CANADIAN IMPERIAL BANK OF COMMERCE /CAN/
Form FWP
December 31, 2018

	Subject to Completion **Preliminary Term Sheet** **dated December 31, 2018**	**Filed Pursuant to Rule 433** **Registration Statement No. 333-216286** **(To Prospectus dated March 28, 2017,** **Prospectus Supplement dated November 6, 2018** **and** **Product Supplement EQUITY INDICES LIRN-1 dated** **March 30, 2017)**

Units $10 principal amount per unit CUSIP No.	Pricing Date* Settlement Date* Maturity Date*	January , 2019 January , 2019 January , 2024
	*Subject to change based on the actual date the notes are priced for initial sale to the public (the pricing date)	

Notes Linked to the S&P 500® Index

- Maturity of approximately five years
- 1.25-to-1 upside exposure to increases in the Index, subject to a capped return of [57% to 63%]
- A positive return equal to the absolute value of the percentage decline in the level of the Index only if the Index does not decline by more than 20% (e.g., if the negative return of the Index is -10%, you will receive a positive return of +10%)
- 1-to-1 downside exposure to decreases in the Index beyond a 20% decline, with up to 80% of your principal at risk
- All payments occur at maturity and are subject to the credit risk of Canadian Imperial Bank of Commerce
- No periodic interest payments
- In addition to the underwriting discount set forth below, the notes include a hedging-related charge of $0.075 per unit. See Structuring the Notes
- Limited secondary market liquidity, with no exchange listing
- The notes are unsecured debt securities and are not savings accounts or insured deposits of a bank. The notes are not insured or guaranteed by the Canada Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation or any other governmental agency of the United States, Canada, or any other jurisdiction

The notes are being issued by Canadian Imperial Bank of Commerce (CIBC). There are important differences between the notes and a conventional debt security, including different investment risks and certain additional costs. See Risk Factors beginning on page TS-6 of this term sheet and beginning on page PS-6 of product supplement EQUITY INDICES LIRN-1.

The initial estimated value of the notes as of the pricing date is expected to be between $9.55 and $9.75 per unit, which is less than the public offering price listed below. See Summary on the following page, Risk Factors beginning on page TS-6 of this term sheet and Structuring the Notes on page TS-13 of this term sheet for additional information. The actual value of your notes at any time will reflect many factors and cannot be predicted with accuracy.

None of the Securities and Exchange Commission (the SEC), any state securities commission, or any other regulatory body has approved or disapproved of these securities or determined if this Note Prospectus (as defined below) is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Unit	Total
Public offering price(1)	$ 10.00	$
Underwriting discount(1)	$ 0.25	$
Proceeds, before expenses, to CIBC	$ 9.75	$

(1) For any purchase of 500,000 units or more in a single transaction by an individual investor or in combined transactions with the investor s household in this offering, the public offering price and the underwriting discount will be $9.95 per unit and $0.20 per unit, respectively. See Supplement to the Plan of Distribution below.

The notes:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value

Merrill Lynch & Co.

January , 2019

Notes Linked to the S&P 500® Index, due January , 2024	

Summary

The Notes Linked to the S&P 500® Index, due January , 2024 (the notes) are our senior unsecured debt securities. The notes are not guaranteed or insured by the Canada Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation or any other governmental agency of the United States, Canada or any other jurisdiction or secured by collateral. The notes are not bail-inable notes (as defined on page S-2 of the prospectus supplement). **The notes will rank equally with all of our other unsecured and unsubordinated debt. Any payments due on the notes, including any repayment of principal, will be subject to the credit risk of CIBC.** The notes provide you a leveraged return, subject to a cap, if the Ending Value of the Market Measure, which is the S&P 500® Index (the Index), is greater than the Starting Value. If the Ending Value is equal to or less than the Starting Value but greater than or equal to the Threshold Value, you will receive a positive return equal to the absolute value of the percentage decline in the Index from the Starting Value to the Ending Value (e.g., if the negative return of the Index is -10%, you will receive a positive return of +10%). If the Ending Value is less than the Threshold Value, you will lose a portion, which could be significant, of the principal amount of your notes. Any payments on the notes will be calculated based on the $10 principal amount per unit and will depend on the performance of the Index, subject to our credit risk. See Terms of the Notes below.

The economic terms of the notes (including the Capped Value) are based on our internal funding rate, which is the rate we would pay to borrow funds through the issuance of market-linked notes, and the economic terms of certain related hedging arrangements. Our internal funding rate is typically lower than the rate we would pay when we issue conventional fixed rate debt securities. This difference in funding rate, as well as the underwriting discount and the hedging-related charge described below, will reduce the economic terms of the notes to you and the initial estimated value of the notes on the pricing date. Due to these factors, the public offering price you pay to purchase the notes will be greater than the initial estimated value of the notes.

On the cover page of this term sheet, we have provided the initial estimated value range for the notes. This initial estimated value range was determined based on our pricing models. The initial estimated value as of the pricing date will be based on our internal funding rate on the pricing date, market conditions and other relevant factors existing at that time, and our assumptions about market parameters. For more information about the initial estimated value and the structuring of the notes, see Structuring the Notes on page TS-13.

Terms of the Notes

Issuer:	Canadian Imperial Bank of Commerce (CIBC)
Principal Amount:	$10.00 per unit
Term:	Approximately five years
Market Measure:	The S&P 500® Index (Bloomberg symbol: SPX), a price return index.
Starting Value:	The closing level of the Market Measure on the pricing date.
Ending Value:	The average of the closing levels of the Market Measure on each calculation day occurring during the Maturity Valuation Period. The scheduled calculation days are subject to postponement in the event of Market Disruption Events, as described on page PS-18 of product supplement EQUITY INDICES LIRN-1.

Redemption Amount Determination

Notwithstanding anything to the contrary in the accompanying product supplement, the Redemption Amount will be determined as set forth in this term sheet. On the maturity date, you will receive a cash payment per unit determined as follows:

Threshold Value:	80% of the Starting Value, rounded to two decimal places.
Participation Rate:	125%.
Capped Value:	[$15.70 to $16.30] per unit, which represents a return of [57% to 63%] over the principal amount. The actual Capped Value will be determined on the pricing date.
Maturity Valuation Period:	Five scheduled calculation days shortly before the maturity date.
Fees and Charges:	The underwriting discount of $0.25 per unit listed on the cover page and the hedging-related charge of $0.075 per unit described in Structuring the Notes on page TS-13.
Calculation Agent:	Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPF&S)

Notes Linked to the S&P 500® Index, due January , 2024	

The terms and risks of the notes are contained in this term sheet and in the following:

§ Product supplement EQUITY INDICES LIRN-1 dated March 30, 2017:
https://www.sec.gov/Archives/edgar/data/1045520/000110465917020278/a17-7416_10424b5.htm

§ Prospectus dated March 28, 2017 and prospectus supplement dated November 6, 2018:

https://www.sec.gov/Archives/edgar/data/1045520/000110465918066166/a18-37094_1424b2.htm

These documents (together, the Note Prospectus) have been filed as part of a registration statement with the SEC, which may, without cost, be accessed on the SEC website as indicated above or obtained from MLPF&S by calling 1-800-294-1322. Before you invest, you should read the Note Prospectus, including this term sheet, for information about us and this offering. Any prior or contemporaneous oral statements and any other written materials you may have received are superseded by the Note Prospectus.
When you read the accompanying product supplement, please note that all references in such supplement to the prospectus supplement dated March 28, 2017, or to any sections therein, should refer instead to the accompanying prospectus supplement dated November 6, 2018 or to the corresponding sections of such prospectus supplement, as applicable, unless otherwise specified or the context otherwise requires. Capitalized terms used but not defined in this term sheet have the meanings set forth in product supplement EQUITY INDICES LIRN-1. Unless otherwise indicated or unless the context requires otherwise, all references in this document to we, us, our, or similar references are to CIBC.

To the extent the determination of the Redemption Amount and other terms described in this term sheet are inconsistent with those described in the accompanying product supplement, prospectus supplement or prospectus, the determination of the Redemption Amount and other terms described in this term sheet shall control.

Investor Considerations

You may wish to consider an investment in the notes if:

- You anticipate that the Index will either increase moderately from the Starting Value to the Ending Value or decrease from the Starting Value to an Ending Value that is at or above the Threshold Value.
- You are willing to risk a loss of principal and return if the Index decreases from the Starting Value to an Ending Value that is below the Threshold Value.
- You accept that the return on the notes will be capped.
- You are willing to forgo the interest payments that are paid on conventional interest bearing debt securities.

The notes may not be an appropriate investment for you if:

- You believe that the Index will decrease from the Starting Value to an Ending Value that is below the Threshold Value or that it will not increase sufficiently over the term of the notes to provide you with your desired return.
- You seek 100% principal repayment or preservation of capital.
- You seek an uncapped return on your investment.
- You seek interest payments or other current income on your investment.

• You are willing to forgo dividends or other benefits of owning the stocks included in the Index.	• You want to receive dividends or other distributions paid on the stocks included in the Index.
• You are willing to accept a limited or no market for sales prior to maturity, and understand that the market prices for the notes, if any, will be affected by various factors, including our actual and perceived creditworthiness, our internal funding rate and fees and charges on the notes.	• You seek an investment for which there will be a liquid secondary market. • You are unwilling or are unable to take market risk on the notes or to take our credit risk as issuer of the notes.
• You are willing to assume our credit risk, as issuer of the notes, for all payments under the notes, including the Redemption Amount.	

We urge you to consult your investment, legal, tax, accounting, and other advisors before you invest in the notes.

Notes Linked to the S&P 500® Index, due January , 2024

Hypothetical Payout Profile and Examples of Payments at Maturity

The graph below is based on **hypothetical** numbers and values.

This graph reflects the returns on the notes, based on the Participation Rate of 125%, the Threshold Value of 80% of the Starting Value and a hypothetical Capped Value of $16.00 per unit (the midpoint of the Capped Value range of [$15.70 to $16.30]). The green line reflects the returns on the notes, while the dotted gray line reflects the returns of a direct investment in the stocks included in the Index, excluding dividends.

This graph has been prepared for purposes of illustration only.

The following table and examples are for purposes of illustration only. They are based on **hypothetical** values and show **hypothetical** returns on the notes. They illustrate the calculation of the Redemption Amount and total rate of return based on a hypothetical Starting Value of 100, a hypothetical Threshold Value of 80, the Participation Rate of 125%, a hypothetical Capped Value of $16.00 per unit and a range of hypothetical Ending Values. **The actual amount you receive and the resulting total rate of return will depend on the actual Starting Value, Threshold Value, Ending Value and Capped Value, and whether you hold the notes to maturity.** The following examples do not take into account any tax consequences from investing in the notes.

For recent actual levels of the Index, see The Index section below. The Index is a price return index and as such the Ending Value will not include any income generated by dividends paid on the stocks included in the Index, which you would otherwise be entitled to receive if you invested in those stocks directly. In addition, all payments on the notes are subject to issuer credit risk.

Ending Value	Percentage Change from the Starting Value to the Ending Value	Redemption Amount per Unit	Total Rate of Return on the Notes
0.00	-100.00%	$2.00	-80.00%
50.00	-50.00%	$7.00	-30.00%
75.00	-25.00%	$9.50	-5.00%
80.00(1)	-20.00%	$12.00	20.00%
90.00	-10.00%	$11.00	10.00%
94.00	-6.00%	$10.60	6.00%
95.00	-5.00%	$10.50	5.00%
97.00	-3.00%	$10.30	3.00%
100.00(2)	0.00%	$10.00	0.00%

110.00	10.00%	$11.25	12.50%
120.00	20.00%	$12.50	25.00%
140.00	40.00%	$15.00	50.00%
148.00	48.00%	$16.00(3)	60.00%
160.00	60.00%	$16.00	60.00%
180.00	80.00%	$16.00	60.00%
200.00	100.00%	$16.00	60.00%

(1) This is the **hypothetical** Threshold Value.

(2) The **hypothetical** Starting Value of 100.00 used in these examples has been chosen for illustrative purposes only, and does not represent a likely actual Starting Value for the Index.

(3) The Redemption Amount per unit cannot exceed the **hypothetical** Capped Value.

Notes Linked to the S&P 500® Index, due January , 2024	

Redemption Amount Calculation Examples

Example 1

The Ending Value is 50.00, or 50.00% of the Starting Value:

Starting Value: 100.00

Threshold Value: 80.00

Ending Value: 50.00

Redemption Amount per unit

Example 2

The Ending Value is 95.00, or 95.00% of the Starting Value:

Starting Value: 100.00

Threshold Value: 80.00

Ending Value: 95.00

Redemption Amount per unit

Example 3

The Ending Value is 120.00, or 120.00% of the Starting Value:

Starting Value: 100.00

Ending Value: 120.00

= **$12.50** Redemption Amount per unit.

Example 4

The Ending Value is 180.00, or 180.00% of the Starting Value:

Starting Value: 100.00

Ending Value: 180.00

= $20.00, however, because the Redemption Amount for the notes cannot exceed the hypothetical Capped Value, the Redemption Amount will be $16.00 per unit

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Notes Linked to the S&P 500® Index, due January , 2024	

Risk Factors

There are important differences between the notes and a conventional debt security. An investment in the notes involves significant risks, including those listed below. You should carefully review the more detailed explanation of risks relating to the notes in the Risk Factors sections beginning on page PS-6 of product supplement EQUITY INDICES LIRN-1, page S-1 of the prospectus supplement, and page 1 of the prospectus identified above. We also urge you to consult your investment, legal, tax, accounting, and other advisors before you invest in the notes.

§ Depending on the performance of the Index as measured shortly before the maturity date, you may lose up to 80% of the principal amount.

§ Your potential for a positive return based on the depreciation of the Index is limited. The absolute value return feature applies only if the Ending Value is less than the Starting Value but greater than or equal to the Threshold Value. Because the Threshold Value is 80% of the Starting Value, any positive return due to the depreciation of the Index is limited to 20%. Any decline in the Ending Value from the Starting Value by more than 20% will result in a loss, rather than a positive return, on the notes.

§ Your return on the notes may be less than the yield you could earn by owning a conventional fixed or floating rate debt security of comparable maturity.

§ Your investment return is limited to the return represented by the Capped Value and may be less than a comparable investment directly in the stocks included in the Index.

§ Payments on the notes are subject to our credit risk, and actual or perceived changes in our creditworthiness are expected to affect the value of the notes. If we become insolvent or are unable to pay our obligations, you may lose your entire investment.

§ Our initial estimated value of the notes will be lower than the public offering price of the notes. The public offering price of the notes will exceed our initial estimated value because costs associated with selling and structuring the notes, as well as hedging the notes, all as further described in Structuring the Notes on page TS-13, are included in the public offering price of the notes.

§ Our initial estimated value does not represent future values of the notes and may differ from others estimates. Our initial estimated value is only an estimate, which will be determined by reference to our internal pricing models when the terms of the notes are set. This estimated value will be based on market conditions and other relevant factors existing at that time, our internal funding rate on the pricing date and our assumptions about market parameters, which can include volatility, dividend rates, interest rates and other factors. Different pricing models and assumptions could provide valuations for the notes that are greater or less than our initial estimated value. In addition, market conditions and other relevant factors in the future may change, and any assumptions may prove to be incorrect. On future dates, the market value of the notes could change significantly based on, among other things, changes in market conditions, including the value of the Market Measure, our creditworthiness, interest rate movements and other relevant factors, which may impact the price at which MLPF&S or any other party would be willing to buy notes from you in any secondary market transactions. Our estimated value does not represent a minimum price at which MLPF&S or any other party would be willing to buy your notes in any secondary market (if any exists) at any time.

§ Our initial estimated value of the notes will not be determined by reference to credit spreads for our conventional fixed-rate debt. The internal funding rate to be used in the determination of our initial estimated value of the notes generally represents a discount from the credit spreads for our conventional fixed-rate debt. The discount is based on, among other things, our view of the funding value of the notes as well as the higher issuance, operational and ongoing liability management costs of the notes in comparison to those costs for our conventional fixed-rate debt. If we were to use the interest rate implied by our conventional fixed-rate debt, we would expect the economic terms of the notes to be more favorable to you. Consequently, our use of an internal funding rate for market-linked notes would have an adverse effect on the economic terms of the notes, the initial estimated value of the notes on the pricing date, and any secondary market prices of the notes.

§ A trading market is not expected to develop for the notes. Neither we nor MLPF&S is obligated to make a market for, or to repurchase, the notes. There is no assurance that any party will be willing to purchase your notes at any price in any secondary market.

§ Our business, hedging and trading activities, and those of MLPF&S and our respective affiliates (including trades in shares of companies included in the Index), and any hedging and trading activities we, MLPF&S or our respective affiliates engage in for our clients accounts, may affect the market value and return of the notes and may create conflicts of interest with you.

§ The Index sponsor may adjust the Index in a way that affects its level, and has no obligation to consider your interests.

§ You will have no rights of a holder of the securities represented by the Index, and you will not be entitled to receive securities or dividends or other distributions by the issuers of those securities.

§ While we, MLPF&S or our respective affiliates may from time to time own securities of companies included in the Index, except to the extent that the common stock of Bank of America Corporation (the parent company of MLPF&S) is included in the Index, we, MLPF&S and our respective affiliates do not control any company included in the Index, and have not verified any disclosure made by any other company.

§ There may be potential conflicts of interest involving the calculation agent, which is MLPF&S. We have the right to appoint and remove the calculation agent.

§ The U.S. federal income tax consequences of the notes are uncertain, and may be adverse to a holder of the notes. See Summary of U.S. Federal Income Tax Consequences below and U.S. Federal Income Tax Summary beginning on page PS-29 of product supplement EQUITY INDICES LIRN-1. For a discussion of the Canadian federal income tax consequences of investing in the notes, see Material Income Tax Consequences Canadian Taxation in the prospectus dated March 28, 2017, as supplemented by the discussion under Summary of Canadian Federal Income Tax Considerations herein.

Notes Linked to the S&P 500® Index, due January , 2024	

The Index

All disclosures contained in this term sheet regarding the Index, including, without limitation, its make-up, method of calculation, and changes in its components, have been derived from publicly available sources, which we have not independently verified. The information reflects the policies of, and is subject to change by, S&P Dow Jones Indices LLC (the Index sponsor or S&P). The Index sponsor, which licenses the copyright and all other rights to the Index, has no obligation to continue to publish, and may discontinue publication of, the Index. The consequences of the Index sponsor discontinuing publication of the Index are discussed in the section entitled Description of LIRNs Discontinuance of an Index beginning on page PS-19 of product supplement EQUITY INDICES LIRN-1. None of us, the calculation agent, or MLPF&S accepts any responsibility for the calculation, maintenance or publication of the Index or any successor index.

General

The Index is intended to provide an indication of the pattern of common stock price movement. The calculation of the level of the Index is based on the relative value of the aggregate market value of the common stocks of 500 companies as of a particular time compared to the aggregate average market value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943.

Relevant criteria employed by S&P include the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the market price of that company s common stock generally is responsive to changes in the affairs of the respective industry and the market value and trading activity of the common stock of that company. Eleven main groups of companies constitute the Index, with the approximate percentage of the market capitalization of the Index included in each group as of November 30, 2018 indicated in parentheses: Information Technology (19.9%); Health Care (15.8%); Financials (13.7%); Consumer Discretionary (9.9%); Communication Services (9.9%); Industrials (9.4%); Consumer Staples (7.4%); Energy (5.4%); Utilities (3.1%); Real Estate (2.9%) and Materials (2.6%). S&P may from time to time, in its sole discretion, add companies to, or delete companies from, the Index to achieve the objectives stated above. As of the close of business on September 21, 2018, S&P and MSCI, Inc. updated the Global Industry Classification Sector (GICS) structure. Among other things, the update broadened the Telecommunications Services sector and renamed it the Communication Services sector. The renamed sector includes the previously existing Telecommunication Services Industry group, as well as the Media Industry group, which was moved from the Consumer Discretionary sector and renamed the Media & Entertainment Industry group. The Media & Entertainment Industry group contains three industries: Media, Entertainment and Interactive Media & Services. The Media industry continues to consist of the Advertising, Broadcasting, Cable & Satellite and Publishing sub-industries. The Entertainment industry contains the Movies & Entertainment subindustry (which includes online entertainment streaming companies in addition to companies previously classified in such industry prior to September 21, 2018) and the Interactive Home Entertainment subindustry (which includes companies previously classified in the Home Entertainment Software subindustry prior to September 21, 2018 (when the Home Entertainment Software sub-industry was a subindustry in the Information Technology sector), as well as producers of interactive gaming products, including mobile gaming applications). The Interactive Media & Services industry and sub-industry includes companies engaged in content and information creation or distribution through proprietary platforms, where revenues are derived primarily through pay-per-click advertisements, and includes search engines, social media and networking platforms, online classifieds and online review companies. The GICS structure changes were effective for the Index as of the open of business on September 24, 2018 to coincide with the September 2018 quarterly rebalancing.

S&P calculates the Index by reference to the prices of the constituent stocks of the Index without taking account of the value of dividends paid on those stocks. As a result, the return on the notes will not reflect the return you would realize if you actually owned the Index constituent stocks and received the dividends paid on those stocks.

Computation of the Index

Historically, the market value of any component stock of the Index was calculated as the product of the market price per share and the number of then outstanding shares of such component stock. In March 2005, S&P began shifting the Index halfway from a market capitalization weighted formula to a float-adjusted formula, before moving the Index to full float adjustment on September 16, 2005. S&P s criteria for selecting stocks for the Index did not change with the shift to float adjustment. However, the adjustment affects each company s weight in the Index.

Under float adjustment, the share counts used in calculating the Index reflect only those shares that are available to investors, not all of a company s outstanding shares. Float adjustment excludes shares that are closely held by control groups, other publicly traded companies or government agencies.

In September 2012, all shareholdings representing more than 5% of a stock s outstanding shares, other than holdings by block owners, were removed from the float for purposes of calculating the Index. Generally, these control holders will include officers and directors, private equity, venture capital and special equity firms, other publicly traded companies that hold shares for control, strategic partners, holders of restricted shares, employee stock ownership plans, employee and family trusts, foundations associated with the company, holders of unlisted share classes of stock, government entities at all levels (other than government retirement/pension funds) and any individual person who controls a 5% or greater stake in a company as reported in regulatory filings. However, holdings by block owners, such as depositary banks, pension funds, mutual funds and ETF providers, 401(k) plans of the company, government retirement/pension funds, investment funds of insurance companies, asset managers and investment funds, independent foundations and savings and investment plans, will ordinarily be considered part of the float.

Notes Linked to the S&P 500® Index, due January , 2024	

Treasury stock, stock options, restricted shares, equity participation units, warrants, preferred stock, convertible stock, and rights are not part of the float. Shares held in a trust to allow investors in countries outside the country of domicile, such as depositary shares and Canadian exchangeable shares are normally part of the float unless those shares form a control block.

For each stock, an investable weight factor (IWF) is calculated by dividing the available float shares, by the total shares outstanding. As of September 21, 2012, available float shares are defined as the total shares outstanding less shares held by control holders. This calculation is subject to a 5% minimum threshold for control blocks. For example, if a company s officers and directors hold 3% of the company s shares, and no other control group holds 5% of the company s shares, S&P would assign that company an IWF of 1.00, as no control group meets the 5% threshold. However, if a company s officers and directors hold 3% of the company s shares and another control group holds 20% of the company s shares, S&P would assign an IWF of 0.77, reflecting the fact that 23% of the company s outstanding shares are considered to be held for control. As of July 31, 2017, companies with multiple share class lines are no longer eligible for inclusion in the Index. Constituents of the Index prior to July 31, 2017 with multiple share class lines will be grandfathered in and continue to be included in the Index. If a constituent company of the Index reorganizes into a multiple share class line structure, that company will remain in the Index at the discretion of the S&P Index Committee in order to minimize turnover.

The Index is calculated using a base-weighted aggregate methodology. The level of the Index reflects the total market value of all 500 component stocks relative to the base period of the years 1941 through 1943. An indexed number is used to represent the results of this calculation in order to make the level easier to work with and track over time. The actual total market value of the component stocks during the base period of the years 1941 through 1943 has been set to an indexed level of 10. This is often indicated by the notation 1941- 43 = 10. In practice, the daily calculation of the Index is computed by dividing the total market value of the component stocks by the index divisor. By itself, the index divisor is an arbitrary number. However, in the context of the calculation of the Index, it serves as a link to the original base period level of the Index. The index divisor keeps the Index comparable over time and is the manipulation point for all adjustments to the Index, which is index maintenance.

Index Maintenance

Index maintenance includes monitoring and completing the adjustments for companenue recognized in a period for a contract is the amount of gross profit recognized for that period plus pass-through costs incurred on the contract during the period. Consequently, pass-through costs are included in revenue but have no impact on the gross profit recognized on a project for that particular period.

Pass-through costs as a percentage of revenue were 42.6% and 59.4% for the three-month periods ended September 30, 2014 and 2013, respectively. Pass-through costs as a percentage of revenue were 47.8% and 57.1% for the nine-month periods ended September 30, 2014 and 2013, respectively.

Costs and estimated earnings in excess of billings on uncompleted contracts include unbilled costs of $9.3 million relating to three major customers. Billings in excess of costs and estimated earnings include advances of $14.2 million from three major customers.

The Company recorded losses of $0.3 million and $5.1 million for the three-month and nine-month periods ended September 30, 2014, respectively, for certain marine projects.

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During the quarter ended September 30, 2014, we recorded revenue totaling $0.3 million related to certain change orders on one project which has been approved as to scope but not price. We expect to resolve this change order in the fourth quarter of 2014. At September 30, 2013, we recorded revenue totaling $3.9 million related to certain change orders on two projects that were approved as to scope but not price, all of which were subsequently approved in the normal course of business.

NOTE 6 EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	Three Months Ended		Nine Months Ended	
	Sep 30, 2014	Sep 30, 2013	Sep 30, 2014	Sep 30, 2013
Basic:				
Numerator:				
Net Income	$ 7,586	$ 3,276	$ 15,431	$ 10,342
Less: Distributed and undistributed income (unvested restricted stock)	79	29	157	92
Net income attributable to common shareholders	$ 7,507	$ 3,247	$ 15,274	$ 10,250
Denominator:				
Denominator for basic earnings per share-weighted-average shares	14,506	14,462	14,501	14,458
Basic earnings per share common shareholders	$ 0.52	$ 0.23	$ 1.05	$ 0.72
Diluted:				
Numerator:				
Net Income	$ 7,586	$ 3,276	$ 15,431	$ 10,342
Less: Distributed and undistributed income (unvested restricted stock)	79	29	157	92
Net income attributable to common shareholders	$ 7,507	$ 3,247	$ 15,274	$ 10,250
Denominator:				
Denominator for basic earnings per share-weighted-average shares	14,506	14,462	14,501	14,458
Effect of dilutive securities:				
Employee stock options		6		5
Denominator for dilutive earnings per share-weighted-average shares	14,506	14,468	14,501	14,463

Diluted earnings per share common shareholders	$ 0.52	$ 0.23	$ 1.05	$ 0.72

NOTE 7 SUBSEQUENT EVENTS

On October 23, 2014, our Board of Directors declared a dividend of $0.10 per share on the shares of our common stock outstanding, payable November 24, 2014 to shareholders of record on November 10, 2014.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

Statements under Backlog, Results of Operations and Liquidity and Capital Resources and other statements in this report and the exhibits hereto that are not statements of historical fact are forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results and outcomes to differ materially from the results and outcomes predicted in such forward-looking statements. Investors are cautioned not to place undue reliance upon such forward-looking statements. Important factors that may cause our actual results to differ materially from expectations or projections include those described in Item 1A. Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2013.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles, which require us to make estimates and assumptions (see Note 1 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013). We believe that our accounting policy on revenue recognition involves a high degree of judgment and complexity. Critical accounting policies are discussed more fully in our Annual Report on Form 10-K for the year ended December 31, 2013. There have been no changes in our evaluation of our critical accounting policies since December 31, 2013.

Backlog

Our backlog is based on management s estimate of the direct labor hours required to complete, and the remaining revenue to be recognized with respect to those projects for which a customer has authorized us to begin work or purchase materials pursuant to written contracts, letters of intent or other forms of authorization. As engineering and design plans are finalized or changes to existing plans are made, management s estimate of the direct labor hours required to complete a project and the price of a project at completion is likely to change.

All projects currently included in our backlog are generally subject to suspension, termination, or a reduction in scope at the option of the customer, although the customer is ordinarily required to pay us for work performed and materials purchased through the date of termination, suspension, or reduction in scope. In addition, customers have the ability to delay the execution of projects.

As of September 30, 2014, we had a revenue backlog of $252.9 million and a labor backlog of approximately 2.0 million man-hours remaining to work, including commitments received through October 20, 2014, compared to a revenue backlog of $223.8 million and a labor backlog of 2.1 million man-hours reported as of June 30, 2014.

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Of our backlog at September 30, 2014,

- 53.9% was for the three largest customers compared to 68.9% for the three largest customers at June 30, 2014.

- $111.7 million, or 44.2%, represented projects destined for deepwater locations compared to $129.8 million, or 58.1%, at June 30, 2014.

- $17.6 million, or 7.0%, represented projects destined for foreign locations compared to $12.4 million, or 5.5%, at June 30, 2014.

Projects for our three largest customers consist of a jacket, piles, and topsides for a deepwater Gulf of Mexico project for one customer, which commenced in the second quarter of 2013, shallow water jackets for a second customer, which will commence in the first quarter of 2015; and two projects for the fabrication and installation of offshore skids for one customer, one of which commenced in the second quarter of 2013 with the second project expected to commence during the first quarter 2015. The deepwater project is scheduled to be completed during the third quarter of 2015; the shallow water jackets are expected to be completed during the fourth quarter of 2015; and the fabrication and installation of the offshore skids are scheduled to be completed in the fourth quarter of 2014 and the end of 2015, respectively.

As of September 30, 2014, we expect to recognize revenue from our backlog of approximately

- $137.6 million, or 54.4%, during the remaining three months of 2014,

- $114.0 million, or 45.1%, during the calendar year 2015, and

- $1.3 million, or 0.5%, during the calendar year 2016.

The timing of our recognition of the revenue backlog as presented above is based on management s estimates of the application of the direct labor hours to complete the projects in our backlog. Certain factors and circumstances could cause changes in timing of the recognition of revenue from our backlog as well as the ultimate amounts recorded. For example, depending on the size of the project, the termination, postponement, or reduction in scope of any one project could significantly reduce our backlog, and could have a material adverse effect on revenue, net income and cash flow.

Based on the activity of the major oil and gas companies and certain engineering companies, we expect bids for deepwater projects to be available in the second half of 2015. Bidding activity for non-traditional Gulf of Mexico (GOM) marine related projects, GOM shallow water projects, and ancillary work associated with deepwater structures is expected to remain stable or increase somewhat in the fourth quarter of 2014 and throughout the first half of 2015. In addition, we expect to see increased activity for marine repair work in the fourth quarter of 2014 and throughout 2015.

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Workforce

As of September 30, 2014, we had approximately 1,730 employees and approximately 150 contract employees, compared to approximately 1,900 employees and approximately 200 contract employees as of June 30, 2014.

Man-hours worked were 898,000 during the three-month period ended September 30, 2014, compared to 978,000 for the three-month period ended June 30, 2014. The decrease in man-hours worked for the three-month period ended September 30, 2014 was primarily attributable to increased activities related to the completion of a large deepwater hull and deck, and marine barges in the prior quarter.

Results of Operations

Our revenue for the three-month periods ended September 30, 2014 and 2013 was $118.0 million and $168.2 million, respectively, representing a decrease of 29.8%. Our revenue for the nine-month periods ended September 30, 2014 and 2013 was $381.9 million and $473.2 million, respectively, representing a decrease of 19.3%.

The decrease in revenue for the three and nine-month periods ended September 30, 2014 is primarily attributable to substantial revenue for a large deepwater project and higher levels of revenue from pass-through costs recognized during the three and nine months ended September 30, 2013. Pass-through costs as a percentage of revenue were 42.6% and 59.4% for the three-month periods ended September 30, 2014 and 2013, respectively. Pass-through costs as a percentage of revenue were 47.8% and 57.1%, for the nine-month periods ended September 30, 2014 and 2013, respectively. Pass-through costs decreased primarily due to lesser amounts of subcontractor services and direct materials incurred on our large deepwater projects during the three and nine-month periods ended September 30, 2014 and 2103, respectively. Pass-through costs, as described in Note 5 in the Notes to Consolidated Financial Statements, are included in revenue, but have no impact on the gross profit recognized on a project for a particular period.

For the three-month periods ended September 30, 2014 and 2013, gross profit was $14.7 million (12.4% of revenue) and $9.1 million (5.4% of revenue), respectively. The increase in gross profit was primarily due to a higher level of offshore commissioning and hook-up activity performed on a time and material basis and a return to traditional jacket and smaller topside shallow water projects during the three-months ended September 30, 2014, compared to the three months ended September 30, 2013. Both the offshore services work and execution of the 2014 shallow water projects garnered higher profit margins as compared to our mix of projects performed during the three-months ended September 30, 2013.

For the nine-month periods ended September 30, 2014 and 2013, gross profit was $33.7 million (8.8% of revenue) and $25.4 million (5.4% of revenue), respectively.

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The increase in gross profit was primarily due to a loss of $11.4 million recognized during the first nine-months of 2013 related to a contract with a large deepwater customer compared a $5.1 million loss recognized on certain marine projects during the nine-months ended September 30, 2014. Additionally, the Company experienced a higher level of offshore commissioning and hook-up activity performed on a time and material basis and a return to traditional jacket and smaller topside shallow water projects during the nine-months ended September 30, 2014 compared to the nine months ended September 30, 2013. Both the offshore services work and execution of the 2014 shallow water projects garnered higher profit margins as compared to our mix of projects performed during the nine-months ended September 30, 2013.

While we attempt to include competitive profit margins into all of the project bids, the increasing scope and complexity of deepwater projects of our customers may result in events or circumstances specific to a particular deepwater project that could result in decreased gross margins as compared to our other fabrication projects. We experienced this during the first nine-months of 2013 with respect to a major deepwater project. To more effectively manage larger deepwater projects, we entered into a cooperative agreement with Bectel Oil, Gas & Chemicals, Inc. in July 2014 to jointly pursue deepwater project opportunities. We believe our fabrication experience, infrastructure and skilled labor force, coupled with Bectel s engineering and project management expertise, will enable us to offer enhanced capabilities and expertise to our deepwater customers, while at the same time enhance our ability to manage the costs and complexities associated with these projects.

General and administrative expenses were $3.3 million and $10.6 million for the three and nine-month periods ended September 30, 2014, respectively, compared to $3.7 million and $9.0 million for the three and nine-month periods ended September 30, 2013, respectively. As a percentage of revenue, general and administrative expenses for the three and nine-month periods ended September 30, 2014 were 2.8% compared to 2.2% and 1.9% for the three and nine-month periods ended September 30, 2013, respectively. The decrease in general and administrative expenses for the three-month period ended September 30, 2014 is primarily attributable to the reduction in the allowance for doubtful accounts related to the settlement of an outstanding dispute with a foreign vessel operator. Factors that contributed to the increase in general and administrative expenses for the nine-month period ended September 30, 2014 include:

- the addition of three consultants to assist with the marketing efforts of the assets held for sale and potential FLNG opportunities;

- increases in expenses related to the relocation of our corporate headquarters to Houston, Texas and the hiring of additional corporate staff members to support operations; and

- increases in expenses associated with an increase in the number of directors serving on our board.

The Company had net interest expense of $22,000 and $66,000 for the three and nine-month periods ended September 30, 2014, respectively, compared to net interest expense of $41,000 and $164,000 for the three and nine-month periods ended September 30, 2013, respectively. The decrease in net interest expense for the three and nine-month periods ended September 30, 2014 was primarily driven by a reduction in interest expense as a result of decreased borrowings on our line of credit during the first nine months of 2014.

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The Company had $2,000 of other expenses for the three-month period ended September 30, 2014, compared to $15,000 for the three-month period ended September 30, 2013. The Company had other expenses for the nine-month period ended September 30, 2014 of $98,000, compared to other expense of $58,000 for the nine-month period ended September 30, 2013. Other expenses for the three-month and nine-month periods ended September 30, 2014 primarily represents losses on sales of property, plant, and equipment.

Our effective income tax rate for the three and nine-month periods ended September 30, 2014 was 33%, compared to an effective tax rate of 36% for the comparable periods of 2013. The decrease in the effective tax rate is due to an increase in our estimated Federal qualified production activities income deduction and a decrease in Louisiana state income tax apportionment.

Liquidity and Capital Resources

Historically, we have funded our business activities through cash generated from operations. The Company has a credit agreement with Whitney Bank and JPMorgan Chase Bank, N.A. that provides the Company with an $80 million revolving credit facility (the Credit Facility). The Credit Facility also allows the Company to use up to the full amount of the available borrowing base for letters of credit. On October 23, 2014, we entered into an amendment to our Credit Facility to extend the maturity date from December 31, 2014 to December 31, 2015. The Credit Facility is secured by substantially all of our assets, other than real property located in the state of Louisiana. Amounts borrowed under the Credit Facility bear interest, at our option, at either the prime lending rate established by JPMorgan Chase Bank, N.A. or LIBOR plus 1.5 percent. We pay a fee on a quarterly basis of one-fourth of one percent per annum on the weighted-average unused portion of the Credit Facility.

At October 28, 2014, no amounts were borrowed under the Credit Facility, and we had outstanding letters of credit totaling $59.2 million, reducing the unused portion of the Credit Facility to $20.8 million. We are required to maintain certain financial covenants, including a minimum current ratio of 1.25 to 1 a minimum net worth requirement of $254.1 million, debt to net worth ratio of 0.5 to 1, and earnings before interest, taxes, depreciation and amortization (EBITDA) to interest expense ratio of 4.0 to 1. As of September 30, 2014, we were in compliance with all covenants.

At September 30, 2014, our contracts receivable balance was $82.3 million of which we have subsequently collected $36.2 million through October 21, 2014.

At September 30, 2014, our cash and cash equivalents totaled $26.7 million, compared to $36.6 million at December 31, 2013. Working capital was $93.1 million and our ratio of current assets to current liabilities was 2.39 to 1 at September 30, 2014. Our primary use of cash during the period was related to capital expenditures including the purchase of two cranes for our Texas facility and costs associated with fabrication projects.

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In connection with work associated with a completed hull and topside project for a large deepwater customer in the first quarter 2014, we had a receivable balance of $15.3 million at September 30, 2014. We expect to collect the remaining balance in the fourth quarter of 2014 in the normal course of business.

For the nine-month period ended September 30, 2014 net cash provided by operating activities was $20.3 million, compared to $13.8 million at September 30, 2013. The increase in cash provided by operations for the nine-month period ended September 30, 2014, compared to the nine-month period ended September 30, 2013, was primarily due to lower costs associated with fabrication projects and higher operating margins during the first nine-months of 2014.

Net cash used in investing activities for the nine-month period ended September 30, 2014 was $25.8 million, compared to $12.5 million for the nine-month period ended September 30, 2013. Investing activities for 2014 were primarily related to capital expenditures for equipment, including the purchase of two cranes for our Texas facility.

We anticipate capital expenditures for the remainder of 2014 to be approximately $2.7 million. Included in anticipated expenditures for the next quarter is the purchase of equipment and additional yard and facility infrastructure improvements, including $1.0 million of maintenance capital expenditures at our Texas and Louisiana facilities, $0.7 million for yard improvements and $0.4 million remaining for a plate roller at our Texas facility.

Net cash used in financing activities for the nine-months ended September 30, 2014 and 2013 was $4.4 million related to payments of dividends.

We believe our cash and cash equivalents generated by operating activities, realization of working capital relating to fabrication projects, and funds available under the revolver will be sufficient to fund our capital expenditures and meet our working capital needs for the next twelve months. However, job awards may require us to issue additional letters of credit further reducing the capacity available on our revolving line of credit. As of September 30, 2014, we had outstanding letters of credit totaling $59.2 million, reducing the unused portion of our credit facility to $20.8 million.

Contractual Obligations

There have been no material changes from the information included in our Annual Report on Form 10-K for the year ended December 31, 2013. For more information on our contractual obligations, refer to Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2013.

Off-Balance Sheet Arrangements

There have been no material changes from the information included in our Annual Report on Form 10-K for the year ended December 31, 2013.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There has been no material changes in the Company s market risks during the quarter ended September 30, 2014. For more information on market risk, refer to Part II, Item 7A. of our Annual Report on Form 10-K for the year ended December 31, 2013.

Item 4. Controls and Procedures.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is communicated to the Company s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company s management, with the participation of the Company s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the design and operation of our disclosure controls and procedures were effective as of the end of the period covered by this report.

There have been no changes during the fiscal quarter ended September 30, 2014 in the Company s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is subject to various routine legal proceedings in the normal conduct of its business primarily involving commercial claims, workers compensation claims, and claims for personal injury under general maritime laws of the United States and the Jones Act. While the outcome of these lawsuits, legal proceedings and claims cannot be predicted with certainty, management believes that the outcome of any such proceedings, even if determined adversely, would not have a material adverse effect on the financial position, results of operations or cash flows of the Company.

Item 1A. Risk Factors.

There have been no material changes from the information included in Part I, Item 1A of the Company s Annual Report on Form 10-K for the year ended December 31, 2013.

Item 6. Exhibits.

3.1	Composite Articles of Incorporation of the Company, incorporated by reference to Exhibit 3.1 of the Company s Form 10-Q filed April 23, 2009.
3.2	Bylaws of the Company, as amended and restated through April 26, 2012, incorporated by reference to Exhibit 3.1 of the Company s Form 8-K filed on April 30, 2012.
4.1	Specimen Common Stock Certificate, incorporated by reference to the Company s Form S-1/A filed March 19, 1997 (Registration No. 333-21863).
10.1	Thirteenth Amendment to the Ninth Amended and Restated Credit Agreement dated October 23, 2014.
31.1	CEO Certifications pursuant to Rule 13a-14 under the Securities Exchange Act of 1934.
31.2	CFO Certifications pursuant to Rule 13a-14 under the Securities Exchange Act of 1934.
32	Section 906 Certification furnished pursuant to 18 U.S.C. Section 1350.
99.1	Press release issued by the Company on October 23, 2014, announcing the scheduled time for the release of its 2014 second quarter earnings and its quarterly conference call.
101	Attached as Exhibit 101 to this report are the following items formatted in XBRL (Extensible Business Reporting Language):

(i) Consolidated Balance Sheets,
(ii) Consolidated Statements of Income,
(iii) Consolidated Statement of Changes in Shareholders Equity,
(iv) Consolidated Statements of Cash Flows and
(v) Notes to Consolidated Financial Statements.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GULF ISLAND FABRICATION, INC.

By: /s/ Jeffrey M. Favret
Jeffrey M. Favret
Vice President, Chief Financial Officer, Treasurer, and Secretary
(Principal Financial and Accounting Officer)

Date: October 28, 2014

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GULF ISLAND FABRICATION, INC.

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