

Check-Cap Ltd
Form 424B3
July 26, 2017

PROSPECTUS

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Registration No. 333-219047

CHECK-CAP LTD.

1,349,500 Ordinary Shares

This prospectus relates to the resale of up to 1,349,500 ordinary shares, par value NIS 0.20 per share of Check-Cap Ltd., an Israeli company (the “Company”), that may be sold from time to time by the selling shareholders named in this prospectus (the “Selling Shareholders”).

The ordinary shares offered under this prospectus consist of 1,349,500 ordinary shares issuable upon the exercise of certain warrants (the “2017 Warrants”) we issued to the Selling Shareholders, both accredited investors, on June 2, 2017, in a private placement pursuant to a Securities Purchase Agreement dated as of May 30, 2017, by and among the Company and the purchasers named therein. The issuance of the 2017 Warrants was made in reliance on the exemptions from registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”) and Rule 506 promulgated thereunder.

We will not receive any proceeds from the sale of any of the ordinary shares offered hereby by the Selling Shareholders. To the extent that any of the 2017 Warrants are exercised for cash, if at all, we will receive the exercise price for those 2017 Warrants.

Our ordinary shares are listed on the Nasdaq Capital Market under the symbol “CHEK.” The last reported sale price of our ordinary shares on July 25, 2017 was \$1.84.

THIS INVESTMENT INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD PURCHASE SHARES ONLY IF YOU CAN AFFORD A COMPLETE LOSS OF YOUR INVESTMENT. SEE “RISK FACTORS” BEGINNING ON PAGE 6 FOR A DISCUSSION OF RISKS APPLICABLE TO US AND AN INVESTMENT IN OUR ORDINARY SHARES.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES, OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is July 25, 2017

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form F-1 we filed with the Securities Exchange Commission, or the SEC, using a shelf registration process. Under the shelf registration process, the Selling Shareholders named in this prospectus may, from time to time, sell the securities described in this prospectus in one or more offerings. This prospectus and the documents incorporated by reference herein include important information about us, the ordinary shares being offered by the Selling Shareholders and other information you should know before investing. Any prospectus supplement may also add, update, or change information in this prospectus. If there is any inconsistency between the information contained in this prospectus and any prospectus supplement, you should rely on the information contained in that particular prospectus supplement. This prospectus does not contain all the information provided in the registration statement we filed with the SEC. You should read this prospectus together with the additional information about us described in the sections below entitled “Incorporation of Certain Information by Reference” and “Where You Can Find Additional Information.” You should rely only on information contained in, or incorporated by reference into, this prospectus. We have not, and the Selling Shareholders have not authorized anyone to provide you with information different from that contained in, or incorporated by reference into, this prospectus. The information contained in this prospectus is accurate only as of the date on the front cover of the prospectus and information we have incorporated by reference in this prospectus is accurate only as of the date of the document incorporated by reference. You should not assume that the information contained in, or incorporated by reference into, this prospectus is accurate as of any other date.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements incorporated by reference into this prospectus. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks discussed under “Risk Factors” on page 6 of this prospectus and under similar sections in the documents we incorporate by reference into this prospectus before making an investment decision.

Unless otherwise stated in this prospectus,

- references to “Check-Cap,” the “Company,” “we,” “us” or “our” refer to Check-Cap Ltd., an Israeli company, together with Check-Cap US, Inc., its U.S. subsidiary;
- references to “dollars,” “US\$” or “\$” refer to the legal currency of the United States; and
- the term “NIS” refers to New Israeli Shekels, the lawful currency of the State of Israel.

Overview

We are a clinical-stage medical diagnostics company developing C-Scan®, the first capsule-based system for preparation-free colorectal cancer screening.

Utilizing innovative ultra-low dose X-ray and wireless communication technologies, the capsule generates information on the contours of the inside of the colon as it passes naturally. This information is used to create a 3D map of the colon, which allows physicians to look for polyps and other abnormalities. Designed to improve the patient experience and increase the willingness of individuals to participate in recommended colorectal cancer screening, C-Scan® removes many frequently-cited barriers, such as laxative bowel preparation, invasiveness and sedation. The C-Scan® system is currently not cleared for marketing in any jurisdiction.

Upon the successful completion of our current multi-center clinical trial and achievement of compliance with the requirements of the Medical Devices Directive, we expect to submit during the summer of 2017 a request for CE marking for the C-Scan® System, which is required for a product to be marketed in the European Union.

Since our formation, we have not generated any revenue. We do not anticipate generating any revenue for the foreseeable future and we do not yet have any specific launch dates for our product candidate. We incurred net losses of approximately \$610,000 in 2014, \$12.3 million in 2015 and \$8.8 million in 2016. As of March 31, 2016, we had an accumulated deficit of approximately \$45.6 million and a total shareholders’ equity of approximately \$7.98 million.

Recent Developments

Completion of Registered Direct Offering

On June 2, 2017, we closed a registered direct offering of 1,349,500 ordinary shares, at a purchase price of \$2.00 per share, and a concurrent private placement of the 2017 Warrants to purchase up to 1,349,500 ordinary shares, at an exercise price of \$2.125 per share, that have a term of one year and are immediately exercisable. The exercise price of the 2017 Warrants is subject to certain adjustments in the event of (1) payment of an ordinary share dividend or other distribution on any class of capital stock that is payable in ordinary shares; (2) subdivisions of outstanding ordinary shares into a larger number of shares; or (3) combinations of outstanding ordinary share into a smaller number of shares. At any time after the three month anniversary of the issuance date of the 2017 Warrants, a holder may

exercise the 2017 Warrants in whole or in part on a cashless basis if there is no effective registration statement registering, or no current prospectus covering, the resale of the ordinary shares issuable upon exercise of the 2017 Warrants.

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Initial Milestone Reached in Collaboration with GE Healthcare

We recently achieved the initial milestone in our ongoing collaboration with GE Healthcare to develop high-volume X-ray capsule manufacturing capabilities. Specifically, X-ray sources produced at GE Healthcare using a customized manufacturing method passed all tests required to ensure compliance with C-Scan® system specifications.

Election of Directors at 2017 Annual General Meeting of Shareholders

On June 22, 2017, the following six individuals were elected at our 2017 Annual General Meeting of Shareholders to serve as directors of our company: Tomer Kariv, Yuval Yanai, Mary Jo Gorman, Steven Hanley, XiangQian Lin and Clara Ezed.

Corporate Information

We are incorporated in Israel. Our principal executive offices are located at Check-Cap Building, 29 Abba Hushi Avenue, P.O. Box 1271, Isfiya, 3009000, Israel. Our telephone number is +972-4-8303400 and our website is located at www.check-cap.com (the information contained therein or linked thereto shall not be considered incorporated by reference in this prospectus). Our U.S. agent is Puglisi & Associates, located at 850 Library Avenue, Suite 204, Newark, Delaware 19711.

The Offering

This prospectus relates to the resale of up to 1,349,500 ordinary shares, par value NIS 0.20 per share, of the Company, that may be sold from time to time by the Selling Shareholders named in this prospectus.

Ordinary shares outstanding immediately prior to the offering Approximately 16,979,861 shares

Ordinary shares offered by the Selling Shareholders Up to 1,349,500 ordinary shares

Ordinary shares to be outstanding immediately after the offering, assuming full exercise for cash of the 2017 Warrants⁽¹⁾ Approximately 18,329,361 ordinary shares

We will not receive any of the proceeds from the sale of the ordinary shares by the Selling Shareholders. However, to the extent that the 2017 Warrants are exercised for cash, we will receive proceeds from any exercise of the 2017 Warrants, up to an aggregate of approximately \$2,867,687.

Use of Proceeds

We intend to use any proceeds received from the exercise of the 2017 Warrants to advance the ongoing clinical development of our C-Scan® system, and for general corporate purposes. See “Reasons for the Offer and Use of Proceeds” beginning on page 10 of this prospectus.

Transfer Agent and the Registrar American Stock Transfer & Trust Company

Risk Factors Investment in our securities involves a high degree of risk. See “Risk Factors” on page 6 of this prospectus and under similar sections in the documents we incorporate by reference into this prospectus for a discussion of factors you should consider carefully before making an investment decision.

Nasdaq Symbol “CHEK”

(1) The number of ordinary shares to be outstanding after this offering is based on 16,979,861 ordinary shares outstanding as of June 27, 2017, and excludes:

7,690,869 ordinary shares issuable upon the exercise of outstanding warrants, with a weighted average exercise price of \$6.39 per ordinary share;

2,582,735 ordinary shares issuable upon the exercise of outstanding options, with a weighted average exercise price of \$3.84 per ordinary share, granted under our option and equity incentive plans;

298,694 restricted stock units issued to employees, consultants and directors;

833,141 ordinary shares that are available for future option grants under our 2015 Equity Incentive Plan and 2015 US Sub-Plan to the 2015 Equity Incentive Plan (the “2015 Plan”); and

67,475 ordinary shares issuable upon exercise of the placement agent warrants issued in the registered direct offering consummated on June 2, 2017.

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RISK FACTORS

Before deciding to invest in our securities, you should consider carefully the discussion of risks and uncertainties affecting us and our securities contained in our Annual Report on Form 20-F for the fiscal year ended December 31, 2016 (the “2016 Annual Report”) and the other information contained or incorporated by reference in this prospectus. As a result of these risks and uncertainties, our business, financial condition and results of operations could be materially and adversely affected, and the value of our securities could decline. The risks and uncertainties we discuss in the documents incorporated by reference are those that we currently believe may materially affect our company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may materially and adversely affect our business, financial condition and results of operations. Please also consider the following additional risks specifically pertaining to the offering.

Risks Relating to the Offering

Since we have broad discretion in how we use any proceeds we may receive from the exercise of the 2017 Warrants, we may use the proceeds in ways with which you disagree.

Our management will have significant flexibility in applying any proceeds we may receive from the exercise of the 2017 Warrants. You will be relying on the judgment of our management with regard to the use of these net proceeds, and you will not have the opportunity, as part of your investment decision, to influence how the proceeds are being used. It is possible that these proceeds will be invested in a way that does not yield a favorable, or any, return for us. The failure of our management to use such funds effectively could have a material adverse effect on our business, financial condition, prospects, financial condition, operating results and cash flow.

Future sales of our ordinary shares may cause the prevailing market price of our shares to decrease.

The issuance and sale of additional ordinary shares or securities convertible into or exercisable for ordinary shares could reduce the prevailing market price for our ordinary shares as well as make future sales of equity securities by us less attractive or not feasible. The sale of ordinary shares issued upon the exercise of our outstanding options and warrants could further dilute the holdings of our then existing shareholders.

There has been and may continue to be significant volatility in the volume and price of our ordinary shares on the NASDAQ Capital Market.

The market price of our ordinary shares has been and may continue to be highly volatile. Factors, including timing, progress and results of current and future preclinical studies and clinical trials and our research and development programs; regulatory matters, concerns about our financial position, operations results, litigation, government regulation, developments or disputes relating to agreements, patents or proprietary rights, may have a significant impact on the market volume and price of our stock. Unusual trading volume in our shares occurs from time to time.

We have not paid and do not intend to pay dividends on our ordinary shares in the foreseeable future. Any return on investment may be limited to the value of our securities.

We have not paid dividends on our ordinary shares since inception, and do not anticipate paying any dividends on our ordinary shares in the foreseeable future. Our board of directors has discretion to declare and pay dividends on our ordinary shares and will make any determination to do so based on a number of factors, such as our operating results, financial condition, current and anticipated cash needs and other business and economic factors that our board of directors may deem relevant. In addition, we are only permitted to pay dividends out of “profits,” as defined by the Israeli Companies Law, 1999 (the “Israeli Companies Law”), provided that there is no reasonable concern that the

dividend distribution will prevent us from meeting our existing and foreseeable obligations, as they become due. We intend to reinvest earnings, if any, in the development and expansion of our business. Accordingly, you will need to rely on sales of your ordinary shares after price appreciation, which may never occur, in order to realize a return on your investment. You should not rely on an investment in us if you require dividend income from your investments.

The trading market for our ordinary shares is not always active, liquid and orderly, which may inhibit the ability of our shareholders to sell ordinary shares.

Prior to our initial public offering in February 2015, there was no public market for our ordinary shares. Since that time, the trading market for our ordinary shares has not always been active, liquid or orderly. The lack of an active market at times may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value of your shares. An inactive market may also impair our ability to raise capital by selling shares.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains statements that may be deemed to be “forward-looking statements” within the meaning of the federal securities laws. These statements relate to anticipated future events, future results of operations and/or future financial performance. In some cases, you can identify forward-looking statements by their use of terminology such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “target”, “future,” “intend,” “may,” “ought to,” “plan,” “possible,” “potential,” “project,” “should,” “will,” “would,” negatives of such terms or other similar terms. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The forward-looking statements in this prospectus include, without limitation, statements relating to:

- our goals, targets and strategies;

- the timing and conduct of the clinical trials for our C-Scan system, including statements regarding the timing, progress and results of current and future preclinical studies and clinical trials, and our research and development programs;

- timing or likelihood of regulatory filings, approvals and required licenses for our C-Scan system;

- our future business development, results of operations and financial condition;

- our ability to adequately protect our intellectual property rights and enforce such rights and to avoid violation of the intellectual property rights of others;

- our plans to develop, launch and commercialize our C-Scan system and any future products;

- the timing, cost or other aspects of the commercial launch of our C-Scan system;

- our estimates regarding expenses, future revenues, capital requirements and our need for additional financing and strategic partnerships;

- our estimates regarding the market opportunity, clinical utility, potential advantages, and market acceptance of our C-Scan system;

- the impact of government laws and regulations;

- our ability to recruit and retain qualified clinical, regulatory and research and development personnel;

- the availability of reimbursement or other forms of funding for our products from government and commercial payors;

- difficulties in maintaining commercial scale manufacturing capacity and capability and our ability to generate growth;

- our failure to comply with regulatory guidelines;

- uncertainty in industry demand and patient wellness behavior;

- general economic conditions and market conditions in the medical device industry;

future sales of large blocks of our securities, which may adversely impact our share price;

depth of the trading market in our securities; and

our expectations regarding the use of proceeds of our initial public offering and the concurrent private placement, our August 2016 registered direct offering and our June 2017 registered direct offering.

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties.

You should not unduly rely on any forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this prospectus, to conform these statements to actual results or to changes in our expectations.

REASONS FOR THE OFFER AND USE OF PROCEEDS

We are required under the terms of the Securities Purchase Agreement entered into with the Selling Shareholders to file a registration statement on Form F-1, of which this prospectus is a part, to cover the resale of the ordinary shares issuable upon the exercise of the 2017 Warrants.

The ordinary shares being offered by this prospectus are solely for the account of the Selling Shareholders. We will not receive any of the proceeds from the sale of the ordinary by the Selling Shareholders. However, to the extent that the 2017 Warrants are exercised for cash, we will receive proceeds from any exercise of the 2017 Warrants, up to an aggregate of approximately \$2,867,687. We intend to use any proceeds received from the exercise of the 2017 Warrants to advance the ongoing clinical development of our C-Scan® system and for general corporate purposes.

DIVIDEND POLICY

We have never declared or paid dividends on our ordinary shares and currently do not intend to pay cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business.

Our ability to distribute dividends also may be limited by future contractual obligations and by Israeli law. The Israeli Companies Law restricts our ability to declare dividends. Unless otherwise approved by a court, we can distribute dividends only from “profits” (as defined by the Israeli Companies Law), and only if there is no reasonable concern that the dividend distribution will prevent us from meeting our existing and foreseeable obligations as they become due. Subject to the foregoing, payment of future dividends, if any, will be at the discretion of our board of directors and will depend on various factors, such as our financial condition, operating results, current and anticipated cash needs and other business and economic factors that our board of directors may deem relevant. See “Description of Share Capital—Dividend and Liquidation Rights.” The payment of dividends may be subject to Israeli withholding taxes. See Item 10E of the 2016 Annual Report, “Additional Information—Taxation—Israeli Tax Considerations and Government Programs—Taxation of Our Shareholders—Taxation of Non-Israeli Shareholders on Receipt of Dividends” which is incorporated herein by reference. Furthermore, if we pay a dividend out of income attributed to our Benefited Enterprise that was generated during the tax exemption period, we may be subject to tax on the grossed-up amount of such distributed income at the corporate tax rate which would have been applied to our Benefited Enterprise’s income had we not enjoyed the exemption. See Item 10E of the 2016 Annual Report, “Additional Information—Taxation – Israeli Tax Considerations and Government Programs — Law for the Encouragement of Capital Investments, 5719-1959 — Tax Benefits Subsequent to the 2005 Amendment” which is incorporated herein by reference.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization and indebtedness as of March 31, 2017:

· on an actual basis; and

· on an adjusted basis to give effect to the issuance and sale of 1,349,500 ordinary shares at the June 2017 registered direct at an offering price of \$2.00 per share, after deducting placement agent fees and offering expenses paid by us.

	As of March 31, 2017	
	Actual	As adjusted
	(in thousands of \$) (Unaudited)	
Shareholders' equity:		
Ordinary share capital, 57,500,000 shares authorized, 15,629,696 shares issued, actual and 16,979,196 shares issued, as adjusted	\$793	\$860
Additional Paid in Capital*	\$52,783	\$55,069
Accumulated deficit	\$(45,596)	\$(45,596)
Total shareholders' equity	\$7,980	\$10,333
Total capitalization	\$7,980	\$10,333

*Does not include any potential proceeds from the exercise of 2017 Warrants issued in the private placement that was consummated simultaneously with the registered direct offering, with an exercise price of \$2.125.

The number of issued and outstanding shares as of March 31, 2017 on an as adjusted basis in the table excludes:

7,691,534 ordinary shares issuable upon the exercise of outstanding warrants with a weighted average exercise price of \$6.39 per ordinary share;

2,508,543 ordinary shares issuable upon the exercise of outstanding options with a weighted average exercise price of \$3.90 per ordinary share, granted under our option and equity incentive plans;

89,350 restricted stock units issued to employees and consultants;

209,344 restricted stock units to be issued to board members, subject to shareholder approval that was obtained on June 22, 2017;

60,484 ordinary shares issuable upon the exercise of options to be granted to a director nominee, subject to shareholder approval that was obtained on June 22, 2017;

907,332 ordinary shares that are available for future option grants under the 2015 Plan;

1,349,500 ordinary shares issuable upon exercise of the 2017 Warrants; and

67,475 ordinary shares issuable upon exercise of the placement agent warrants issued in connection with the registered direct offering.

MARKET FOR OUR ORDINARY SHARES

Our units were listed on the NASDAQ Capital Market on February 19, 2015 under the symbol “CHEKU.” Prior to that date, there was no public trading market for our securities. Our initial public offering was priced at \$6.00 per unit on February 20, 2015. Each unit consisted of one ordinary share and one-half of a Series A Warrant to purchase one ordinary share. Each unit was issued with one and one-half non-transferrable Long Term Incentive Warrants. On March 18, 2015, the units separated and ceased to exist. Since such date, our ordinary shares and Series A Warrants have been listed on the NASDAQ Capital Market under the symbols “CHEK” and “CHEKW,” respectively. The following table sets forth for the periods indicated the high and low sales prices per ordinary share as reported on the NASDAQ Capital Market:

Ordinary Shares

The high and low market prices of our ordinary shares for each financial year are as set forth below:

Year Ended	High	Low
December 31, 2015 (from March 18, 2015)	\$6.30	\$1.80
December 31, 2016	\$3.72	\$0.97

The high and low market prices of our ordinary shares for each financial quarter over the most recent full financial year and subsequent period are as set forth below:

Quarter Ended	High	Low
September 30, 2017 (through July 25, 2017)	\$1.97	\$1.75
June 30, 2017	\$2.38	\$1.81
March 31, 2017	\$2.64	\$2.07
December 31, 2016	\$2.95	\$1.72
September 30, 2016	\$3.42	\$1.08
June 30, 2016	\$3.01	\$0.97
March 31, 2016	\$3.72	\$1.86

For the most recent six months, the high and low market prices of our ordinary shares are as set forth below:

Month Ended	High	Low
November 2016	\$2.91	\$2.62
December 2016	\$2.70	\$2.18
January 2017	\$2.64	\$2.32
February 2017	\$2.41	\$2.07
March 2017	\$2.25	\$