considering whether to approve the issuance of shares of Thermage common stock pursuant to the merger agreement. See the section entitled "Where You Can Find More Information" on page 214 of this proxy statement/prospectus/information statement.*

**The Merger Agreement**

The following is a summary of the material provisions of the merger agreement. This summary is qualified in its entirety by reference to the merger agreement, a copy of which is attached as Annex A to this proxy statement/prospectus/information statement and is incorporated into this proxy statement/prospectus/information statement by reference. You should read the merger agreement in its entirety, as it is the legal document governing the integrated merger, and the provisions of the merger agreement are not easily summarized.

***Structure of the Integrated Merger***

The transaction is structured as a two-step merger which is referred to herein as the integrated merger. In the first merger, which is structured as a reverse-triangular merger, Relay Merger Corp., a wholly owned subsidiary of Thermage formed for the purpose of the first merger, will merge with and into Reliant. Relay Merger Corp. will cease to exist as a separate corporate entity and Reliant will continue as the surviving corporation and as a wholly owned subsidiary of Thermage. Immediately following the first merger, Thermage will cause the second merger to be effected. In the second merger, which is structured as a forward triangular merger, Reliant as the surviving corporation in the first merger will merge with and into Relay Acquisition Company, LLC, a wholly owned subsidiary of Thermage formed for the purpose of the second merger. Thereafter, Relay Acquisition Company, LLC will continue as the surviving corporation and as a wholly owned subsidiary of Thermage. Unless otherwise determined by Thermage, prior to the effective time of the first merger, the certificate of formation of the combined company shall be amended and restated as of the effective time of the second merger to be identical to the certificate of formation of Relay Acquisition Company, LLC as in effect immediately prior to the effective time of the second merger; provided, however, that at the effective time of the second merger, Article I of the certificate of formation of the combined company shall be amended and restated in its entirety to read as follows: The name of the corporation is Reliant Technologies, LLC.

***Effective Time and Timing of Closing***

The first merger will be completed and become effective when the certificate of merger related to the merger of Relay Merger Corp. with and into Reliant is filed with the Secretary of State of the State of Delaware, or at such later time as we may agree and as is specified in the certificate of merger, in accordance with Delaware law. The closing of the first merger will take place as soon as practicable after all conditions to the first merger have been satisfied or waived, or on such other date as we may agree. We currently anticipate that we will complete the first merger promptly after approval of the Thermage stockholders has been obtained, assuming Thermage's stockholders give their requisite approvals and all other conditions to the first merger have been satisfied or waived. Immediately thereafter, Thermage will cause the second merger to be completed and the second merger become effective when the certificate of merger related to the merger of Reliant with and into Relay Acquisition Company, LLC is filed with the Secretary of State of the State of Delaware, or at such later time as we may agree and as is specified in the certificate of merger, in accordance with Delaware law.



**Table of Contents****Merger Consideration**

Upon completion of the first merger, subject to indemnification and escrow arrangements described below in The Merger Agreement Survival of Representations and Warranties; Escrow, Reliant stockholders will be entitled to receive aggregate merger consideration consisting of approximately \$25.0 million in cash and 23,600,000 shares of Thermage common stock. The \$25.0 million in cash will be decreased by:

the amount, if any, by which the closing working capital of Reliant at the closing is less than negative \$1.0 million;

the amount, if any, by which the net indebtedness of Reliant at closing is greater than \$7.0 million;

the amount of cash payable to the holders of Reliant stock options; and

the amount of cash payable to the holders of Reliant restricted stock units.

As a result of these adjustments as well as adjustments in the allocation of the stock portion of the consideration among Reliant stockholders which depends upon the average trading price of Thermage common stock for the 30-day period ending on the date that is three days prior to the closing, the exact consideration that a Reliant stockholder will receive is not known as of the date of this proxy statement/prospectus/information statement and will depend on the magnitude of these adjustments and fluctuations in the trading price of Thermage common stock.

At the effective time of the first merger, each issued and outstanding share of Reliant capital stock will be converted into the right to receive a combination of cash and shares of Thermage common stock in accordance with the terms of the merger agreement which approximates the terms of the amended and restated certificate of incorporation of Reliant in effect as of the date of the merger agreement. Pursuant to the merger agreement, holders of each series of Reliant preferred stock will receive payment of the greater of (A) their respective liquidation preference as set forth below and (B) the per share merger consideration payable in respect of a share of Reliant common stock in a combination of cash and shares of Thermage common stock on a pro rata basis with all other recipients of the merger consideration, other than holders of Reliant stock options and Reliant restricted stock units who will be paid solely in cash. Payment of the liquidation preference shall be made to holders of Reliant preferred stock prior to any payment or allocation of merger consideration to holders of Reliant common stock, provided, however, that in the event that holders of Reliant common stock are allocated less than \$0.50 per share, such holders shall be paid \$0.50 per share of Reliant common stock and the merger consideration allocated and paid to holders of Reliant preferred stock will be reduced pro rata in proportion to the merger consideration.

Series	Shares outstanding as of July 31, 2008	Liquidation Preference	Total
Series A	2,363,074	\$ 4.50	\$ 10,633,833
Series B	3,191,293	\$ 4.50	\$ 14,360,819
Series C	664,760	\$ 10.53	\$ 6,999,923
Series D	1,443,770	\$ 15.09	\$ 21,786,489
Series E	999,993	\$ 15.00	\$ 14,999,895

Holders of Reliant preferred stock are entitled to receive approximately \$68,780,959 in satisfaction of the aggregate liquidation preference in respect of outstanding shares of Reliant preferred stock; however, in the event that the merger consideration allocated to each share of Reliant common stock after the aggregate liquidation preference has been paid is greater than the liquidation preference set forth above the holder shall be entitled to receive the per share consideration payable in respect of Reliant common stock in lieu of the liquidation preference.

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The actual stock consideration and cash consideration to be paid per share of Reliant capital stock at closing will depend upon numerous variable factors, including the average trading price of Thermage common stock during the thirty days prior to the closing, the total cash consideration payable after adjustments for the closing working capital and the net indebtedness at closing and the cash consideration payable to holders of Reliant options and restricted stock units. Assuming that the aggregate amount payable in respect of Reliant stock options and Reliant restricted stock units is approximately \$7.4 million and that Reliant has working capital at the closing of approximately negative \$1.0 million, net indebtedness at closing of \$7.0 million, and that the average trading price of Thermage common stock during the 30-day period ending the third day immediately preceding the closing date is \$2.50, each share of Reliant preferred stock (other than Series A preferred stock and Series B preferred stock) would receive a combination of cash and shares of Thermage common stock with a value equal to the respective liquidation preference as set forth above. Holders of Reliant common stock would be entitled to receive a combination of cash and shares of Thermage common stock with a value equal to approximately \$4.62 per share and because this amount is greater than \$4.50, holders of shares Series A preferred stock and Series B preferred stock would receive the consideration payable per share of Reliant common stock in lieu of the liquidation preference.

An amount of cash equal to 10% of the value of the merger consideration will be withheld pro rata from the merger consideration paid to stockholders and holders of in-the-money options and warrants and holders of restricted stock units at closing and placed in the escrow account. If funds remain in the escrow account after the expiration of the escrow period, such funds will be distributed pro rata to such stockholders, optionholders, warrant holders and holders of restricted stock units.

The number of shares of Thermage common stock to which a Reliant stockholder is entitled to receive will be aggregated and any fractional shares will be paid out as set forth below in The Merger Agreement Fractional Shares. The terms and conditions of the escrow fund are described in more detail in the Section entitled The Merger Agreement Escrow Fund.

You should be aware that the above per share amounts are estimates only and are subject to change under certain circumstances as described above and set forth more fully in the merger agreement attached as Annex A to this proxy statement/prospectus/information statement. The actual consideration you receive in exchange for your Reliant capital stock may be more, less or the same as these estimates.

The maximum number of shares of Thermage common stock to be issued by Thermage in the first merger was fixed at the time the merger agreement was signed. At the time the merger agreement was signed, the parties valued the Thermage common stock at \$2.96 per share based on the average closing price per share of Thermage common stock on the NASDAQ Global Market for the 30 days immediately preceding July 4, 2008. However, Thermage common stock trades on the NASDAQ Global Market and is subject to price fluctuation. Therefore, the value of the Thermage common stock you receive in the first merger cannot be known at the date of this proxy statement/prospectus/information statement. In addition, each share of Reliant preferred stock is entitled to receive the greater of liquidation preference applicable to the series of preferred stock as set forth above and the amount payable per share of Reliant common stock. Depending on the value of Thermage common stock at the time of the closing, holders of Reliant preferred stock may receive more or less than the liquidation preference.

The value of the Thermage common stock you receive in the first merger may be equal to, less than or greater than its value on the date the merger agreement was signed and/or the date of this proxy statement/prospectus/information statement.

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Below is a comparison of the effect the fluctuations in the per share price the Thermage common stock could have on the merger consideration received in the first merger based on the same assumptions described above.

	<b>\$1.50</b>	<b>\$2.50</b>	<b>\$3.50</b>
Series A	\$ 3.90	\$ 4.62	\$ 6.94
Series B	\$ 3.90	\$ 4.62	\$ 6.94
Series C	\$ 9.13	\$ 10.53	\$ 10.53
Series D	\$ 13.08	\$ 15.09	\$ 15.09
Series E	\$ 13.01	\$ 15.00	\$ 15.00
Common	\$ 0.50	\$ 4.62	\$ 6.94

The above per share values are estimates only and are subject to change under certain circumstances as set forth more fully in the merger agreement, including a change in the closing working capital of Reliant, a change in the net indebtedness of Reliant, a change in the number of shares of Reliant capital stock, including exercises of outstanding stock options and warrants. The actual value of the consideration you receive in exchange for your Reliant capital stock may be more, less or the same as these estimates.

See the section entitled "Market Price of and Dividends on Thermage's Common Equity and Related Stockholder Matters" beginning on page 205 for a description of the historical value of Thermage capital stock. Reliant stockholders are urged to obtain current market quotations for Thermage common stock and to review carefully the other information contained in this proxy statement/prospectus/information statement. See the section entitled "Where You Can Find More Information" on page 214.

***Fractional Shares***

Thermage will not issue any fractional shares of common stock in connection with the first merger. Instead, each holder of Reliant capital stock who would otherwise be entitled to receive a fraction of a share of Thermage common stock will be entitled to receive cash, without interest, in an amount equal to such fraction multiplied by the closing price of Thermage common stock on the trading day immediately preceding the closing date.

***Exchange of Reliant Stock Certificates for Thermage Stock Certificates***

As soon as practicable following the effective time of the first merger, the exchange agent for the first merger will mail to each record holder of Reliant capital stock a letter of transmittal and instructions for surrendering the record holder's Reliant stock certificates in exchange for the consideration to be received by Reliant stockholders in the first merger. Only those holders of Reliant capital stock who properly surrender their Reliant stock certificates in accordance with the exchange agent's instructions will receive:

certificates representing the number of whole shares of Thermage common stock to which they are entitled pursuant to the merger agreement;

cash representing the cash portion of the consideration to which they are entitled pursuant to the merger agreement (less such holder's portion of the indemnification escrow amount); and

cash in lieu of any fractional share of Thermage common stock.

The surrendered certificates representing Reliant capital stock will be canceled. After the effective time of the first merger, each certificate representing shares of Reliant capital stock that has not been surrendered will represent only the right to receive each of the items, as the case may be, enumerated above. Following the completion of the first merger, Reliant will not register any transfers of Reliant capital stock on its stock transfer books. Holders of Reliant capital stock should not send in their Reliant stock certificates until they receive a letter of transmittal from the exchange agent for the first merger, with instructions for the surrender of Reliant stock certificates.



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***Appraisal Rights***

Subject to compliance with the procedures set forth in Section 262 of the Delaware General Corporation Law, or DGCL, Reliant stockholders who do not vote in favor of, or consent to, the adoption of the merger agreement and approval of the transactions contemplated thereby and otherwise comply with the requirements of the DGCL will not receive the merger consideration in exchange for their shares, but instead will be entitled to appraisal rights in connection with the first merger, whereby such stockholders may receive the appraised value of their shares of Reliant capital stock held by them in accordance with the provisions of such Section 262 of the DGCL. The applicable Delaware statute is attached as Annex F to this proxy statement/prospectus/information statement. Failure to take any of the steps required under Section 262 of the DGCL on a timely basis may result in a loss of those appraisal rights.

***Distributions with Respect to Unexchanged Shares***

Holders of Reliant capital stock are not entitled to receive any dividends, payment in lieu of any fractional shares or other distributions on Thermage common stock until the first merger is completed. After the first merger is completed, holders of Reliant capital stock will be entitled to dividends, payment in lieu of any fractional shares and other distributions declared or made after completion of the first merger with respect to the number of whole shares of Thermage common stock which they are entitled to receive upon exchange of their Reliant capital stock, but they will not be paid any dividends, payment in lieu of any fractional shares or other distributions on the Thermage common stock until they surrender their Reliant stock certificates to the exchange agent in accordance with the exchange agent instructions. After surrender of the certificates, such holders will receive any such dividends, payments in lieu of any fractional shares or other distributions to which they are entitled as cash without interest.

***Transfers of Ownership and Lost Stock Certificates***

If the payment of the portion of the merger consideration to which a Reliant stockholder is entitled is to be paid to a person other than the person in whose name the certificates surrendered in exchange therefore are registered, it will be a condition of payment that the certificates so surrendered be properly endorsed and otherwise in proper form for transfer (including, if requested, a medallion guarantee), and that the persons requesting such payment will have paid to Thermage or any agent designated by it any transfer or other taxes required. In the event that any certificates representing Reliant capital stock shall have been lost, stolen or destroyed, the holder of such certificate may need to deliver a bond prior to receiving any merger consideration.

***Treatment of Reliant Stock Options***

No outstanding Reliant stock options shall be assumed, continued or substituted for by Thermage. As of immediately prior to the effective time of the first merger, and contingent upon the effectiveness of the first merger, each then outstanding Reliant stock option will become immediately vested and exercisable in full. At the effective time, each Reliant stock option will be cancelled and converted into a right to receive a cash payment equal to (i) the number of shares of Reliant common stock underlying the Reliant stock option multiplied by (ii) the excess, if any, of (A) the amount of merger consideration to which each outstanding share of Reliant common stock is entitled in the first merger, minus (B) the total amount of the exercise price due under such option.

***Treatment of Reliant Restricted Stock***

As of immediately prior to the effective time of the first merger, and contingent upon the effectiveness of the first merger, each share of Reliant restricted stock shall become fully vested, and any reacquisition or repurchase rights held by Reliant with respect to such Reliant restricted stock will lapse. Each share of vested Reliant restricted stock will be treated in the same manner as shares of Reliant common stock.

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***Treatment of Reliant Restricted Stock Units***

No outstanding Reliant restricted stock units shall be assumed, continued or substituted for by Thermage. At the effective time of the first merger, each then outstanding Reliant restricted stock unit will, to the extent then vested (taking into account any accelerated vesting as a result of the first merger in accordance with the terms of the Reliant restricted stock units), be converted into and shall become a right to receive an amount in cash, without interest, with respect to each share subject thereto, equal to the amount of merger consideration to which each outstanding share of Reliant common stock is entitled in the first merger. A portion of such consideration shall be withheld and placed in the escrow account.

***Treatment of Reliant Warrants***

Except for Reliant warrants that cannot be cancelled pursuant to their terms by virtue of the first merger, Thermage shall not assume any Reliant warrants. At the effective time, each Reliant warrant then outstanding with an exercise price per share that is less than the consideration payable with respect to the shares of Reliant preferred stock or Reliant common stock, as applicable, then subject to purchase under such in-the-money warrant, will, to the extent permitted pursuant to the terms of such in-the-money warrant, be cancelled and converted without exercise into the right to receive the consideration payable for each share of Reliant preferred stock or Reliant common stock, as applicable, then subject to the extent such warrant is in-the-money.

Any Reliant warrant that cannot be cancelled pursuant to its terms by virtue of the first merger and is not tendered by the holder thereof in exchange for the treatment described in the paragraph above shall be assumed by Thermage to the extent not exercised prior to the closing. Each such assumed Reliant warrant will be converted into a warrant to acquire the consideration the holder of such Reliant warrant would have been entitled to receive at the effective time of the first merger had such holder exercised with a cash payment of the exercise price such Reliant warrant prior to the effective time of the first merger. Each Reliant warrant assumed shall otherwise be subject to the same terms and conditions (including as to vesting and exercisability, if applicable) as were applicable under the respective Reliant warrant immediately prior to the effective time.

***Representations and Warranties***

The merger agreement contains customary representations and warranties made by Thermage and Reliant regarding aspects of their respective businesses. In particular, the assertions embodied in the representations and warranties contained in the merger agreement are qualified by information in confidential disclosure schedules provided by Thermage and Reliant to each other in connection with the signing of the merger agreement. These disclosure schedules contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the merger agreement. Moreover, certain representations and warranties in the merger agreement were used for the purpose of allocating risk between Thermage and Reliant rather than establishing matters as facts. Accordingly, you should not rely on the representations and warranties in the merger agreement as characterizations of the actual state of facts about Thermage or Reliant. In addition, certain representations and warranties are qualified by the likelihood of a material adverse effect. See the section entitled *The Merger Agreement Definition of Material Adverse Effect* beginning on page 94 of this proxy statement/prospectus/information statement. These representations and warranties relate to the following subject matters with respect to each party:

corporate organization, qualifications to do business, corporate standing and corporate power;

ownership of subsidiary capital stock and the absence of certain restrictions or encumbrances with respect to the capital stock of any significant subsidiary as well as the corporate organization, qualifications to do business, corporate standing and corporate power of such subsidiaries;

absence of violation of the certificate of incorporation and bylaws and the certificates of incorporation, bylaws and similar organizational documents of subsidiaries;

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capitalization;

corporate authorization to enter into and consummate the transactions contemplated by the merger agreement and the enforceability of the merger agreement;

governmental and regulatory approvals required to complete the first merger;

absence of any conflict or violation of any applicable legal requirements, corporate charter and bylaws, of each of Reliant and Thermage and the charter, bylaws and similar organizational documents of their respective subsidiaries as a result of entering into and consummating the transactions contemplated by the merger agreement;

the effect of entering into and consummating the transactions contemplated by the merger agreement on material contracts;

financial statements;

internal controls and procedures;

the absence of undisclosed liabilities;

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