

ENDOCARE INC
Form 424B3
November 09, 2005

Prospectus Supplement No. 2 to Prospectus dated September 28, 2005
Filed Pursuant to Rule 424(b)(3)
Registration Statement No. 333-123866

Endocare, Inc.
Supplement No. 2
to
Prospectus Dated September 28, 2005

This is a Supplement to Endocare, Inc.'s Prospectus, dated September 28, 2005, with respect to the offer and sale of up to 9,580,126 shares of our common stock by the selling stockholders listed in the Prospectus or their transferees. This Supplement amends and supplements certain information contained in the Prospectus. You should read this Supplement carefully.

Endocare, Inc. is a specialty medical device company focused on improving patients' lives through the development, manufacturing and distribution of health care products related to our core competencies in the areas of cryoablation and vacuum technology. Our strategy is to achieve a dominant position in the prostate and renal cancer markets, further developing and increasing the acceptance of our technology in the interventional radiology and oncology markets for treatment of liver and lung cancers and management of pain from bone metastases, while achieving penetration across additional markets with our proprietary cryosurgical technology and maintaining our leading position in vacuum technology for erectile dysfunction. The term "cryoablation procedures" refers to medical procedures in which ice is used to destroy tissue, such as tumors, for therapeutic purposes. The term "cryosurgical technologies" refers to technologies relating to the use of ice in surgical procedures, including cryoablation procedures.

Our common stock is traded on the Over-the-Counter Bulletin Board, or OTCBB, under the symbol ENDO. On November 4, 2005, the last reported sale price of our common stock on the OTCBB was \$3.00 per share.

YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS FOR OUR SHARES, WHICH ARE LISTED IN THE PROSPECTUS.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this Supplement and the Prospectus or determined if this Supplement or the Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is November 9, 2005

QUARTERLY REPORT ON FORM 10-Q

On November 9, 2005, we filed with the SEC a Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005. We hereby incorporate by reference into this Supplement and the Prospectus the Quarterly Report on Form 10-Q filed with the SEC on November 9, 2005.

A copy of our Quarterly Report on Form 10-Q filed on November 9, 2005 is being provided to you along with this Supplement.

Information about other documents that have been incorporated by reference into the Prospectus is included in the section of the Prospectus captioned *Where You Can Find More Information*.

SELLING SECURITYHOLDERS

The table under the caption *Selling Securityholders* beginning on page 12 of the Prospectus is hereby supplemented and amended to update information as to the beneficial ownership of our outstanding shares of common stock as of October 31, 2005 by each of the selling securityholders, and as adjusted to reflect transfers by the selling securityholders, and the sale by the selling securityholders of shares in this offering. As of October 31, 2005, 30,073,519 shares of our common stock were outstanding.

This information is based on information provided by or on behalf of the selling securityholders and, with regard to the beneficial holdings of the selling securityholders, is accurate only to the extent beneficial holdings information was disclosed to us by or on behalf of the selling securityholders. The selling securityholders and holders listed in any supplement to the Prospectus, and any transferors, pledgees, donees or successors to these persons, may from time to time offer and sell, pursuant to the Prospectus and any subsequent prospectus supplement, any and all of these shares or interests therein. Any supplement to the Prospectus may contain additional or varied information about the selling securityholders and/or additional holders, and any of their transferors, pledgees, donees or successors, the names of natural persons with voting or investment control over the shares covered hereby, and the aggregate amount of the shares offered that is beneficially owned by each person. This information will be obtained from the selling securityholders and/or additional holders.

Shares listed under the column *Shares Offered by this Prospectus* represent the number of shares that may be sold by each selling securityholder pursuant to the Prospectus. Pursuant to Rule 416 of the Securities Act of 1933, the registration statement of which the Prospectus is a part also covers any additional shares of our common stock which become issuable in connection with such shares resulting from stock splits, stock dividends or similar transactions.

The information under the heading *Shares Beneficially Owned After the Offering* assumes each selling securityholder sells all of its shares covered hereby to unaffiliated third parties, that the selling securityholders will acquire no additional Endocare common stock prior to the completion of this offering, and that any other shares of our common stock beneficially owned by the selling securityholders will continue to be beneficially owned. Each selling stockholder may dispose of all, part or none of its shares.

For purposes of the table below, beneficial ownership is determined in accordance with the rules of the SEC, and includes voting and dispositive power with respect to shares. Shares of common stock subject to options, warrants or issuable upon conversion of convertible securities currently exercisable or exercisable within 60 days from October 31, 2005 are deemed outstanding for computing the percentage ownership of the person holding the options, warrants or convertible securities, but are not deemed outstanding for computing the percentage of any other person. Warrants issued in our March 2005 equity financing are currently exercisable, and therefore the shares underlying those warrants are included for purposes of determining beneficial ownership.

The selling securityholders identified below may have sold, transferred or otherwise disposed of all or a portion of their shares of common stock in transactions exempt from the registration requirements of the Securities Act of 1933 since the date on which they provided to us the information regarding their shares of common stock.

Except as indicated below or in the Prospectus, none of the selling securityholders has held any position or office or had any other material relationship with us or any of our predecessors or affiliates within the past three years other than as a result of the ownership of our securities. We may amend or supplement the Prospectus from time to time to update the disclosure set forth in it.

Each of the selling securityholders that is affiliated with a registered broker-dealer has represented to us that it purchased the shares offered by the Prospectus in the ordinary course of business and, at the time of purchase of those shares, did not have any plans to dispose of those shares.

Selling Securityholders ¹	Shares Beneficially Owned Prior to the Offering		Shares Offered by this Prospectus	Shares Beneficially Owned After the Offering ²	
	Number	Percent ³		Number	Percent ⁴
Arbor Partners, L.P. ⁵	176,290	*	176,290	None	None
Bregman, Lior ⁶	126,352	*	126,352	None	None
Cimarron Overseas Equity Master Fund LP ⁷	245,487	*	245,487	None	None
City of Milford Pension & Retirement Fund ⁸	276,116	*	276,116	None	None

* Less than one percent.

¹ The names of the selling securityholders and the numbers of securities held by the selling securityholders may be amended subsequent to the date of the Prospectus pursuant to Rule 424(b)(3) of the Securities Act of 1933.

- 2 Assumes the sale of all shares offered in the Prospectus and no other purchases or sales of our common stock.
- 3 Percentage ownership is based on 30,073,519 shares of our common stock outstanding as of March 15, 2005.
- 4 Percentage ownership is based on 30,073,519 shares of our common stock outstanding as of March 15, 2005.
- 5 Richard Shuster has dispositive and voting power over the shares held by Arbor Partners, L.P.
- 6 [Reserved Intentionally Left Blank]
- 7 These shares are beneficially owned by Cimarron Biomedical Equity Master Fund, L.P., formerly known as Cimarron Overseas Equity

Master Fund,
L.P. Cimarron
Biomedical
Equity Master
Fund, L.P. is
wholly owned
by Cimarron
Biomedical
Equity Fund,
L.P., formerly
known as
Cimarron
Overseas Equity
Fund (QP), L.P.
Cimarron
Biomedical
Investors, L.P.
is the general
partner of
Cimarron
Biomedical
Equity Fund,
L.P. Cimarron
Global
Management,
LLC is the
general partner
of Cimarron
Biomedical
Investors, L.P.
J.H. Cullum
Clark is the sole
principal of
Cimarron
Global
Management,
LLC, and in
such capacity
has dispositive
and voting
power over the
shares
beneficially
owned by
Cimarron
Biomedical
Equity Master
Fund, L.P.
Mr. Clark
expressly
disclaims

beneficial
ownership of
the shares
beneficially
owned by
Cimarron
Biomedical
Equity Master
Fund, L.P.

- 8 The Managing
Directors of
Zesiger Capital
Group LLP
have dispositive
and voting
power over the
shares held by
City of Milford
Pension &
Retirement
Fund. The
Managing
Directors of
Zesiger Capital
Group LLP
currently are
Albert L.
Zesiger, Barrie
R. Zesiger,
Donald Devivo,
James F. Cleary,
John Kayola
and Robert K.
Winters.
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Selling Securityholders ¹	Shares Beneficially Owned Prior to the Offering		Shares Offered by this Prospectus	Shares Beneficially Owned After the Offering ²	
	Number	Percent ³		Number	Percent ⁴
City of Stamford Firemen's Pension Fund ⁹	122,740	*	122,740	None	None
Daniels, John and Daniels, AnnaMarie, as Trustees of The Daniels Family Trust UTA 1993 ¹⁰	184,115	*	184,115	None	None
Charles Schwab & Co Inc. FBO Craig T. Davenport Roth Conversion IRA ¹¹	60,799	*	60,799	None	None
Charles Schwab & Co Inc. FBO Craig T. Davenport Sep IRA ¹²	52,738	*	52,738	None	None
Fleming, Hayden R. and Fleming, LaDonna M., as Trustees of the Hayden R. Fleming Revocable Trust dated as of July 19, 1995 ¹³	422,707	1.40%	306,857	115,850	*
GW2001 Fund, L.P. ¹⁴	89,927	*	67,327	22,600	*

⁹ The Managing Directors of Zesiger Capital Group LLP have dispositive and voting power over the shares held by City of Stamford Firemen's Pension Fund. The Managing Directors of Zesiger Capital Group LLP currently are Albert L. Zesiger, Barrie R. Zesiger, Donald Devivo,

James F. Cleary,
John Kayola
and Robert K.
Winters.

- 10 John R. Daniels and AnnaMarie Daniels have dispositive and voting power over the shares held by the Daniels Family Trust UTA 1993. Dr. Daniels is one of our directors. In addition to the shares shown in the table above, Dr. Daniels has the right to acquire 10,000 shares upon the exercise of options that are exercisable within 60 days of October 31, 2005.

- 11 Craig T. Davenport, who is our Chairman and Chief Executive Officer, has dispositive and voting power over the shares held by Charles Schwab & Co Inc. FBO Craig T. Davenport Roth Conversion IRA. In addition to the shares shown in the table above,

Mr. Davenport has the right to acquire 506,250 shares upon the exercise of options that are exercisable within 60 days of October 31, 2005.

12 Mr. Davenport has dispositive and voting power over the shares held by Charles Schwab & Co Inc. FBO Craig T. Davenport Sep IRA. In addition to the shares shown in the table above, Mr. Davenport has the right to acquire 506,250 shares upon the exercise of options that are exercisable within 60 days of October 31, 2005.

13 Hayden R. Fleming and LaDonna M. Fleming have dispositive and voting power over the shares held by the Hayden R. Fleming Revocable Trust dated as of July 19, 1995.

14 Eugene M. Weber has

dispositive and
voting power
over the shares
held by
GW2001 Fund,
L.P.

Selling Securityholders ¹	Shares Beneficially Owned Prior to the Offering		Shares Offered by this Prospectus	Shares Beneficially Owned After the Offering ²	
	Number	Percent ³		Number	Percent ⁴
Haimovitch, Larry as Trustee of the Larry Haimovitch 2000 Separate Property Revocable Trust ¹⁵	71,316	*	15,341	55,975	*
JP Morgan Trust Co. (Bahamas) Limited as Trustee U/A/D 11/3/93 ¹⁶	104,380	*	104,380	None	None
Kotler, Kevin ¹⁷	61,371	*	61,371	None	None
Midwood Capital Partners QP, L.P. ¹⁸	341,181	1.13%	98,187	242,994	*
Midwood Capital Partners, L.P. ¹⁹	343,344	1.14%	208,670	134,674	*
Norwalk Employees Pension Plan ²⁰	107,440	*	107,440	None	None
Nydam, William J. ²¹	775,607	2.5%	306,857	468,750	1.5%
Paragon Associates J.V. ²²	1,227,436	4.01%	1,227,436	None	None
Prothro Family Limited Partnership LP ²³	184,115	*	184,115	None	None

¹⁵ Larry Haimovitch has dispositive and voting power over the shares held by the Larry Haimovitch 2000 Separate Property Revocable Trust.

¹⁶ The Managing Directors of Zesiger Capital Group LLP have dispositive and voting

power over the shares held by JP Morgan Trust Co. (Bahamas) Limited as Trustee U/A/D 11/3/93. The Managing Directors of Zesiger Capital Group LLP currently are Albert L. Zesiger, Barrie R. Zesiger, Donald Devivo, James F. Cleary, John Kayola and Robert K. Winters.

- 17 [Reserved Intentionally Left Blank]
- 18 Ross DeMont and David Cohen have dispositive and voting power for the shares held by Midwood Capital Partners QP, L.P.
- 19 Ross DeMont and David Cohen have dispositive and voting power for the shares held by Midwood Capital Partners, L.P.
- 20 The Managing Directors of Zesiger Capital

Group LLP
have dispositive
and voting
power over the
shares held by
Norwalk
Employees
Pension Plan.
The Managing
Directors of
Zesiger Capital
Group LLP
currently are
Albert L.
Zesiger, Barrie
R. Zesiger,
Donald Devivo,
James F. Cleary,
John Kayola
and Robert K.
Winters.

21 Mr. Nydam is
our President
and Chief
Operating
Officer. Shares
Beneficially
Owned Prior to
the Offering and
Shares
Beneficially
Owned After
the Offering
include 468,750
shares
underlying
options that are
exercisable
within 60 days
of October 31,
2005.

22 Bradbury Dyer
III has
dispositive and
voting power
over the shares
held by Paragon
Associates J.V.

Selling Securityholders ¹	Shares Beneficially Owned Prior to the Offering		Shares Offered by this Prospectus	Shares Beneficially Owned After the Offering ²	
	Number	Percent ³		Number	Percent ⁴
Public Employee Retirement System of Idaho ²⁴	613,700	2.02%	613,700	None	None
SRB Greenway Capital (QP), L.P. ²⁵	459,154	1.51%	459,154	None	None
SRB Greenway Capital, L.P. ²⁶	64,323	*	64,323	None	None
SRB Greenway Offshore Operating Fund, L.P. ²⁷	40,344	*	40,344	None	None
Walker Smith Capital (QP), L.P. ²⁸	443,739	1.46%	443,739	None	None
Walker Smith Capital, L.P. ²⁹	86,606	*	86,606	None	None

²³ J.H. Cullum Clark has dispositive and voting power over the shares held by Prothro Family Limited Partnership LP.

²⁴ The Managing Directors of Zesiger Capital Group LLP have dispositive and voting power over the shares held by Public Employee Retirement System of Idaho. The Managing Directors of Zesiger Capital Group LLP currently are

Albert L.
Zesiger, Barrie
R. Zesiger,
Donald Devivo,
James F. Cleary,
John Kayola
and Robert K.
Winters.

25 WS Capital,
L.L.C. (WS
Capital) is the
general partner
of WS Capital
Management,
L.P. (WSC
Management).
WSC
Management is
the general
partner of
Walker Smith
Capital, L.P.
(WSC) and
Walker Smith
Capital (Q.P.),
L.P. (WSCQP)
and is the agent
and
attorney-in-fact
for Walker
Smith
International
Fund, Ltd., a
British Virgin
Islands
exempted
company (WS
International).
WSV
Management,
L.L.C. (WSV) is
the general
partner of WS
Ventures
Management,
L.P. (WSVM).
WSVM is the
general partner
of WS
Opportunity

Fund, L.P.
(WSO) and WS
Opportunity
Fund (Q.P.),
L.P. (WSOQP)
and is the agent
and
attorney-in-fact
for WS
Opportunity
Fund
International,
Ltd. (WSO
International).
BC Advisors,
LLC (BCA) is
the general
partner of SRB
Management,
L.P. (SRB
Management).
SRB
Management is
the general
partner of SRB
Greenway
Capital, L.P.
(SRBGC), SRB
Greenway
Capital (Q.P.),
L.P. (SRBQP)
and SRB
Greenway
Offshore
Operating Fund,
L.P. (SRB
Offshore). Reid
S. Walker and
G. Stacy Smith
are principals of
WS Capital and
WSV, and
Patrick P.
Walker is a
principal of
WSV. Through
their control of
WS Capital,
Messrs. R.
Walker and
Smith share

voting and investment control over the portfolio securities of each of WSC, WSCQP and WS

International. Through their control of WSV, Messrs. R. Walker, Smith and P. Walker share voting and investment control over the portfolio securities of each of WSO, WSOQP and WSO

International. Steven R. Becker is the sole principal of BCA. Through his control of BCA, Mr. Becker possesses sole voting and investment control over the portfolio securities of each of SRBGC, SRBQP and SRB Offshore. Pursuant to a letter agreement, Steven R. Becker may collaborate with Reid S. Walker, G. Stacy Smith and Patrick P. Walker on investment strategies from

time to time.

²⁶ See footnote 25
above.

²⁷ See footnote 25
above.

²⁸ See footnote 25
above.

²⁹ See footnote 25
above.

Selling Securityholders ¹	Shares Beneficially Owned Prior to the Offering		Shares Offered by this Prospectus	Shares Beneficially Owned After the Offering ²	
	Number	Percent ³		Number	Percent ⁴
Walker Smith International Fund, Ltd. ³⁰	665,000	2.18%	665,000	None	None
Weber Capital Partners ³¹	262,130	*	239,530	22,600	*
Winters, Robert K.	3,060	*	3,060	None	None
WPG Opportunistic Value Fund, L.P. ³²	681,911	2.25%	681,911	None	None
WPG Opportunistic Value Overseas, L.P. ³³	532,350	1.76%	532,350	None	None
WS Opportunity Fund (QP), L.P. ³⁴	93,410	*	93,410	None	None
WS Opportunity Fund International, Ltd. ³⁵	127,207	*	127,207	None	None
WS Opportunity Fund, L.P. ³⁶	89,769	*	89,769	None	None
Total	9,136,164 ³⁷	26.5%	8,072,721	1,063,443 ³⁸	3.5%

³⁰ See footnote 25 above.

³¹ Eugene M. Weber has dispositive and voting power for the shares held by Weber Capital Partners, L.P.

³² Richard Shuster and Daniel Vandivent have dispositive and voting power for the shares held by WPG

Opportunistic
Value Overseas,
L.P.

33 Richard Shuster
and Daniel
Vandivent have
dispositive and
voting power
for the shares
held by WPG
Opportunistic
Value Overseas,
L.P.

34 See footnote 25
above.

35 See footnote 25
above.

36 See footnote 25
above.

37 Includes
985,000 shares
underlying
options that are
exercisable
within 60 days
of October 31,
2005.

38 Includes
985,000 shares
underlying
options that are
exercisable
within 60 days
of October 31,
2005.

Prospectus Supplement dated November 9, 2005