

# ENDOCARE, INC.

## CORPORATE GOVERNANCE GUIDELINES

**(Adopted by the Board of Directors on June 18, 2004;  
amended on May 18, 2006 and February 22, 2007)**

The Corporate Governance Guidelines (the “Guidelines”) have been adopted by the Board of Directors (the “Board”) of Endocare, Inc. (the “Corporation”) to assist the Board in the exercise of its responsibilities and to serve as a framework for the governance of the Corporation. These Guidelines reflect the Board’s commitment to monitoring the effectiveness of policy and decision making, both at the Board and management level, with a view to enhancing stockholder value over the long term. The Nominating and Corporate Governance Committee reviews the Guidelines annually and recommends changes to the Board as appropriate. The Guidelines are posted on the Corporation’s website.

### **I. Role of the Board and Board Composition**

The Board, which is elected by the Corporation’s stockholders, oversees the management of the Corporation and its business. The Board selects the senior management team, which is responsible for operating the Corporation’s business, and monitors the performance of senior management. The Board reviews and provides input regarding management’s vision and mission statements, as well as management’s key strategies and objectives for the Corporation. The Board fosters and encourages a corporate environment of strong disclosure controls and procedures, including internal controls, fiscal accountability, high ethical standards and compliance with applicable policies, laws and regulations.

#### **A. Director Qualifications**

All members of the Board, with the exception of the Chief Executive Officer, are independent directors. An independent director is a director who meets the NASDAQ definition of “independence,” as determined by the Board. The Board makes an affirmative determination as to each director’s “independence” on an annual basis. The Nominating and Corporate Governance Committee conducts annual reviews of each director’s independence and makes recommendations to the Board. In addition, on an annual basis, the Nominating and Corporate Governance Committee assesses the Board’s composition, considering factors including diversity, age, skills and experience in the context of the needs of the Board.

#### **B. Size of the Board**

The Board assesses its size from time to time. In accordance with the Corporation’s Bylaws, the Board believes that it should generally have no fewer than three (3) directors and no more than seven (7) directors. The Board currently has six (6) members. The number of members may vary from time to time depending upon the needs of the Board and the availability of qualified candidates. It is the policy of the Corporation that the number of directors not exceed a number that can function efficiently as a body. The Nominating and Corporate

Governance Committee considers and makes recommendations to the Board concerning the appropriate size, structure, composition and functioning of the Board.

C. Selection of Board Members

The Nominating and Corporate Governance Committee evaluates director candidates and recommends them to the Board, which is responsible for nominating candidates for election to the Board and for filling vacancies on the Board that may occur between annual meetings of stockholders. Board members are expected to possess certain core competencies, some of which may include broad experience in business, finance or administration, familiarity with national and international business matters, and familiarity with the Corporation's industry. In addition to having one or more of these core competencies, Board member nominees are identified and considered on the basis of knowledge, experience, integrity, diversity, leadership, reputation, and ability to understand the Corporation's business. The Nominating and Corporate Governance Committee also considers director candidates recommended by the Corporation's stockholders for election to the Board.

D. Directors Who Change Their Job Responsibility

When a director's principal occupation or business association changes substantially during his or her tenure on the Board, that director will tender his or her resignation for consideration by the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee will recommend to the Board the action, if any, to be taken with respect to the resignation.

E. Director Compensation; Stock Ownership

The form and amount of director compensation is determined by the Compensation Committee, which conducts an annual review of director compensation, with input as appropriate from the Nominating and Corporate Governance Committee. Non-employee directors may receive cash and/or equity compensation for service on the Board.

All directors are encouraged to own stock in the Corporation in an amount that is appropriate for them.

F. Board Leadership; Lead Independent Director

The Board selects the Corporation's Chairman of the Board in the manner that it determines to be in the best interests of the Corporation's stockholders, based on the recommendation of the Nominating and Corporate Governance Committee.

The Board also has an independent director who has been designated as the Lead Independent Director. The Lead Independent Director's principal duties include: (i) presiding over executive sessions of the Corporation's independent directors; (ii) consulting with management as the principal representative of the independent directors; (iii) presiding over Board meetings in the absence of the Chairman of the Board; (iv) consulting with the Chairman of the Board regarding agendas and scheduling and information needs for Board and committee

meetings; (v) being available for consultation and communication with stockholders as appropriate; and (vi) chairing the Nominating and Corporate Governance Committee.

The performance and tenure of the Lead Independent Director is reviewed annually, and the Board may replace or rotate the position of Lead Independent Director as it determines to be in the best interest of the Corporation's stockholders.

## **II. Director Responsibilities**

### **A. Business Judgment**

Under Delaware law, directors have a duty of care and a duty of loyalty. In fulfilling these duties, directors are responsible for exercising their business judgment to act in what they reasonably believe to be in the best interests of the Corporation and its stockholders. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Corporation's officers and employees and its outside advisers and auditors.

### **B. Director Time Commitments**

Each Board member is expected to see that other existing and planned future commitments do not materially interfere with the member's service as a director of the Corporation. Directors should limit their service as directors on publicly held company and investment company boards to no more than four (including the Corporation's Board). Directors should advise the Chairman of the Nominating and Corporate Governance Committee and the Lead Independent Director in advance of accepting a position on another public company board. Additionally, the Chairman of the Audit Committee may not chair the audit committees of more than two public companies, including the Corporation, without the approval of the Nominating and Corporate Governance Committee.

### **C. Board Meetings**

Directors are expected to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to discharge their responsibilities. Meeting agendas, as well as information relevant to the business to be conducted at a Board or committee meeting, is generally distributed to directors at least several days in advance of the meeting to allow sufficient time for review by the directors and requests for any additional materials. Sensitive subject matters may be discussed at the meeting without written materials being distributed in advance or at the meeting. Directors are expected to review materials prior to meetings.

The Chairman of the Board is responsible for setting an agenda for each Board meeting in consultation with the Lead Independent Director. The Board expects that meeting agendas will include, on a regular basis, a review of financial performance and a review of the Corporation's business strategies and practices. Directors are encouraged to be proactive and to engage in lively and robust discussion. Any director may suggest items for inclusion on the agenda. In addition, any director is free to raise at any Board meeting subjects that are not on the agenda for that meeting.

D. Executive Sessions of the Independent Directors

The Corporation's independent directors meet in executive session without management at least quarterly.

The Lead Independent Director is responsible for presiding over these sessions and has the authority to call additional executive sessions as appropriate.

E. Director Orientation and Continuing Education

All new directors participate in an orientation process, which includes meetings with senior management, that is designed to familiarize new directors with the Corporation's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Business Conduct and Ethics, its principal officers, its internal and independent auditors, and its governance practices.

The Board encourages its members to participate in continuing education programs to assist them in performing their responsibilities as directors, and directors may attend continuing education programs at the Corporation's expense.

F. Communications

The Board believes that senior management speaks for the Corporation. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Corporation, subject to prior consultation with senior management.

**III. Board Committees**

A. Committees and Charters

The Board has three standing committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Each committee has a written charter that establishes the purposes, goals and responsibilities of the committee as well as the qualifications for committee membership. Each standing committee assesses the adequacy of its charter annually and recommends changes to the Board as appropriate. The Board may establish or maintain additional committees from time to time as necessary or appropriate.

B. Independence of Committee Members

All members of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are independent directors. In addition, members of the Audit Committee must meet additional, heightened independence criteria applicable to audit committee members under the NASDAQ listing standards.

### C. Composition of Committees

Each committee has a chairperson recommended by the Nominating and Corporate Governance Committee and approved by the Board.

The chairperson of each committee presides at each committee meeting and, in consultation with the other members of the committee, sets the frequency and length of each meeting and the agenda of items to be addressed at each meeting. The agenda for each committee meeting is circulated to each committee member in advance of the meeting. The committees, through their chairpersons, regularly report to the full Board on committee proceedings and actions taken by the committees.

The Nominating and Corporate Governance Committee annually reviews and recommends committee assignments to the Board. In addition, the Committee considers the rotation of chairpersons and members with a view toward balancing the benefits derived from continuity against the benefits derived from the diversity of experience and viewpoints of the various directors.

### **IV. Access to Management, Employees and Outside Advisers**

Directors have full access to the Corporation's executive officers and other employees. Each director is expected to use his or her judgment to see that any such contact is not disruptive to the business operations of the Corporation and will, to the extent not inappropriate, coordinate any such contact with the Chief Executive Officer.

The Board, and each of its standing committees, have the authority to retain such outside counsel, experts and other advisers as they determine appropriate to assist them in the performance of their functions.

### **V. Evaluation of the Chief Executive Officer**

The Nominating and Corporate Governance Committee conducts an annual review of the Chief Executive Officer's performance and reports on the results of the review to the Board. The Compensation Committee assesses the Chief Executive Officer's performance for purposes of the annual Management Incentive Compensation Program.

### **VI. Management Development and Succession Planning**

The Chief Executive Officer reviews succession planning and management development with the Board on an annual basis. The Board oversees a process whereby the qualities and characteristics necessary for an effective Chief Executive Officer are evaluated and updated, and advance planning for contingencies such as the departure, death or disability of the Chief Executive Officer is conducted.

The Chief Executive Officer also reviews periodically with the independent directors the performance of other key members of the senior management of the Corporation, as well as potential succession arrangements for such management members.

## **VII. Annual Performance Evaluation**

The Board and each of its standing committees conducts an annual self-evaluation to assess whether they are functioning effectively. The Nominating and Corporate Governance Committee is responsible for establishing the performance measurement criteria and the process and methods to conduct the evaluations and receive comments from all directors. A report is presented by the Lead Independent Director annually to the Board with an assessment of the Board's performance. This is discussed with the full Board following the end of each fiscal year.