

CANADIAN IMPERIAL BANK OF COMMERCE /CAN/
Form 424B2
June 08, 2018

Filed Pursuant to Rule 424(b)(2)
Registration No. 333-216286

PRICING SUPPLEMENT No. PS-373 dated June 6, 2018

(To Prospectus Supplement dated March 28, 2017

and Prospectus dated March 28, 2017)

Canadian Imperial Bank of Commerce
\$2,430,000
Senior Global Medium-Term Notes (Structured Notes)
Capped Leveraged Buffered S&P 500® Index-Linked Notes due
July 10, 2019

The notes do not bear interest. The amount that you will be paid on your notes on the stated maturity date (July 10, 2019, subject to adjustment) is based on the performance of the S&P 500® Index (the underlier) as measured from the trade date to and including the determination date (July 8, 2019, subject to adjustment). If the final underlier level on the determination date is greater than the initial underlier level (2,772.35, which was the closing level of the underlier on the trade date), the return on your notes will be positive, subject to the maximum settlement amount (\$1,116.90 for each \$1,000 face amount of your notes). If the final underlier level declines by up to 10.00% from the initial underlier level, you will receive the face amount of your notes. **If the final underlier level declines by more than 10.00% from the initial underlier level, the return on your notes will be negative.**

To determine your payment at maturity, we will calculate the underlier return, which is the percentage increase or decrease in the final underlier level from the initial underlier level. On the stated maturity date, for each \$1,000 face amount of your notes, you will receive an amount in cash equal to:

- if the underlier return is *positive* (i.e. the final underlier level is *greater than* the initial underlier level), the *sum* of (i) \$1,000 *plus* (ii) the *product* of (a) \$1,000 *times* (b) 1.4 *times* (c) the underlier return, subject to the maximum settlement amount;
- if the underlier return is *zero* or *negative* but *not below* -10.00% (i.e. the final underlier level is *equal to* the initial underlier level or is *less than* the initial underlier level, but not by more than 10.00%), \$1,000; or

- if the underlier return is *negative* and is *below* -10.00% (i.e. the final underlier level is *less than* the initial underlier level by more than 10.00%), the *sum* of (i) \$1,000 *plus* (ii) the *product* of (a) approximately 1.1111 *times* (b) the *sum* of the underlier return *plus* 10.00% *times* (c) \$1,000.

The notes have complex features and investing in the notes involves risks not associated with an investment in conventional debt securities. See Additional Risk Factors Specific to Your Notes herein on page PRS-11.

Our estimated value of the notes on the trade date, based on our internal pricing models, is \$996.50 per note. The estimated value is less than the initial issue price of the notes. See The Bank's Estimated Value of the Notes in this Pricing Supplement.

	Initial Issue Price	Price to Public	Agent's Commission	Proceeds to Issuer
Per Note	\$1,000	100%	0%	100%
Total	\$2,430,000	\$2,430,000	\$0	\$2,430,000

The notes are unsecured obligations of Canadian Imperial Bank of Commerce and all payments on the notes are subject to the credit risk of Canadian Imperial Bank of Commerce. The notes will not constitute deposits insured by the Canada Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation or any other government agency or instrumentality of Canada, the United States or any other jurisdiction.

Neither the United States Securities and Exchange Commission (the SEC) nor any state or provincial securities commission has approved or disapproved of these securities or determined if this Pricing Supplement or the accompanying Product Supplement No. 6, accompanying General Terms Supplement No. 1, accompanying Prospectus Supplement and accompanying Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The issue price, agent's commission and net proceeds listed above relate to the notes we will sell initially. We may decide to sell additional notes after the date of this Pricing Supplement, at issue prices and with agent's commissions and net proceeds that differ from the amounts set forth above. The return (whether positive or negative) on your investment will depend in part on the issue price you pay for your notes.

CIBC World Markets Corp. or one of our other affiliates may use this Pricing Supplement in a market-making transaction in a note after its initial sale. Unless we or our agent informs the purchaser otherwise in the confirmation of sale, this Pricing Supplement is being used in a market-making transaction.

We will deliver the notes in book-entry form through the facilities of The Depository Trust Company (DTC) on June 13, 2018 against payment in immediately available funds.

CIBC World Markets

Capped Leveraged Buffered S&P 500® Index-Linked Notes due July 10, 2019

ABOUT THIS PRICING SUPPLEMENT

You should read this Pricing Supplement together with the Prospectus dated March 28, 2017 (the Prospectus), the Prospectus Supplement dated March 28, 2017 (the Prospectus Supplement), the General Terms Supplement No. 1, dated May 1, 2017 (the General Terms Supplement), and the Product Supplement No. 6 (the Product Supplement No. 6), dated May 1, 2017, each relating to our Senior Global Medium-Term Notes (Structured Notes), for additional information about the notes. Information in this Pricing Supplement supersedes information in the Product Supplement No. 6, the General Terms Supplement, the Prospectus Supplement and the Prospectus to the extent it is different from that information. Certain defined terms used but not defined herein have the meanings set forth in the Product Supplement No. 6, the General Terms Supplement, the Prospectus Supplement or the Prospectus.

You should rely only on the information contained in or incorporated by reference in this Pricing Supplement, the accompanying Product Supplement No. 6, the accompanying General Terms Supplement, the accompanying Prospectus Supplement and the accompanying Prospectus. This Pricing Supplement may be used only for the purpose for which it has been prepared. No one is authorized to give information other than that contained in this Pricing Supplement, the accompanying Product Supplement No. 6, the accompanying General Terms Supplement, the accompanying Prospectus Supplement and the accompanying Prospectus, and in the documents referred to in this Pricing Supplement, the Product Supplement No. 6, the General Terms Supplement, the Prospectus Supplement and the Prospectus and which are made available to the public. We have not, and CIBC World Markets Corp. (CIBCWM) has not, authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it.

We are not, and CIBCWM is not, making an offer to sell the notes in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in or incorporated by reference in this Pricing Supplement, the accompanying Product Supplement No. 6, the accompanying General Terms Supplement, the accompanying Prospectus Supplement or the accompanying Prospectus is accurate as of any date other than the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date. Neither this Pricing Supplement, nor the accompanying Product Supplement No. 6, nor the accompanying General Terms Supplement, nor the accompanying Prospectus Supplement, nor the accompanying Prospectus constitutes an offer, or an invitation on our behalf or on behalf of CIBCWM, to subscribe for and purchase any of the notes and may not be used for or in connection with an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

References to CIBC, the Issuer, the Bank, we, us and our in this Pricing Supplement are references to Canadian Imperial Bank of Commerce and not to any of our subsidiaries, unless we state otherwise or the context otherwise requires.

You may access the Product Supplement No. 6, the General Terms Supplement, the Prospectus Supplement and the Prospectus on the SEC website www.sec.gov as follows (or if such address has changed, by reviewing our filing for the relevant date on the SEC website):

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- Product Supplement No. 6, dated May 1, 2017:
https://www.sec.gov/Archives/edgar/data/1045520/000110465917028390/a17-10322_19424b2.htm
- General Terms Supplement No. 1, dated May 1, 2017:
https://www.sec.gov/Archives/edgar/data/1045520/000110465917028383/a17-10322_18424b2.htm
- Prospectus Supplement dated March 28, 2017 and Prospectus dated March 28, 2017 filed with the SEC on March 28, 2017:
https://www.sec.gov/Archives/edgar/data/1045520/000110465917019619/a17-8647_1424b3.htm

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You should be willing to forgo:

1 gains greater than a maximum settlement amount of 111.690% of the face amount in exchange for (i) 1.4x leveraged upside participation if the underlier return is positive and (ii) a buffer against loss of principal in the event of a decline of up to 10.00% in the final underlier level relative to the initial underlier level.

1 interest payments and be willing to risk losing your entire investment for the potential to earn 140.00% of any positive underlier return up to a maximum settlement amount of 111.690% of the face amount.

Your maximum return on your notes will not be greater than 11.690%, and you could lose all or a substantial portion of your investment if the underlier return is less than -10.00%.

At maturity, for each \$1,000 face amount, the investor will receive (in each case as a percentage of the face amount):

1 if the final underlier level is greater than 100.00% of the initial underlier level, 100.00% *plus* 140.00% times the underlier return, subject to a maximum settlement amount of 111.690%;

1 if the final underlier level is between 90.00% and 100.00% of the initial underlier level, 100.00%; or

1 if the final underlier level is less than 90.00% of the initial underlier level, 100.00% *minus* approximately 1.1111% for every 1.00% that the final underlier level has declined below 90.00% of the initial underlier level

If the final underlier level declines by more than 10.00% from the initial underlier level, the return on the notes will be negative and the investor could lose their entire investment in the notes.

Issuer:	Canadian Imperial Bank of Commerce
Underlier:	The S&P 500® Index (Bloomberg symbol, SPX Index)
Face Amount:	\$2,430,000 in the aggregate; each note will have a face amount equal to \$1,000
Trade Date:	June 6, 2018
Settlement Date:	June 13, 2018
Determination Date:	July 8, 2019, subject to adjustment
Stated Maturity Date:	July 10, 2019, subject to adjustment
Initial Underlier Level:	2,772.35
Final Underlier Level:	The closing level of the underlier on the determination date
Underlier Return:	The <i>quotient</i> of (i) the final underlier level <i>minus</i> the initial underlier level <i>divided by</i> (ii) the initial underlier level, expressed as a positive or negative percentage
Upside Participation Rate:	140.00%
Buffer Level:	90.00% of the initial underlier level (equal to a -10.00% underlier return)
Buffer Amount:	10.00%
Buffer Rate:	The <i>quotient</i> of the initial underlier level <i>divided by</i> the buffer level, which equals approximately 111.11%
Maximum Settlement Amount:	\$1,116.90
Cap Level:	108.35% of the initial underlier level
CUSIP/ISIN:	13605WLP4 / US13605WLP40

Capped Leveraged Buffered S&P 500® Index-Linked Notes due July 10, 2019

	Hypothetical Final Underlier Level (as Percentage of Initial Underlier Level)	Hypothetical Cash Settlement Amount (as Percentage of Face Amount)
	150.000%	111.690%
	140.000%	111.690%
	130.000%	111.690%
	120.000%	111.690%
	110.000%	111.690%
	108.350%	111.690%
	105.000%	107.000%
	103.000%	104.200%
	101.000%	101.400%
	100.000%	100.000%
	97.000%	100.000%
	95.000%	100.000%
	90.000%	100.000%
	80.000%	88.889%
	75.000%	83.333%
	50.000%	55.556%
	25.000%	27.778%
	0.000%	0.000%

Investing in the notes involves significant risks. Please read the section entitled "Additional Risk Factors Specific to Your Notes" in this Pricing Supplement as well as the risks and considerations described under "Additional Risk Factors Specific to the Underlier-Linked Notes" in the accompanying Product Supplement No. 6, under "Additional Risk Factors Specific to the Notes" in the accompanying General Terms Supplement, under "Risk Factors" in the accompanying Prospectus Supplement, and under "Risk Factors" in the accompanying Prospectus.

Capped Leveraged Buffered S&P 500® Index-Linked Notes due July 10, 2019

SUMMARY INFORMATION

We refer to the notes we are offering by this Pricing Supplement as the offered notes or the notes. Each of the offered notes has the terms described below. The notes will be issued under the indenture, dated as of September 15, 2012, between the Bank and Deutsche Bank Trust Company Americas, as trustee, which we refer to herein as the indenture. This section is meant as a summary and should be read in conjunction with the section entitled General Terms of the Underlier-Linked Notes in the accompanying Product Supplement No. 6 and Supplemental Terms of the Notes in the accompanying General Terms Supplement. Please note that certain features, as noted below, described in the accompanying Product Supplement No. 6 and General Terms Supplement are not applicable to the notes. This Pricing Supplement supersedes any conflicting provisions of the accompanying Product Supplement No. 6 or the accompanying General Terms Supplement.

Key Terms

Issuer: Canadian Imperial Bank of Commerce

Underlier: the S&P 500® Index (Bloomberg symbol, SPX Index), as published by S&P Dow Jones Indices LLC (S&P)

Specified currency: U.S. dollars (\$)

Terms to be specified in accordance with the accompanying Product Supplement No. 6:

- type of notes: notes linked to a single underlier
- exchange rates: not applicable

- averaging dates: not applicable
- redemption right or price dependent redemption right: not applicable
- cap level: yes, as described below
- buffer level: yes, as described below
- interest: not applicable

Face amount: each note will have a face amount of \$1,000; \$2,430,000 in the aggregate for all the offered notes; the aggregate face amount of the offered notes may be increased if the Issuer, at its sole option, decides to sell an additional amount of the offered notes on a date subsequent to the date of this Pricing Supplement

Minimum Investment: \$1,000 (one note)

Denominations: \$1,000 and integral multiples of \$1,000 in excess thereof

Purchase at amount other than face amount: the amount we will pay you on the stated maturity date for your notes will not be adjusted based on the issue price you pay for your notes, so if you acquire notes at a premium (or a discount) to face amount and hold them to the stated maturity date, it could affect your investment in a number of ways. The return on your investment in such notes will be lower (or higher) than it would have been had you purchased the notes at face amount. Also, the stated buffer level would not offer the same measure of protection to your investment as would be the case if you had purchased the notes at face amount. Additionally, the cap level would be triggered at a lower (or higher) percentage return than indicated below, relative to your initial investment. See [Additional Risk Factors Specific to Your Notes If You Purchase Your Notes at a Premium to Face Amount, the Return on Your Investment Will Be Lower Than the Return on Notes Purchased at Face Amount and the Impact of Certain Key Terms of the Notes Will Be Negatively Affected](#) in this Pricing Supplement.

Cash settlement amount (on the stated maturity date): for each \$1,000 face amount of your notes, we will pay you on the stated maturity date an amount in cash equal to:

- if the final underlier level is *greater than* or *equal to* the cap level, the maximum settlement amount;
- if the final underlier level is *greater than* the initial underlier level but *less than* the cap level, the *sum* of (i) \$1,000 *plus* (ii) the *product* of (a) \$1,000 *times* (b) the upside participation rate *times* (c) the underlier return;

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- if the final underlier level is *equal to* or *less than* the initial underlier level but *greater than* or *equal to* the buffer level, \$1,000; or
- if the final underlier level is *less than* the buffer level, the *sum* of (i) \$1,000 *plus* (ii) the product of (a) the buffer rate *times* (b) the *sum* of the underlier return *plus* the buffer amount *times* (c) \$1,000.

Initial underlier level: 2,772.35, which was the closing level of the underlier on the trade date

Final underlier level: the closing level of the underlier on the determination date, except in the limited circumstances described under Supplemental Terms of the Notes Consequences of a Market Disruption Event or a Non-Trading Day in the accompanying General Terms Supplement and subject to adjustment as provided under Supplemental Terms of the Notes Discontinuance or Modification of an Underlier in the accompanying General Terms Supplement

Underlier return: the *quotient* of (1) the final underlier level *minus* the initial underlier level *divided* by (2) the initial underlier level, expressed as a positive or negative percentage

Upside participation rate: 140.00%

Cap level: 108.35% of the initial underlier level

Maximum settlement amount: \$1,116.90

Buffer level: 90.00% of the initial underlier level

Buffer amount: 10.00%

Buffer rate: the *quotient* of the initial underlier level *divided* by the buffer level, which equals approximately 111.11%

Trade date: June 6, 2018

Original issue date (settlement date): June 13, 2018

Determination date: July 8, 2019, subject to adjustment as described under Supplemental Terms of the Notes Determination Date in the accompanying General Terms Supplement. Notwithstanding anything to the contrary in the accompanying General Terms Supplement, if the determination date is adjusted as provided under Supplemental Terms of the Notes Determination Date in the accompanying General Terms Supplement, the determination date will not be postponed to a date later than the originally scheduled stated maturity date or, if the originally scheduled stated maturity date is not a business day, later than the first business day after the originally scheduled stated maturity date.

Stated maturity date: July 10, 2019, subject to adjustment as described under Supplemental Terms of the Notes Stated Maturity Date in the accompanying General Terms Supplement. Notwithstanding anything to the contrary in the accompanying General Terms Supplement, if the determination date is postponed as provided under Determination Date above, the stated maturity date will be postponed by the same number of business day(s) from but excluding the originally scheduled determination date to and including the actual determination date.

No interest: the offered notes do not bear interest

No listing: the offered notes will not be listed on any securities exchange or interdealer quotation system

No redemption: the offered notes will not be subject to redemption right or price dependent redemption right

Closing level: as described under Supplemental Terms of the Notes Special Calculation Provisions Closing Level in the accompanying General Terms Supplement

Business day: as described under Supplemental Terms of the Notes Special Calculation Provisions Business Day in the accompanying General Terms Supplement

Trading day: as described under Supplemental Terms of the Notes Special Calculation Provisions Trading Day in the accompanying General Terms Supplement

Use of proceeds and hedging: as described under Use of Proceeds and Hedging in the accompanying Product Supplement No. 6

ERISA: as described under Certain U.S. Benefit Plan Investor Considerations in the accompanying Product Supplement No. 6

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Calculation agent: Canadian Imperial Bank of Commerce. We may appoint a different calculation agent without your consent and without notifying you

CUSIP no.: 13605WLP4

ISIN no.: US13605WLP40

Status: The notes will constitute direct, unsubordinated and unsecured obligations of CIBC ranking equally with all other direct, unsecured and unsubordinated indebtedness of CIBC from time to time outstanding (except as otherwise prescribed by law). The notes will not constitute deposits insured by the Canada Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation or any other government agency or instrumentality of Canada, the United States or any other jurisdiction

Clearance and Settlement: We will issue the notes in the form of a fully registered global note registered in the name of the nominee of DTC. Beneficial interests in the notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Except in the limited circumstances described in the accompanying Prospectus, owners of beneficial interests in the notes will not be entitled to have notes registered in their names, will not receive or be entitled to receive notes in definitive form and will not be considered holders of notes under the indenture

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HYPOTHETICAL EXAMPLES

The following table and chart are provided for purposes of illustration only. They should not be taken as an indication or prediction of future investment results and merely are intended to illustrate the impact that the various hypothetical underlier levels on the determination date could have on the cash settlement amount at maturity assuming all other variables remain constant.

The examples below are based on a range of final underlier levels that are entirely hypothetical; the underlier level on any day throughout the life of the notes, including the final underlier level on the determination date, cannot be predicted. The underlier has been highly volatile in the past meaning that the underlier level has changed considerably in relatively short periods and its performance cannot be predicted for any future period.

The information in the following examples reflects hypothetical rates of return on the offered notes assuming that they are purchased on the original issue date at the face amount and held to the stated maturity date. If you sell your notes in a secondary market prior to the stated maturity date, your return will depend upon the market value of your notes at the time of sale, which may be affected by a number of factors that are not reflected in the table below, such as interest rates, the volatility of the underlier and the creditworthiness of CIBC. In addition, the estimated value of your notes at the time the terms of your notes were set on the trade date (as determined by reference to pricing models used by CIBC) is less than the original issue price of your notes. For more information on the estimated value of your notes, see *Additional Risk Factors Specific to Your Notes* *The Bank's Estimated Value of the Notes Is Lower than the Original Issue Price (Price to Public) of the Notes* in this Pricing Supplement and *The Bank's Estimated Value of the Notes* in this Pricing Supplement. The information in the following hypothetical examples also reflects the key terms and assumptions in the box below.

Key Terms and Assumptions	
Face amount	\$1,000
Upside participation rate	140.00%
Cap level	108.35% of the initial underlier level
Maximum settlement amount	\$1,116.90
Buffer level	90.00% of the initial underlier level
Buffer rate	approximately 111.11%
Buffer amount	10.00%
<ul style="list-style-type: none"> • Neither a market disruption event nor a non-trading day occurs on the originally scheduled determination date • No change in or affecting any of the underlier stocks or the method by which the underlier sponsor calculates the underlier • Notes purchased on original issue date at the face amount and held to the stated maturity date 	

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The actual performance of the underlier over the life of your notes, as well as the cash settlement amount payable at maturity, if any, may bear little relation to the hypothetical examples shown below or to the historical underlier levels shown elsewhere in this Pricing Supplement. For information about the historical levels of the underlier during recent periods, see [The Underlier Historical Closing Levels of the Underlier](#) below. Before investing in the offered notes, you should consult publicly available information to determine the levels of the underlier between the date of this Pricing Supplement and the date of your purchase of the offered notes.

Also, the hypothetical examples shown below do not take into account the effects of applicable taxes. Because of the U.S. tax treatment applicable to your notes, tax liabilities could affect the after-tax rate of return on your notes to a comparatively greater extent than the after-tax return on the underlier stocks.

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The levels in the left column of the table below represent hypothetical final underlier levels and are expressed as percentages of the initial underlier level. The amounts in the right column represent the hypothetical cash settlement amounts, based on the corresponding hypothetical final underlier level, and are expressed as percentages of the face amount of a note (rounded to the nearest one-thousandth of a percent). Thus, a hypothetical cash settlement amount of 100.000% means that the value of the cash payment that we would deliver for each \$1,000 of the outstanding face amount of the offered notes on the stated maturity date would equal 100.000% of the face amount of a note, based on the corresponding hypothetical final underlier level and the assumptions noted above.

Hypothetical Final Underlier Level	Hypothetical Cash Settlement Amount
(as Percentage of Initial Underlier Level)	(as Percentage of Face Amount)
150.000%	111.690%
140.000%	111.690%
130.000%	111.690%
120.000%	111.690%
110.000%	111.690%
108.350%	111.690%
105.000%	107.000%
103.000%	104.200%
101.000%	101.400%
100.000%	100.000%
97.000%	100.000%
95.000%	100.000%
90.000%	100.000%
80.000%	88.889%
75.000%	83.333%
50.000%	55.556%
25.000%	27.778%
0.000%	0.000%

If, for example, the final underlier level were determined to be 25.000% of the initial underlier level, the cash settlement amount that we would deliver on your notes at maturity would be approximately 27.778% of the face amount of your notes, as shown in the table above. As a result, if you purchased your notes on the original issue date at the face amount and held them to the stated maturity date, you would lose approximately 72.222% of your investment (if you purchased your notes at a premium to face amount you would lose a correspondingly higher percentage of your investment). If the final underlier level were determined to be 0.000% of the initial underlier level, you would lose your entire investment in the notes. In addition, if the final underlier level were determined to be 150.000% of the initial underlier level, the cash settlement amount that we would deliver on your notes at maturity would be capped at the maximum settlement amount, or 111.690% of each \$1,000 face amount of your notes, as shown in the table above. As a result, if you held your notes to the stated maturity date, you would not benefit from any increase in the final underlier level of greater than 108.350% of the initial underlier level.

The following chart shows a graphical illustration of the hypothetical cash settlement amounts that we would pay on your notes on the stated maturity date, if the final underlier level were any of the hypothetical levels shown on the horizontal axis. The

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hypothetical cash settlement amounts in the chart are expressed as percentages of the face amount of your notes and the hypothetical final underlier levels are expressed as percentages of the initial underlier level. The chart shows that any hypothetical final underlier level of less than 90.000% (the section left of the 90.000% marker on the horizontal axis) would result in a hypothetical cash settlement amount of less than 100.000% of the face amount of your notes (the section below the 100.000% marker on the vertical axis) and, accordingly, in a loss of principal to the holder of the notes. The chart also shows that any hypothetical final underlier level of greater than or equal to 108.350% (the section right of the 108.350% marker on the horizontal axis) would result in a capped return on your investment.

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The cash settlement amounts shown above are entirely hypothetical; they are based on market prices for the underlier stocks that may not be achieved on the determination date and on assumptions that may prove to be erroneous. The actual market value of your notes on the stated maturity date or at any other time, including any time you may wish to sell your notes, may bear little relation to the hypothetical cash settlement amounts shown above, and these amounts should not be viewed as an indication of the financial return on an investment in the offered notes. The hypothetical cash settlement amounts on notes held to the stated maturity date in the examples above assume you purchased your notes at their face amount and have not been adjusted to reflect the actual issue price you pay for your notes. The return on your investment (whether positive or negative) in your notes will be affected by the amount you pay for your notes. If you purchase your notes for a price other than the face amount, the return on your investment will differ from, and may be significantly lower than, the hypothetical returns suggested by the above examples. Please read **Additional Risk Factors Specific to the Underlier-Linked Notes – The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors** in the accompanying Product Supplement No. 6.

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Payments on the notes are economically equivalent to the amounts that would be paid on a combination of other instruments. For example, payments on the notes are economically equivalent to a combination of an interest-bearing bond bought by the holder and one or more options entered into between the holder and us (with one or more implicit option premiums paid over time). The discussion in this paragraph does not modify or affect the terms of the notes or the U.S. federal income tax treatment of the notes, as described elsewhere in this Pricing Supplement.

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We cannot predict the actual final underlier level or what the market value of your notes will be on any particular trading day, nor can we predict the relationship between the underlier level and the market value of your notes at any time prior to the stated maturity date. The actual amount that you will receive, if any, at maturity and the rate of return on the offered notes will depend on the actual final underlier level determined by the calculation agent as described above. Moreover, the assumptions on which the hypothetical returns are based may turn out to be inaccurate. Consequently, the amount of cash to be paid in respect of your notes, if any, on the stated maturity date may be very different from the information reflected in the table and chart above.

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ADDITIONAL RISK FACTORS SPECIFIC TO YOUR NOTES

An investment in your notes is subject to the risks described below, as well as the risks and considerations described under Risk Factors in the accompanying Prospectus, under Risk Factors in the accompanying Prospectus Supplement, under Additional Risk Factors Specific to the Notes in the accompanying General Terms Supplement, and under Additional Risk Factors Specific to the Underlier-Linked Notes in the accompanying Product Supplement No. 6. You should carefully review these risks and considerations as well as the terms of the notes described herein and in the accompanying Prospectus, the accompanying Prospectus Supplement, the accompanying General Terms Supplement and the accompanying Product Supplement No. 6. Your notes are a riskier investment than ordinary debt securities. Also, your notes are not equivalent to investing directly in the underlier stocks, i.e., the stocks comprising the underlier to which your notes are linked. You should carefully consider whether the offered notes are suited to your particular circumstances.

The Notes Are Subject to the Credit Risk of the Bank

Although the return on the notes will be based on the performance of the underlier, the payment of any amount due on the notes is subject to the credit risk of the Bank, as issuer of the notes. The notes are our unsecured obligations. As further described in the accompanying Prospectus and Prospectus Supplement, the notes will rank on par with all of the other unsecured and unsubordinated debt obligations of the Bank, except such obligations as may be preferred by operation of law. Investors are dependent on our ability to pay all amounts due on the notes, and therefore investors are subject to our credit risk and to changes in the market's view of our creditworthiness. See Description of Senior Debt Securities Ranking on page 2 of the accompanying Prospectus.

The Amount Payable on Your Notes Is Not Linked to the Level of the Underlier at Any Time Other than the Determination Date

The final underlier level will be based on the closing level of the underlier on the determination date (subject to adjustment as described elsewhere in this Pricing Supplement). Therefore, if the closing level of the underlier dropped precipitously on the determination date, the cash settlement amount for your notes may be significantly less than it would have been had the cash settlement amount been linked to the closing level of the underlier prior to such drop in the level of the underlier. Although the actual level of the underlier on the stated maturity date or at other times during the life of your notes may be higher than the final underlier level, you will not benefit from the closing level of the underlier at any time other than on the determination date.

You May Lose Your Entire Investment in the Notes

You may lose your entire investment in the notes. The cash payment on your notes, if any, on the stated maturity date will be based on the performance of the underlier as measured from the initial underlier level to the closing level on the determination date. If the final underlier level is *less than* the buffer level, you will lose, for each \$1,000 of the face amount of your notes, an amount equal to the *product* of (i) the buffer rate *times* (ii) the *sum* of the underlier return *plus* the buffer amount *times* (iii) \$1,000. Thus, you may lose your entire investment in the notes, which would include any premium to face amount you paid when you purchased the notes.

Also, the market price of your notes prior to the stated maturity date may be significantly lower than the purchase price you pay for your notes. Consequently, if you sell your notes before the stated maturity date, you may receive significantly less than the amount of your investment in the notes.

Your Notes Do Not Bear Interest

You will not receive any interest payments on your notes. As a result, even if the cash settlement amount payable for your notes on the stated maturity date exceeds the face amount of your notes, the overall return you earn on your notes may be less than you would have earned by investing in a non-index-linked debt security of comparable maturity that bears interest at a prevailing market rate.

The Potential for the Value of Your Notes to Increase Will Be Limited by the Maximum Settlement Amount

Your ability to participate in any change in the value of the underlier over the life of your notes will be limited because of the cap level. The maximum settlement amount will limit the cash settlement amount you may receive for each of your notes at maturity, no matter how much the level of the underlier may rise beyond the cap level over the life of your notes. Accordingly, the amount payable for each of your notes may be significantly less than it would have been had you invested directly in the underlier.

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The Notes Will Not Be Listed on Any Securities Exchange and We Do Not Expect A Trading Market For the Notes to Develop

The notes will not be listed or displayed on any securities exchange or any automated quotation system. Although CIBCWM and/or its affiliates may purchase the notes from holders, they are not obligated to do so and are not required to make a market for the notes. There can be no assurance that a secondary market will develop for the notes. Because we do not expect that any market makers will participate in a secondary market for the notes, the price at which you may be able to sell your notes is likely to depend on the price, if any, at which CIBCWM and/or its affiliates are willing to buy your notes.

If a secondary market does exist, it may be limited. Accordingly, there may be a limited number of buyers if you decide to sell your notes prior to the stated maturity date. This may affect the price you receive upon such sale. Consequently, you should be willing to hold the notes to the stated maturity date.

The Historical Performance of the Underlier Should Not Be Taken as an Indication of Its Future Performance

The final level of the underlier will determine the amount to be paid on the notes at maturity. The historical performance of the underlier does not necessarily give an indication of its future performance. As a result, it is impossible to predict whether the level of the underlier will rise or fall during the term of the notes. The level of the underlier will be influenced by complex and interrelated political, economic, financial and other factors.

You Have No Shareholder Rights or Rights to Receive Any Underlier Stock

Investing in the notes will not make you a holder of any of the underlier stocks. Neither you nor any other holder or owner of the notes will have any rights with respect to the underlier stocks, including any voting rights, any right to receive dividends or other distributions, any rights to make a claim against the underlier stocks or any other rights of a holder of the underlier stocks. Your notes will be paid in cash and you will have no right to receive delivery of any underlier stocks.

We May Sell an Additional Aggregate Face Amount of the Notes at a Different Issue Price

At our sole option, we may decide to sell an additional aggregate face amount of the notes subsequent to the date of this Pricing Supplement. The issue price of the notes in the subsequent sale may differ substantially (higher or lower) from the original issue price you paid as provided on the cover of this Pricing Supplement.

If You Purchase Your Notes at a Premium to Face Amount, the Return on Your Investment Will Be Lower Than the Return on Notes Purchased at Face Amount and the Impact of Certain Key Terms of the Notes Will Be Negatively Affected

The cash settlement amount will not be adjusted based on the issue price you pay for the notes. If you purchase notes at a price that differs from the face amount of the notes, then the return on your investment in such notes held to the stated maturity date will differ from, and may be substantially less than, the return on notes purchased at face amount. If you purchase your notes at a premium to face amount and hold them to the stated maturity date, the return on your investment in the notes will be lower than it would have been had you purchased the notes at face amount or a discount to face amount. In addition, the impact of the buffer level and the cap level on the return on your investment will depend upon the price you pay for your notes relative to face amount. For example, if you purchase your notes at a premium to face amount, the cap level will only permit a lower positive return on your investment in the notes than would have been the case for notes purchased at face amount or a discount to face amount. Similarly, the buffer level, while still providing some protection for the return on the notes, will allow a greater percentage decrease in your investment in the notes than would have been the case for notes purchased at face amount or a discount to face amount.

There Are Potential Conflicts of Interest Between You and the Calculation Agent

The calculation agent will, among other things, determine the cash settlement amount payable at maturity of the notes. We will serve as the calculation agent. We may appoint a different calculation agent without your consent and without notifying you. The calculation agent will exercise its judgment when performing its functions. For example, the calculation agent may have to determine whether a market disruption event affecting the underlier has occurred. This determination may, in turn, depend on the calculation agent's judgment as to whether the event has materially interfered with our ability or the ability of one of our affiliates or a similarly situated party to unwind our hedge positions. Since this determination by the calculation agent will affect the payment at maturity on the notes, the calculation agent may have a conflict of interest if it needs to make a determination of this kind. See General Terms of the Underlier-Linked Notes Role of Calculation Agent in the accompanying Product Supplement No. 6.

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The Inclusion of Dealer Spread and Projected Profit from Hedging in the Original Issue Price Is Likely to Adversely Affect Secondary Market Prices

Assuming no change in market conditions or any other relevant factors, the price, if any, at which CIBCWM or any other party is willing to purchase the notes at any time in secondary market transactions will likely be significantly lower than the original issue price, since secondary market prices are likely to exclude the cost of hedging our obligations under the notes that are included in the original issue price. The cost of hedging includes the projected profit that we, our affiliates or any third-party who may conduct hedging activities related to the notes, including any dealer in the notes, may realize in consideration for assuming the risks inherent in managing the hedging transactions. These secondary market prices are also likely to be reduced by the costs of unwinding the related hedging transactions. In addition, any secondary market prices may differ from values determined by pricing models used by CIBCWM as a result of dealer discounts, mark-ups or other transaction costs. Furthermore, if the dealer from which you purchase notes is to conduct trading and hedging activities for us in connection with the notes, that dealer may profit in connection with such trading and hedging activities and such profit, if any, will be in addition to the compensation that the dealer receives for the sale of the notes to you. You should be aware that the potential to earn a profit in connection with hedging activities may create a further incentive for the dealer to sell the notes to you, in addition to the compensation they would receive for the sale of the notes.

The Bank's Estimated Value of the Notes Is Lower than the Original Issue Price (Price to Public) of the Notes

The Bank's estimated value is only an estimate using several factors. The original issue price of the notes exceeds the Bank's estimated value because costs associated with selling and structuring the notes, as well as hedging the notes, are included in the original issue price of the notes. See "The Bank's Estimated Value of the Notes" in this Pricing Supplement.

The Bank's Estimated Value Does Not Represent Future Values of the Notes and May Differ from Others' Estimates

The Bank's estimated value of the notes was determined by reference to the Bank's internal pricing models when the terms of the notes were set. This estimated value was based on market conditions and other relevant factors existing at that time and the Bank's 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 than or less than the Bank's 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 value of the notes could change significantly based on, among other things, changes in market conditions, our creditworthiness, interest rate movements and other relevant factors, which may impact the price, if any, at which CIBCWM or any other person would be willing to buy notes from you in secondary market transactions. See "The Bank's Estimated Value of the Notes" in this Pricing Supplement.

The Bank's Estimated Value Was Not Determined by Reference to Credit Spreads for Our Conventional Fixed-Rate Debt

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The internal funding rate used in the determination of the Bank's estimated value generally represents a discount from the credit spreads for our conventional fixed-rate debt. If the Bank were to have used the interest rate implied by our conventional fixed-rate credit spreads, we would expect the economic terms of the notes to be more favorable to you. Consequently, our use of an internal funding rate had an adverse effect on the terms of the notes and could have an adverse effect on any secondary market prices of the notes. See "The Bank's Estimated Value of the Notes" in this Pricing Supplement.

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We Cannot Control Actions By Any of the Unaffiliated Companies Whose Securities Are Included in the Underlier

Actions by any company whose securities are included in the underlier may have an adverse effect on the price of its security, the final underlier level and the value of the notes. These companies will not be involved in the offering of the notes and will have no obligations with respect to the notes, including any obligation to take our or your interests into consideration for any reason. These companies will not receive any of the proceeds of the offering of the notes and will not be responsible for, and will not have participated in, the determination of the timing of, prices for, or quantities of, the notes to be issued. These companies will not be involved with the administration, marketing or trading of the notes and will have no obligations with respect to the cash settlement amount to be paid to you at maturity.

We and Our Respective Affiliates Have No Affiliation with the Underlier Sponsor and Have Not Independently Verified Its Public Disclosure of Information

We and our respective affiliates are not affiliated in any way with the underlier sponsor and have no ability to control or predict its actions, including any errors in or discontinuation of disclosure regarding the methods or policies relating to the calculation of the underlier. We have derived the information about the underlier sponsor and the underlier contained herein from publicly available information, without independent verification. You, as an investor in the notes, should make your own investigation into the underlier and the underlier sponsor. The underlier sponsor is not involved in the offering of the notes made hereby in any way and has no obligation to consider your interest as an owner of notes in taking any actions that might affect the value of the notes.

The U.S. Federal Tax Consequences of An Investment in the Notes Are Unclear

There is no direct legal authority regarding the proper U.S. federal tax treatment of the notes, and we do not plan to request a ruling from the U.S. Internal Revenue Service (the "IRS"). Consequently, significant aspects of the tax treatment of the notes are uncertain, and the IRS or a court might not agree with the treatment of the notes as prepaid cash-settled derivative contracts. If the IRS were successful in asserting an alternative treatment of the notes, the tax consequences of the ownership and disposition of the notes might be materially and adversely affected. The U.S. Treasury Department and the IRS released a notice requesting comments on various issues regarding the U.S. federal income tax treatment of "prepaid forward contracts" and similar instruments. See "Supplemental Discussion of U.S. Federal Income Tax Consequences" in the accompanying Product Supplement No. 6. Any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the notes, including the character and timing of income or loss and the degree, if any, to which income realized by non-U.S. persons should be subject to withholding tax, possibly with retroactive effect. Both U.S. and non-U.S. persons considering an investment in the notes should review carefully the section of the accompanying Product Supplement No. 6 entitled "Supplemental Discussion of U.S. Federal Income Tax Consequences" and consult their tax advisers regarding the U.S. federal tax consequences of an investment in the notes (including possible alternative treatments and the issues presented by the notice), as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

There Can Be No Assurance that the Canadian Federal Income Tax Consequences of an Investment in the Notes Will Not Change in the Future

There can be no assurance that Canadian federal income tax laws, the judicial interpretation thereof, or the administrative policies and assessing practices of the Canada Revenue Agency will not be changed in a manner that adversely affects investors. For a discussion of the Canadian federal income tax consequences of investing in the notes, please read the section of this Pricing Supplement entitled "Certain Canadian Federal Income Tax Considerations" as well as the section entitled "Material Income Tax Consequences - Canadian Taxation" in the accompanying Prospectus. You should consult your tax advisor with respect to your own particular situation.

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THE UNDERLIER

The underlier includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The underlier is calculated, maintained and published by S&P.

As of July 31, 2017, companies with multiple share class lines are no longer eligible for inclusion in the underlier. Constituents of the underlier prior to July 31, 2017 with multiple share class lines will be grandfathered in and continue to be included in the underlier. If a constituent company of the underlier reorganizes into a multiple share class line structure, that company will remain in the underlier at the discretion of the S&P Index Committee in order to minimize turnover. Also as of July 31, 2017, the criteria employed by S&P for purposes of making additions to the underlier were changed as follows:

- with respect to the U.S. company criterion, (i) the IEX was added as an eligible exchange for the primary listing of the relevant company's common stock and (ii) the former corporate governance structure consistent with U.S. practice requirement was removed; and
- with respect to constituents of the S&P MidCap 400® Index and the S&P SmallCap 600® Index that are being considered for addition to the underlier, the financial viability, public float and/or liquidity eligibility criteria no longer need to be met if the S&P Index Committee decides that such an addition will enhance the representativeness of the underlier as a market benchmark.

As of May 31, 2018, the 500 companies included in the underlier were divided into eleven Global Industry Classification Sectors. The Global Industry Classification Sectors include (with the approximate percentage currently included in such sectors indicated in parentheses): Information Technology (26.0%), Financials (14.2%), Health Care (13.9%), Consumer Discretionary (12.9%), Industrials (9.9%), Consumer Staples (6.7%), Energy (6.3%), Materials (2.8%), Utilities (2.8%), Real Estate (2.7%) and Telecommunication Services (1.8%). Sector designations are determined by the underlier sponsor using criteria it has selected or developed. Index sponsors may use very different standards for determining sector designations. In addition, many companies operate in a number of sectors, but are listed in only one sector and the basis on which that sector is selected may also differ. As a result, sector comparisons between indices with different index sponsors may reflect differences in methodology as well as actual differences in the sector composition of the indices. S&P and MSCI, Inc. have announced that the Global Industry Classification Sector structure is expected to be updated after the close of business on September 28, 2018. Among other things, the update is expected to broaden the current Telecommunication Services Industry group, as well as the Media Industry group, which is expected to move from the Consumer Discretionary sector and be renamed the Media & Entertainment Industry group. The Media & Entertainment Industry group is expected to contain three industries: Media, Entertainment and Interactive Media & Services. The Media industry is expected to continue to consist of the Advertising, Broadcasting, Cable & Satellite and Publishing sub-industries. The Entertainment industry is expected to contain the Movies & Entertainment sub-industry (which is expected to include online entertainment streaming companies in addition to companies currently classified in such industry) and the Interactive Home Entertainment sub-industry (which is expected to include companies from the current Home Entertainment Software sub-industry in the Information Technology sector, as well as producers of mobile gaming applications). The Interactive Media & Services industry and sub-industry is expected to include companies engaged in content and information creation or distribution through proprietary platforms, where revenues are derived primarily through pay-per-click advertisements, and will include search

engines, social media and networking platforms, online classifieds and online review companies.

The above information supplements the description of the underlier found in the accompanying General Terms Supplement. This information was derived from information prepared by the underlier sponsor, however, the percentages we have listed above are approximate and may not match the information available on the underlier sponsor's website due to subsequent corporation actions or other activity relating to a particular stock. For more details about the underlier, the underlier sponsor and license agreement between the underlier sponsor and the Issuer, see *The Underliers S&P 500 Index* in the accompanying General Terms Supplement.

License Agreement

We and S&P have entered into a non-transferable, non-exclusive license agreement providing for the sublicense to us, in exchange for a fee, of the right to use the S&P 500® Index in connection with the issuance of the notes.

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The S&P 500® Index is a product of S&P Dow Jones Indices LLC (SPDJI), and has been licensed for use by CIBC. Standard & Poor s®, S&P® and S&P 500® are registered trademarks of Standard & Poor s Financial Services LLC; Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC (Dow Jones); and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by CIBC. The notes are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, Standard & Poor s Financial Services LLC, or their respective affiliates, and none of such parties make any representation regarding the advisability of investing in the notes nor do they have any liability for any errors, omissions, or interruptions of the S&P 500® Index.

Historical Closing Levels of the Underlier

The closing level of the underlier has fluctuated in the past and may, in the future, experience significant fluctuations. Any historical upward or downward trend in the closing level of the underlier during the period shown below is not an indication that the underlier is more or less likely to increase or decrease at any time during the life of your notes.

You should not take the historical levels of the underlier as an indication of the future performance of the underlier. We cannot give you any assurance that the future performance of the underlier or the underlier stocks will result in your receiving an amount greater than the outstanding face amount of your notes on the stated maturity date.

Neither we nor any of our affiliates make any representation to you as to the performance of the underlier. Before investing in the offered notes, you should consult publicly available information to determine the levels of the underlier between the date of this Pricing Supplement and the date of your purchase of the offered notes. The actual performance of the underlier over the life of the offered notes, as well as the cash settlement amount, may bear little relation to the historical closing levels shown below.

The graph below shows the daily historical closing levels of the underlier from June 6, 2008 through June 6, 2018. We obtained the closing levels in the graph below from Bloomberg Financial Services, without independent verification.

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THE BANK'S ESTIMATED VALUE OF THE NOTES

The Bank's estimated value of the notes set forth on the cover of this Pricing Supplement is equal to the sum of the values of the following hypothetical components: (1) a fixed-income debt component with the same maturity as the notes, valued using our internal funding rate for structured debt described below, and (2) the derivative or derivatives underlying the economic terms of the notes. The Bank's estimated value does not represent a minimum price at which CIBCWM or any other person would be willing to buy your notes in any secondary market (if any exists) at any time. The internal funding rate used in the determination of the Bank's estimated value 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. For additional information, see **Additional Risk Factors Specific to Your Notes – The Bank's Estimated Value Was Not Determined by Reference to Credit Spreads for Our Conventional Fixed-Rate Debt** in this Pricing Supplement. The value of the derivative or derivatives underlying the economic terms of the notes is derived from the Bank's or a third party hedge provider's internal pricing models. These models are dependent on inputs such as the traded market prices of comparable derivative instruments and on various other inputs, some of which are market-observable, and which can include volatility, dividend rates, interest rates and other factors, as well as assumptions about future market events and/or environments. Accordingly, the Bank's estimated value of the notes was determined when the terms of the notes were set based on market conditions and other relevant factors and assumptions existing at that time. See **Additional Risk Factors Specific to Your Notes – The Bank's Estimated Value Does Not Represent Future Values of the Notes and May Differ from Others' Estimates** in this Pricing Supplement.

The Bank's estimated value of the notes is lower than the original issue price of the notes because costs associated with selling, structuring and hedging the notes are included in the original issue price of the notes. These costs include the projected profits that our hedge counterparties, which may include our affiliates, expect to realize for assuming risks inherent in hedging our obligations under the notes and the estimated cost of hedging our obligations under the notes. Because hedging our obligations entails risk and may be influenced by market forces beyond our control, this hedging may result in a profit that is more or less than expected, or it may result in a loss. We or one or more of our affiliates will retain any profits realized in hedging our obligations under the notes. See **Additional Risk Factors Specific to Your Notes – The Bank's Estimated Value of the Notes Is Lower Than the Original Issue Price (Price to Public) of the Notes** in this Pricing Supplement.

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SUPPLEMENTAL PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

Pursuant to the terms of a distribution agreement, the Bank will sell to CIBCWM, and CIBCWM will purchase from the Bank, the aggregate face amount of the offered notes specified on the front cover of this Pricing Supplement. CIBCWM proposes initially to offer the notes to the public at the price to public set forth on the cover page of this Pricing Supplement, and to certain unaffiliated securities dealers at such price.

The Bank owns, directly or indirectly, all of the outstanding equity securities of CIBCWM. In accordance with FINRA Rule 5121, CIBCWM may not make sales in this offering to any of its discretionary accounts without the prior written approval of the customer.

We will deliver the notes against payment therefor in New York, New York on June 13, 2018, which is the fifth scheduled business day following the date of this Pricing Supplement and of the pricing of the notes. Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on any date prior to two business days before delivery will be required, by virtue of the fact that the notes will settle in five business days (T + 5), to specify alternative settlement arrangements to prevent a failed settlement.

The Bank may use this Pricing Supplement in the initial sale of the notes. In addition, CIBCWM or another of the Bank's affiliates may use this Pricing Supplement in market-making transactions in any notes after their initial sale. Unless CIBCWM or we inform you otherwise in the confirmation of sale, this Pricing Supplement is being used by CIBCWM in a market-making transaction.

While CIBCWM may make markets in the notes, it is under no obligation to do so and may discontinue any market-making activities at any time without notice. The price that it makes available from time to time after the issue date at which it would be willing to repurchase the notes will generally reflect its estimate of their value. That estimated value will be based upon a variety of factors, including then prevailing market conditions, our creditworthiness and transaction costs. However, for a period of approximately three months after the trade date, the price at which CIBCWM may repurchase the notes is expected to be higher than their estimated value at that time. This is because, at the beginning of this period, that price will not include certain costs that were included in the original issue price, particularly our hedging costs and profits. As the period continues, these costs are expected to be gradually included in the price that CIBCWM would be willing to pay, and the difference between that price and CIBCWM's estimate of the value of the notes will decrease over time until the end of this period. After this period, if CIBCWM continues to make a market in the notes, the prices that it would pay for them are expected to reflect its estimated value, as well as customary bid-ask spreads for similar trades. In addition, the value of the notes shown on your account statement may not be identical to the price at which CIBCWM would be willing to purchase the notes at that time, and could be lower than CIBCWM's price. See the section titled "Supplemental Plan of Distribution - Conflicts of Interest" in the accompanying Prospectus Supplement.

The price at which you purchase the notes includes costs that the Bank or its affiliates expect to incur and profits that the Bank or its affiliates expect to realize in connection with hedging activities related to the notes, as set forth above. These costs and profits will likely reduce the secondary market price, if any secondary market develops, for the notes.

Any notes which are the subject of the offering contemplated by this Pricing Supplement, the accompanying Product Supplement No. 6, accompanying General Terms Supplement No. 1, accompanying Prospectus Supplement and accompanying Prospectus may not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the EEA). Consequently no key information document required by Regulation (EU) No 1286/2014 (the PRIIPs Regulation) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. For the purposes of this provision:

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(a) the expression **retail investor** means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or

(ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of **MiFID II**; or

(iii) not a qualified investor as defined in Directive 2003/71/EC; and

(b) the expression **an offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes.

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CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a brief summary of the material U.S. federal income tax considerations relating to an investment in the notes. The following summary is not complete and is both qualified and supplemented by the discussion entitled "Supplemental Discussion of U.S. Federal Income Tax Consequences" in the accompanying Product Supplement No. 6, which you should carefully review prior to investing in the notes.

The U.S. federal income tax considerations of your investment in the notes are uncertain. No statutory, judicial or administrative authority directly discusses how the notes should be treated for U.S. federal income tax purposes. In the opinion of our tax counsel, Mayer Brown LLP, it would generally be reasonable to treat the notes as prepaid cash-settled derivative contracts. Pursuant to the terms of the notes, you agree to treat the notes in this manner for all U.S. federal income tax purposes. If this treatment is respected, you should generally recognize capital gain or loss upon the sale, exchange or payment upon maturity in an amount equal to the difference between the amount you receive in such transaction and the amount that you paid for your notes. Such gain or loss should generally be treated as long-term capital gain or loss if you have held your notes for more than one year.

The expected characterization of the notes is not binding on the IRS or the courts. It is possible that the IRS would seek to characterize the notes in a manner that results in tax consequences to you that are different from those described above or in the accompanying Product Supplement No. 6. Such alternate treatments could include a requirement that a holder accrue ordinary income over the life of the notes or treat all gain or loss at maturity as ordinary gain or loss. For a more detailed discussion of certain alternative characterizations with respect to the notes and certain other considerations with respect to an investment in the notes, you should consider the discussion set forth in "Supplemental Discussion of U.S. Federal Income Tax Consequences" of Product Supplement No. 6. We are not responsible for any adverse consequences that you may experience as a result of any alternative characterization of the notes for U.S. federal income tax or other tax purposes.

U.S. tax rules treat certain financial products issued to non-U.S. holders in 2017 or thereafter as giving rise to withholdable dividend equivalent payments when the financial product provides a payment or credit in respect of dividend payments on certain U.S. underliers. These rules do not apply if the financial product references a qualified index and does not contain short positions on more than 5 percent of the components within the index. Additionally, Treasury Regulations exclude financial products issued prior to 2019 that are not "delta-one" with respect to underlying securities that could pay withholdable dividend equivalent payments. In the opinion of Mayer Brown LLP, these rules should not apply to the notes.

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CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, our Canadian tax counsel, the following summary describes the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the Canadian Tax Act) generally applicable at the date hereof to a purchaser who acquires beneficial ownership of a note pursuant to this Pricing Supplement and who for the purposes of the Canadian Tax Act and the regulations thereto and at all relevant times: (a) is neither resident nor deemed to be resident in Canada; (b) deals at arm's length with CIBC and any transferee resident (or deemed to be resident) in Canada to whom the purchaser disposes of the note; (c) does not use or hold and is not deemed to use or hold the note in, or in the course of, carrying on a business in Canada; (d) is entitled to receive all payments (including any interest and principal) made on the note, and (e) is not a, and deals at arm's length with any, specified shareholder of CIBC for purposes of the thin capitalization rules in the Canadian Tax Act (a Non-Resident Holder). A specified shareholder for these purposes generally includes a person who (either alone or together with persons with whom that person is not dealing at arm's length for the purposes of the Canadian Tax Act) owns or has the right to acquire or control or is otherwise deemed to own 25% or more of CIBC's shares determined on a votes or fair market value basis. Special rules which apply to non-resident insurers carrying on business in Canada and elsewhere are not discussed in this summary.

This summary is supplemental to and should be read together with the description of material Canadian federal income tax considerations relevant to a Non-Resident Holder owning notes under Material Income Tax Consequences Canadian Taxation in the accompanying Prospectus and a Non-Resident Holder should carefully read that description as well.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Non-Resident Holder. Non-Resident Holders are advised to consult with their own tax advisors with respect to their particular circumstances.

Based on Canadian tax counsel's understanding of the Canada Revenue Agency's administrative policies and having regard to the terms of the notes, interest payable on the notes should not be considered to be participating debt interest as defined in the Canadian Tax Act and accordingly, a Non-Resident Holder should not be subject to Canadian non-resident withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by CIBC on a note as, on account of or in lieu of payment of, or in satisfaction of, interest.

Non-Resident Holders should consult their own tax advisors regarding the consequences to them of a disposition of the notes to a person with whom they are not dealing at arm's length for purposes of the Canadian Tax Act.

Capped Leveraged Buffered S&P 500® Index-Linked Notes due July 10, 2019

VALIDITY OF THE NOTES

In the opinion of Blake, Cassels & Graydon LLP, as Canadian counsel to the Bank, the issue and sale of the notes has been duly authorized by all necessary corporate action of the Bank in conformity with the indenture, and when the notes have been duly executed, authenticated and issued in accordance with the indenture, the notes will be validly issued and, to the extent validity of the notes is a matter governed by the laws of the Province of Ontario or the federal laws of Canada applicable therein, will be valid obligations of the Bank, subject to applicable bankruptcy, insolvency and other laws of general application affecting creditors' rights, equitable principles, and subject to limitations as to the currency in which judgments in Canada may be rendered, as prescribed by the *Currency Act* (Canada). This opinion is given as of the date hereof and is limited to the laws of the Province of Ontario and the federal laws of Canada applicable therein. In addition, this opinion is subject to customary assumptions about the trustee's authorization, execution and delivery of the indenture and the genuineness of signature, and to such counsel's reliance on the Bank and other sources as to certain factual matters, all as stated in the opinion letter of such counsel dated February 27, 2017, which has been filed as Exhibit 5.2 to the Bank's Registration Statement on Form F-3 filed with the SEC on February 27, 2017.

In the opinion of Mayer Brown LLP, when the notes have been duly completed in accordance with the indenture and issued and sold as contemplated by the Prospectus Supplement and the Prospectus, the notes will constitute valid and binding obligations of the Bank, entitled to the benefits of the indenture, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles. This opinion is given as of the date hereof and is limited to the laws of the State of New York. This opinion is subject to customary assumptions about the trustee's authorization, execution and delivery of the indenture and such counsel's reliance on the Bank and other sources as to certain factual matters, all as stated in the legal opinion dated February 27, 2017, which has been filed as Exhibit 5.1 to the Bank's Registration Statement on Form F-3 filed with the SEC on February 27, 2017.

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Capped Leveraged Buffered S&P 500® Index-Linked Notes due July 10, 2019

We have not authorized anyone to provide any information or to make any representations other than those contained or incorporated by reference in this Pricing Supplement, the accompanying Product Supplement No. 6, the accompanying General Terms Supplement, the accompanying Prospectus Supplement or the accompanying Prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This Pricing Supplement, the accompanying Product Supplement No. 6, the accompanying General Terms Supplement, the accompanying Prospectus Supplement and the accompanying Prospectus is an offer to sell only the notes offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this Pricing Supplement, the accompanying Product Supplement No. 6, the accompanying General Terms Supplement, the accompanying Prospectus Supplement and the accompanying Prospectus is current only as of the respective dates of such documents.

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\$2,430,000

Key Elements of Our Compensation Program. Our compensation program is designed to achieve these objectives through a combination of the following types of compensation:

- Base salary;
- Annual variable performance bonus awards payable in cash;
- Long-term stock-based incentive awards; and
- Employee benefits and perquisites, including change in control severance arrangements.

Each element of our executive compensation program is discussed in greater detail below.

We Intend to Pay for Performance. The majority of our named executive officers' total compensation as shown in our Summary Compensation Table below ties compensation directly to the achievement of corporate objectives, increases in our stock price or both. We emphasize pay for performance in order to align executive compensation with our business strategy and the creation of long-term stockholder value.

Our Compensation Program Supports Our Corporate Objectives and Stockholder Interests. Our compensation program is designed to align executive officer compensation with our corporate strategies, business objectives and the long-term interests of our stockholders by rewarding successful execution of our business plan and tying a portion of total compensation opportunities to equity incentives.

Overview of 2013 Performance

The compensation committee believes the executive compensation program is an important factor in driving our named executive officers' performance to achieve sustainable profitability and stock price appreciation. Our Company's fiscal year 2013 accomplishments, guided by our named executive officers, illustrate the success of this strategy, even in an uncertain economic environment.

2013 Compensation Programs and Decisions

In line with our executive compensation program's emphasis on pay for performance, compensation awarded to our named executive officers for 2013 reflected our financial results and overall compensation philosophy:

Base Salary Adjustments: During 2013, our named executive officers received increases to their base salaries of

- approximately 2%-3.5%, representing the same range of base salary merit-based increases applicable to all of the Company's employees;

Pay-for-Performance Annual Incentive Bonuses: For 2013, our Company focused on certain key business development objectives and objectives related to the optimization of the Captisol business, business development, development of the melphalan product and operational goals. Our compensation program for 2013 was designed to

- support the Company's focus on these areas and together achievement in these areas represented 100% of our named executive officers' total bonus opportunity. Corporate performance determines all of our named executive officers' bonuses. The annual bonuses awarded to our named executive officers for 2013 are discussed below under "Annual Bonuses;" and

Equity-based Compensation: Our compensation committee continued its practice of ensuring that a substantial portion of our named executive officers' total compensation is awarded in the form of long-term equity incentive awards. As in year's past, a large portion of the annual award was granted in the form of stock options, which provide value to our executives only if our stock price increases.

In light of the Company's overall performance during 2013, the compensation committee believes that the named executive officers' 2013 compensation was appropriate.

Response to 2013 Say on Pay Vote

In June 2013, we held a stockholder advisory vote on the compensation of our named executive officers, commonly referred to as a say-on-pay vote. Our stockholders overwhelmingly approved the compensation of our named executive officers, with over 97% of stockholder votes cast in favor of our 2013 say-on-pay resolution (excluding abstentions and broker non-votes). As we evaluated our compensation practices and talent needs throughout 2013, we were mindful of the strong support our stockholders expressed for our compensation philosophy. As a result, following our annual review of our executive compensation philosophy, the compensation committee decided to generally retain our existing approach to executive compensation for our continuing executives, with an emphasis on short- and long-term incentive compensation that rewards our senior executives when they deliver value for our stockholders.

In addition, when determining how often to hold a stockholder advisory vote on executive compensation, the board of directors took into account the strong preference for an annual vote expressed by our stockholders at our 2013 annual meeting. Accordingly, the board of directors determined that we will hold an advisory stockholder vote on the compensation of our named executive officers every year until the next say-on-pay frequency vote.

The Role of the Compensation Committee and Executive Officers in Setting Compensation

The compensation committee has the primary authority to determine the Company's compensation philosophy and to establish compensation for the Company's executive officers. In determining each level of compensation and the total package, the compensation committee reviewed a variety of sources, to determine and set compensation.

The chief executive officer aids the compensation committee by providing annual recommendations regarding the compensation of all executive officers, other than himself. Each named executive officer and senior executive management team member, in turn, participates in an annual performance review with the chief executive officer to provide input about his contributions to the Company's success for the period being assessed. The performance of our chief executive officer and senior executive management team as a group is reviewed annually by the compensation committee.

In 2013, the compensation committee retained Radford, an independent compensation consulting firm, to assist it in the formulation of the peer group used to determine executive equity compensation during 2013 and to advise regarding the determination of the other key elements of the executive compensation program. Radford reports to and is accountable to the compensation committee, and may not conduct any other work for us without the authorization of the compensation committee. Radford did not provide any services to us in 2013 beyond its engagement as an advisor to the compensation committee on compensation matters. After review and consultation with Radford, the compensation committee has determined that Radford is independent and there is no conflict of interest resulting from retaining Radford currently or during the year ended December 31, 2013. In reaching these conclusions, the compensation committee considered the factors set forth in Exchange Act Rule 10C-1 and NASDAQ listing

standards.

As in prior years, the compensation committee and the Company's management also consulted several independent compensation surveys to assist them in determining market pay practices for compensating executive officers. These surveys were reviewed to compare the Company's compensation levels to the market compensation levels, taking into

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consideration the other companies' size, the industry, the individual executive's level of responsibility and his years of experience. For 2013, the current executive salaries were benchmarked against the Radford Global Life Sciences Compensation Report using data from companies with 50-149 employees and the Biotech Employee Development Coalition (BEDC) Survey for San Diego-based public and private biotechnology companies with 50-99 employees. These surveys were used due to the competitiveness in hiring employees within the biotechnology industry as well as in our geographic location and we believe they represent the types of companies with which we compete for executive talent. With respect to the foregoing survey data, the identities of the individual companies included in the surveys were not provided to the compensation committee, and the compensation committee did not refer to individual compensation information for such companies. Instead, the compensation committee only referred to the statistical summaries of the compensation information for the companies included in such surveys.

Additionally, the compensation committee worked with Radford to confirm a peer group of companies in the United States for which compensation survey information can be provided to the compensation committee. This is necessary so the Company can offer compensation that is competitive within that group of companies. The peer group companies for 2013 compensation included Alkermes, Columbia Laboratories, Depomed, Enzon Pharmaceuticals, Exelixis, Incyte, Isis Pharmaceuticals, Nektar Therapeutics, PDL BioPharma, Santarus, Spectrum Pharmaceuticals, Sucampo Pharmaceuticals and Vical.

The selected companies in our peer group are companies that fall within a reasonable range of comparison factors and/or that we may compete with for executive talent. In addition to the criteria for selection described above related to finding companies with similar business models and at a similar stage of development as Ligand, the other criteria used in the identification and selection of the peer group included business/labor market competitors in the biotechnology industry similar in size and complexity to us, companies with market values generally between \$200 million and \$3 billion and companies with products in comparable stages of development to our products. We also focused on companies with multiple product candidates, as opposed to single product companies. The peer group was not selected on the basis of executive compensation levels. The peer group revisions from the 2012 peer group were intended to ensure that the peer group more accurately reflects companies that are our peers in terms of our current business model and stage of development, including the number of programs maintained by the company and the importance of licensing to the company's business model.

The peer group compensation data is limited to publicly available information and therefore does not provide precise comparisons by position as offered by more comprehensive survey data. The survey data, however, can be used to provide pooled compensation data for positions closely akin to those held by each named executive officer. In addition, the pool of senior executive talent from which we draw and against which we compare ourselves extends beyond the limited community of our immediate peer group and includes a wide range of other organizations outside of our traditional competitors, which range is represented by such surveys. As a result, the compensation committee uses peer group data on a limited basis to analyze the overall competitiveness of our compensation with our direct publicly traded peers in the United States and our general compensation philosophy, and, during 2013, to determine equity award levels for the named executive officers, but continues to primarily rely on industry survey data in determining actual executive compensation. For purposes of this compensation discussion and analysis, references to our "peer group" include both the peer group of companies listed above and the survey data reviewed by our compensation committee.

The compensation committee strives to target total cash compensation to the median (i.e. 50th percentile) of executive officers performing similar job functions at companies in our peer group. However, we strongly believe in retaining the best talent among our senior executive management team and while we believe that comparisons to market data are a useful tool, we do not believe that it is appropriate to establish executive compensation levels based solely on a comparison to data from these companies. Therefore, the compensation committee may approve total compensation packages for senior executive management that vary from the peer group median based on several principal factors. Specifically, officers with relatively less overall experience, less tenure with us and/or lower performance ratings over several years will have total compensation set at or below the peer group median. Conversely, if an officer consistently receives favorable performance ratings over successive years, accumulates years of service and expertise with us and/or has significant other experience or responsibilities, his total compensation will typically be above the

peer group median. Our 2013 compensation for our named executive officers was generally consistent with the foregoing pay positioning.

In addition, the mix of compensation paid to our named executive officers is intended to ensure that total compensation reflects our overall success or failure and to motivate executive officers to meet appropriate performance measures. In determining each element of compensation for any given year, our compensation committee considers and determines each element individually and then reviews the resulting total compensation and determines whether it is reasonable and competitive. We do not have a pre-established policy or target for the allocation between either cash and non-cash or short-term and long-term incentive compensation.

The compensation levels of our named executive officers reflect to a significant degree their varying roles and responsibilities. Mr. Higgins, in his role as chief executive officer, has the greatest level of responsibility among our named executive officers and, therefore, receives the highest level of pay. This is also consistent with the practices of the companies in our peer group and the summary compensation data included in the summaries of comparable companies reviewed by our compensation committee.

Base Compensation

As discussed above, the Company provides its named executive officers with a base salary that approximates the median of base salaries offered by our peer group, but will vary from such level based on:

- industry experience, knowledge and qualifications;
- the salary levels in effect for comparable positions within the Company's principal industry marketplace competitors; and
- internal comparability considerations.

As a general matter, the base salary for each executive officer is initially established through negotiation at the time the officer is hired, taking into account the officer's qualifications, experience, prior salary and competitive salary information. Increases in base salary from year to year are based upon the performance of the executive officers (other than the chief executive officer) as well as market positioning considerations, as assessed by the chief executive officer and approved by the compensation committee. The compensation committee assesses these factors with respect to the chief executive officer.

Our named executive officers received base salary increases in 2013 of approximately 2%-3.5% from 2012 levels, representing the same base salary merit-based increases applicable to all of the Company's employees. Base salaries paid to our named executive officers are disclosed below in the table entitled "Summary Compensation Table."

Performance-Based Compensation

Annual Performance-Based Cash Compensation

It is the compensation committee's objective to have a substantial portion of each named executive officer's compensation contingent upon the Company's performance. For our named executive officers, all of his or her annual bonus compensation is dependent on the Company's performance relative to specified performance objectives.

The annual performance-based bonus program consists of a cash award if certain corporate performance objectives are satisfied. The Company sets annual incentive targets around a baseline, which approximates the median (i.e. 50th percentile) of annual incentives offered by our peer group. Under the Company's program, the potential performance bonus for the chief executive officer is up to 75% of base salary, 50% of base salary for Mr. Foehr, and 40% of base salary for the other named executive officers.

In determining the performance compensation awarded to each named executive officer, the Company evaluates the Company's performance in a number of areas. At the beginning of each year, our board of directors sets corporate objectives for the year. These objectives are set by the board of directors after considering management input and our overall strategic objectives. These objectives generally relate to factors such as strategic objectives, achievement of product development objectives, establishment of new collaborative arrangements and general operational goals. Following the conclusion of each year, the compensation committee determines the level of achievement of the corporate objectives for each year relative to these corporate objectives. This achievement level is then applied to each named executive officer's target bonus to determine that year's total annual bonus. The compensation committee retains the discretion to reduce the final bonus payout to a named executive officer.

At the beginning of 2013, our board of directors, with input provided by our named executive officers, established our Company goals for the year. The compensation committee then reviewed and considered a proposed Company-wide (including named executive officers) bonus program in view of the Company goals, including the proportional emphasis to be placed on each objective annual bonus determination purposes.

The Company goals approved by the compensation committee for 2013 for purposes of annual bonus achievement included:

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Goals Related to Optimization of Captisol Business (30% Weighting)

- Manage current business to maintain and maximize revenue
- Expand existing relationships and generate at least 25 new research contracts
- Deliver superior customer service focused on delivery timeliness, issue resolution and technical support
- Execute plan to expand Beta-cyclodextrin into non-pharma markets

Business Development Goals (35% Weighting)

- Evaluate and, if appropriate, pursue potential acquisitions to grow the Company's business
- Complete at least two licensing deals and evaluate alternate structures to optimize asset values
- Effective partner and alliance management

Melphalan (15% Weighting)

- Efficiently execute clinical trial plan
- Complete analysis of deal potential and execute, if appropriate

Operational Goals (20% Weighting)

- Effective research and development and project management of Glucagon, Topiramate, HepDirect and GCSF programs
- Effective financial and administrative management, optimize cash flow, enter into a sublet
- Effective investor/sell-side analyst relationship management
- Implement metrics to monitor the Company's performance and support employee development

In evaluating management's performance against our 2013 corporate objectives in January 2014, our compensation committee determined to award a corporate achievement level of 100% relative to those objectives. This determination was made in the discretion of the compensation committee after its review of our overall corporate performance relative to each of the objectives listed above. In general, quantitative objectives were not established for the corporate objectives during 2013. Instead these performance objectives were used as a guide by the compensation committee in determining overall corporate performance as they represented those areas in which the named executive officers and our employees generally were expected to focus their efforts.

With respect to the goals related to the optimization of our Captisol business, the compensation committee awarded full credit, for an achievement level of 30%, noting the Company completed the Captisol-enabled-Melphalan license to Spectrum and the Captisol-enabled Topiramate license to CURx and entered two new Captisol License Agreements, all in 2013. Also, the Company entered into 33 new Captisol Research Use Agreements and 23 new Captisol In Vivo Use Agreements. The Company increased visibility and communication with partners on base-line Captisol technical and material needs and had a sharp year-over-year increase in Captisol sample requests from new prospective partners. The Company also enhanced Captisol customer service, given the increased and continued globalization of its Captisol customer base resulting from new licenses and greater numbers of sampling requests.

The Company executed the initiation of the Melphalan pivotal trial and efficiently transitioned the asset to Spectrum in 2013. The Company had data published on Captisol-enabled Topiramate. In 2013, the Company also secured Orphan Designation for Captisol-enabled Topiramate and generated data illustrating Captisol utility outside of pharmaceutical applications. The Company also had a successful initial defense of a Captisol related morphology patent challenge in Europe.

With respect to the business development goals, the compensation committee awarded full credit, for an achievement level of 35%, noting that in 2013, the Company completed the Selexis transaction and grew and further diversified its portfolio of assets with biologics programs. The Company also completed the Captisol-enabled-Melphalan license to Spectrum and the Captisol-enabled-Topiramate license to CURx, entered into two lasofoxifene licenses with Ethicor and Azure and entered two new Captisol License Agreements. Also, the Company entered into 33 new Captisol Research Use Agreements and 23 new Captisol In Vivo Use Agreements.

With respect to the melphalan goals, the compensation committee awarded full credit, for an achievement level of 15%, noting that the Company also completed the Captisol-enabled-Melphalan license to Spectrum and the Company executed the initiation of the Melphalan pivotal trial and efficiently transitioned the asset to Spectrum in 2013. With respect to the operational goals, which were entirely qualitative goals and not objectively determinable, the compensation committee determined an overall achievement level of 20% was appropriate given its subjective determination of the Company's overall performance in this area during 2013. The compensation committee noted that the Company turned sustainably profitable and cash-flow positive in 2013. The Company met or exceeded guidance in all quarters, had a successful initial defense of a Captisol-related morphology patent challenge in Europe, signed two sub-lease agreements and implemented digital dash-board tracking.

As a result of the foregoing determinations, all of our named executive officers, other than Dr. de Silva and Mr. Sharp, received bonus awards equal to 100% of their target awards. Each of Dr. de Silva's and Mr. Sharp's award represented approximately 32% of their respective base salaries, or approximately 80% of their respective target awards. The compensation committee determined to pay each of Dr. de Silva's and Mr. Sharp's bonus award at this level based on its subjective evaluation of their individual performance for 2013.

The actual bonus awards paid to our named executive officers are disclosed below in the table entitled "Summary Compensation Table."

Long-Term Performance-Based Equity Incentive Program

In accordance with its philosophy, the Company's longer-term performance-based compensation is based on equity ownership. The Company believes that equity ownership in the Company is important to tie the ultimate level of an executive officer's compensation to the performance of the Company's stock and stockholder gains while creating an incentive for sustained growth.

We generally provide equity compensation to our named executive officers through grants of stock options and restricted stock units. The grants are designed to align the interests of our named executive officers with those of the stockholders and provide each individual with a significant incentive to manage the Company from the perspective of an owner with an equity stake in the business. The compensation committee views granting options and restricted stock unit awards as a retention device and therefore also reviews the status of vesting and number of vested versus unvested options and restricted stock unit awards at the time of grant. Guidelines for the number of stock options and restricted stock unit awards granted to each executive officer are determined using a procedure approved by the compensation committee based upon several factors, including the executive officer's level of responsibility, salary grade, performance and the value of the stock option and restricted stock unit awards at the time of grant. With respect to our named executive officers, we generally make awards to such officers at the time of initial hire based on an evaluation of the foregoing factors. Additional grants, other than the annual awards to executives, may be made following a significant change in job responsibility or in recognition of a significant achievement. Annual awards are made to our named executive officers when such awards are deemed appropriate by the compensation committee based on an evaluation of the foregoing factors.

Stock options granted under the various stock plans generally have a four-year vesting schedule designed to provide an incentive for continued employment. The options generally expire ten years from the date of the grant. This provides a reasonable time frame during which executive officers and other employees who receive grants can benefit from the appreciation of the Company's shares. The exercise price of options granted under our 2002 Stock Incentive Plan, or the 2002 Plan, is equal to 100% of the fair market value of the underlying stock on the date of grant.

Accordingly, the option will provide a return to the executive officer only if the market price of the shares appreciates over the option term. Restricted stock unit awards generally vest in equal installments over three years.

Equity incentive awards under the compensation programs discussed above are made at regular compensation committee meetings and at special meetings as needed. For example, a special meeting may be called if a regular meeting is cancelled or following the annual performance review process. The effective date for such grants is the date of such meeting. The Company may also make grants of equity incentive awards at the discretion of the compensation committee or the board of directors in connection with the hiring of new named executive officers and other employees.

In February 2013, the compensation committee approved aggregate awards of 265,000 stock options and 24,000 restricted stock units to our named executive officers pursuant to the Company's 2002 Plan as part of our annual grant program as follows: John L. Higgins, 107,000 options and 8,000 restricted stock units; John P. Sharp, 20,000 options and 2,500 restricted stock units; Matthew W. Foehr, 73,000 options and 6,000 restricted stock units; Nishan de Silva, 45,000 options and 5,000 restricted stock units; and Charles S. Berkman, 20,000 options and 2,500 restricted stock units. The

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foregoing option awards are subject to the standard four year time-based vesting schedule described above and the foregoing restricted stock unit awards are subject to the standard three year time-based vesting schedule described above.

The foregoing time-based equity grants to the named executive officers in 2013 were set at approximately the 75th percentile level of equity awards for similar positions at our peer group companies, adjusted using the above factors and taking into consideration such equivalency factors as our number of shares outstanding and market capitalization, compared to the peer group companies.

All of the equity awards granted to our named executive officers are disclosed below in the table entitled "Grants of Plan-Based Awards in Fiscal Year 2013."

Other Elements of Compensation and Perquisites

In order to attract, retain and pay market levels of compensation, we provide our named executive officers and other employees the following benefits and perquisites.

Medical Insurance. The Company provides to each named executive officer, the named executive officer's spouse and children such health, dental and vision insurance coverage as the Company may from time to time make available to its other executives of the same level of employment. The Company pays a portion of the premiums for this insurance for all employees.

Life and Disability Insurance. The Company provides each named executive officer such disability and/or life insurance as the Company in its sole discretion may from time to time make available to its other executive employees of the same level of employment.

Defined Contribution Plan. The Company and its designated affiliates offer the Section 401(k) Savings/Retirement Plan, or the 401(k) Plan, a tax-qualified retirement plan, to their eligible employees. The 401(k) Plan permits eligible employees to defer from 1% to 90% of their annual eligible compensation, subject to certain limitations imposed by the Internal Revenue Code. The employees' elective deferrals are immediately vested and non-forfeitable in the 401(k) Plan. In April 2007, the Company began to make matching contributions to the 401(k) Plan equal to \$0.25 per each \$1.00 contributed by an employee up to an annual maximum of \$2,000 per year. In January 2014, the Company increased its matching contributions to the 401(k) Plan equal to \$0.40 per each \$1.00 contributed by an employee up to an annual maximum of \$4,800 per year.

Employee Stock Purchase Plan. The Company's 2002 Employee Stock Purchase Plan, which is intended to qualify under Section 423 of the Internal Revenue Code, permits participants to purchase Company stock on favorable terms. Plan participants are granted a purchase right to acquire shares of common stock at a price that is 85% of the stock price on either the first day of the six month offering period or the stock price on the last day of the six month offering period, whichever is lower. The purchase dates occur on the last business days of December and June of each year. To pay for the shares, each participant may authorize periodic payroll deductions from 1% to 10% of his or her cash compensation, subject to certain limitations imposed by the Internal Revenue Code. All payroll deductions collected from the participant in an offering period are automatically applied to the purchase of common stock on that offering period's purchase date provided the participant remains an eligible employee and has not withdrawn from the employee stock purchase plan prior to that date.

Other. The Company makes available certain other perquisites or fringe benefits to executive officers and other employees, such as tuition reimbursement, airline club dues, professional society dues and food and recreational fees incidental to official company functions, including board meetings. The aggregate of these other benefits was less than \$10,000 for each executive officer in the last fiscal year.

Severance and Change in Control Arrangements

We believe that reasonable severance benefits for our named executive officers are important because it may be difficult for our executive officers to find comparable employment within a short period of time. We also believe that it is important to protect our named executive officers in the event of a change in control transaction involving us. In addition, it is our belief that the interests of stockholders will be best served if the interests of our senior management are aligned with them, and providing change in control benefits should eliminate, or at least reduce, the reluctance of senior management to pursue potential change in control transactions that may be in the best interests of stockholders. Accordingly, the severance arrangements we have entered into with each of our executive officers provide for

severance benefits in specified circumstances, as well as benefits in connection with a change in control.

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Change in Control Arrangements

The Company has a change in control severance agreement with each of the named executive officers. In the event a named executive officer's employment is terminated by us without cause or he or she resigns for good reason within 24 months following a change in control of the Company, he or she will be eligible to receive a severance benefit equal to:

- one times (two times for Mr. Higgins) the annual rate of base salary in effect for such officer at the time of involuntary termination; plus
- one times (two times for Mr. Higgins) the greater of: (a) the maximum target bonus for the fiscal year in which the termination occurs; or (b) the maximum target bonus for the fiscal year in which the change in control occurs, if different; plus
- twelve (twenty-four for Mr. Higgins) multiplied by the monthly premium the executive would be required to pay for continued health coverage for himself or herself and his or her eligible dependents.

The foregoing severance amount will be payable in a lump sum following the officer's termination of employment.

The change in control severance agreements also provide that all of a named executive officer's outstanding stock awards will vest in the event of such a termination. In addition, the post-termination exercise period of a named executive officer's stock options will be extended from three months to the date that is nine months following the date of termination (but in no event beyond the original expiration date of such options).

For purposes of the change in control severance agreements, an involuntary termination is either a termination of a named executive officer's employment by us without cause or his resignation for good reason. "Cause" is generally defined as an officer's conviction of, or plea of "guilty" or "no contest" to, a felony under the laws of the United States or any state thereof, an officer's willful and material breach of any obligation or duty under the employment agreement, the Company's confidentiality and proprietary rights agreement or the Company's written employment or other written policies that have previously been furnished to the officer, which breach is not cured within 30 days after written notice thereof is received by the officer, if such breach is capable of cure, the officer's gross negligence or willful misconduct, including without limitation, fraud, dishonesty or embezzlement, in the performance of his duties, or the officer's continuing failure or refusal to perform his assigned duties or to comply with reasonable directives of the board of directors that are consistent with the officer's job duties (which directives are not in conflict with applicable law), which failure is not cured within 30 days after written notice thereof is received by the officer.

For purposes of the change in control severance agreements, "good reason" is generally defined as a material diminution in the officer's authority, duties or responsibilities, a material diminution in the officer's base compensation, a material change in the geographic location at which the officer must perform his duties, or any other action or inaction that constitutes a material breach by the Company or any successor or affiliate of its obligations to the officer under the employment agreement. An officer must provide written notice to the Company of the occurrence of any of the foregoing events or conditions without his written consent within 90 days of the occurrence of such event. The Company will have a period of 30 days to cure such event or condition after receipt of written notice of such event from the officer. Any voluntary termination of an officer's employment for "good reason" must occur no later than the date that is six months following the initial occurrence of one of the foregoing events or conditions.

For purposes of the change in control severance agreements, a "change in control" has generally the same definition as given to such term under our 2002 Plan, as described below.

Amended and Restated Severance Plan

We maintain the Ligand Pharmaceuticals Incorporated Amended and Restated Severance Plan to provide severance payments to our employees and the employees of our subsidiaries upon an involuntary termination of employment without cause. Each of the named executive officers is eligible to participate in the severance plan, provided that he is not subject to disciplinary action or a formal performance improvement plan at the time of termination. However, if, as a result of his or her involuntary termination by us without "cause," a named executive officer would be eligible to receive severance under any individual change in control severance agreement, employment agreement or other

arrangement providing severance benefits, as approved by our board of directors or a committee thereof, such named executive officer will not be eligible for benefits under the severance plan.

Under the terms of the severance plan, a named executive officer will be eligible to receive (1) a lump sum payment in cash for fully earned but unpaid base salary and accrued but unused vacation through the date of termination, (2) an amount equal to his base salary for the severance period, which period will be equal to (a) two months plus (b) one week

for each year of service as of the date of termination and (c) continued health coverage at the same cost as was in effect for the named executive officer at the date of termination throughout such severance period, provided that such named executive officer elects continued coverage under COBRA. The foregoing cash severance benefit will be payable in a lump sum following the officer's termination of employment, subject to the officer's execution of a general release of claims acceptable to us.

For purposes of the severance plan, "cause" is generally defined as an officer's conviction of (or entry of a plea of no contest to) any felony or any other criminal act, an officer's commission of any act of fraud or embezzlement, an officer's unauthorized use or disclosure of confidential or proprietary information or trade secrets of the Company or our subsidiaries, or an officer's commission of any material violation of the Company's policies, or an officer's commission of any other intentional misconduct which adversely affects the business or affairs of the Company in a material manner.

Change in Control Acceleration of Equity Awards

Equity awards granted under the 2002 Plan to the named executive officers may be subject to accelerated vesting in the event of a "change in control."

Equity award agreements under the 2002 Plan, which cover each of the named executive officers, provide that such equity awards will automatically vest in the event of a "change in control" where the option is not assumed or replaced by a successor:

Under the 2002 Plan, a "change in control" is generally defined as:

- a merger, consolidation or reorganization of the Company in which 50% or more of its voting securities change ownership;
- the sale, transfer or other disposition of all or substantially all of the Company's assets in complete liquidation or dissolution of the Company; or
- a change in control of the Company effected through a successful tender offer for more than 50% of the Company's outstanding common stock or through a change in the majority of our board of directors as a result of one or more contested elections for board membership.

Compensation Recovery Policy

Our board of directors maintains a policy that it will evaluate in appropriate circumstances whether to seek the reimbursement of certain compensation awards paid to an executive officer if such executive engages in misconduct that caused or partially caused a restatement of financial results, in accordance with Section 304 of the Sarbanes-Oxley Act of 2002. If circumstances warrant, we will seek to claw back appropriate portions of the executive officer's compensation for the relevant period, as provided by law.

Policies Regarding Tax Deductibility of Compensation

Section 162(m) of the Internal Revenue Code restricts the ability of publicly held companies to take a federal income tax deduction for compensation paid to certain of their executive officers to the extent that compensation exceeds \$1.0 million per covered officer in any fiscal year. However, this limitation does not apply to compensation that is "qualified performance-based compensation" under Section 162(m) of the Internal Revenue Code. While we consider the tax deductibility of each element of executive compensation as a factor in our overall compensation program, the compensation committee retains the discretion to approve compensation that may not qualify for the compensation deduction if, in light of all applicable circumstances, it would be in our best interest for such compensation to be paid without regard to whether it may be tax deductible.

Risk Assessment of Compensation Policies and Programs

In early 2014, management assessed our compensation policies and programs for all employees for purposes of determining the relationship of such policies and programs and the enterprise risks faced by the Company and presented its assessment to our compensation committee. Based on its assessment, management recommended, and the compensation committee, concluded, that none of our compensation policies or programs create risks that are reasonably likely to have a material adverse effect on the Company. In connection with their review, management and the compensation committee noted certain key attributes of our compensation policies and programs that help to

reduce the likelihood of excessive risk taking, including:

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- The program design provides a balanced mix of cash and equity compensation, fixed and variable compensation and annual and long-term incentives.
- Corporate performance objectives are designed to be consistent with the Company's overall business plan and strategy, as approved by the Board of Directors.
- The determination of executive incentive awards is based on a review of a variety of indicators of performance, reducing the risk associated with any single indicator of performance.
- The Company's equity awards generally vest over multi-year periods.
- The Compensation Committee has the right to exercise negative discretion over executive incentive plan payments.

Summary Compensation Table

The following table provides information regarding the compensation earned by our named executive officers during the fiscal years ended December 31, 2013, 2012 and 2011.

Name and Principal Position	Year	Salary(\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)(2)	All Other Compensation (\$)(3)	Total
John L. Higgins, President and Chief Executive Officer	2013	500,331	559,360	1,567,129	375,248	2,843	3,004,911
	2012	484,517	86,820	1,433,896	363,388	2,715	2,371,336
	2011	423,850	150,750	738,128	317,888	2,540	1,633,156
Matthew W. Foehr, Executive VP and Chief Operating Officer	2013	368,101	398,176	1,012,371	184,050	2,767	1,965,465
	2012	359,625	144,700	535,482	179,813	2,540	1,222,160
	2011	247,950	166,170	869,814	123,959	2,643	1,410,536
John P. Sharp, Former VP, Finance and Chief Financial Officer(4)	2013	301,220	54,800	277,362	96,390	2,946	732,718
	2012	292,519	72,350	312,365	102,382	2,985	782,601
	2011	265,007	30,150	192,555	106,003	3,284	596,999
Charles S. Berkman, Vice President and General Counsel	2013	283,351	54,800	277,362	113,340	2,908	731,761
	2012	275,202	72,350	223,118	110,081	4,455	685,206
	2011	249,719	30,150	96,278	99,888	2,838	478,873
Nishan de Silva, M.D., M.B.A., VP, Finance and Strategy and Chief Financial Officer	2013	294,583	109,600	624,065	94,267	2,616	1,125,131
	2012	246,269	144,700	803,223	98,508	39,067	1,331,767
	2011	—	—	—	—	—	—

Reflects the grant date fair value for stock and option awards granted in 2011, 2012 and 2013, calculated in accordance with FASB ASC Topic 718. With respect to stock and option awards with performance-based vesting conditions, the grant date fair value was adjusted for our assessment of the probability that performance conditions will be achieved. The assumptions used to calculate the value of stock and option awards are set forth under Note 10 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on February 24, 2014. The following table provides the full grant date fair values for all stock and option awards included in the Summary Compensation Table that were granted during 2011 with performance-based vesting conditions, assuming that the highest level of performance will be achieved in each case (no performance-based awards were granted during 2012 or 2013):

(1)

Name and Principal Position	Year	Grant Date Fair Value of Stock Awards(\$)	Grant Date Fair Value of Option Awards(\$)
Matthew W. Foehr, Executive Vice President and Chief Operating Officer	2011	—	\$244,050

(2)

Represents performance bonus awards under the management bonus plan earned in 2011, 2012 and 2013, but paid in the subsequent year.

- (3) Represents life insurance premiums paid by the Company for each year represented in the table and \$2,000 in 401(k) matching funds paid by the Company for each named executive officer. For Dr. de Silva in 2012, also includes a \$25,000 relocation payment, paid in a lump sum to Dr. de Silva in connection with his commencement of employment, and a payment of \$11,550 to gross Dr. de Silva up for the taxes payable on such payment.
- (4) Effective February 28, 2014, Mr. Sharp resigned his positions with the Company.

Grants of Plan-Based Awards in Fiscal Year 2013

The following table summarizes plan-based awards granted to our named executive officers during the last fiscal year.

Name	Grant Date	Date of Board Action approving Award	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)(2)	All Other Option Awards: Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Awards (\$/Sh)	Closing Price on Grant Date (\$/Sh)
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)				
John L. Higgins	1/16/13	1/16/13	—	375,585	—	—	—	—	—	—	—	
	2/15/13	1/16/13	—	—	—	—	—	8,000	—	—	21.92	
	2/15/13	1/16/13	—	—	—	—	—	—	107,000	21.92	—	
	6/3/13	6/3/13	—	—	—	—	—	12,000(5)	—	—	32.00	
	6/3/13	6/3/13	—	—	—	—	—	—	14,334(6)	32.00	—	
Matthew W. Foehr	1/16/13	1/16/13	—	184,215	—	—	—	—	—	—	—	
	2/15/13	1/16/13	—	—	—	—	—	6,000	—	—	21.92	
	2/15/13	1/16/13	—	—	—	—	—	—	73,000	21.92	—	
	6/3/13	6/3/13	—	—	—	—	—	8,333	—	—	32.00	
John P. Sharp	1/16/13	1/16/13	—	120,596	—	—	—	—	—	—	—	
	2/15/13	1/16/13	—	—	—	—	—	2,500	—	—	21.92	
	2/15/13	1/16/13	—	—	—	—	—	—	20,000	21.92	—	
Charles S. Berkman	1/16/13	1/16/13	—	113,442	—	—	—	—	—	—	—	
	2/15/13	1/16/13	—	—	—	—	—	2,500	—	—	21.92	
	2/15/13	1/16/13	—	—	—	—	—	—	20,000	21.92	—	
Nishan de Silva	1/16/13	1/16/13	—	118,000	—	—	—	—	—	—	—	
	2/15/13	1/16/13	—	—	—	—	—	5,000	—	—	21.92	
	2/15/13	1/16/13	—	—	—	—	—	—	45,000	21.92	—	

(1) Cash bonus awards granted under our annual performance bonus program. Actual bonus amounts paid are reflected in the Summary Compensation Table above.

(2) Except as described below, the restricted stock unit awards granted to the named executive officers vest in equal installments over a three year period. For a description of the change in control provisions applicable to the foregoing equity awards, see “Severance and Change in Control Arrangements” above.

(3) Except as described below, each option grant to the named executive officers vests 12.5% after six months from grant and the remainder in 42 equal monthly installments. For a description of the change in control provisions applicable to the foregoing equity awards, see “Severance and Change in Control Arrangements” above.

(4) Represents the fair value of the stock option or stock award at the time of grant as determined in accordance with the provisions of FASB ASC Topic 718. The assumptions used to calculate the value of stock and option awards

are set forth under Note 10 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on February 24, 2014.

- (5) The restricted stock unit award granted to Mr. Higgins vests in two equal installments on February 15, 2014 and February 15, 2015. For a description of the change in control provisions applicable to the foregoing equity award, see “Severance and Change in Control Arrangements” above.

- (6) The option grant to Mr. Higgins was vested as to 4,473 shares on the date of grant, and the remaining shares subject to the option will vest in 33 equal monthly installments on the ninth day of each calendar month following the date of grant, commencing June 9, 2013 and continuing through February 9, 2016. For a description of the change in control provisions applicable to the foregoing equity award, see “Severance and Change in Control Arrangements” above.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information on all stock option awards and stock awards held by the named executive officers of the Company as of December 31, 2013. All outstanding equity awards are in shares of the Company's common stock.

Name	Option Awards			Stock Awards					
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Unit or Other Rights That Have Not Vested (#)	Equity incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
John L. Higgins	4,666	—	—	21.00	2/22/2018	—	—	—	—
	4,000	—	—	16.14	2/14/2019	—	—	—	—
	62,292	2,708	—	9.96	2/14/2020	—	—	—	—
	76,790	33,542	—	10.05	2/16/2021	—	—	—	—
	74,748	85,918	—	14.47	2/8/2022	—	—	—	—
	22,292	84,708	—	21.92	2/15/2023	—	—	—	—
	6,266	8,068(4)	—	32.00	6/3/2023	—	—	—	—
—	—	—	—	—	25,000(5)	1,315,000	—	—	
Matthew W. Foehr	110,667	33,332	—	9.97	4/17/2021	—	—	—	—
	27,500	32,500	—	14.47	2/8/2022	—	—	—	—
	15,208	57,792	—	21.92	2/15/2023	—	—	—	—
	—	—	—	—	—	20,992(6)	1,104,179	—	—
John P. Sharp	8,333	—	—	40.86	4/29/2017	—	—	—	—
	1,166	—	—	21.00	2/22/2018	—	—	—	—
	17,666	—	—	16.14	2/14/2019	—	—	—	—
	7,148	694	—	9.96	2/14/2020	—	—	—	—
	21,250	8,750	—	10.05	2/16/2021	—	—	—	—
	16,042	18,958	—	14.47	2/8/2022	—	—	—	—
	4,167	15,833	—	21.92	2/15/2023	—	—	—	—
—	—	—	—	—	6,833	359,416	—	—	

Charles
S.
Berkman

1,000	—	—	53.10	12/7/2015	—	—	—	—
3,333	—	—	40.86	4/29/2017	—	—	—	—
5,333	—	—	42.90	6/19/2017	—	—	—	—
1,166	—	—	21.00	2/22/2018	—	—	—	—
1,000	—	—	16.14	2/14/2019	—	—	—	—
1,389	694	—	9.96	2/14/2020	—	—	—	—
6,029	4,375	—	10.05	2/16/2021	—	—	—	—
4,438	13,542	—	14.47	2/8/2022	—	—	—	—
4,167	15,833	—	21.92	2/15/2023	—	—	—	—
—	—	—	—	—	6,833	359,416	—	—

Nishan
de Silva

34,375	40,625	—	14.47	2/8/2022	—	—	—	—
	15,000(7)	—	14.47	2/8/2022	—	—	—	—
9,375	35,625	—	21.92	2/15/2023	—	—	—	—
—	—	—	—	—	11,666	613,632	—	—

- Each option grant to the named executive officers has a ten year term from the date of grant. Except as described below, each option vests 12.5% after six months from grant and the remainder in 42 equal monthly installments. Exercise prices for awards granted prior to April 2007 reflect the \$2.50 downward adjustment made to such exercise prices in April 2007 to reflect the Company's one-time special cash dividend paid in April 2007. With respect to Mr. Foehr, 65,000 of the options granted in February 2011 were subject to performance-based vesting and were scheduled to vest as follows:
- (1) 15,000 options would vest if and when cumulative CyDex revenue for 2011 and 2012 exceeded certain pre-determined levels; 25,000 options would vest if we completed a strategic partnership with a commercial partner by June 30, 2012; and 25,000 options would vest if we completed a multi-product CyDex technology-based platform transaction with a pharmaceutical company by June 30, 2012. Mr. Foehr vested in 25,000 of these options in January 2012 as a result of the CyDex technology-based platform transaction consummated with Eli Lilly, and in an additional 25,000 of these options in June 2012 as a result of our strategic partnership with Hovione. CyDex revenue for 2011 and 2012 did not exceed the necessary levels and, accordingly, 15,000 of these options were automatically forfeited after the end of 2012 and are no longer outstanding. For a description of the change in control provisions applicable to the stock option awards, see "Severance and Change in Control Arrangements" above.
Except as described below, the restricted stock unit awards granted to the named executive officers vest in equal installments over a three year period. For a description of the change in control provisions applicable to the stock awards, see "Severance and Change in Control Arrangements" above.
 - (2) The table above reflects the remaining unvested restricted stock units from the following grants of restricted stock units to the following NEOs: Mr. Sharp, 3,000 restricted stock units granted on February 17, 2011, 5,000 restricted stock units granted on February 9, 2012 and 2,500 restricted stock units granted on February 15, 2013; Mr. Berkman, 3,000 restricted stock units granted on February 17, 2011, 5,000 restricted stock units granted on February 9, 2012 and 2,500 restricted stock units granted on February 15, 2013; and Dr. de Silva, 10,000 restricted stock units granted on February 9, 2012 and 5,000 restricted stock units granted on February 15, 2014.
 - (3) Computed by multiplying the closing market price of our common stock on December 31, 2013 by the number of shares of common stock subject to such award.
 - (4) The option grant was vested as to 4,473 shares on the date of grant, and the remaining shares subject to the option will vest in 33 equal monthly installments on the ninth day of each calendar month following the date of grant, commencing June 9, 2013 and continuing through February 9, 2016. For a description of the change in control provisions applicable to this stock option award, see "Severance and Change in Control Arrangements" above.
The table above reflects the remaining unvested restricted stock units from the following grants of restricted stock units to Mr. Higgins, which vest in equal installments over a three year period: 15,000 restricted stock units granted on February 17, 2011, 6,000 restricted stock units granted on February 9, 2012 and 8,000 restricted stock units granted on February 15, 2013.
 - (5) In addition, the table above reflects the remaining unvested restricted stock units from the 12,000 restricted stock units granted to Mr. Higgins on June 3, 2013, which vest in two equal installments on February 15, 2014 and February 15, 2015. For a description of the change in control provisions applicable to the stock awards, see "Severance and Change in Control Arrangements" above.
 - (6) The table above reflects the remaining unvested restricted stock units from the following grants of restricted stock units to Mr. Foehr, which vest in equal installments over a three year period: 16,667 restricted stock units granted on April 18, 2011, 10,000 restricted stock units granted on February 9, 2012 and 6,000 restricted stock units granted on February 15, 2013.

In addition, the table above reflects the remaining unvested restricted stock units from the 8,333 restricted stock units granted to Mr. Foehr on June 3, 2013, which vest on April 18, 2014. For a description of the change in control provisions applicable to the stock awards, see “Severance and Change in Control Arrangements” above.

- (7) The option grant vests on the third anniversary of the date of grant. For a description of the change in control provisions applicable to this stock option award, see “Severance and Change in Control Arrangements” above.

Correction of Prior Equity Awards

In February 2012, the compensation committee approved a grant of options to Mr. Higgins with respect to 175,000 shares of our common stock with an exercise price of \$14.47 per share, or the Original Higgins Option, and a restricted stock unit award with respect to 18,000 shares of our common stock, or the Original Higgins RSU, each under our 2002 Plan.

It came to the Company’s attention that these awards inadvertently exceeded the 166,666 share per person annual award limit contained in the 2002 Plan, as in effect in February 2012, by 26,334 shares. After considering the cause and circumstances of the issuance of the awards in excess of the annual award limit, our board of directors and the compensation committee determined that the Original Higgins RSU was void with respect to 12,000 shares subject to such award and that the Original Higgins Option was void with respect to 14,334 shares subject to such award. Therefore, the Company took action to correct the equity award agreements with Mr. Higgins to reflect the voiding of the number of shares subject to such awards in excess of the annual award limit in effect at the time of grant.

When informed of the excess awards, our board of directors and the compensation committee again reviewed the size and terms of the equity awards it had intended to grant to Mr. Higgins. After consideration, the compensation committee, based on the recommendation of Radford, determined that the awards (both when viewed alone, and in the context of our other commitments to Mr. Higgins) were consistent with the Company’s current compensation philosophy.

Having reaffirmed that the compensation it had intended to deliver to Mr. Higgins was appropriate and reasonable, the compensation committee, after consultation with Radford, determined that it should issue to Mr. Higgins (1) additional options to purchase common stock in an amount equal to the number of shares with respect to which the Original Higgins Option was voided, and (2) additional restricted stock units in an amount equal to the number of shares with respect to which the Original Higgins RSU was voided, and that it could do so without incurring material costs.

Accordingly, effective June 3, 2013, the compensation committee, after consultation with Radford, granted to Mr. Higgins (1) a new award of options, or the New Higgins Option, with respect to 14,334 shares of our common stock, and

(2) a new restricted stock unit award, or the New Higgins RSU, with respect to 12,000 shares. The vesting and expiration provisions of the New Higgins Option were intended to mirror those applicable to the voided portion of the Original Higgins Option. The New Higgins Option, however, has an exercise price of \$32.00 per share (the closing price of our common stock on the date of grant). As a result, the New Higgins Option was vested as to 4,473 shares on the date of grant, and the remaining shares subject to the New Higgins Option will vest in 33 equal monthly installments on the ninth day of each calendar month following the date of grant, commencing June 9, 2013 and continuing through February 9, 2016, subject to Mr. Higgins' continued status as an employee, director or consultant to the Company or its subsidiaries on each such date. The vesting provisions of the New Higgins RSU mirror those applicable to the Original Higgins RSU. As a result, the New Higgins RSU will vest in two equal annual installments on February 15, 2014 and February 15, 2015, subject to Mr. Higgins' continued status as an employee, director or consultant to the Company or its subsidiaries on each such date. Because annual equity-based awards previously made to Mr. Higgins in 2013 were well below the current individual annual award limit under the 2002 Plan, which was increased from 166,666 shares to 1,000,000 shares in May 2012, there was sufficient capacity under the individual annual award limit under the 2002 Plan to make these corrective awards to Mr. Higgins in 2013.

Below is a chart that illustrates (1) the equity awards made to Mr. Higgins in 2012, both with and without the void portions of the Original Higgins Option and the Original Higgins RSU, and (2) the annual equity awards granted to Mr. Higgins in the ordinary course in 2013 along with the New Higgins Option and the New Higgins RSU:

	Stock Options	RSUs	Intended Total	Void Stock Options	Void RSUs	New Stock Options	New RSUs	Corrected/ New Total
2012	175,000	18,000	193,000	14,334	12,000	N/A	N/A	166,666
2013	107,000	8,000	115,000	N/A	N/A	14,334	12,000	141,334
Total			308,000					308,000

The net impact of the foregoing was a reduction in Mr. Higgins' total 2012 compensation (as measured under SEC rules) by approximately 11% and an increase in his total 2013 compensation by approximately 28% .

When the compensation committee became aware of the inadvertent grant of excess awards to Mr. Higgins in February 2012, the compensation committee directed the Company to review prior equity awards to determine if the individual annual limit had been exceeded in any other instances.

Upon review, it was determined that the 2002 Plan's individual annual limit was also inadvertently exceeded by 23,334 shares as a result of equity awards made to Mr. Foehr in connection with his commencement of employment in April 2011.

In April 2011, the compensation committee approved a grant of options to Mr. Foehr with respect to 165,000 shares of our common stock with an exercise price of \$9.97 per share, or the Original Foehr Option, and a restricted stock unit award with respect to 25,000 shares of our common stock, or the Original Foehr RSU, each under the 2002 Plan. The vesting of 100,000 shares of the Original Foehr Option and all of the Original Foehr RSU was consistent with the standard time-based vesting schedules described in above. The remaining 65,000 options were subject to performance-based vesting, of which options to purchase 50,000 shares had vested and options to purchase 15,000 shares were automatically forfeited after the end of 2012 and are no longer outstanding.

After considering the cause and circumstances of the issuance of the awards in excess of the annual award limit, our board of directors and the compensation committee determined that the Original Foehr RSU was void with respect to 8,333 shares subject to such award and that the Original Foehr Option was void with respect to one share subject to such award. Therefore, the Company took action to correct the equity award agreements with Mr. Foehr to reflect the voiding of the number of shares subject to such awards in excess of the annual award limit in effect at the time of grant.

When informed of the excess awards, our board of directors and the compensation committee again reviewed the size and terms of the equity awards it had intended to grant to Mr. Foehr. After consideration, the compensation committee, based on the recommendation of Radford, determined that the awards (both when viewed alone, and in the context of our other commitments to Mr. Foehr) were consistent with the Company's current compensation philosophy. Having reaffirmed that the compensation it had intended to deliver to Mr. Foehr was appropriate and

reasonable, the compensation committee determined that it should issue additional restricted stock units to him in an amount equal to the number of shares with respect to which the Original Foehr RSU was voided, and that it could do so without incurring material costs.

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Accordingly, effective June 3, 2013, the compensation committee, after consultation with Radford, granted to Mr. Foehr a new restricted stock unit award, or the New Foehr RSU, with respect to 8,333 shares. The vesting provisions of the New Foehr RSU were intended to mirror those applicable to the voided portion of the Original Foehr RSU. As a result, the New Foehr RSU will vest on April 18, 2014, subject to Mr. Foehr's continued status as an employee, director or consultant to the Company or its subsidiaries on such date. Because annual equity-based awards previously made to Mr. Foehr in 2013 were well below the 1,000,000 share individual annual award limit under the 2002 Plan, there was sufficient capacity under the individual annual award limit under the 2002 Plan to make this corrective award to Mr. Foehr in 2013.

Below is a chart that illustrates (1) the equity awards made to Mr. Foehr in 2011 and 2012, both with and without the void portions of the Original Foehr Option and the Original Foehr RSU, and (2) the annual equity awards granted to Mr. Foehr in the ordinary course in 2013 along with the New Foehr RSU:

	Stock Options	RSUs	Intended Total	Void or Forfeited Stock Options	Void RSUs	New Stock Options	New RSUs	Corrected Total
2011	165,000	25,000	190,000	15,001 (1)	8,333	N/A	N/A	166,666
2012	60,000	10,000	70,000	N/A	N/A	N/A	N/A	70,000
2013	73,000	6,000	79,000	N/A	N/A	N/A	8,333	87,333
Total			339,000					323,999

(1) 15,000 of such options were forfeited, as described above.

The net impact of the foregoing was a reduction in Mr. Foehr's total 2011 compensation (as measured under SEC rules) by approximately 6% and an increase in his 2013 compensation by approximately 14%.

Option Exercises and Stock Vested During Fiscal Year 2013

The following table provides information on stock option exercises and stock vesting in fiscal 2013 by the named executive officers of the Company.

Name	Option Awards		Stock Awards	
	No. of Shares Acquired on Exercise (#)	Value Realized Upon Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(2)
John L. Higgins	17,074	382,070	15,166	332,439
Matthew W. Foehr	6,000	260,580	11,667	276,406
John P. Sharp	8,824	303,215	3,667	80,381
Charles S. Berkman	56,198	1,742,696	3,667	80,381
Nishan de Silva	—	—	3,334	73,181

(1) The value realized upon exercise of stock options reflects the price at which shares acquired upon exercise of the stock options were sold or valued for income tax purposes, net of the exercise price for acquiring the shares.

(2) Computed by multiplying the closing market price of our restricted stock on the vesting date by the number of shares of restricted stock subject to such award vesting on the applicable vesting date.

Potential Payments Upon Termination or Change in Control

The following table summarizes potential change in control and severance payments to each named executive officer. The three right-hand columns describe the payments that would apply in three different potential scenarios—a termination without cause prior to a change in control or more than 24 months following a change in control; a change

in control without a termination of employment; or a termination of employment as a result of the named executive officer's resignation for good reason or termination of employment by us other than for cause, in each case within 24 months following a change in control. The table assumes that the termination or change in control occurred on December 31,

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2013. For purposes of estimating the value of accelerated equity awards to be received in the event of a termination of employment or change in control, we have assumed a price per share of our common stock of \$52.60, which represents the closing market price of our common stock as reported on the NASDAQ Global Market on December 31, 2013, the last trading day of 2013. All cash severance benefits will be paid in a lump sum.

Name	Benefit	Termination Without Cause; No Change of Control (\$)	Change of Control; No Termination (\$)(1)	Termination Without Cause or Resignation for Good Reason within 24 Months Following a Change of Control (\$)(2)
John L. Higgins	Salary	150,876	—	1,001,560
	Bonus	—	—	751,170
	Option acceleration	—	7,583,777	7,583,777
	Stock Award acceleration	—	1,016,916	1,016,916
	Benefits continuation	5,640	—	19,552
	Total value:	156,516	8,600,693	10,372,975
Matthew W. Foehr	Salary	82,661	—	368,431
	Bonus	—	—	184,215
	Option acceleration	—	3,194,002	3,194,002
	Stock Award acceleration	—	1,087,032	1,087,032
	Benefits continuation	4,007	—	18,944
	Total value:	86,668	4,281,034	4,852,624
John P. Sharp	Salary	90,834	—	301,490
	Bonus	—	—	120,596
	Option acceleration	—	1,610,530	1,610,530
	Stock Award acceleration	—	175,263	175,263
	Benefits continuation	4,978	—	17,257
	Total value:	95,812	1,785,793	2,225,136
Charles S. Berkman	Salary	118,169	—	283,605
	Bonus	—	—	113,442
	Option acceleration	—	1,217,861	1,217,861
	Stock Award acceleration	—	306,763	306,763
	Benefits continuation	7,896	—	19,552
	Total value:	126,065	1,524,624	1,941,223
Nishan de Silva	Salary	60,513	—	295,000
	Bonus	—	—	118,000
	Option acceleration	—	3,213,956	3,213,956
	Stock Award acceleration	—	508,432	508,432
	Benefits continuation	1,238	—	6,436
	Total value:	61,751	3,722,388	4,141,824

(1) The 2002 Plan provides that options or restricted stock units will vest in the event of a change in control and the options or restricted stock units are not assumed or replaced by a successor. This disclosure assumes that the

successor does not assume or replace the options or restricted stock units.

- (2) The change in control severance agreements with each of our named executive officers provide that all of a named executive officer's outstanding stock awards will vest in the event of such a termination.

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Compensation of Directors

The following table provides information related to the compensation of each of our non-employee directors for fiscal 2013.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(8)	Option Awards \$(8)	All Other Compensation (\$)	Total (\$)
Jason M. Aryeh(1)	59,000	94,478	149,647	—	303,125
Todd Davis(2)	57,000	94,478	149,647	—	301,125
David Knott(3)	61,000	94,478	149,647	—	305,125
John W. Kozarich(4)	69,000	94,478	149,647	—	313,125
Sunil Patel(5)	55,000	94,478	149,647	—	299,125
Stephen L. Sabba(6)	69,019	94,478	149,647	—	313,144
John L. LaMattina(7)	51,019	94,478	149,647	—	295,144

(1) As of December 31, 2013, Mr. Aryeh held options to purchase 30,968 shares of our common stock and 2,925 unvested shares of restricted stock. During 2013, Mr. Aryeh received 2,925 restricted stock units with a grant date fair value of \$94,478 and 7,335 stock options with a grant date fair value of \$149,647. Mr. Aryeh elected to receive his retainer in cash.

(2) As of December 31, 2013, Mr. Davis held options to purchase 30,338 shares of our common stock and 2,925 unvested shares of restricted stock. During 2013, Mr. Davis received 2,925 restricted stock units with a grant date fair value of \$94,478 and 7,335 stock options with a grant date fair value of \$149,647. Mr. Davis elected to receive 1,393 shares of fully vested stock in lieu of \$45,000 of his 2013 cash retainer for his services as a non-employee director.

(3) As of December 31, 2013, Mr. Knott held options to purchase 30,338 shares of our common stock and 2,925 unvested shares of restricted stock. During 2013, Mr. Knott received 2,925 restricted stock units with a grant date fair value of \$94,478 and 7,335 stock options with a grant date fair value of \$149,647. Mr. Knott elected to receive 1,393 shares of fully vested stock in lieu of \$45,000 of his 2013 cash retainer for his services as a non-employee director.

(4) As of December 31, 2013, Dr. Kozarich held options to purchase 37,039 shares of our common stock and 2,925 unvested shares of restricted stock. During 2013, Dr. Kozarich received 2,925 restricted stock units with a grant date fair value of \$94,478 and 7,335 stock options with a grant date fair value of \$149,647. Dr. Kozarich elected to receive 1,393 shares of fully vested stock in lieu of \$45,000 of his 2013 cash retainer for his services as a non-employee director.

(5) As of December 31, 2013, Mr. Patel held options to purchase 27,005 shares of our common stock and 19,873 unvested shares of restricted stock. During 2013, Mr. Patel received 2,925 restricted stock units with a grant date fair value of \$94,478 and 7,335 stock options with a grant date fair value of \$149,647. Mr. Patel elected to receive 1,393 shares of fully vested stock in lieu of \$45,000 of his 2013 cash retainer for his services as a non-employee director.

(6) As of December 31, 2013, Dr. Sabba held options to purchase 27,005 shares of our common stock and 2,925 unvested shares of restricted stock. During 2013, Dr. Sabba received 3,621 restricted stock units with a grant date fair value of \$116,958 and 7,335 stock options with a grant date fair value of \$149,647. Dr. Sabba elected to receive 696 shares of fully vested stock in lieu of \$22,500 of his 2013 cash retainer for his services as a non-employee director.

(7) As of December 31, 2013, Dr. LaMattina held options to purchase 27,005 shares of our common stock and 2,925 unvested shares of restricted stock. During 2013, Dr. LaMattina received 3,621 restricted stock units with a grant date fair value of \$116,958 and 7,335 stock options with a grant date fair value of \$149,647. Dr. LaMattina elected to receive 696 shares of fully vested stock in lieu of \$22,500 of his 2013 cash retainer for his services as a non-employee director.

- (8) Reflects the grant date fair value for stock and option awards granted in 2013, calculated in accordance with FASB ASC Topic 718. The assumptions used to calculate the value of stock and option awards are set forth under Note 10 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on February 24, 2014.

Narrative to Director Compensation Table

Non-employee members of our board of directors are paid fees for their service as a director and are reimbursed for expenses incurred in connection with such service.

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Under our director compensation policy adopted by our board of directors and in effect prior to April 9, 2014, each director was eligible to receive an annual retainer of \$45,000. No meeting fees were paid. In addition, the chairperson of the board received an additional annual retainer of \$20,000, the chairperson of the audit committee received an additional annual retainer fee of \$20,000, the chairperson of the compensation committee received an additional annual retainer of \$12,000 and the chairperson of the nominating and corporate governance committees received an additional annual retainer fee of \$8,000. Members of the audit committee received an additional annual retainer of \$10,000, members of the compensation committee received an additional annual retainer of \$6,000 and members of the nominating and corporate governance committee received an additional annual retainer of \$4,000.

At each annual meeting, non-employee directors were automatically granted 2,925 restricted stock units and 7,335 stock options. The foregoing awards vested on the first anniversary of the date of grant. Upon initial election to the board of directors, each non-employee director was automatically granted 1,666 shares of restricted stock and 5,000 stock options. The foregoing awards vested in three equal annual installments on each of the first three anniversaries of the date of grant. Additionally, the awards would vest in full in the event of a change in control or a hostile take-over, each as defined under our 2002 Plan. In addition, the director compensation policy contained an ownership guideline so that members of the board were required to own shares with a value of at least three times the then-current annual retainer after they had completed three years of board service.

Directors could elect to receive their retainers in cash or vested shares of our common stock, which shares were issued under our 2002 Plan. While directors would continue to be able to elect to receive their retainers in cash or in vested shares of our common stock, until June 1, 2013, directors were required to elect to receive at least 50% of their retainers for such period in vested shares of our common stock.

Effective April 9, 2014, our board of directors amended and restated our director compensation policy. Pursuant to the amended and restated director compensation policy, each director is eligible to receive an annual retainer of \$45,000. No meeting fees will be paid. In addition, the chairperson of the board will receive an additional annual retainer of \$30,000, the chairperson of the audit committee will receive an additional annual retainer fee of \$20,000, the chairperson of the compensation committee will receive an additional annual retainer of \$15,000 and the chairperson of the nominating and corporate governance committees will receive an additional annual retainer fee of \$10,000. Members of the audit committee will receive an additional annual retainer of \$10,000, members of the compensation committee will receive an additional annual retainer of \$7,500 and members of the nominating and corporate governance committee will receive an additional annual retainer of \$5,000.

At each annual meeting, non-employee directors will automatically be granted (i) that number of restricted stock units determined by dividing (a) \$75,000, by (b) the average closing price per share of the Company's common stock on the Nasdaq Global Market (or such other established stock exchange or national quotation system on which the stock is quoted) for the 30-calendar day period prior to the date of grant, and (ii) that number of stock options having a value of \$140,000, calculated on the grant date in accordance with the Black-Scholes option pricing model (utilizing the same assumptions that the Company utilizes in preparation of its financial statements). The foregoing awards will vest in full on the earlier of (i) the date of the annual meeting of the Company's stockholders next following the grant date, and (ii) on the first anniversary of the date of grant.

Upon initial election to the board of directors, each non-employee director will automatically be granted (i) that number of restricted stock units determined by dividing (a) \$113,000, by (b) the average closing price per share of the Company's common stock on the Nasdaq Global Market (or such other established stock exchange or national quotation system on which the stock is quoted) for the 30-calendar day period prior to the date of grant, and (ii) that number of stock options having a value of \$205,000, calculated on the grant date in accordance with the Black-Scholes option pricing model (utilizing the same assumptions that the Company utilizes in preparation of its financial statements). The foregoing awards will vest in three equal annual installments on each of the first three anniversaries following the date of grant.

All awards will vest in full in the event of a change in control or a hostile take-over, each as defined under our 2002 Plan. In addition, the director compensation policy contains an ownership guideline so that members of the board are required to own shares with a value of at least three times the then-current annual retainer after they had completed three years of board service. Directors may elect to receive their retainers in cash or vested shares of our common

stock, which shares will be issued under our 2002 Plan.

Compensation Committee Interlocks and Insider Participation

Relationships and Independence of the Compensation Committee Members

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During fiscal 2013, the compensation committee was composed of Messrs. Aryeh, Davis and Knott and Dr. LaMattina. No executive officer of the Company served on the board of directors or compensation committee of any entity which has one or more executive officers serving as members of the Company's board of directors or compensation committee.

Compensation Committee Report

The compensation committee of the Company's board of directors has submitted the following report for inclusion in this proxy statement:

The compensation committee reviewed this Compensation Discussion and Analysis and discussed its contents with the Company's management. Based on the review and discussions, the compensation committee has recommended to the board of directors that this Compensation Discussion and Analysis be included in this proxy statement and our annual report for the year ended December 31, 2013.

This report of the compensation committee shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such acts.

The foregoing report has been furnished by the compensation committee.

Todd C. Davis, Chairperson of the Compensation Committee

Jason M. Aryeh

David M. Knott

John L. LaMattina, Ph.D.

Audit Committee Report

The following is the report delivered by the audit committee of the Company's board of directors with respect to the principal factors considered by such committee in its oversight of the accounting, auditing and financial reporting practices of the Company for 2013.

The audit committee oversees the Company's financial reporting process on behalf of the board of directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the audit committee reviewed and discussed the audited financial statements in the Company's annual report with management, including a discussion of any significant changes in the selection or application of accounting principles, the reasonableness of significant judgments, the clarity of disclosures in the financial statements and the effect of any new accounting initiatives.

The audit committee reviewed and discussed with Grant Thornton LLP, who is responsible for expressing an opinion on the conformity of the Company's audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the audit committee under generally accepted auditing standards, including those matters required under Auditing Standard No.16 (Communications with Audit Committees). In addition, the audit committee has discussed with Grant Thornton LLP their independence from management and the Company, has received from Grant Thornton LLP the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as adopted by the Public Company Accounting Oversight Board in Rule 3600T and has considered the compatibility of non-audit services with the auditors' independence.

The audit committee met with Grant Thornton LLP to discuss the overall scope of their services, the results of their audit and reviews, its evaluation of the Company's internal controls and the overall quality of the Company's financial reporting. Grant Thornton LLP, as the Company's independent registered public accounting firm, also periodically updates the audit committee about new accounting developments and their potential impact on the Company's reporting. The audit committee's meetings with Grant Thornton LLP were held with and without management present. The audit committee is not employed by the Company, nor does it provide any expert assurance or professional certification regarding the Company's financial statements. The audit committee relies, without independent verification, on the accuracy and integrity of the information provided, and representations made, by management and the Company's independent registered public accounting firm.

In reliance on the reviews and discussions referred to above, the audit committee has recommended to the Company's board of directors that the audited financial statements be included in this proxy statement and in our annual report for the year ended December 31, 2013.

This report of the audit committee shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such acts.

The foregoing report has been furnished by the audit committee.

Stephen L. Sabba, M.D., Chairperson of the Audit Committee

David M. Knott

Sunil Patel

Compensation Plans

We have two compensation plans approved by our stockholders under which our equity securities are authorized for issuance to employees and directors for goods or services, the 2002 Plan and the Employee Stock Purchase Plan.

The following table summarizes information about our equity compensation plans as of December 31, 2013:

	(a) Number of securities to be issued upon exercises of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a))	
Equity compensation plans approved by security holders	1,746,709	\$ 16.79	1,457,199	(1)
Equity compensation plans not approved by security holders(2)	—	—	—	
	1,746,709	\$ 16.79	1,457,199	

(1) At December 31, 2013, 1,457,199 and 79,515 shares were available under the 2002 Plan and the Employee Stock Purchase Plan, respectively, for future grants of stock options or sale of stock.

(2) There are no equity compensation plans (including individual compensation arrangements) not approved by the Company's security holders.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We describe below transactions and series of similar transactions, since the beginning of fiscal year 2013, with respect to which we were a party, will be a party, or otherwise benefited, in which:

- the amounts involved exceeded or will exceed \$120,000; and
- a director, nominee for director, executive officer, holder of more than 5% of our common stock or any member of their immediate family had or will have a direct or indirect material interest.

Pursuant to our audit committee charter, the audit committee of our board of directors is responsible for reviewing and approving all transactions with related parties. We have not adopted written procedures for review of, or standards for approval of, these transactions, but instead the audit committee of our board of directors intends to review such transactions on a case by case basis. In addition, the compensation committee of our board of directors and/or our board of directors will review approve all compensation-related policies involving our directors and executive officers.

Transactions with Related Parties

The severance arrangements we have entered into with each of our executive officers provide for severance benefits in specified circumstances, as well as benefits in connection with a change in control. See “Compensation Discussion and Analysis—Severance and Change in Control Arrangements.”

Our certificate of incorporation and our amended and restated bylaws provide that we will indemnify each of our directors and officers to the fullest extent permitted by the Delaware General Corporation Law. Further, we have entered into indemnification agreements with each of our directors and officers, and we have purchased a policy of directors’ and officers’ liability insurance that insures our directors and officers against the cost of defense, settlement or payment of a judgment under certain circumstances.

All future transactions between the Company and its officers, directors, principal stockholders and affiliates will be approved by the audit committee or a majority of the independent and disinterested members of the board of directors.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company’s executive officers and directors, and persons who own more than 10% of a registered class of the Company’s equity securities, to file reports of ownership and changes in ownership with the SEC. Executive officers, directors and greater than 10% stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on review of the copies of such forms furnished to the Company, or written representations from certain reporting persons, we have determined that all Section 16(a) filing requirements applicable to its officers, directors and greater than 10% beneficial owners were satisfied during the fiscal year ended December 31, 2013.

DEADLINE FOR PROPOSALS FOR NEXT ANNUAL MEETING

The deadline for submitting a stockholder proposal for inclusion in our proxy statement and form of proxy for the 2015 annual meeting of stockholders is December 22, 2014 (120 calendar days in advance of the anniversary of the date of this proxy statement). Stockholders wishing to submit proposals or director nominations that are to be

included in such proxy statement and proxy must also do so by December 22, 2014. Stockholders are advised to review our amended and restated bylaws, which contain additional requirements with respect to advance notice of stockholder proposals and director nominations. Our current amended and restated bylaws are available at the SEC's website, www.sec.gov, or upon written request to our Corporate Secretary at the address listed below. Stockholder proposals and director nominations should be directed to Corporate Secretary, Ligand Pharmaceuticals Incorporated, 11119 North Torrey Pines Road, Suite 200, La Jolla, CA 92037.

In addition, the proxy solicited by the board of directors for the next annual meeting of stockholders will confer discretionary authority to vote on any stockholder proposal presented at that meeting, unless the Company receives notice of such proposal no later than a reasonable period of time prior to the mailing of proxy materials for such annual meeting.

ANNUAL REPORT ON FORM 10-K

Stockholders that received the Notice of Internet Availability of Proxy Materials can access this Proxy Statement and our fiscal 2013 Annual Report at <http://www.envisionreports.com/LGND>, which does not have cookies that identify visitors to the site. A copy of the Annual Report of the Company on Form 10-K for the 2013 fiscal year has been mailed concurrently with this proxy statement to all stockholders that received a copy of the proxy materials in the mail. The Annual Report is not incorporated into this proxy statement and is not considered proxy solicitation material. Written requests for copies of our Annual Report to stockholders may also be directed to our Corporate Secretary, Ligand Pharmaceuticals Incorporated, 11119 North Torrey Pines Road, Suite 200, La Jolla, CA 92037.

SOLICITATION OF PROXIES

The Company will bear the entire cost of solicitation, including the preparation, assembly, printing and mailing of this proxy statement, the proxy and any additional solicitation material furnished to stockholders. Copies of solicitation material will be furnished to brokerage houses, fiduciaries and custodians holding shares in their names that are beneficially owned by others so that they may forward this solicitation material to such beneficial owners. In addition, the Company may reimburse such persons for their costs of forwarding the solicitation materials to such beneficial owners. The original solicitation of proxies by mail may be supplemented by solicitation by telephone, telegram or other means by directors, officers, employees or agents of the Company. No additional compensation will be paid to directors, officers or employees of the Company for any such services. Except as described above, the Company does not presently intend to solicit proxies other than by internet.

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (such as brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as “householding,” potentially results in a reduced usage of natural resources and cost savings for companies. A number of brokers with account holders who are our stockholders will be “householding” our proxy materials. A single proxy statement and one annual report will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be “householding” communications to your address, “householding” will continue until you are notified otherwise or until you revoke your consent. Any stockholder at a shared address to which a single copy of the documents was delivered and who wishes to receive a separate copy of the documents can request a copy of the documents by sending a written request to our Corporate Secretary, Ligand Pharmaceuticals Incorporated, 11119 North Torrey Pines Road, Suite 200, La Jolla, CA 92037, or contact our Corporate Secretary at (858) 550-7500. Also, if you no longer wish to participate in “householding” and would prefer to receive a separate proxy statement and annual report in the future, please notify your broker or direct your written request to Corporate Secretary, Ligand Pharmaceuticals Incorporated, 11119 North Torrey Pines Road, Suite 200, La Jolla, CA 92037, or contact our Corporate Secretary at (858) 550-7500. Stockholders who currently receive multiple copies of the proxy statement at their address and would like to request “householding” of their communications should contact their broker.

OTHER BUSINESS

As of the date of this proxy statement, the board of directors knows of no other business that will be presented for consideration at the annual meeting. If other matters are properly brought before the annual meeting, however, it is the intention of the persons named in the accompanying proxy to vote the shares represented thereby on such matters in accordance with their best judgment.

By Order of the Board of Directors,

/s/ CHARLES S. BERKMAN
Charles S. Berkman
Vice President, General Counsel & Secretary
April 21, 2014

