INTERLEUKIN GENETICS INC
Form PRE 14A
May 26, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
Filed by a Party other than the Registrant ¨
Check the appropriate box:
x Preliminary Proxy Statement
¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
¨ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

INTERLEUKIN GENETICS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
x No fee required.
¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

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(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

INTERLEUKIN GENETICS, INC.

135 BEAVER STREET

WALTHAM, MA 02452

PROXY STATEMENT

JUNE [___], 2015

Dear Stockholder,

We cordially invite you to attend our 2015 annual meeting of stockholders to be held at 10:00 a.m. on Tuesday, July 21, 2015 at the offices of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., our legal counsel, located at One Financial Center, Boston, Massachusetts 02111. The attached notice of annual meeting and proxy statement describe the business we will conduct at the meeting and provide information about Interleukin Genetics, Inc. that you should consider when you vote your shares.

At the annual meeting, three persons will be elected to our Board of Directors. In addition, we will ask stockholders to ratify the selection of Grant Thornton LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2015; to consider an advisory vote on compensation of our named executive officers, as disclosed in this proxy statement; to approve a proposed amendment to our 2013 Employee, Director and Consultant Equity Incentive Plan; to approve an amendment to our Restated Certificate of Incorporation, to increase the number of authorized shares of common stock from 300,000,000 to 450,000,000 at any time prior to the earlier of (i) August 1, 2016 and (ii) the 2016 annual meeting of stockholders; to approve an amendment to our Restated Certificate of Incorporation, to effect a reverse stock split by combining outstanding shares of our common stock into a lesser number of outstanding shares by a ratio of not less than 1-for-5 and not more than 1-for-40 at any time prior to the earlier of (i) August 1, 2016 and (ii) the 2016 annual meeting of stockholders, with the exact ratio to be set within this range by our Board of Directors in its sole discretion; and to transact such other business as may properly come before the annual meeting.

Under Securities and Exchange Commission rules that allow companies to furnish proxy materials to shareholders over the Internet, we have elected to deliver our proxy materials to the majority of our shareholders over the Internet. This delivery process allows us to provide shareholders with the information they need, while at the same time conserving natural resources and lowering the cost of delivery. On June [___], 2015, we mailed to our shareholders a Notice of Internet Availability of Proxy Materials (the “Notice”) containing instructions on how to access our proxy statement for our 2015 Annual Meeting of Shareholders and our annual report to shareholders. The Notice also provides instructions on how to vote online or by telephone and includes instructions on how to receive a paper copy

of the proxy materials by mail.

We hope you will be able to attend the annual meeting. Whether you plan to attend the annual meeting or not, it is important that you cast your vote. When you have finished reading the proxy statement, you are urged to vote in accordance with the instructions set forth in this proxy statement. We encourage you to vote by proxy so that your shares will be represented and voted at the meeting, whether or not you can attend.

Thank you for your continued support of Interleukin Genetics, Inc. We look forward to seeing you at the annual meeting.

Sincerely,

/s/ James M. Weaver

JAMES M. WEAVER
CHAIRMAN OF THE BOARD

INTERLEUKIN GENETICS, INC.

135 BEAVER STREET

WALTHAM, MA 02452

NOTICE OF 2015 ANNUAL MEETING OF STOCKHOLDERS

TIME: 10:00 a.m.
DATE: July 21, 2015
PLACE: Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
One Financial Center, Boston, Massachusetts 02111

PURPOSES:

1. To elect Lionel Carnot, Roger C. Colman and James M. Weaver as Class III directors for a three-year term expiring at our 2018 annual meeting.

2. To ratify the appointment of Grant Thornton LLP as our independent public accounting firm for the fiscal year ending December 31, 2015.

3. To consider an advisory vote on compensation of our named executive officers, as disclosed in this proxy statement.

4. To approve an amendment to our 2013 Employee, Director and Consultant Equity Incentive Plan to increase the number of shares of common stock available for issuance thereunder by 30,000,000 shares.

5. To approve an amendment to our Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 300,000,000 to 450,000,000 at any time prior to the earlier of (i) August 1, 2016 and (ii) the 2016 annual meeting of stockholders.

6. To approve an amendment to our Restated Certificate of Incorporation to effect a reverse stock split by combining outstanding shares of our common stock into a lesser number of outstanding shares by a ratio of not less than 1-for-5 and not more than 1-for-40 at any time prior to the earlier of (i) August 1, 2016 and (ii) the 2016 annual meeting of stockholders, with the exact ratio to be set within this range by our Board of Directors in its sole discretion.

7. To consider any other business that is properly presented at the meeting.

WHO MAY VOTE:

You may vote if you were the record owner of Interleukin Genetics, Inc. stock at the close of business on May 22, 2015. A list of stockholders of record will be available at the meeting and during the 10 days prior to the meeting, at the office of the Secretary, Interleukin Genetics, Inc., 135 Beaver Street, Waltham, Massachusetts 02452.

All stockholders are cordially invited to attend the annual meeting. **Whether you plan to attend the annual meeting or not, we urge you to vote and submit your proxy by the Internet, telephone or mail in order to ensure the presence of a quorum.** You may change or revoke your proxy at any time before it is voted at the meeting.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Kenneth S. Kornman

KENNETH S. KORNMAN
SECRETARY

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INTERLEUKIN GENETICS, INC.

135 BEAVER STREET

WALTHAM, MA 02452

(781) 398-0700

PROXY STATEMENT FOR THE INTERLEUKIN GENETICS, INC.

2015 ANNUAL MEETING OF STOCKHOLDERS

This proxy statement, along with the accompanying notice of 2015 annual meeting of stockholders, contains information about the 2015 annual meeting of stockholders of Interleukin Genetics, Inc., including any adjournments or postponements of the annual meeting. We are holding the annual meeting at 10:00 a.m. on Tuesday, July 21, 2015 at the offices of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., our legal counsel, located at One Financial Center, Boston, Massachusetts 02111. In this proxy statement, we refer to Interleukin Genetics, Inc. as "Interleukin," "the Company," "we" and "us."

This proxy statement relates to the solicitation of proxies by our Board of Directors for use at the annual meeting.

On or about June [___], 2015, we began sending the Important Notice Regarding the Availability of Proxy Materials (the "Notice") to all stockholders entitled to vote at the annual meeting.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING

This proxy statement and our 2015 annual report to stockholders are available for viewing, printing and downloading at *www.proxyvote.com.* To view these materials please have your 16-digit control number(s) available that appears on your Notice or proxy card. On this website, you can also elect to receive future distributions of our proxy statements and annual reports to stockholders by electronic delivery.

Additionally, you can find a copy of our Annual Report on Form 10-K, which includes our financial statements, for the fiscal year ended December 31, 2014 on the website of the Securities and Exchange Commission, or the SEC, at

www.sec.gov, or in the “Financial Reports” section of the “Investors” section of our website at *www.ilgenetics.com.* You may also obtain a printed copy of our Annual Report on Form 10-K, including our financial statements, free of charge, from us by sending a written request to: Treasurer, Interleukin Genetics, Inc., 135 Beaver Street, Waltham, Massachusetts 02452. Exhibits will be provided upon written request and payment of an appropriate processing fee.

GENERAL INFORMATION ABOUT THE ANNUAL MEETING

Why is the Company Soliciting My Proxy?

The Board of Directors of Interleukin is soliciting your proxy to vote at the 2015 annual meeting of stockholders and any adjournments of the meeting, which we refer to as the annual meeting. The proxy statement along with the accompanying Notice of Annual Meeting of Stockholders summarizes the purposes of the meeting and the information you need to know to vote at the Annual Meeting.

We have made available to you on the Internet or have sent you this proxy statement, the Notice of Annual Meeting of Stockholders, the proxy card and a copy of our 2014 annual report because you owned shares of our stock on the record date of May 22, 2015. On or about June [___], 2015, we commenced distribution of the Notice, and, if applicable, the proxy materials to stockholders.

Why Did I Receive a Notice in the Mail Regarding the Internet Availability of Proxy Materials Instead of a Full Set of Proxy Materials?

As permitted by the rules of the U.S. Securities and Exchange Commission, or the SEC, we may furnish our proxy materials to our stockholders by providing access to such documents on the Internet, rather than mailing printed copies of these materials to each stockholder. Most stockholders will not receive printed copies of the proxy materials unless they request them. We believe that this process should expedite stockholders’ receipt of proxy materials, lower the costs of the annual meeting and help to conserve natural resources. If you received a Notice by mail or electronically, you will not receive a printed or email copy of the proxy materials, unless you request one by following the instructions included in the Notice. Instead, the Notice instructs you as to how you may access and review all of the proxy materials and submit your proxy on the Internet. If you requested a paper copy of the proxy materials, you may authorize the voting of your shares by following the instructions on the proxy card, in addition to the other methods of voting described in this proxy statement.

Who Can Vote?

Only stockholders who owned our common stock at the close of business on May 22, 2015 are entitled to vote at the annual meeting. On this record date, there were 172,786,907 shares of our common stock outstanding.

You do not need to attend the annual meeting to vote your shares. Shares represented by valid proxies, received in time for the meeting and not revoked prior to the meeting, will be voted at the meeting. A stockholder may revoke a proxy before the proxy is voted by delivering to our Secretary a signed statement of revocation or a duly executed proxy card bearing a later date. Any stockholder who has executed a proxy card but attends the meeting in person may revoke the proxy and vote at the meeting.

How Many Votes Do I Have?

Each share of our common stock that you own entitles you to one vote.

How Do I Vote?

Whether you plan to attend the annual meeting or not, we urge you to vote by proxy. Voting by proxy will not affect your right to attend the annual meeting. If your shares are registered directly in your name through our stock transfer agent, Computershare Limited, or you have stock certificates, you may vote:

- **By Internet or by telephone.** Follow the instructions on the proxy card to vote by Internet or telephone.
- **By mail.** Complete and mail the enclosed proxy card in the enclosed postage prepaid envelope. Your proxy will be voted in accordance with your instructions. If you sign the proxy card but do not specify how you want your shares voted, they will be voted as recommended by our Board of Directors.
- **In person at the meeting.** If you attend the meeting, you may deliver your completed proxy card in person or you may vote by completing a ballot, which will be available at the meeting.

If your shares are held in "street name" (held in the name of a bank, broker or other nominee), you must provide the bank, broker or other nominee with instructions on how to vote your shares and can do so as follows:

- **By Internet or by telephone.** Follow the instructions you receive from your broker to vote by Internet or telephone.
- **By mail.** You will receive instructions from your broker or other nominee explaining how to vote your shares.
- **In person at the meeting.** Contact the broker or other nominee who holds your shares to obtain a broker's proxy card and bring it with you to the meeting. You will not be able to vote at the meeting unless you have a proxy card from your broker.

How Does the Board of Directors Recommend That I Vote on the Proposals?

The Board of Directors recommends that you vote as follows:

- "**FOR**" the election of Lionel Carnot, Roger C. Colman and James M. Weaver as Class III directors for a three-year term expiring at our 2018 annual meeting;
- "**FOR**" the ratification of the appointment of Grant Thornton LLP as our independent public accounting firm for the fiscal year ending December 31, 2015;

- "**FOR**" the compensation of our named executive officers, as disclosed in this proxy statement;
- "**FOR**" approval of a proposed amendment to our 2013 Employee, Director and Consultant Equity Incentive Plan (the "2013 Plan") to increase the number of shares of common stock available for issuance thereunder by 30,000,000 shares;
- "**FOR**" approval of an amendment to our Restated Certificate of Incorporation (the "Charter"), to increase the number of authorized shares of common stock from 300,000,000 to 450,000,000 at any time prior to the earlier of (i) August 1, 2016 and (ii) the 2016 annual meeting of stockholders; and
- "**FOR**" approval of an amendment to our Charter to effect a reverse stock split by combining outstanding shares of our common stock into a lesser number of outstanding shares by a ratio of not less than 1-for-5 and not more than 1-for-40 at any time prior to the earlier of (i) August 1, 2016 and (ii) the 2016 annual meeting of stockholders, with the exact ratio to be set within this range by our Board of Directors in its sole discretion (the "reverse stock split").

If any other matter is presented at the annual meeting, the proxy card provides that your shares will be voted by the proxy holder listed on the proxy card in accordance with his or her best judgment. At the time this proxy statement was printed, we knew of no matters being presented at the annual meeting, other than those discussed in this proxy statement.

May I Change or Revoke My Proxy?

If you give us your proxy, you may change or revoke it at any time before it is exercised. You may change or revoke your proxy in any one of the following ways:

- by signing a new proxy card with a later date and submitting it as instructed above;
- by re-voting by Internet or by telephone as instructed above (only your latest Internet or telephone vote will be counted);
- by notifying our Secretary in writing before the annual meeting that you have revoked your proxy; or
- by attending the meeting in person and voting in person.

Attending the meeting in person will not in and of itself revoke a previously submitted proxy unless you specifically request it.

What if I Receive More Than One Proxy Card?

You may receive more than one proxy card or voting instruction form if you hold shares of our common stock in more than one account, which may be in registered form or held in street name. Please vote in the manner described under "How Do I Vote?" for each account to ensure that all of your shares are voted.

Will My Shares be Voted if I Do Not Return My Proxy Card?

If your shares are registered in your name, they will not be voted if you do not return your proxy card by mail or vote at the meeting as described above under "How Do I Vote?" If your shares are held in street name and you do not provide voting instructions to the bank, broker or other holder of record that holds your shares as described above under "How Do I Vote?," the bank, broker or other holder of record has the authority to vote your unvoted shares only on (1) the ratification of our independent public accounting firm (Proposal 2), (2) the approval of the amendment to our Charter to increase the number of authorized shares of common stock from 300,000,000 to 450,000,000 (Proposal 5), and (3) the approval of the amendment to our Charter to effect the reverse stock split (Proposal 6), even if it does not receive instructions from you, but does not have such discretionary authority on any other proposal. We encourage you to provide voting instructions. This ensures your shares will be voted at the meeting in the manner you desire. If your broker cannot vote your shares on a particular matter because it has not received instructions from you and does not have discretionary voting authority on that matter or because your broker chooses not to vote on a matter for which it does have discretionary voting authority, this is referred to as a "broker non-vote."

What Vote is Required to Approve the Proposals and How are Votes Counted?

Proposal 1: Elect Lionel Carnot, Roger C. Colman and James M. Weaver as Class III Directors	The three nominees for director who receive the most votes (also known as a "plurality" of the votes) will be elected. You may vote either FOR Mr. Carnot, Mr. Colman and Mr. Weaver or WITHHOLD your vote from all three nominees or any one nominee. Votes that are withheld will not be included in the vote tally. Banks and brokerage firms do not have authority to vote customers' unvoted shares held by the firms in street name for the election of directors. As a result, any shares not voted by a customer will be treated as a broker non-vote. Such broker non-votes will have no effect on the results of this vote.
Proposal 2: Ratification of Appointment of Our Independent Public Accountant	The affirmative vote of a majority of the votes present in person or represented by proxy and entitled to vote at the annual meeting is required to ratify the appointment of Grant Thornton LLP as our independent public accounting firm. Abstentions will be treated as votes against this proposal. Banks and brokerage firms have authority to vote customers' unvoted shares held by the firms in street name on this proposal. If a broker does not exercise this authority, such broker non-votes will have no effect on the results of this vote. We are not required to obtain the approval of our stockholders to select our independent accountants. However, if our stockholders do not ratify the appointment of Grant Thornton LLP as our independent accountants for 2015, our Audit Committee of the Board of Directors will reconsider its selection.
Proposal 3: An Advisory Vote on Compensation of Our Named Executive Officers	The affirmative vote of a majority of the votes present in person or represented by proxy and entitled to vote at the annual meeting is required to approve, on an advisory basis, the compensation of our named executive officers, as described in this proxy statement. Abstentions will be treated as votes against this proposal. Brokerage firms do not have authority to vote customers' unvoted shares held by the firms in street name on this proposal. As a result, any shares not voted by a customer will be treated as a broker non-vote. Such broker non-votes will have no effect on the results of this vote. Although the advisory vote is non-binding, the Compensation Committee and the Board of Directors will review the voting results and take them into consideration when making future decisions regarding executive compensation.
Proposal 4: Approval of Amendment to the 2013 Plan	The affirmative vote of a majority of the votes present in person or represented by proxy and entitled to vote at the annual meeting is required to approve the amendment to the 2013 Plan. Abstentions will be treated as votes against this proposal. Banks and brokerage firms do not have authority to vote customers' unvoted shares held by the firms in street name for this proposal. As a result, any shares not voted by a customer will be treated as a broker non-vote. Such broker non-votes will have no effect on the results of this vote.
Proposal 5: Approval of the Amendment to Our Charter to Increase the	The affirmative vote of a majority of our outstanding common stock is required to approve this amendment to our Charter. Banks and brokerage firms have authority to vote customers' unvoted shares held by the firms in street name on this proposal. If a broker

Number of Authorized Shares of Our Common Stock	does not exercise this authority, such broker non-votes will have the same effect as a vote against this proposal. Abstentions will have the same effect as a vote against this proposal.
Proposal 6: Approval of the Amendment to Our Charter to Effect the Reverse Stock Split	The affirmative vote of a majority of our outstanding common stock is required to approve the amendment to our Charter to effect the reverse stock split. Banks and brokerage firms have authority to vote customers' unvoted shares held by the firms in street name on this proposal. If a broker does not exercise this authority, such broker non-votes will have the same effect as a vote against this proposal. Abstentions will have the same effect as a vote against this proposal.

Is Voting Confidential?

We will keep all the proxies, ballots and voting tabulations private. We will only let our Inspector of Elections, Computershare Limited, examine these documents. We will not disclose your vote to management unless it is necessary to meet legal requirements. We will, however, forward to management any written comments you make, on the proxy card or elsewhere.

Where Can I Find the Voting Results of the Annual Meeting?

The preliminary voting results will be announced at the Annual Meeting, and we will publish preliminary, or final results if available, in a Current Report on Form 8-K within four business days of the Annual Meeting. If final results are unavailable at the time we file the Form 8-K, then we will file an amended report on Form 8-K to disclose the final voting results within four business days after the final voting results are known.

What Are the Costs of Soliciting these Proxies?

We will pay all of the costs of soliciting these proxies. We plan to retain Broadridge Financial Services, Inc. to assist in the distribution of proxies and accompanying materials to brokerage houses and institutions for an estimated fee of $15,000 plus expenses. In addition, our directors and employees may solicit proxies in person or by telephone, fax or email. We will pay these employees and directors no additional compensation for these services. We will ask banks, brokers and other institutions, nominees and fiduciaries to forward these proxy materials to their principals and to obtain authority to execute proxies. We will then reimburse them for their expenses.

What Constitutes a Quorum for the Meeting?

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of our stock having voting power constitutes a quorum for this meeting. Votes of stockholders of record who are present at the meeting in person or by proxy, abstentions, and broker non-votes are counted for purposes of determining whether a quorum exists.

Attending the Annual Meeting

The annual meeting will be held at 10:00 a.m. on Tuesday, July 21, 2015 at the offices of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., our legal counsel, located at One Financial Center, Boston, Massachusetts 02111. When you arrive at the meeting, signs will direct you to the appropriate meeting room. You need not attend the annual meeting in order to vote. Instead, you may vote your shares by marking, signing, dating and returning the enclosed proxy card.

Householding of Annual Disclosure Documents

In December 2000, the Securities and Exchange Commission adopted a rule concerning the delivery of annual disclosure documents. The rule allows us or your broker to send a single set of our annual report and proxy statement to any household at which two or more of our stockholders reside, if we or your broker believe that the stockholders are members of the same family. The rule applies to our annual reports, proxy statements and information statements. We do not engage in this practice, referred to as “householding”, however your broker or other nominee may. Once you receive notice from your broker that communications to your address will be “householded”, the practice will continue until you are otherwise notified or until you revoke your consent to the practice. Each stockholder will continue to receive a separate proxy card or voting instruction card.

If your household received a single set of disclosure documents this year, but you would prefer to receive your own copy, please contact our transfer agent, Computershare Trust Company, N.A., by calling them at 1-866-540-7095.

If you do not wish to participate in “householding” and would like to receive your own set of our annual disclosure documents in future years, follow the instructions described above. Conversely, if you share an address with another one of our shareholders and together both of you would like to receive only a single set of our annual disclosure documents, follow the instructions below:

- If your shares of our common stock are registered in your own name, please contact our transfer agent, and inform them of your request by calling them at 1-866-540-7095 or writing them at 250 Royall Street, Canton, MA. 02021.
- If a broker or other nominee holds your shares, please contact the broker or other nominee directly and inform them of your request. Be sure to include your name, the name of your brokerage firm and your account number.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of May 1, 2015 for (a) the executive officers named in the Summary Compensation Table of this proxy statement, (b) each of our directors and director nominees, (c) all of our current directors and executive officers as a group, and (d) each stockholder known to us to beneficially own more than five percent of our common stock. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. We deem shares that may be acquired by an individual or group within 60 days following May 1, 2015 pursuant to the exercise of options or warrants to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table. Except as otherwise indicated, we believe that the stockholders named in the table have sole voting and investment power with respect to all shares shown to be beneficially owned by them based on information provided to us by these stockholders. Percentage ownership is based on a total of 172,786,907 shares of our common stock issued and outstanding on May 1, 2015.

Name and Address of Beneficial Owner(1)	**Amount and Nature of Beneficial Ownership**	**Percent**	
Five Percent Stockholders			
Pyxis Innovations Inc. (2) 7575 Fulton Street, East Ada, MI 49355	37,565,478	21.7	%
Bay City Capital LLC (3) 750 Battery Street Suite 400 San Francisco, CA 94111	88,985,189	41.4	%
Growth Equity Opportunities Fund III LLC (4) 1954 Greenspring Drive Suite 600 Timonium, MD 21093	66,738,894	32.7	%
Delta Dental of Michigan, Inc. (5) 4100 Okemos Road Okemos, MI 48864	10,928,961	6.3	%
Merlin Nexus IV LP (6) 424 West 33rd Street Suite 330 New York, NY 10001	9,000,322	5.1	%
Directors and Executive Officers			
Mark B. Carbeau	—	—	
Kenneth S. Kornman, DDS, Ph.D. (7)	2,754,048	1.6	%
Eliot M. Lurier	—	—	
Scott Snyder (8)	518,374	*	
Stephen DiPalma (9)	498,504	*	
Lionel Carnot (10)	88,985,189	41.4	%
Roger C. Colman (11)	—	—	
Joseph M. Landstra (11)	—	—	
William C. Mills, III (12)	64,407	*	

Dayton Misfeldt (10)	88,985,189	41.4	%
James M. Weaver (13)	51,720	*	
All current executive officers and directors as a Group (10 persons) (14)	92,872,242	43.7	%

* Represents less than 1% of the issued and outstanding shares.

(1) Unless otherwise indicated, the address for each person is our address at 135 Beaver Street, Waltham, MA 02452.

(2) Based on a Schedule 13D/A filed on January 7, 2015 with the SEC by Pyxis Innovations Inc. (“Pyxis”) and affiliated entities. Pyxis is a wholly-owned subsidiary of Alticor Inc. Alticor Inc. is a wholly-owned subsidiary of Solstice Holdings Inc. Solstice Holdings Inc. is a wholly-owned subsidiary of Alticor Global Holdings Inc. Pyxis reports sole voting and dispositive power over the shares, however, Alticor Inc., Solstice Holdings Inc., and Alticor Global Holdings Inc. have the power to direct the voting and disposition of these securities held by Pyxis by virtue of their direct or indirect control of Pyxis.

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(3) Based on a Schedule 13D/A filed on January 6, 2015 with the SEC by Bay City Capital LLC ("BCC") and affiliated entities. BCC is the manager of Bay City Capital Management V LLC ("Management V"), which is the general partner of Bay City Capital Fund V, L.P ("Fund V"), and Bay City Capital Fund V Co-Investment Fund, L.P. ("Co-Investment V"). BCC is also an advisor to Fund V and Co-Investment V. The shares consist of (i) 46,184,016 shares of common stock and 41,137,150 shares of common stock issuable upon the exercise of warrants held by Fund V, and (ii) 880,099 shares of common stock and 783,924 shares of common stock issuable upon the exercise of warrants held by Co-Investment V.

(4) Based on a Schedule 13D/A filed on January 2, 2015 with the SEC by Growth Equity Opportunities Fund III, LLC ("GEOF") and affiliates. The shares consist of 35,298,087 shares of common stock and 31,440,807 shares of common stock issuable upon the exercise of warrants held by GEOF.

(5) Based on a Schedule 13D/A filed on January 16, 2015 with the SEC by Delta Dental Plan of Michigan, Inc. ("DDMI").

(6) Based on a Schedule 13G/A filed on February 17, 2015 with the SEC by Merlin BioMed Private Equity Advisors, LLC. The shares consist of 5,143,041 shares of common stock and 3,857,281 shares of common stock issuable upon the exercise of warrants held by Merlin Nexus IV, LP ("Merlin Nexus").

(7) Consists of (i) 254,490 shares of common stock held by Dr. Kornman, (ii) 898,723 shares of common stock held by a limited partnership of which Dr. Kornman is a general partner and (iii) 1,600,835 shares of common stock issuable upon the exercise of options that are currently exercisable or become exercisable within 60 days of May 1, 2015. Dr. Kornman disclaims beneficial ownership of the shares held by the limited partnership, except to the extent of his pecuniary interest therein.

(8) Consists of (i) 38,307 shares of common stock held by Mr. Snyder and (ii) 480,067 shares of common stock issuable upon the exercise of options that are currently exercisable or become exercisable within 60 days of May 1, 2015.

(9) Consists of (i) 249,252 shares of common stock held by Mr. DiPalma and (ii) 249,252 shares of common stock issuable upon the exercise of warrants.

(10) Appointed to the Board of Directors as a designee of BCC pursuant to the terms of the 2014 Purchase Agreement. Includes the shares of our common stock and shares of common stock issuable upon the exercise of warrants outstanding detailed in Note (3) above held by the entities affiliated with BCC. The voting and dispositive decisions with respect to the shares held by Fund V and Co-Investment V are made by the members of the investment committee of its general partner, Management V. Messrs. Carnot and Misfeldt serve on this investment committee. Each disclaims beneficial ownership of such shares, except to the extent of his actual pecuniary interest therein.

(11) Appointed to the Board of Directors as a designee of Pyxis pursuant to the terms of the 2014 Purchase Agreement. We have been advised that this director does not, directly or indirectly, have voting or dispositive power over the shares of stock held by Pyxis.

(12) Consists of 64,407 shares of common stock issuable upon the exercise of options that are currently exercisable or become exercisable within 60 days of May 1, 2015.

(13) Consists of 51,720 shares of common stock issuable upon the exercise of options that are currently exercisable or become exercisable within 60 days of May 1, 2015.

(14) See Notes 7 through 13 above.

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MANAGEMENT AND CORPORATE GOVERNANCE

The Board of Directors and Management

We are managed under the direction of our Board of Directors. Pursuant to the terms of the Securities Purchase Agreement we entered into on December 23, 2014 with various accredited investors, as amended on April 6, 2015 (the "2014 Purchase Agreement"), the number of persons which constitutes the entire Board is set at eight (8), and is composed of the following:

(i) two (2) Class I directors with terms ending at the 2016 annual meeting of stockholders, consisting of one independent director (currently William C. Mills III) and one director designated by Pyxis Innovations Inc. ("Pyxis") (currently Joseph M. Landstra);

(ii) three (3) Class II directors with terms ending at the 2017 annual meeting of stockholders, consisting of the Company's Chief Executive Officer (currently Mark B. Carbeau), Kenneth S. Kornman, Ph.D., the Company's founder and Chief Scientific Officer (for so long as Dr. Kornman remains employed by the Company), and one director designated by Bay City Capital Fund V, L.P. ("Bay City") (currently Dayton Misfeldt); and

(iii) three (3) Class III directors with terms ending at the 2015 annual meeting of stockholders, consisting of one director designated by Pyxis (currently Roger C. Colman), one independent director (currently James Weaver), and one director designated by Bay City (currently Lionel Carnot).

The 2014 Purchase Agreement also provides that a board member designated by Pyxis shall serve on the Audit Committee and a board member designated by Bay City shall serve on each of the Audit Committee, the Compensation Committee and the Nominating Committee. Currently, Joseph Landstra serves as the Pyxis designee on the Audit Committee, Lionel Carnot serves as the Bay City designee on the Audit and Nominating Committees and Dayton Misfeldt serves as the Bay City designee on the Compensation Committee.

Set forth below are the names of our directors and our executive officers, their ages, their position in the company, their principal occupations or employment for at least the past five years, the length of their tenure as directors and, for our directors, the names of other public companies in which they hold or have held directorships during the past five years.

Name	Age	Position with the Company

Mark B. Carbeau.	54	Chief Executive Officer and Director
Kenneth S. Kornman, DDS, Ph.D.	68	President and Chief Scientific Officer and Director
Stephen DiPalma	56	Interim Chief Financial Officer
Scott Snyder	54	Chief Marketing Officer
James M. Weaver	50	Director and Chairman of the Board
Lionel Carnot(1)(2)	47	Director
Roger C. Colman (2)(3)	60	Director
Joseph M. Landstra (1)	37	Director
William C Mills III (1)(3)	59	Director
Dayton Misfeldt(3)	41	Director

(1) Member of our Audit Committee
(2) Member of our Nominating Committee
(3) Member of our Compensation Committee

MARK B. CARBEAU has been our Chief Executive Officer and has served as a member of our Board of Directors since April 6, 2015. Prior to joining Interleukin, from December 2013 to March 2015, Mr. Carbeau was CEO of Diagnostyx, a technology-based healthcare company focused on intelligent drug infusion systems that he co-founded. Prior to Diagnostyx, from January 2010 to June 2013, Mr. Carbeau served as CEO of PolyRemedy®, a technology enabled services business that combines health information technology with personalized therapeutics to improve wound healing outcomes. From January 2008 to October 2009, Mr. Carbeau was the President and CEO of HyperMed, Inc., a commercial stage medical device and diagnostics company using novel hyperspectral imaging technology. Prior to HyperMed, Mr. Carbeau served as President USA of Kinetic Concepts, Inc. Prior to that, Mr. Carbeau served as Vice President, Corporate Development at OraPharma, Inc., during its commercial launch of a periodontal therapeutic, a successful IPO, and the eventual sale of the company to Johnson & Johnson. Mr. Carbeau also founded CM Partners, a strategic life science consulting firm, and was a member of The Boston Consulting Group. Mr. Carbeau began his career serving in various sales, marketing and manufacturing roles with Eli Lilly and Company. He holds a B.S. in Industrial Engineering from Pennsylvania State University and an M.B.A. from the Wharton School of the University of Pennsylvania. Our Board of Directors has concluded that Mr. Carbeau’s role as Chief Executive Officer as well as his extensive experience across a range of senior management positions with life science companies make him uniquely suited to serve on the Board. Mr. Carbeau has not served on any other public company boards in the past five years.

KENNETH S. KORNMAN, DDS, Ph.D. is Interleukin's co-founder and serves as our President and Chief Scientific Officer. Dr. Kornman also served as our Chief Executive Officer from August 2012 through April 2015. He has also been a member of our Board of Directors since August 2012 and served as a director from August 2006 through April 2010. Prior to founding the Company in 1986, Dr. Kornman was a Department Chairman and Professor at The University of Texas Health Center at San Antonio. He has also been a consultant and scientific advisor for many major oral care and pharmaceutical companies. Dr. Kornman currently holds an academic appointment at Harvard University. He holds multiple patents in the pharmaceutical area, has published three books and more than 125 scientific papers and has lectured and consulted worldwide on the transfer of technology to clinical practice. Dr. Kornman also holds an MS (Periodontics) and Ph.D. (Microbiology-Immunology) from the University of Michigan. Our Board of Directors has concluded that Dr. Kornman should serve as a director because of his prior executive management experience, his scientific expertise and his knowledge of the dental and biotechnology industries. Dr. Kornman has not served on any other public company boards in the past five years.

STEPHEN DIPALMA has been our Interim Chief Financial Officer since September, 2014. Mr. DiPalma is Managing Director at Danforth Advisors, LLC, where he has served since April 2014. He brings more than 25 years of experience in life sciences and healthcare, including founding two start-ups, working with venture-backed companies, subsidiaries of Fortune 100 firms and publicly traded companies, and his work with Danforth Advisors clients. Previously, he served as the CFO of two public companies, and as CFO, COO, CEO or Director of eight privately held companies, in addition to his consulting clients. Mr. DiPalma participated in the successful reorganization of Cambridge Biotech from Chapter 11 bankruptcy protection into Aquila BioPharmaceuticals, led the effort to take RXi Pharmaceuticals public, and has extensive experience in international fund raising and corporate structuring. He was formerly Chairman of the Board of Cognoptix Inc., and is on the Board of Directors of Phytera, Inc. Mr. DiPalma received his M.B.A. from Babson College and his B.S. from the University of Massachusetts-Lowell.

SCOTT SNYDER joined Interleukin Genetics, Inc. as Chief Marketing Officer in January 2013. Mr. Snyder brings nearly 25 years of marketing and operational management experience in life sciences and consumer healthcare. Most recently, from 2009 to 2012, Mr. Snyder served as Vice President and General Manager at Bausch & Lomb, where he guided the private, equity-led turnaround of the company's flagship contact lens care business. Previously, he spent 20 years at Johnson & Johnson (J&J) in a career spanning all of J&J's business sectors including pharmaceuticals, medical devices and consumer products. While at J&J, Mr. Snyder helped lead the post-acquisition integration of dental products company Orapharma, Inc. and reshaped the company's commercial model. Early in his career at J&J, Mr. Snyder was selected for an expatriate assignment in Europe and has held multiple global roles throughout his career. He served as a U.S. Navy Officer, holds a B.S. Degree in Communications from Northwestern University, and received an MBA from the Kellogg School of Management.

JAMES M. WEAVER initially joined the Board of Directors in July 2007 as a designee of Pyxis. He served as Chairman of our Board from September 2007 until March 11, 2014, when he announced that he was resigning as a director due to his resignation from Alticor Corporate Enterprises (an affiliate of Pyxis) to pursue other interests. On March 31, 2014, Mr. Weaver was re-elected as an independent director and was also re-appointed as Chairman of the Board. He is the former Vice President of Alticor Corporate Enterprises, a member of the Alticor Inc. family of companies, which is engaged in the principal business of offering products, business opportunities, and manufacturing

and logistics services in more than 80 countries and territories worldwide. In this role, Mr. Weaver was responsible for managing the current portfolio of Alticor's companies and directs its acquisition and growth. Prior to joining Alticor in June 2007, Mr. Weaver worked for X-Rite Inc. where he held various leadership positions, including Senior Vice President and General Manager, Vice President of marketing and software development, Vice President of marketing and product development, as well as lead executive on several acquisitions. Mr. Weaver also founded and held the position of President and Chief Executive Officer of Bold Furniture Inc, and has held various leadership positions at Steelcase Inc. and Bissell Inc. Mr. Weaver received a Bachelor's degree in general studies from the University of Michigan in Ann Arbor and serves on several non-profit and private company boards. Our Board of Directors has concluded that Mr. Weaver should serve as a director because of his prior senior management experience and judgment and his extensive sales and marketing experience in the consumer product industry. Mr. Weaver has not served on any other public company boards in the past five years.

LIONEL CARNOT joined the Board of Directors in May 2013. Mr. Carnot is Managing Director at Bay City Capital LLC, a leading, global life sciences investment firm, and has been extensively involved in the firm's activities since he joined The Pritzker Organization in 2000. Prior to The Pritzker Organization, Mr. Carnot was a Principal at Oracle Partners, a healthcare hedge fund. He also held several positions in the pharmaceutical industry, including Product Manager for Prozac at Eli Lilly as well as several sales and marketing positions at Rhone-Poulenc Rohrer (now Sanofi). Mr. Carnot was also a strategy and management consultant to the biopharmaceutical industry while at Booz Allen & Hamilton and Accenture Strategic Services. Mr. Carnot is a member of the Board of Directors of Merus B.V., Madrigal Pharmaceuticals and Tallikut Pharmaceuticals, and is a former member of the board of Reliant Pharmaceuticals, Pathway Diagnostics, BioSeek and Nexus Dx. Mr. Carnot holds an MBA with Distinction from INSEAD and an MS with honors in Molecular Biology from the University of Geneva. Our Board of Directors has concluded that Mr. Carnot should serve as a director because of his prior management, consulting and board experience in the biotechnology and diagnostic industries, coupled with scientific, technical, sales and marketing, finance, and business development expertise. Mr. Carnot has not served on any other public company boards in the past five years.

ROGER C. COLMAN joined the Board of Directors in March 2011. Mr. Colman is Vice President of Corporate Development for Alticor Corporate Enterprises a member of the Alticor family of companies. He joined Alticor in 1994 from Readi-Bake, Inc., where he held positions as an operations and distribution executive. Mr. Colman earned a Bachelor of Science degree and a Master’s of Business Administration degree from Grand Valley State University in Allendale, Michigan. Our Board of Directors has concluded that Mr. Colman should serve as a director because of his prior executive management experience, including assisting Amway affiliate operations in over 30 countries in diverse roles which included business process improvement and strategic planning, and prior experience serving on corporate boards. Mr. Colman has not served on any other public company boards in the past five years.

JOSEPH M. LANDSTRA joined the Board of Directors on March 31, 2014. Mr. Landstra has been with Alticor Inc., a member of the Alticor family of companies, since May 2009, and is currently Director of Finance and Assistant Treasurer. Prior to his role with Alticor, Mr. Landstra was Controller for Dickinson Press Inc. from April 2008 to May 2009 and with X-Rite Inc. from 2003 to April 2008, completing his time with X-Rite as European Controller. Mr. Landstra also worked for Deloitte & Touche LLP supporting a broad range of audit clients. Mr. Landstra is Certified Public Accountant in the state of Michigan. Mr. Landstra also serves on the Board of Directors for Metagenics, Inc. which is in the Alticor family of companies. Mr. Landstra earned a Bachelor of Science degree in Accountancy from Calvin College in Grand Rapids, Michigan. The Board of Directors has concluded that Mr. Landstra should serve as a director because of his prior senior executive management experience, his background in the nutrigenomic medical foods and nutraceuticals business through his current position at Alticor, and his broad-based financial and business expertise. Mr. Landstra has not served on any other public company boards in the past five years.

WILLIAM C. MILLS III joined the Board of Directors in April 2010. He currently serves as Chairman of the Board of Directors and CEO of Stereotaxis, Inc. (NASDAQ: STXS), a medical device company that markets robotic cardiology instrument navigation systems designed to enhance the treatment of arrhythmias and coronary disease. He has over 33 years of venture capital experience, having held positions from 2004 until 2009 as a managing member of EGS Healthcare Capital Partners; from 1999-2004 as a Partner in the Boston office of Advent International; from 1988-1999 as a General Partner of The Venture Capital Fund of New England; and from 1981-1988 as a Managing

General Partner of Ampersand Ventures/PaineWebber Ventures. Currently, he is Chairman of the Board of Managers of Ascension Health Ventures III, LLC. Mr. Mills received his A.B. in Chemistry, cum laude, from Princeton University, his S.M. in Chemistry from the Massachusetts Institute of Technology and his M.S. in Management from MIT's Sloan School of Management. Except as noted above, Mr. Mills has not served on any other public company boards in the past five years.

DAYTON MISFELDT joined the Board of Directors in May 2013. Mr. Misfeldt is a Managing Director at Bay City Capital LLC, a leading, global life sciences investment firm, and focuses on biopharmaceutical investment opportunities. Prior to joining Bay City Capital in May 2000, Mr. Misfeldt was a Vice President at Roth Capital Partners where he worked as a sell-side analyst covering the biopharmaceutical industry. Mr. Misfeldt has also worked as a Project Manager at LifeScience Economics. Mr. Misfeldt received a B.A. in Economics from the University of California, San Diego. Mr. Misfeldt currently serves on the Board of Directors of Sunesis Pharmaceuticals, Inc, a publicly traded biopharmaceutical company and several private company boards. Our Board of Directors has concluded that Mr. Misfeldt should serve as a director because he has financial expertise and strong understanding of the biotechnology industry, which the Board believes makes him an important resource for the Board as it assesses both financial and strategic decisions. Except as noted above, Mr. Misfeldt has not served on any other public company boards in the past five years.

Director Independence

Our Board of Directors has determined that the following members qualify as independent directors under the definition promulgated by The NASDAQ Stock Market LLC ("NASDAQ"): Lionel Carnot, Roger C. Colman, Joseph M. Landstra, William C. Mills III, Dayton Misfeldt and James Weaver.

Committees of the Board of Directors and Meetings

Committees. Our Board of Directors has established three standing committees, Audit, Compensation and Nominating, each as described below.

Meeting Attendance. During the fiscal year ended December 31, 2014, the Board of Directors met 12 times and acted by unanimous written consent on two occasions. Each of our incumbent Directors attended at least 75% of the aggregate of the meetings of the Board of Directors and committees of which they are a member. The Board of Directors has adopted a policy under which each member is encouraged to make every reasonable effort to attend each annual meeting of our stockholders. Six of our seven directors attended our 2014 annual meeting of stockholders.

Audit Committee and Financial Experts

Our Audit Committee currently consists of William C. Mills III (Chair), Lionel Carnot and Joseph Landstra. Our Audit Committee met six times during the fiscal year ended December 31, 2014. Our Audit Committee is responsible for retaining and overseeing our independent accountants, approving the services performed by them and reviewing our annual financial statements, accounting policies and our system of internal controls. All members of the Audit Committee satisfy the current independence standards promulgated by the Securities and Exchange Commission and NASDAQ, as such standards apply specifically to members of audit committees. The Board of Directors has determined that Mr. Mills is an "audit committee financial expert" as the Securities and Exchange Commission has defined that term in Item 407 of Regulation S-K. A copy of the Audit Committee's written charter is publicly available on our website at *www.ilgenetics.com.*

Compensation Committee

Our Compensation Committee currently consists of Dayton Misfeldt (Chair), Roger C. Colman and William C. Mills III. Our Compensation Committee acted by unanimous written consent on two occasions during the fiscal year ended December 31, 2014. Our Compensation Committee reviews our compensation philosophy and programs, exercises authority with respect to the payment of salaries and incentive compensation to our directors and officers and makes recommendations to the Board of Directors regarding stock option grants and stock awards under our stock plans. The Compensation Committee is responsible for the determination of the compensation of our Chief Executive Officer, and conducts its decision making process with respect to that issue without the Chief Executive Officer present. All members of the Compensation Committee qualify as independent under the definitions promulgated by NASDAQ. A copy of the Compensation Committee's written charter is publicly available on our website at *www.ilgenetics.com*.

Nominating Committee

Our Nominating Committee currently consists of Roger C. Colman (Chair) and Lionel Carnot. Our Nominating Committee met one time and acted by unanimous written consent on one occasion during the fiscal year ended December 31, 2014. All members of the Nominating Committee qualify as independent under the definition promulgated by the NASDAQ. This committee's role is to make recommendations to the Board of Directors as to the size and composition of the Board of Directors and to make recommendations as to the particular nominees. The Nominating Committee may consider candidates recommended by stockholders, as well as from other sources, such as other directors, or officers, third party search firms or other appropriate sources. For all potential candidates, the Nominating Committee may consider all factors it deems relevant, such as a candidate's personal integrity and sound judgment, business and professional skills and experience, independence, knowledge of the industry in which we operate, possible conflicts of interest, the extent to which the candidate would fill a present need on the Board of Directors, and concern for the long-term interests of the stockholders. The Nominating Committee also considers issues of diversity among its members in identifying and considering nominees and strives, if appropriate, to achieve a diverse balance of backgrounds, perspectives and experience. In general, persons recommended by stockholders will be considered on the same basis as candidates from other sources. If a stockholder wishes to nominate a candidate to be considered for election as a director at an Annual Meeting of Stockholders using the procedures set forth in the Company's By-laws, it must follow the procedures described in "Stockholder Proposals and Nominations For Director" of this proxy statement. If a stockholder wishes simply to propose a candidate for consideration as a nominee by the Nominating Committee, it should submit any pertinent information regarding the candidate to the Chairman of the Nominating Committee by mail at Secretary, Interleukin Genetics, Inc., 135 Beaver Street, Waltham, Massachusetts 02452. A copy of the Nominating Committee's written charter is publicly available on our website at *www.ilgenetics.com*.

Board Leadership Structure and Role in Risk Oversight

Our Board of Directors currently consists of eight directors, each of whom, other than Dr. Kornman and Mr. Carbeau, is independent under NASDAQ's independence standards. Mr. Carbeau has served as our CEO and a member of our Board since April 2015. Prior to that, Dr. Kornman served as our CEO from August 2012 to April 2015. The Chairman of our Board of Directors is currently Mr. Weaver. The Board has determined that separating the positions of Chief Executive Officer and Chairman of the Board, and having an independent director serve as Chairman of the Board, is in the best interest of shareholders at this time in recognition of the differences between the two roles. Under this structure, the Chief Executive Officer is responsible for setting the strategic direction for the company and for providing the day-to-day leadership over our operations, while the Chairman of the Board provides guidance to the Chief Executive Officer, sets the agenda for Board meetings and presides over meetings of the full Board. In addition, the Chairman approves Board meeting agendas and schedules and generally approves information sent to the Board. This structure ensures a greater role for the independent directors in the oversight of the company and active participation of the independent directors in setting agendas and establishing priorities and procedures for the work of the Board. In addition, our independent directors meet in executive sessions after every scheduled Board meeting.

Generally, management is responsible for managing the risks that we face. The Board of Directors is responsible for overseeing management's approach to risk management that is designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance stockholder value. The involvement of the full Board of Directors in reviewing our strategic objectives and plans is a key part of the Board's assessment of management's approach and tolerance to risk. A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for us. In setting our business strategy, our Board of Directors assesses the various risks being mitigated by management and determines what constitutes an appropriate level of risk for us. While the Board of Directors has ultimate oversight responsibility for overseeing management's risk management process, various committees of the Board of Directors assist it in fulfilling that responsibility. The Audit Committee assists the Board in its oversight of risk management in the areas of financial reporting, internal controls and compliance with certain legal and regulatory requirements and the Compensation Committee assists the board in its oversight of the evaluation and management of risks related to our compensation policies and practices.

Shareholder Communications to the Board

Generally, shareholders who have questions or concerns regarding Interleukin should contact Investor Relations at (781) 398-0700. However, any shareholders who wish to address questions regarding our business directly with the Board of Directors, or any individual director, should direct his or her questions in writing to the Chairman of the Board at Interleukin Genetics, Inc., 135 Beaver Street, Waltham, Massachusetts 02452. Communications will be distributed to the Board, or to any individual director or directors as appropriate, depending on the facts and circumstances outlined in the communications. Items that are unrelated to the duties and responsibilities of the Board may be excluded, such as:

- junk mail and mass mailings;
- resumes and other forms of job inquiries;
- surveys; and
- solicitations or advertisements.

In addition, any material that is unduly hostile, threatening, or illegal in nature may be excluded, provided that any communication that is filtered out will be made available to any outside director upon request.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth the total compensation awarded or paid to, accrued or earned during the fiscal years ended December 31, 2014 and 2013 by our former Chief Executive Officer (our current President and Chief Scientific Officer), our former Chief Financial Officer, our Chief Marketing Officer and our Interim Chief Financial Officer (there were no other executive officers employed by us as of December 31, 2014). We refer to these individuals as our “Named Executive Officers.” Our current Chief Executive Officer, Mark B. Carbeau, began on April 6, 2015.

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)(2)	Option Awards ($)(1)(2)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)(3)	Total ($)
Kenneth S. Kornman Former Chief Executive	2014	$360,000	$41,400	$ —	$527,800	$ —	$ —	$ 3,296	$932,496
Officer, Current President and Chief Scientific Officer	2013	$360,000	$—	$ —	$854,775	$ —	$ —	$ 3,296	$1,218,071
Eliot M. Lurier (4)	2014	$188,588	$—	$ —	$—	$ —	$ —	$ 17,694	$206,252
Former Chief Financial Officer	2013	$252,539	$—	$ —	$284,925	$ —	$ —	$ 1,500	$538,964
Scott Snyder	2014	$265,000	$25,758	$ —	$171,600	$ —	$ —	$ 43,828	$506,186
Chief Marketing Officer	2013	$257,865	$—	$ —	$314,433	$ —	$ —	$ 33,294	$605,592
Stephen DiPalma (5) Interim Chief Financial Officer	2014	$66,894	$—	$ —	$—	$ —	$ —	$ —	$66,894

(1) The assumptions used to determine the fair value of the stock awards and option grants for 2014 and 2013 are as follows:

	2014	2013

Risk-Free interest rate:	1.53	%	1.56	%
Expected life:	5.73 years		5.73 years	
Expected volatility:	144.74	%	144.35	%
Dividend yield:	0	%	0	%

Using these assumptions, the weighted average grant date fair value of options granted in 2014 and 2013 was $0.32 and $0.34, respectively.

(2) Amounts represent the grant date fair value of stock awards and option grants. The 2013 option award amount for Dr. Kornman consists of the grant date fair value of options for 2,250,000 shares granted in October 2013. The 2014 option award for Dr. Kornman consists of the grant date fair value of options for 2,030,000 shares granted in January 2015 as part of 2014 compensation. The 2013 option award amount for Mr. Lurier consists of the grant date fair value of options for 750,000 shares granted in October 2013. The 2013 option award amount for Mr. Snyder consists of the grant date fair value of options for 200,000 and 675,000 shares granted in January 2013 and October 2013, respectively. The 2014 option award for Mr. Snyder consists of the grant date fair value of options for 660,000 shares granted in January 2015 as part of 2014 compensation.

(3) Dr. Kornman received reimbursement of $3,296 for life insurance in 2013 and 2014. Mr. Lurier and Mr. Snyder each received a $1,500 401K company contribution in 2013. Mr. Snyder also received a $1,500 401K company contribution in 2014. Mr. Snyder received $31,794 and $42,328 in reimbursed travel per the terms of his employment agreement in 2013 and 2014, respectively. Mr. Lurier received $17,694 in accrued vacation pay upon his resignation on September 5, 2014.

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(4) Mr. Lurier resigned as our Chief Financial Officer in September 2014.

(5) Mr. DiPalma joined us as our Interim Chief Financial Officer in September 2014. Mr. DiPalma is Managing Director at Danforth Advisors, LLC, and we have entered into a consulting agreement with Danforth Advisors, LLC, pursuant to which Danforth provides us with finance, accounting and administrative functions, including interim chief financial officer services. We pay Danforth an agreed upon hourly rate for such services and reimburse Danforth for expenses. Mr. DiPalma is compensated by Danforth and not by Interleukin. The amounts set forth above represent the amounts we paid to Danforth under the terms of the consulting agreement for Mr. DiPalma's services.

Narrative Disclosure to Summary Compensation Table

The compensation paid to our named executive officers in 2014 and 2013 summarized in our Summary Compensation Table above is generally determined in accordance with employment agreements that we have entered into with each of our Named Executive Officers. The material terms of these agreements are discussed under the caption "Employment Agreements" below.

Outstanding Equity Awards at Fiscal Year-End

The following table shows stock option awards outstanding (vested and unvested) and unvested stock awards outstanding as of December 31, 2014, including both awards subject to performance conditions and non-performance-based awards, for each of the executive officers in the Summary Compensation Table.

	Option Awards					**Stock Awards**			
Name	**Number of Securities Underlying Unexercised Options Exercisable (#)**	**Number of Securities Underlying Unexercised Options Unexercisable (#)**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Options Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other**

								Not Vested (#)	Rights That Have Not Vested ($)
Kenneth S. Kornman	25,000	—	—	$ 1.40	4/2/2018	—	—	—	—
	75,000	—	—	$ 0.48	11/12/2018	—	—	—	—
	24,000	6,000	—	$ 0.745	4/06/2020	—	—	—	—
	75,000	25,000	—	$ 0.46	5/06/2021	—	—	—	—
	175,000	125,000	—	$ 0.34	12/21/2022	—	—	—	—
	703,125	1,546,875	—	$ 0.3799	10/22/2023	—	—	—	—
Eliot M. Lurier	—	—	—	—	—	—	—	—	—
Scott Snyder	50,000	150,000	—	$ 0.29	1/2/2023	—	—	—	—
	210,939	464,061	—	$ 0.3799	10/22/2023	—	—	—	—
Stephen DiPalma (1)	16,667	83,333	—	$ 0.25	9/8/2024	—	—	—	—

(1) Represents a warrant for 100,000 shares granted in September 2014 to Danforth Advisors, LLC. Mr. DiPalma disclaims beneficial ownership of the warrant and the shares of common stock issuable thereunder.

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Employment Agreements

Mark B. Carbeau

On April 6, 2015, we entered into an employment agreement with Mark B. Carbeau to serve as our Chief Executive Officer. Under this agreement, Mr. Carbeau will receive an initial annual base salary of $365,000 per year and is eligible to receive an annual bonus at a target amount of 35% of his base salary, with a stretch bonus opportunity of 150% of the target bonus. Under the terms of the Agreement, Mr. Carbeau has been granted options to purchase up to 14,245,227 shares of Interleukin's common stock (the "Options") at an exercise price of $0.1525 per share (the closing price of the common stock on April 6, 2015). The Options will vest as to 25% of the shares on April 6, 2016, and as to an additional 2.083% of the shares on the last day of each successive month thereafter, provided that he remains employed by Interleukin on the vesting date.

The agreement provides that if Mr. Carbeau's employment with Interleukin is terminated by us without Cause (as defined in the agreement) or by Mr. Carbeau for Good Reason (as defined in the agreement), subject to his execution of a release of claims agreement acceptable to us, he will be entitled to (i) severance payments equal to 12 months of base salary and (ii) continuation of medical benefits for up to 12 months. In addition, if within one year following a Change of Control (as defined in the agreement), Mr. Carbeau's employment with Interleukin is terminated by us without Cause or by Mr. Carbeau for Good Reason, subject to his execution of a release of claims agreement acceptable to us, he will be entitled to (i) severance payments equal to 12 months of base salary, (ii) continuation of medical benefits for up to 12 months and (iii) acceleration of the vesting of all outstanding unvested equity awards.

As a condition of employment, Mr. Carbeau has entered into a non-competition/non-solicitation agreement pursuant to which he has agreed not to compete with Interleukin or to solicit customers or employees of Interleukin for a period of 12 months after the termination of his employment

Kenneth S. Kornman, DDS, Ph.D.

On November 12, 2008, we entered into an employment agreement with Dr. Kornman, our President and Chief Scientific Officer, for a three-year term, commencing on March 31, 2009, the date his previous employment agreement expired. Effective March 31, 2012, this agreement was extended through November 30, 2012. Under this agreement, Dr. Kornman received an initial annual salary of $360,000 and is eligible to receive annual bonuses solely at the discretion of the Board of Directors. Dr. Kornman's annual salary may be increased in the sole discretion of the Board of Directors. Under the agreement, on November 12, 2008 Dr. Kornman received a stock option to purchase 75,000 shares of common stock, at an exercise price of $0.48 per share, which was the closing price as reported on the NYSE Amex on the grant date. The option was immediately exercisable with respect to 30,000 shares and vests with

respect to an additional 15,000 shares on each of March 31, 2010, 2011, and 2012. Under the agreement, Dr. Kornman is entitled to participate in employee benefit plans that we provide or may establish for the benefit of our executive management generally. In addition, while Dr. Kornman remains employed by us, we will reimburse him $3,296 annually for payment of life insurance premiums.

The agreement is terminable immediately by us with cause or upon thirty days prior written notice without cause. The agreement is terminable by Dr. Kornman upon thirty days prior written notice. If we terminate Dr. Kornman without cause or Dr. Kornman terminates his employment with good reason, then, in addition to payment of any accrued, but unpaid compensation prior to the termination, we must continue to pay his base salary and to provide health insurance benefits until the earlier of (1) expiration of the agreement or (2) twelve months. If we terminate Dr. Kornman in connection with a Cessation of our Business (as defined in the agreement), then, in addition to payment of any accrued, but unpaid compensation prior to the termination, we must continue to pay his base salary and to provide health insurance benefits until the earlier of (1) expiration of the agreement or (2) three months. The agreement also includes non-compete and non-solicitation provisions for a period of twelve months following the termination of Dr. Kornman's employment.

On March 31, 2010, Dr. Kornman was issued 12,500 shares of restricted stock under a restricted stock agreement dated April 30, 2008. In April 2010, as part of the year-end compensation process, the Compensation Committee granted Dr. Kornman an option to purchase 30,000 shares of our common stock. This option is exercisable at $0.745 per share and vests as to 20% of the shares on each of the first five anniversaries of the date of grant.

In May 2011, the Compensation Committee granted Dr. Kornman an option to purchase 100,000 shares of our common stock. This option is exercisable at $0.46 per share and vests as to 25% of the shares on each of the first four anniversaries of the date of grant.

On April 25, 2012, the Company executed an amendment, effective as of March 31, 2012, to Dr. Kornman's employment agreement to extend the term through November 30, 2012. In connection with the resignation of our former Chief Executive Officer on August 23, 2012, the Board of Directors appointed Dr. Kornman as Chief Executive Officer in addition to his role as President and Chief Scientific Officer. The Board of Directors also appointed Dr. Kornman as a director to fill the vacancy created by the CEO's resignation. On November 29, 2012, the Company entered into a second amendment to Dr. Kornman's employment agreement to extend the term through November 30, 2015. Effective upon Mr. Carbeau's appointment as Chief Executive Officer on April 6, 2015, Dr. Kornman resigned as Chief Executive Officer and continues to serve as Interleukin's President and Chief Scientific Officer and as a member of the Board of Directors.

In December 2012, the Compensation Committee granted Dr. Kornman an option to purchase 300,000 shares of our common stock. This option is exercisable at $0.34 per share and vests as to 25%, 33% and 42% of the shares on each of the first three anniversaries of the date of grant.

In October 2013, Dr. Kornman was granted an option to purchase 2,250,000 shares of our common stock. This option has an exercise price of $0.3799, the fair value of our common stock on the grant date of the option, and will vest as to ¼ of the shares on the first anniversary of the grant date, and as to 1/36 of the remaining shares at the end of each month thereafter beginning on October 31, 2014. In January 2015, Dr. Kornman was granted an option to purchase 2,030,000 shares of our common stock. This option has an exercise price of $0.26, the fair value of our common stock on the grant date of the option, and will vest as to 1/48 of the shares at the beginning of each month beginning on February 1, 2015.

Eliot M. Lurier

On April 30, 2008, we entered into an employment agreement with Eliot M. Lurier for the position of Chief Financial Officer. The agreement had an initial term of one year and was automatically renewable for successive one year periods unless at least 60 days prior notice is given by either us or Mr. Lurier. The agreement provided for an initial annual base salary of $217,000 which could be increased in the sole discretion of the Compensation Committee of our Board. Mr. Lurier also received a signing bonus of $15,000 after his first four months of employment. On April 30, 2008, Mr. Lurier was granted an option to purchase 40,000 shares of our common stock at an exercise price equal to $1.49, which was the closing price as reported on the NYSE Amex on the grant date. The option vested in equal annual installments of 8,000 shares on each of the first five anniversaries of the grant date. The agreement also included non-compete and non-solicitation provisions for a period of six months following the termination of Mr. Lurier's employment.

In April 2010, as part of the year-end compensation process, the Compensation Committee granted Mr. Lurier an option to purchase 60,000 shares of our common stock. This option was exercisable at $0.745 per share and vested as to 20% of the shares on each of the first five anniversaries of the date of grant. In March 2011, as part of the year-end compensation process, the Compensation Committee granted Mr. Lurier an option to purchase 100,000 shares of our common stock. This option was exercisable at $0.36 per share and vested as to 25% of the shares on each of the first four anniversaries of the date of grant. In December 2012, the Compensation Committee granted Mr. Lurier an option to purchase 200,000 shares of our common stock. This option was exercisable at $0.34 per share and vested as to 25%, 33% and 42% of the shares on each of the first three anniversaries of the date of grant. In October 2013, Mr. Lurier was granted an option to purchase 750,000 shares of our common stock. This option had an exercise price of $0.3799, the fair value of our common stock on the grant date of the option, and vested as to ¼ of the shares on the first anniversary of the grant date, and as to 1/36 of the remaining shares at the end of each month thereafter beginning on October 31, 2014.

Mr. Lurier resigned effective September 5, 2014. All options granted to Mr. Lurier terminated as of December 4, 2014.

Scott Snyder

On December 26, 2012, we entered into an employment agreement with Scott Snyder for the position of Chief Marketing Officer beginning on January 2, 2013. The agreement provides for a minimum annual base salary of $265,000, and for 2013 and 2014 he is eligible for a bonus pursuant to the Bonus Plan as described below under "-Executive Bonus Plan." For 2015 and any subsequent year in which he is employed, he is eligible for a bonus of up to 30% of his base salary, based on factors such as evaluation of individual performance, our financial performance, economic conditions generally, and the policy terms applicable to such bonus. Mr. Snyder is entitled to a maximum of $34,000 in expense reimbursement in calendar year 2013, and an additional $16,000 for the six months ending June 30, 2014, for travel and housing expenses from his residence to Interleukin's offices. On July 23, 2013, the Compensation Committee agreed to amend Mr. Snyder's employment agreement and increase the aggregate amount of travel and lodging expenses that may be reimbursed to an aggregate of $60,000. On August 4, 2014, the Compensation Committee agreed to amend Mr. Snyder's employment agreement again and increase the aggregate amount of travel and lodging expenses that may be reimbursed to an aggregate of $80,000. On January 22, 2015, the Compensation Committee agreed to reimburse Mr. Snyder up to an aggregate amount of $40,000 for travel and lodging expenses incurred in 2015. Upon hire, Mr. Snyder was granted an option to purchase 200,000 shares of our common stock at an exercise price of $0.29 on January 2, 3013, the grant date of the option. The option vests in three installments of 50,000, 66,000 and 84,000 shares on each of the first three anniversaries of the grant date.

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Mr. Snyder's agreement is terminable at will by us or Mr. Snyder. If we terminate Mr. Snyder without cause, then we will pay Mr. Snyder, in addition to any accrued, but unpaid compensation prior to termination, an amount equal to six months of his base salary in effect at the time of the termination.

In October 2013, Mr. Snyder was granted an option to purchase 675,000 shares of our common stock. This option has an exercise price of $0.3799, the fair value of our common stock on the grant date of the option, and will vest as to ¼ of the shares on the first anniversary of the grant date, and as to 1/36 of the remaining shares at the end of each month thereafter beginning on October 31, 2014. In January 2015, Mr. Snyder was granted an option to purchase 660,000 shares of our common stock. This option has an exercise price of $0.26, the fair value of our common stock on the grant date of the option, and will vest as to 1/48 of the shares at the beginning of each month beginning on February 1, 2015.

Bonus Plan

On December 21, 2012, the Compensation Committee approved a Bonus Plan (the "Bonus Plan") for our executives. Under the terms of the Bonus Plan:

1. Executives were not entitled to a non-discretionary bonus for the year ending December 31, 2013.
2. Provided the Company meets certain earnings and revenue targets for the six months ending June 30, 2014 and Executive is employed by the Company as of June 30, 2014, Executive shall receive a bonus equal to 30% of such Executive's base salary.
3. Provided the Company meets certain earnings and revenue targets for the year ending December 31, 2014 and Executive is employed by the Company as of December 31, 2014, Executive shall receive a bonus equal to 15% of such Executive's base salary.

On February 26, 2014, the Compensation Committee approved an Employee Bonus Plan (the "Employee Bonus Plan") that replaces the Bonus Plan approved on December 21, 2012. The Employee Bonus Plan was ratified by the Board on March 19, 2015. Under the Employee Bonus Plan, bonuses may be awarded upon the achievement of corporate goals, however, the Compensation Committee has absolute discretion as to whether bonuses will be awarded and the size of any bonus, notwithstanding whether any such corporate goals are met or not.

Director Compensation

The following table shows the total compensation paid or accrued during the fiscal year ended December 31, 2014 to William C. Mills III and James Weaver. No other director was paid or accrued compensation during the fiscal year

ended December 31, 2014.

Name (a)	**Fiscal Year**	**Fees Earned or Paid in Cash ($)**	**Stock Awards ($)**	**Option Awards ($)**	**All Other Compensation ($)**	**Total ($)**
William C. Mills III (1)	2014	$ 55,000	—	$—	—	$55,000
James Weaver (1)	2014	$ 49,637	—	$43,750	—	$93,387

(1) The following table shows the total number of outstanding and vested stock options, and shares of outstanding and restricted common stock as of December 31, 2014, the last day of our fiscal year, that have been issued as director compensation.

Name	# of Stock Options Outstanding	# of Stock Options Vested	Shares of Common Stock Restricted
William C. Mills III	100,000	50,169	—
James Weaver	125,000	—	—

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On April 29, 2010, our Board of Directors adopted the following policy for compensation of non-employee directors:

- for service as a director, an annual retainer of $20,000;
- for service as the chair of a committee, an annual retainer of $7,500;
- for service as a non-chair member of a committee, an annual retainer of $5,000;
- for each Board or committee meeting attended in person, by teleconference or by video, $1,500; and
- upon initial election or appointment to the Board, a grant of an option to purchase 15,000 shares of our common stock at an exercise price equal to the closing price of the common stock on the date of grant, with such option to vest in four equal annual installments on each of the first four anniversaries of the grant date.

Directors who are designated by Pyxis and BCC pursuant to contractual arrangements, are not eligible to receive the foregoing compensation. All of our directors are reimbursed for reasonable out-of-pocket expenses incurred in attending Board and committee meetings.

In addition, on March 31, 2014, James M. Weaver, our former Chairman of the Board, was re-elected as a director and was also re-appointed as Chairman of the Board. Mr. Weaver formerly served as a representative of Pyxis on the Board, but left Alticor to pursue other interests, and resigned from our Board effective March 11, 2014. Pursuant to the terms of an Offer Letter entered into between Mr. Weaver and the Company, Mr. Weaver will receive in consideration for his service as Chairman of the Board an annual retainer of $50,000 payable in arrears in quarterly installments of $12,500 on the last day of each calendar quarter and prorated for any partial quarter. Mr. Weaver also received a non-qualified stock option to purchase 125,000 shares of our common stock, at an exercise price equal to $0.35 (the closing price of the common stock on March 31, 2014), such option to vest as to 1/3 of the shares on March 31, 2015 and as to 1/24 of the remaining shares at the end of each month beginning on April 30, 2015. In addition, Mr. Weaver is entitled to be compensated in accordance with the policy for compensation of non-employee directors as set forth above.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides certain aggregate information with respect to all of our equity compensation plans in effect as of December 31, 2014.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders(1)	4,523,900	$ 0.39	6,669,052
Equity compensation plans not approved by security holders	—	—	—
Total	4,523,900	$ 0.39	6,669,052

(1) These plans consist of our 2000 Employee Stock Compensation Plan (the “2000 Plan”), our 2004 Employee, Director and Consultant Stock Plan (the “2004 Plan”), our 2013 Employee, Director and Consultant Equity Incentive Plan (the “2013 Plan”) and our 2012 Employee Stock Purchase Plan (the “2012 ESPP”). The number of shares set forth in column (a) consists of shares subject to outstanding options under the 2000 Plan, the 2004 Plan and the 2013 Plan as of December 31, 2014. The number of shares set forth in column (c) consists of 6,165,100 shares remaining available for issuance under the 2013 Plan and 503,952 shares remaining available for issuance under the 2012 ESPP as of December 31, 2014. The number of shares set forth in column (c) does not include 30,000,000 additional shares to be authorized for issuance under the 2013 Plan if Proposal 4 is approved at the 2015 annual meeting of stockholders.

AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors, which consists entirely of directors who meet the independence and experience requirements of NASDAQ, has furnished the following report.

The Audit Committee assists the Board in overseeing and monitoring the integrity of our financial reporting process, compliance with legal and regulatory requirements and the quality of internal and external audit processes. The committee's role and responsibilities are set forth in our charter adopted by the Board, which is available on our website at *www.ilgenetics.com*. The committee reviews and reassesses our charter annually and recommends any changes to the Board for approval. The Audit Committee is responsible for overseeing our overall financial reporting process, and for the appointment, compensation, retention, and oversight of the work of Grant Thornton LLP, our independent public accountants. In fulfilling its responsibilities for the financial statements for the fiscal year ended December 31, 2014, the Audit Committee took the following actions:

- Reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2014 with management and Grant Thornton LLP, our independent public accountants;

- Discussed with Grant Thornton LLP the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T; and

- Received written disclosures and the letter from Grant Thornton LLP regarding its independence as required by applicable requirements of the Public Company Accounting Oversight Board regarding Grant Thornton LLP's communications with the Audit Committee concerning independence, and the Audit Committee further discussed with Grant Thornton LLP their independence.

Based on the Audit Committee's review of the audited financial statements and discussions with management and Grant Thornton LLP, the Audit Committee recommended to the Board that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 for filing with the SEC.

MEMBERS OF THE AUDIT COMMITTEE

William C. Mills III

Lionel Carnot

Joseph Landstra

COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Our records reflect that all reports which were required to be filed pursuant to Section 16(a) of the Exchange Act during or with respect to the year ended December 31, 2014 were filed on a timely basis, except that the Form 3 and Form 4 required to be filed by our Interim Chief Financial Officer when he began working for us in September 2014 were not filed until December 2014 due to an administrative error.

CODE OF CONDUCT AND ETHICS

We have adopted a corporate code of conduct and ethics that applies to all of our employees, including our chief executive officer and chief financial officer. The text of the corporate code of conduct and ethics is publicly available on our website at *www.ilgenetics.com*. Disclosure regarding any amendments to, or waivers from, provisions of the code of conduct and ethics that apply to our directors, principal executive and financial officers will be posted on our website at *www.ilgenetics.com* or included in a Current Report on Form 8-K within four business days following the date of the amendment or waiver.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Pursuant to the written charter of our Audit Committee, the Audit Committee is responsible for reviewing and approving, prior to our entry into any such transaction, all transactions in which we are a participant and in which any of the following persons has or will have a direct or indirect material interest: our executive officers; our directors; the beneficial owners of more than 5% of our securities; the immediate family members of any of the foregoing persons; and any other persons whom the Board determines may be considered related persons, any such person being referred to as a "related person."

The following is a description of arrangements that we have entered into with related persons since January 1, 2012. We believe that the transactions described below were made on terms no less favorable to us than could have been obtained from unaffiliated third parties.

On August 17, 2006, we entered into a stock purchase agreement and further amended the note purchase agreement with Pyxis Innovations Inc., dated October 23, 2002, to, among other things, provide for the establishment of a $14.3 million convertible credit facility with Pyxis. Pyxis is our majority stockholder and a wholly-owned subsidiary of Alticor Inc. On June 10, 2008, we drew down $4.0 million under the convertible credit facility, leaving $10.3 million of available credit, and issued a convertible promissory note to Pyxis in that amount. In 2009, we drew down $3.0 million under this credit facility, leaving $7.3 million of remaining availability. In 2010, we drew down an additional $2.0 million under the credit facility leaving $3.3 million of remaining availability. In 2011, we drew down an additional $2.0 million and in 2012 we drew $1.3 million of remaining availability. There was no remaining availability to borrow under the credit facility and the aggregate principal amount of $14,316,255, plus interest, was due and payable in full on March 31, 2014. Pyxis had the right to convert the principal amount into shares of common stock at a conversion price equal to $5.68 per share, and immediately prior to the closing of the May 2013 Private Placement, Pyxis converted all of the principal amount outstanding into 2,521,222 shares of our common stock.

On October 26, 2009, we entered into a Merchant Network and Channel Partner Agreement with Amway Corp. d/b/a Amway Global, a subsidiary of Alticor. Pursuant to this Agreement, Amway Global sells our Inherent Health brand of genetic tests through its e-commerce Web site via a hyperlink to our e-commerce site. Amway Global receives a commission equal to a percentage of net sales received by us from Amway Global customers. The agreement has an initial term of 12 months and is automatically renewable for successive 12-month terms. The agreement may be terminated by either party upon 120 days written notice. As of the date of this prospectus, we have paid Amway Global approximately $2.6 million in commissions under this agreement, including $726,000 in 2012, $367,000 in 2013 and $$218,000 in 2014.

Beginning in September 2012 and again in 2013, Access Business Group LLC ("ABG"), an affiliate of Alticor, a related party, placed purchase orders totaling approximately $3.3 million consisting of weight management kits. The kits are included as part of a promotional bundle of products that Amway is now selling to their Individual Business Owners

(IBOs). Of the $3.3 million in orders $1.8 million was received in 2013 for the 2014 program and $1.5 million for the 2013 program. Cash for the kits purchased for the 2013 program was received in the first quarter of 2013 and cash for the kits purchased for the 2014 program was received by December 31, 2013. As a component of the promotional program, and not reflective of actual product expiry, the kits were required to be redeemed by a certain date. The initial program required redemption by December 31, 2013, but the date of required redemption was extended such that the revenues will remain deferred until those kits are redeemed or the breakage analysis determines the probability of eventual redemption is remote. In February 2014, we removed the redemption date requirement, for which ABG paid us $519,000 as a retrospective increase in the product purchase price. In October 2014, we received $250,000 as a retrospective increase in the product purchase price for unsold kits as consideration for extending the required redemption date of the 2014 promotional program to December 31, 2017. Cash received for these kits will be treated as deferred revenues until specific kits are returned for processing or on the final allowed redemption date of December 31, 2017.

On September 21, 2012, we entered into a License Agreement with Access Business Group International LLC (“ABGI”), an affiliate of Pyxis. Pursuant to the License Agreement, we have granted ABGI and its affiliates a non-exclusive license to use the technology related to our Weight Management genetic test and to sell the Weight Management test in Europe, Russia and South Africa (the “Territories”). ABGI, or a laboratory designated by ABGI or an affiliate of ABGI, will be responsible for processing the tests, and we will receive a royalty for each test sold, which royalty will increase if certain pending patent applications are issued. The License Agreement has an initial term of five years from the date of first commercial sale of the Weight Management test under the agreement. Thereafter, the term will automatically renew for additional one-year periods unless at least 60 days prior notice is delivered by either party. To date, we have been paid $198,960 and $128,790 under this agreement in 2013 and 2014 respectively.

In connection with the execution of the License Agreement, we and ABGI also entered into a Professional Services Agreement (the "PSA") pursuant to which we have agreed to provide services to ABGI in connection with its sale and processing of the tests within the Territories. Services will be provided pursuant to a statement of work to be entered into from time to time between the parties. Such statements of work will also specify the fees to be paid by ABGI to us for such services. The PSA has no set term and may be terminated by either party, subject to certain conditions. As of the date of this prospectus, we have been paid $5,250 under this agreement, all being received in 2013.

On June 29, 2012, we entered into an agreement with Pyxis to exchange the 5,000,000 shares of Series A Convertible Preferred Stock then held by Pyxis for 5,000,000 shares of newly designated Series A-1 Preferred Stock. Concurrently therewith, we completed a financing with DDMI pursuant to which DDMI purchased 500,000 shares of Series B Preferred Stock for gross proceeds of $3,000,000. The rights, preferences and privileges of the Series A-1 Preferred Stock and the Series B Preferred Stock were set forth in a certificate of designations, preferences and rights filed with the Delaware Secretary of State on June 29, 2012. Each share of Series A-1 Preferred Stock and Series B Preferred Stock was convertible at the option of the holder into such number of fully paid and nonassessable shares of common stock determined by dividing the applicable original purchase price by the Series A-1 Conversion Price ($0.3196) or the Series B Conversion Price ($0.2745), as applicable. Immediately prior to the closing of the May 2013 Private Placement: (i) Pyxis converted all 5,000,000 outstanding shares of Series A-1 Preferred Stock into 28,160,200 shares of our common stock and (ii) DDMI, converted all 500,000 outstanding shares of Series B Preferred Stock into 10,928,961 shares of our common stock.

We have also entered into an agreement with Pyxis containing certain terms for allocating opportunities as permitted under Section 122(17) of the Delaware General Corporation Law. This agreement regulates and defines the conduct of certain of our affairs as they may involve this stockholder and its affiliates, and the powers, rights, duties and liabilities of us and our officers and directors in connection with corporate opportunities. Except under certain circumstances, this stockholder and its affiliates have the right to engage in the same or similar activities or lines of business or have an interest in the same classes or categories of corporate opportunities as we do. If Pyxis, its affiliates, or one of our directors appointed by Pyxis acquire knowledge of a potential transaction or matter that may be a corporate opportunity for both such stockholder and its affiliates and us, to the fullest extent permitted by law, such stockholder and its affiliates will not have a duty to inform us about the corporate opportunity or be liable to us or to our stockholders for breach of any fiduciary duty as a stockholder of ours for not informing us of the corporate opportunity, keeping it for its own account, or referring it to another person. Additionally, except under limited circumstances, if an officer or employee of Pyxis who is also one of our directors is offered a corporate opportunity, such opportunity shall not belong to us. In addition, we agreed that such director will have satisfied his duties to us and not be liable to us or to you in connection with such opportunity. The terms of these agreements will terminate on the date that no person who is a director, officer or employee of ours is also a director, officer, or employee of Pyxis.

On February 25, 2013, we entered into a Preferred Participation Agreement with Renaissance Health Service Corporation (an affiliate of DDMI), for itself and on behalf of certain of its affiliates and subsidiaries, which was amended and restated on November 1, 2013. Pursuant to this agreement, affiliates of RHSC have agreed to reimburse us a fixed price for each PerioPredict® genetic test that we process for a customer of affiliates of RHSC. In addition, if during the term of the agreement we offer the PerioPredict® test to any other person or party for a lower price, such lower price shall then be applicable to tests processed for a customer of such affiliates of RHSC for the remainder of

the term of the agreement. RHSC and its affiliates will continue to receive the preferred pricing (or any lower market price during the term) only for so long as affiliates of RHSC continue to: (a) work to develop and to offer dental plans for which a significant portion of employees of RHSC's affiliates' customers are eligible that provide for use of the PerioPredict® test and reimbursement of the test at the agreed upon price (such plans, hereinafter referred to as "Reimbursed Dental Plans"); and (b) exercise their commercially-reasonable best efforts to maximize the number of customers that offer a Reimbursed Dental Plan. This agreement has a term of three years beginning on February 25, 2013, but may be terminated earlier (1) upon the mutual written agreement of us and RHSC, (2) if either party becomes the subject of bankruptcy, insolvency, liquidation or other similar proceedings, or (3) in the event of an uncured breach of the Agreement by either party.

On May 17, 2013, we closed a private placement transaction (the "May 2013 Private Placement"), pursuant to which we sold to various accredited investors an aggregate of 43,715,847 shares of our common stock at a price of $0.2745 per share for gross proceeds of $12,000,000. The investors also received Warrants to purchase up to an aggregate of 32,786,885 shares of common stock an exercise price of $0.2745 per share. The Warrants were exercisable as to 63% of the shares immediately and the remaining 37% of the shares became exercisable on August 9, 2013. The Warrants have a term of seven years from the date they became exercisable. The following beneficial owners of more than 5% of our securities participated in the May 2013 Private Placement:

Purchaser	Shares	Warrant Shares	Purchase Price
Bay City Capital Fund V, L.P.	20,187,464	15,140,598	$5,541,458.87
Bay City Capital Fund V Co-Investment Fund	384,699	288,524	$105,599.88
Growth Equity Opportunities Fund III, LLC	15,429,122	11,571,842	$4,235,293.99
Merlin Nexus IV, LP	5,143,041	3,857,281	$1,411,764.75

On May 17, 2013, we also entered into a Registration Rights Agreement with the investors in the May 2013 Private Placement, Pyxis, DDMI and BTIG LLC (the placement agent in the May 2013 Private Placement), pursuant to which we were required to file a registration statement on Form S-1 within 45 days of May 17, 2013 to cover the resale of (i) the shares sold in the May 2013 Private Placement and the shares of common stock underlying the warrants issued in the May 2013 Private Placement, (ii) the shares of common stock issued to Pyxis upon conversion of the Series A-1 Preferred Stock and the outstanding debt, (iii) the shares of common stock issued to DDMI upon the conversion of the Series B Preferred Stock, and (iv) the shares of Common Stock underlying warrants issued to BTIG LLC as placement agent compensation.

On December 23, 2014, we closed the December 2014 Private Placement, pursuant to which we sold to various accredited investors an aggregate of 50,099,700 shares of our common stock at a price of $0.1003 per share for gross proceeds of $5.0 million. The investors also received warrants to purchase up to an aggregate of 50,099,700 shares of common stock an exercise price of $0.1003 per share with a term of seven years. The following beneficial owners of more than 5% of our securities participated in the December 2014 Private Placement:

Purchaser	Shares	Warrant Shares	Purchase Price
Bay City Capital Fund V, L.P.	25,996,552	25,996,552	$2,607,454.17
Bay City Capital Fund V Co-Investment Fund	495,400	495,400	$49,688.62
Growth Equity Opportunities Fund III, LLC	19,868,965	19,868,965	$1,992,857.17

In addition, Stephen DiPalma, our Interim Chief Financial Officer, purchased 249,252 shares of our common stock and received a warrant to purchase 249,252 shares of common stock in the December 2014 Private Placement for a purchase price of $25,000.

On December 23, 2014, we also entered into a Registration Rights Agreement with the investors in the December 2014 Private Placement and BTIG LLC (the placement agent in the December 2014 Private Placement), pursuant to which we are required to file a registration statement on Form S-1 within 45 days of December 23, 2014 to cover the resale of (i) the shares sold in the December 2014 Private Placement and the shares of common stock underlying the 2014 Warrants issued in the December 2014 Private Placement and (ii) the shares of Common Stock underlying the 2014 BTIG Warrants issued to BTIG LLC and affiliates as placement agent compensation. The failure on the part of Interleukin to satisfy certain deadlines described in the Registration Rights Agreement may subject us to payment of certain monetary penalties.

See also "Security Ownership of Certain Beneficial Owners and Management."

PROPOSAL 1

TO ELECT LIONEL CARNOT, ROGER C. COLMAN AND JAMES M. WEAVER AS CLASS III DIRECTORS

Our Board of Directors currently consists of eight members, classified into three classes as follows:

(i) William C. Mills III (independent) and Joseph M. Landstra (Pyxis designee) serve as Class I directors with terms ending at the 2016 annual meeting;

(ii) Mark B. Carbeau, Kenneth S. Kornman and Dayton Misfeldt (BCC designee) serve as Class II directors with terms ending at the 2017 annual meeting of stockholders; and

(iii) James M. Weaver (independent), Roger C. Colman (Pyxis designee) and Lionel Carnot (BCC designee) serve as Class III directors with terms ending at this 2015 annual meeting of stockholders.

On May 26, 2015, the Board of Directors voted to nominate Lionel Carnot, Roger C. Colman and James M. Weaver for election at the annual meeting for a term of three years to serve until the 2018 annual meeting of stockholders, and until their successors have been elected and qualified, or until their earlier death, resignation, retirement or removal. Unless authority to vote for any of these nominees is withheld, the shares represented by a validly executed proxy will be voted FOR the election as directors of Mr. Carnot, Mr. Colman and Mr. Weaver. In the event that either nominee should become unable or unwilling to serve, the shares represented by a validly executed proxy will be voted for the election of such other person as the Board of Directors may recommend in his place, unless the Board chooses to reduce the number of directors serving on the Board. We have no reason to believe that either nominee will be unable or unwilling to serve as a director.

Required Vote for Approval

A plurality of the shares voted at the annual meeting is required to elect each nominee as a director.

The Board of Directors recommends a vote "FOR" the election of Lionel Carnot, Roger C. Colman and James M. Weaver as Class III directors, and proxies solicited by the Board will be voted in favor, unless a stockholder indicates otherwise on the proxy.

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PROPOSAL 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANT

The Audit Committee of the Board has appointed Grant Thornton LLP as our independent public accountant for the fiscal year ending December 31, 2015. The Board proposes that the stockholders ratify this appointment. Grant Thornton LLP has audited our financial statements since 2002. We expect that representatives of Grant Thornton LLP will be present at the meeting, will be able to make a statement if they so desire, and will be available to respond to appropriate questions.

Principal Accountant Fees and Services

The following table presents fees for professional audit services rendered by Grant Thornton, LLP, our independent public accountant, for the audit of our annual financial statements for the years ended December 31, 2013 and December 31, 2014 and fees billed for other services rendered by Grant Thornton LLP during those periods.

	2014	**2013**
Audit fees(1)	$216,786	$193,781
Audit related fees	—	—
Tax fees	—	—
All other fees	—	—
Total	$216,786	$193,781

(1) Audit fees consist of fees for professional services rendered for the audit of our annual financial statements and review of the interim financial statements included in the quarterly reports.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-audit Services of Independent Auditors

Consistent with SEC policies regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of the independent auditor. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the

independent auditor.

Prior to the engagement of the independent auditor for the next year's audit, management will submit to the Audit Committee for approval a summary of the services expected to be rendered during that year for each of four categories of services.

1. ***Audit*** services include audit work performed in the preparation of financial statements, as well as work that generally only the independent auditor can reasonably be expected to provide, including comfort letters, statutory audits, and attest services and consultation regarding financial accounting and/or reporting standards.

2. ***Audit-Related*** services are for assurance and related services that are traditionally performed by the independent auditor, including due diligence related to mergers and acquisitions, employee benefit plan audits, and special procedures required to meet certain regulatory requirements.

3. ***Tax*** services include all services performed by the independent auditor's tax personnel except those services specifically related to the audit of the financial statements, and includes fees in the areas of tax compliance, tax planning, and tax advice.

4. ***Other Fees*** are those associated with services not captured in the other categories. The Company generally does not request such services from the independent auditor.

Prior to the engagement, the Audit Committee pre-approves these services by category of service. The fees are budgeted and the Audit Committee requires the independent auditor and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent auditor for additional services not contemplated in the original pre-approval. In those instances, the Audit Committee requires specific pre-approval before engaging the independent auditor.

The Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

Neither our Bylaws nor other governing documents or law require stockholder ratification of the appointment of Grant Thornton LLP as our independent public accountant. However, the Board is submitting the appointment of Grant Thornton LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the appointment, the Audit Committee of the Board will reconsider whether to retain Grant Thornton LLP as the Company's independent public accountant. Even if the selection is ratified, the Audit Committee of the Board in its discretion may direct the appointment of a different independent public accountant at any time during the year if the Audit Committee determines that such a change would be in the best interests of the company and its stockholders.

Required Vote for Approval

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the annual meeting will be required to ratify the appointment of Grant Thornton LLP as our independent public accountant.

The Board of Directors recommends a vote "FOR" ratification of the appointment of Grant Thornton LLP as our independent public accountant, and proxies solicited by the Board will be voted in favor of such ratification unless a stockholder indicates otherwise on the proxy.

PROPOSAL 3

CONSIDER AN ADVISORY VOTE ON COMPENSATION

FOR OUR NAMED EXECUTIVE OFFICERS

We are seeking your advisory vote as required by Section 14A of the Securities Exchange Act of 1934, as amended, on the approval of the compensation of our named executive officers as described in this proxy statement. Because your vote is advisory, it will not be binding on our Compensation Committee or our Board of Directors. However, the Compensation Committee and the Board will review the voting results and take them into consideration when making future decisions regarding executive compensation.

Our compensation philosophy is designed to align each executive's compensation with our short-term and long-term performance and to provide the compensation and incentives needed to attract, motivate and retain key executives who are crucial to our long-term success. Before voting on this Proposal 3, you are urged to read the section of this proxy statement entitled “Executive Compensation.”

In accordance with the rules adopted by the SEC, the following resolution, commonly known as a "say-on-pay" vote, is being submitted for a stockholder vote at the Annual Meeting:

"RESOLVED, that the compensation paid to the named executive officers of Interleukin Genetics, Inc., as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation tables and the related material disclosed in this proxy statement, is hereby APPROVED."

Required Vote for Approval

The affirmative vote of a majority of the votes present in person or represented by proxy and entitled to vote at the annual meeting is required to approve, on an advisory basis, the compensation of our named executive officers, as described in this proxy statement.

The Board of Directors recommends a vote “FOR” an advisory vote on compensation for our named executive officers, and proxies solicited by the Board will be voted in favor of such approval unless a stockholder

indicates otherwise on the proxy.

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PROPOSAL 4

APPROVAL OF AN AMENDMENT TO THE

2013 EMPLOYEE, DIRECTOR AND CONSULTANT EQUITY INCENTIVE PLAN

General

Our 2013 Employee, Director and Consultant Equity Incentive Plan (the "2013 Plan") was approved by our Board of Directors in May 2013 and by our stockholders in August 2013. As of May 1, 2015, a total of 10,680,648 shares of our common stock are reserved for issuance under the 2013 Plan. As of May 1, 2015, options to purchase 8,061,252 shares of common stock are outstanding under the 2013 Plan; zero shares have been issued upon the exercise of options granted under the 2013 Plan; 2,627,748 shares have been issued pursuant to stock awards granted under the 2013 Plan; and 8,352 shares remain available for issuance. By its terms, the 2013 Plan may be amended by our Board, provided that any amendment which the Board determines requires stockholder approval is subject to receiving such stockholder approval. On May 26, 2015, our Board of Directors voted to approve an amendment to the 2013 Plan to increase the aggregate number of shares of common stock which may be offered under the 2013 Plan by an additional 30,000,000 shares. The 2013 Plan, as amended subject to stockholder approval, is attached to this proxy statement as *Annex A*.

This amendment is being submitted to you for approval at the annual meeting in order to ensure (i) favorable federal income tax treatment for grants of incentive stock options under Section 422 of the Internal Revenue Code of 1986 (the "Code"), and (ii) continued eligibility to receive a federal income tax deduction for certain compensation paid under our Plan by complying with Rule 162(m) of the Code.

Generally shares of common stock reserved for awards under the 2013 Plan that lapse or are canceled will be added back to the share reserve available for future awards. However, shares of common stock tendered in payment for an award or shares of common stock withheld for taxes will not be available again for grant. The 2013 Plan provides that no participant may receive awards for more than 5,000,000 shares of common stock in any fiscal year.

Our Board, the Compensation Committee and management all believe that the effective use of stock-based long-term incentive compensation is vital to our ability to achieve strong performance in the future. The 2013 Plan will maintain and enhance the key policies and practices adopted by our management and Board to align employee and stockholder interests. In addition, our future success depends, in large part, upon our ability to maintain a competitive position in attracting, retaining and motivating key personnel. We believe that the increase in the number of shares to be issued

under the 2013 Plan is essential to permit our management to continue to provide long-term, equity-based incentives to present and future key employees, consultants and directors. Accordingly, our Board believes approval of the amendment to increase the aggregate number of shares to be granted under the 2013 Plan is in our best interests and those of our stockholders and recommends a vote “FOR” the approval of the amendment to the 2013 Plan.

The following is a brief summary of the 2013 Plan. This summary is qualified in its entirety by reference to the text of the 2013 Plan, a copy of which is attached as *Annex A* to this proxy statement.

Material Features of the 2013 Plan

Eligibility. The 2013 Plan allows us, under the direction of our Compensation Committee, to make grants of stock options, restricted and unrestricted stock awards and other stock-based awards to employees, consultants and directors who, in the opinion of the Compensation Committee, are in a position to make a significant contribution to our long-term success. The purpose of these awards is to attract and retain key individuals, further align employee and stockholder interests, and to closely link compensation with our performance. The 2013 Plan provides an essential component of the total compensation package, reflecting the importance that we place on aligning the interests of key individuals with those of our stockholders. All employees, directors and consultants of Interleukin and its affiliates are eligible to participate in the 2013 Plan. As of May 1, 2015, there were 19 individuals eligible to participate.

Stock Options. Stock options granted under the 2013 Plan may either be incentive stock options, which are intended to satisfy the requirements of Section 422 of the Code, or non-qualified stock options, which are not intended to meet those requirements. Incentive Stock Options may be granted to employees of the Company and its affiliates. Non-qualified options may be granted to employees, directors and consultants of the Company and its affiliates. The exercise price of a stock option may not be less than 100% of the fair market value of our common stock on the date of grant. If an incentive stock option is granted to an individual who owns more than 10% of the combined voting power of all classes of our capital stock, the exercise price may not be less than 110% of the fair market value of our common stock on the date of grant and the term of the option may not be longer than five years.

Award agreements for stock options include rules for exercise of the stock options after termination of service. Options may not be exercised unless they are vested, and no option may be exercised after the end of the term set forth in the award agreement. Generally, stock options will be exercisable for three months after termination of service for any reason other than death or total and permanent disability, and for 12 months after termination of service on account of death or total and permanent disability.

Restricted Stock. Restricted stock is common stock that is subject to restrictions, including a prohibition against transfer and a substantial risk of forfeiture, until the end of a "restricted period" during which the grantee must satisfy certain vesting conditions. If the grantee does not satisfy the vesting conditions by the end of the restricted period, the restricted stock is forfeited.

During the restricted period, the holder of restricted stock has the rights and privileges of a regular stockholder, except that the restrictions set forth in the applicable award agreement apply. For example, the holder of restricted stock may vote and receive dividends on the restricted shares; but he or she may not sell the shares until the restrictions are lifted.

Other Stock-Based Awards. The 2013 Plan also authorizes the grant of other types of stock-based compensation including, but not limited to stock appreciation rights, phantom stock awards, and stock unit awards.

Plan Administration. In accordance with the terms of the 2013 Plan, our Board of Directors has authorized our Compensation Committee to administer the 2013 Plan. The Compensation Committee may delegate part of its authority and powers under the 2013 Plan to one or more of our directors and/or officers, but only the Compensation Committee can make awards to participants who are directors or executive officers of the Company. In accordance with the provisions of the 2013 Plan, our Compensation Committee determines the terms of awards, including:

- which employees, directors and consultants will be granted awards;
- the number of shares subject to each award;
- the vesting provisions of each award;
- the termination or cancellation provisions applicable to awards; and
- all other terms and conditions upon which each award may be granted in accordance with the 2013 Plan.

In addition, our Compensation Committee may, in its discretion, amend any term or condition of an outstanding award provided (i) such term or condition as amended is permitted by the 2013 Plan, and (ii) any such amendment shall be made only with the consent of the participant to whom such award was made, if the amendment is adverse to the participant.

Stock Dividends and Stock Splits. If our common stock shall be subdivided or combined into a greater or smaller number of shares or if we issue any shares of common stock as a stock dividend, the number of shares of our common stock deliverable upon exercise of an option issued or upon issuance of an award shall be appropriately increased or decreased proportionately, and appropriate adjustments shall be made in the purchase price per share to reflect such subdivision, combination or stock dividend.

Corporate Transactions. Upon a merger or other reorganization event, our Board, may, in its sole discretion, take any one or more of the following actions pursuant to the 2013 Plan, as to some or all outstanding awards:

- provide that all outstanding options shall be assumed or substituted by the successor corporation;
- upon written notice to a participant provide that the participant's unexercised options will terminate immediately prior to the consummation of such transaction unless exercised by the participant;
- in the event of a merger pursuant to which holders of our common stock will receive a cash payment for each share surrendered in the merger, make or provide for a cash payment to the participants equal to the difference between the merger price times the number of shares of our common stock subject to such outstanding options, and the aggregate exercise price of all such outstanding options, in exchange for the termination of such options;

- provide that outstanding awards shall be assumed or substituted by the successor corporation, become realizable or deliverable, or restrictions applicable to an award will lapse, in whole or in part, prior to or upon the merger or reorganization event.

Amendment and Termination. The 2013 Plan may be amended by our stockholders. It may also be amended by our Board, provided that any amendment approved by our Board which is of a scope that requires stockholder approval as required by the rules of any applicable stock exchange, in order to ensure favorable federal income tax treatment for any incentive stock options under Code Section 422, or for any other reason is subject to obtaining such stockholder approval. The 2013 Plan expires on June 5, 2023.

Federal Income Tax Considerations

The material federal income tax consequences of the issuance and exercise of stock options and other awards under the 2013 Plan, based on the current provisions of the Code and regulations, are as follows. Changes to these laws could alter the tax consequences described below. This summary assumes that all awards granted under the 2013 Plan are exempt from or comply with, the rules under Section 409A of the Code related to nonqualified deferred compensation.

Incentive Stock Options:	Incentive stock options are intended to qualify for treatment under Section 422 of the Code. An incentive stock option does not result in taxable income to the optionee or deduction to us at the time it is granted or exercised, provided that no disposition is made by the optionee of the shares acquired pursuant to the option within two years after the date of grant of the option nor within one year after the date of issuance of shares to the optionee (referred to as the "ISO holding period"). However, the difference between the fair market value of the shares on the date of exercise and the option price will be an item of tax preference includible in "alternative minimum taxable income" of the optionee. Upon disposition of the shares after the expiration of the ISO holding period, the optionee will generally recognize long term capital gain or loss based on the difference between the disposition proceeds and the option price paid for the shares. If the shares are disposed of prior to the expiration of the ISO holding period, the optionee generally will recognize taxable compensation, and we will have a corresponding deduction, in the year of the disposition, equal to the excess of the fair market value of the shares on the date of exercise of the option over the option price. Any additional gain realized on the disposition will normally constitute capital gain. If the amount realized upon such a disqualifying disposition is less than fair market value of the shares on the date of exercise, the amount of compensation income will be limited to the excess of the amount realized over the optionee's adjusted basis in the shares.
Non-Qualified Options:	Options otherwise qualifying as incentive stock options, to the extent the aggregate fair market value of shares with respect to which such options are first exercisable by an individual in any calendar year exceeds $100,000, and options designated as non-qualified options will be treated as options that are not incentive stock options.

A non-qualified option ordinarily will not result in income to the optionee or deduction to us at the time of grant. The optionee will recognize compensation income at the time of exercise of such non-qualified option in an amount equal to the excess of the then value of the shares over the option price per share. Such compensation income of optionees may be subject to withholding taxes, and a deduction may then be allowable to us in an amount equal to the optionee's compensation income.

An optionee's initial basis in shares so acquired will be the amount paid on exercise of the non-qualified option plus the amount of any corresponding compensation income. Any gain or loss as a result of a subsequent disposition of the shares so acquired will be capital gain or loss.

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Stock Grants: With respect to stock grants under the 2013 Plan that result in the issuance of shares that are either not restricted as to transferability or not subject to a substantial risk of forfeiture, the grantee must generally recognize ordinary income equal to the fair market value of shares received. Thus, deferral of the time of issuance will generally result in the deferral of the time the grantee will be liable for income taxes with respect to such issuance. We generally will be entitled to a deduction in an amount equal to the ordinary income recognized by the grantee.

With respect to stock grants involving the issuance of shares that are restricted as to transferability and subject to a substantial risk of forfeiture, the grantee must generally recognize ordinary income equal to the fair market value of the shares received at the first time the shares become transferable or are not subject to a substantial risk of forfeiture, whichever occurs earlier. A grantee may elect to be taxed at the time of receipt of shares rather than upon lapse of restrictions on transferability or substantial risk of forfeiture, but if the grantee subsequently forfeits such shares, the grantee would not be entitled to any tax deduction, including as a capital loss, for the value of the shares on which he previously paid tax. The grantee must file such election with the Internal Revenue Service within 30 days of the receipt of the shares. We generally will be entitled to a deduction in an amount equal to the ordinary income recognized by the grantee.

Stock Units: The grantee recognizes no income until the issuance of the shares. At that time, the grantee must generally recognize ordinary income equal to the fair market value of the shares received. We generally will be entitled to a deduction in an amount equal to the ordinary income recognized by the grantee.

Future Plan Benefits

The amounts of future grants under the 2013 Plan are not determinable as awards under the 2013 Plan will be granted at the sole discretion of our Board of Directors, the Compensation Committee, or other delegated persons and we cannot determine at this time either the persons who will receive awards under the 2013 Plan or the amount or types of any such awards.

Required Vote for Approval

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the annual meeting will be required to approve the amendment to the 2013 Plan to increase the number of shares available for issuance thereunder by 30,000,000 shares.

The Board of Directors recommends a vote "FOR" approval of the amendment to the 2013 Employee, Director and Consultant Equity Incentive Plan, and proxies solicited by the Board will be voted in favor of such

approval unless a stockholder indicates otherwise on the proxy.

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PROPOSAL 5

APPROVAL OF AN AMENDMENT TO OUR CHARTER TO INCREASE

THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

At the annual meeting, our stockholders will be asked to approve an amendment to our Charter to increase our authorized shares of common stock from 300,000,000 shares to 450,000,000 shares.

If this Proposal 5 is approved by the stockholders as proposed, the Board would have the sole discretion to effect the amendment and increase the authorized shares of common stock at any time prior to the earlier of (i) August 1, 2016 and (ii) the 2016 annual meeting of stockholders. The Board would also have the discretion to abandon the amendment entirely prior to its effectiveness. The Board's determination to effect or abandon the amendment will be based on a number of factors, including whether or not the Board decides to effect a reverse stock split if Proposal 6 is approved. The Board reserves the right, notwithstanding stockholder approval and without further action by the stockholders, to abandon the amendment if, at any time prior to the effectiveness of the filing of the amendment with the Secretary of State, the Board, in its sole discretion, determines that it is no longer in our best interest and the best interests of our stockholders to proceed.

As of May 1, 2015, we had 300,000,000 authorized shares of common stock, par value $0.001 per share, of which 286,476,145 shares were outstanding or reserved for issuance. Of those, 172,786,907 shares were outstanding; 22,302,927 shares were reserved for issuance upon exercise of outstanding stock options; 8,461,639 shares were reserved for issuance under our stock plans and employee stock purchase plan; and 88,301,079 shares were reserved for the exercise of outstanding warrants to purchase common stock. In addition, if Proposal 4 is approved an additional 30,000,000 shares will be reserved for issuance under the 2013 Plan. Except as set forth in Proposal 6 below, we currently have no other specific understandings, arrangements or agreements with respect to any financings, investment opportunities, stock splits or dividends, or acquisitions or for other corporate purposes that would require us to issue a material amount of new shares of our common stock.

The Board of Directors believes that the currently available unissued shares do not provide sufficient flexibility for corporate action in the future. The Board of Directors believes it is in our best interest to have sufficient additional authorized but unissued shares of common stock available in order to provide flexibility for corporate action in the future. Management believes that the availability of additional authorized shares for issuance from time to time in the Board of Directors' discretion in connection with future financings, investment opportunities, stock splits or dividends, possible acquisitions or for other corporate purposes is desirable in order to avoid repeated separate amendments to our Charter and the delay and expense incurred in holding special meetings of the stockholders to approve such amendments. The Board of Directors believes that the currently available unissued shares do not provide sufficient flexibility for corporate action in the future.

We will not solicit further authorization by vote of the stockholders for the issuance of the additional shares of common stock proposed to be authorized, except as required by law, regulatory authorities or rules of any stock exchange on which our shares may then be listed. The issuance of additional shares of common stock could have the effect of diluting existing stockholder earnings per share, book value per share and voting power. Our common stockholders do not have any preemptive right to purchase or subscribe for any part of any new or additional issuance of our securities.

The form of the proposed amendment to our Charter to increase the number of authorized shares of common stock is attached as *Annex B* to this proxy statement.

Required Vote for Approval

The affirmative vote of a majority of our outstanding common stock is required to approve this amendment to our Charter.

The Board of Directors recommends a vote "FOR" approval of the amendment to our charter to increase the number of authorized shares of common stock, and proxies solicited by the Board will be voted in favor of such approval unless a stockholder indicates otherwise on the proxy.

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PROPOSAL 6

0.15

There were no options that could potentially dilute basic EPS in the future that were not included in the computation of diluted EPS for each period presented because their impact was anti-dilutive.

TAXATION: The Company is not subject to corporate income taxes in Liberia because its income is derived from non-Liberian sources. Additionally, the Company believes that it is not subject to corporate income taxes in other jurisdictions, including the United States.

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RECOVERABLE FROM INSURERS*:* Insurance receivables correspond to amounts recoverable under either Hull & Machinery insurance or Loss of Earnings insurance. Hull & Machinery insurance covers repair costs beyond a certain deductible and Loss of Earnings insurance covers the loss in revenues resulting from the immobilization of the vessel beyond a certain number of days.

GAINS ON REPURCHASES OF NOTES*:* Gains on repurchases of Notes are calculated as the face value of the Notes repurchased, minus amount paid for the Notes, minus brokerage commission, if any, minus write off of the corresponding portion of issuance costs.

DEFERRED GAIN ON SALE OF VESSELS: Deferred gain on sale of vessels is calculated as the sale price of the vessels, minus book value of the vessels and of the dry-dock costs at the time of sale, minus transaction costs, minus write off of the unamortized balance of the debt issuance costs incurred in 2004 in connection with the Fortis Loan corresponding to the $15 million prepayment. The deferred gain on sale of vessels, which amounted to $17,715,284 in January 2005, is recognized as income by the Company on a prorata temporis basis until February 1st 2008, September 1st 2008, May 15th 2009 and February 1st 2009 for the respective vessel after deduction of payments, if any, made under the Performance Guarantee in such quarter (see Item 2 - Management's Discussion - Guarantees).

FOREIGN CURRENCY TRANSLATION: The functional currency of the Company is the U.S. Dollar because the Company's vessels operate in international shipping markets, which primarily transact business in U.S. Dollars. The Company's accounting records are maintained in U.S. Dollars. A number of trade transactions related to normal vessel operations performed in other currencies during the year are converted into U.S. Dollars using the exchange rates in effect at the time of the transactions. At the balance sheet dates, trade payables and accrued expenses as well as cash and trade receivables in foreign currencies are converted at year end exchange rates. Resulting gains or losses are recorded in vessel operating expenses.

STOCK-BASED COMPENSATION*:* The Company has a stock-based employee compensation plan, which is described more fully in Note 9. The Company accounts for this plan under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations.

RECENT STATEMENTS OF FINANCIAL ACCOUNTING STANDARD: On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), Share-Based Payment, which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure will no longer be an alternative. The Company expects to adopt Statement 123(R) on January 1, 2006.

NOTE 3: SALE AND PURCHASE OF VESSELS

On January 20, 2005, the Company sold four container vessels to MUNIA Mobiliengesellschaft mbH & Co. ("MUNIA"), a special purpose German KG company formed by the German finance house KGAL, a German KG, for a total price of $29,843,360. After repayment of $15 million under the Fortis Loan (see Note 8. Long Term Debt), the sale generated a cash surplus of $14.8 million, of which $4 million was reinvested in Munia for a 25.8% equity participation (see Note 4 Investment in Associated Company). The sale generated a net accounting gain of $17,715,284, which was recorded as a deferred gain on sale of vessels. As part of the transaction, the Company has agreed to guarantee certain levels of operating expenses and of employment for the vessels (see Item 2 - Management's Discussion - Guarantees).

In April 2005, the Company acquired two very large gas carriers ("VLGCs") from the Bergesen Group of Norway. The vessels, M/v 'Berge Flanders' of 75,000 m^3 capacity (built 1991) and M/v 'Berge Kobe' of 77,000 m^3 capacity (built

1987) were acquired for considerations of $50,717,250 and $32,260,000, respectively. The vessels are time-chartered to the Bergesen Group for a minimum period of five years. The acquisitions were funded with a $68 million loan from Scotiabank Europe PLC and for the balance with internal cash resources.

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NOTE 4. INVESTMENT IN ASSOCIATED COMPANIES

In January 2005, the Company invested $4 million in MUNIA, a special purpose German KG company formed by the German finance house KGAL, a German KG. MUNIA purchased four container vessels from MC Shipping for a total consideration of $29.8 million and chartered them to AP Møller until February 1st 2008, September 1st 2008, May 15th 2009 and February 1st 2009, for each vessel respectively. MUNIA contracted the technical management of the vessels out to V.Ships.

MUNIA is a limited partnership with equity in the amount of $15.5 million. The limited partners of MUNIA include MC Shipping with an equity contribution of $4 million (25.8%), V Ships (1%), ALCAS GmbH, a subsidiary of KGAL (1%) and MIRAN GmbH (72.2%). MIRAN is in the process of selling limited partnership interests to certain German individual investors (the "Individual Investors") who enter into a trust agreement with a fiduciary partner.

MUNIA borrowed $18 million from Danmarks Skibskreditfond to finance the balance of the purchase price of the vessels and the working capital. The bank loan bears interest at LIBOR plus 1.05% and consists of four advances of $4.5 million each. Each advance is repayable in equal quarterly instalments of $450,000 plus a balloon due on February 1st 2008, September 1st 2008, May 15th 2009 and February 1st 2009, for each vessel respectively. The loan is secured by mortgages on the vessels and is non-recourse to the partners of MUNIA. Swap agreements were concurrently entered into, as a result of which the interest rate has been effectively fixed at rates ranging from 4.73 to 4.85% depending on the final maturity of each advance.

The managing partner is MUNIA Mobilien-Verwaltungsgesellschaft mbH (the "Managing Partner"). The Managing Partner has sole power of representation toward third parties and may, in the ordinary course of business without the consent of the partners, enter into management contracts, enter into any contract necessary for the operation of the vessels (purchase contracts, insurance policy, employment contracts, agency contracts), enter into the existing charter parties with Maersk, charter the vessels up to 6 months, change the vessel register or flag, enter into agreements regarding the placement of equity, enter into loan agreements, perform repairs on the vessels up to $500,000, grant credit to the suppliers, assume the bookkeeping and handle the payment of transactions, etc. The right to enter into agreements also includes the amendment and cancellation of such agreements. The financial statements of MUNIA to be prepared in USD currency will be signed by the Managing Partner. V.Ships will receive a fee of $230,000 from MUNIA as a broker fee on the acquisition of the vessels.

The original partnership agreement was signed in January 2005. An amended partnership agreement, dated as of March 31, 2005, was signed on June 7, 2005: the equity of the partnership was raised from $15.2 to $15.5 million which reduced MC Shipping's initial participation from 26.3% to 25.8%; V.Ships and ALCAS, a subsidiary of KGAL, were introduced as partners; an Advisory Board consisting of representatives of the limited partners was created to approve certain major decisions; there was no change in the repartition of profits and losses between the partners.

The Company participates for 25.8% in the profits and losses of the partnership and will receive the following percentages of the net sale proceeds of each of the ships: 0% of the first $3.9 million, 100% of the next $1 million and 40% of any amount in excess of $4.9 million. As part of the transaction, the Company has agreed to guarantee certain levels of operating expenses and of employment for the vessels (see Item 2 - Management's Discussion - Guarantees). The share of net income of MUNIA included in the Company's financial statements was $270,849 for the quarter and $186,419 for the six months ended June 30, 2005.

In April 2005, Waterloo Shipping Limited ("Waterloo"), the joint venture company set up on a 50/50 basis by the Company and Petredec Limited, a leading LPG trading and shipping company, acquired the 1983-built, 59,725cbm, LPG carrier 'Galileo' (ex 'Isomeria') for a total consideration of $16 million and chartered the vessel to Petredec for a period of four years. The vessel is technically managed by V.Ships. The Company and Petredec each advanced an

amount of $2,481,923 to Waterloo and Waterloo borrowed $11.2 million from Danmarks Skibskreditfond. The bank loan bears interest at LIBOR plus 1.05% and is repayable in 16 equal quarterly instalments of $610,156 plus a balloon of $1,437,504. The loan is non-recourse to the joint venture partners, except for a corporate guarantee limited to $850,000 for each joint venture partner. The share of the net loss of Waterloo included in the Company's financial statements was $121,977 for the quarter ended June 30, 2005 as the LPG carrier Galileo suffered off-hire during its first 3 months of operation due to initial technical problems.

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NOTE 5. RELATED COMPANY TRANSACTIONS

V.Investments Limited ("V.Investments"), V.Ships Group Ltd., V.Holdings Limited ("V.Ships"), Greysea Limited, Close Securities Limited, Close Investment Partners Limited, Navalmar (UK) Limited ("Navalmar"), Bogazzi Fimpar S.p.A., and Enrico Bogazzi control over 50% of the outstanding stock of the Company.

Certain of the directors and executive officers of the Company are involved in outside business activities similar to those conducted by the Company. Mr. Antony Crawford (Chief Executive Officer, President and Director) is also the Chief Executive Officer of V.Investments, a subsidiary of V.Ships handling the financial, commercial and investment activities of the group; he is a director and minority shareholder of V.Holdings Limited, the holding company of the V.Ships group; he is joint managing director of AL Ships, a marketing company jointly owned by V.Ships and KGAL; he is a director of Finship, a Rotterdam based financial advisory company jointly owned by V.Ships and ING Bank. Mr Biggi is the President and Chief Executive Officer of V.Holdings Ltd and an executive officer of its principal subsidiaries which provide management-related services to the Company. Mr. Biggi is also a shareholder of Greysea, which owns a participation in V.Ships. Mr. Bogazzi (Director) is involved in the business of purchasing, owning and selling cargo vessels through the Bogazzi Group of shipping companies. As a result of these affiliations, such persons may experience conflicts of interest in connection with the selection, purchase, operation and sale of the Company's vessels and those of other entities affiliated with such persons.

The By-Laws of the Company provide that any of the transactions giving rise to potential conflicts of interest are subject to review by the Audit Committee of the Company's Board of Directors which is also charged with the responsibility of monitoring and reviewing transactions to be entered into with affiliates. Management believes that the terms of all the transactions described herein with V.Ships were fair to the Company.

The Company, via its wholly owned subsidiaries, has entered into Management Agreements with V.Ships for the technical operation of all the Company's fleet, excluding the seariver vessels which are managed by an independent vessel manager because of the specialised nature of the trade. The Agreements are "cost-plus" contracts under which the Company reimburses all costs incurred by V.Ships for the operation of the Company's vessels and V.Ships is paid a fixed management fee. In 2005, the management fees payable to V.Ships are fixed at the rate of $9,250 per vessel/per month for the container vessels and the large LPG carriers and at the rate of $9,167 per vessel/per month for the other LPG carriers (in 2004, $8,600 and $8,500 respectively). In the quarter and in the six month period ended June 30, 2005, $244,356 and $513,963 respectively were paid by the Company to V.Ships for services provided to the Company pursuant to the Management Agreements (in 2004, $290,379 and $580,758, respectively).

If the Company deems it necessary to employ the services of V.Ships in the acquisition or disposal of vessels, the Company will pay commissions and legal fees determined in light of current industry practice. In the quarter and in the six month period ended June 30, 2005, legal fees and expenses totalling $17,341 and $35,968 were paid by the Company to affiliates of V.Ships (no such commissions or legal fees were paid in 2004).

The Company leases office space from an affiliate of V.Ships. In the quarter and in the six month period ended June 30, 2005, the rental cost paid to the affiliate of V.Ships was approximately $23,205 and $47,574 (in 2004, $21,185 and $42,793, respectively).

In the quarter and in the six month period ended June 30, 2005, the Company paid approximately $7,250 and $14,000 for accounting services to an affiliate of V.Ships (in 2004, $7,750 and $15,500, respectively).

In August 2004, the Company entered into a service agreement with V.Investments Limited whereby, the Company pays a fee of £10,000 per month in consideration of V.Ships permitting the Chief Executive Officer to provide his services to the Company. V.Ships is also entitled to reimbursement of all business expenses incurred by the CEO in

the provision of his services.

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In addition, on a case by case basis, as technical manager of the Company's fleet, V.Ships may use on behalf of the Company the services of other service providers for insurance, crew and staff travelling, port agency services, manning, safety and training services, and miscellaneous services. Some of the service providers may be affiliates of V. Ships.

At June 30, 2005, the Company had intercompany balances of trade account receivable from affiliates of $550,328 ($80,492 at December 31, 2004). This amount includes $493,589 receivable from MUNIA for the payment of the lube oil remaining on board at the time of sale of the container vessels.

NOTE 6. PROVISION FOR IMPAIRMENT LOSS

At June 30, 2005, the Company evaluated the recoverability of its vessels and its investments in associated companies in accordance with FAS 144 and determined that no provision for loss was required as the carrying values of such assets were deemed to be recoverable.

In July 2005, the Company received appraisals for its gas fleet from a leading independent shipbroker. The seariver vessels values were assumed to remain at their appraised values of January 2005. On this basis, the appraised value of the Company's fully owned fleet was approximately $167 million compared to a book value of $126,320,104 on June 30, 2005 (see also Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Value of the vessels).

In accordance with SFAS 144 "Accounting for the Impairment or Disposal of Long Lived Assets", the Company's vessels are regularly reviewed for impairment. The Company performs the impairment valuations at the individual vessel level pursuant to paragraph 10 of SFAS 144. To consider whether there is an impairment indicator, the Company compares the book value and the market value of each vessel at the end of each quarterly reporting period. At year end, the market value used by the Company is equal to the average of the appraisals provided by two leading independent shipbrokers. Appraisals are based on the technical specifications of each vessel, but are not based on a physical inspection of the vessel. At quarter end, the market value is assessed by the President on the basis of market information, shipping newsletters, sale of comparable vessels reported in the press, informal discussions with shipbrokers or unsolicited proposals received from third parties for the vessels. Whenever a vessel's market value is above its book value, the Company considers there is no indication of impairment. Whenever a vessel's market value is below its book value, the Company considers there is a potential impairment and performs a recoverability test. The Company estimates the undiscounted future cash flows attributable to the vessel in order to determine if the book value of such vessel is recoverable. If the book value of the vessel exceeds the estimated undiscounted future cash flows attributable to the vessel, the Company recognizes an impairment loss equal to the excess of the book value over the market value as defined above.

The Company's investment in MUNIA is also reviewed for impairment at each quarter end. To consider whether there is an indication of impairment, the Company compares the fair market value or estimated scrap value of each container vessel at the end of the quarterly reporting period with the minimum threshold of $4.9 million, which corresponds to a full recovery of the investment (see Note 4. Investment in Associated Companies). Whenever the fair market value or estimated scrap value of a vessel is below $4.9 million (corresponding to a price of scrap of $314 per ton), the Company considers there is a potential impairment and performs a recoverability test. The Company estimates the undiscounted future cash flows attributable to the investment in order to determine if the book value of such investment is recoverable. If the book value of the investment exceeds the estimated undiscounted future cash flows attributable to the investment, the Company recognizes an impairment loss equal to the excess of the book value over the scrap value.

The assumptions used to determine, whether the sum of undiscounted cash flows expected to result from the use and eventual disposition of an asset exceeds the carrying value, involve a considerable degree of judgment on the part of Management. Actual results could differ from those estimates, which could have a material effect on the recoverability of the assets.

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NOTE 7. SHAREHOLDERS' EQUITY

The net income of $4,908,754 for the six months ended June 30, 2005 has been recorded as a reduction in accumulated deficit. In March 2005, the Company's Board of Directors decided to distribute a dividend of $0.25 per share payable in four equal quarterly instalments of $0.0625 to be recorded as a reduction of Additional paid-in capital. The first instalment of $548,563 was paid on April 29, 2005. The date of record for the next instalment is July 14, 2005 and the date of distribution July 28, 2005.

The summary of changes in shareholders' equity during the six months ended June 30, 2005 is as follows:

USD	Common Stock Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders Equity
December 31, 2004	87,660	51,280,010	(20,792,717)	261,602	30,836,555
Net Income			4,908,754		4,908,754
Foreign currency translation adjustment				(13,280)	(13,280)
Unrealised losses on cash flow hedges				(997,676)	(997,676)
Stock-based employee compensation		74,932			74,932
Issuance of stock to Directors	48	17,285			17,333
Dividends		(548,563)			(548,563)
Issuance of stock under stock option plan	1,429	261,266			262,695
June 30, 2005	89,137	50,935,066	(15,734,099)	(749,354)	34,540,750

In June 2005, the Company’s Board of Directors extended the authorization to repurchase up to 400,000 shares of its common stock. Shares will be repurchased in the open market at times and prices considered appropriate by the Company. The timing of any purchases and the exact number of shares to be purchased will be dependent on market conditions. Repurchased stock, if any, will be held in treasury.

Directors, who are not officers of the Company or of an affiliated company, receive $5,000 out of their total annual compensation by allotment of shares of the Company’s common stock of equivalent value. In 2005, 4,766 shares were issued representing director compensation of $17,333 for the period April 1 to December 31, 2004.

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NOTE 8. LONG TERM DEBT

On January 20, 2005, upon the sale of the container vessels, the Company repaid $15 million under the loan agreement with Fortis Bank (the "Fortis Loan") and the repayment schedule of the remaining loan was reduced proportionately. An amount of $116,194 representing the unamortized balance of the debt issuance costs incurred in 2004 in connection with such portion of the Fortis Loan was written off and recorded as a reduction of the Deferred Gain on sale of vessels. Concurrently with such prepayment, cash balances of $5 million held as collateral by Fortis Bank were released. As of June 30, 2005, the amount outstanding under the Fortis Loan was $27,500,000.

In April 2005, the Company entered into a $68,000, 000 loan agreement with Scotiabank (the "Scotia Loan") in order to partially fund the acquisition of two vessels. The loan consists of two advances, bears interest at LIBOR plus 0.85% and is guaranteed by the Company:

- the first advance of $41 million was drawn by one of the Company's wholly owned subsidiaries, to finance the acquisition of the 'Berge Flanders'. This advance is repayable over eleven years in twenty two equal semi-annual instalments of $1,772,500 plus a balloon of $2,005,000.

- the second advance of $27 million was drawn by another of the Company's wholly owned subsidiaries in order to finance the acquisition of the 'Berge Kobe'. This advance is repayable over seven years in fourteen equal semi-annual instalments of $1,785,500 plus a balloon of $2,003,000.

Swap agreements were concurrently entered into with Scotiabank, as a result of which the variable rate, exclusive of margin, has been effectively fixed for the first five years at 4.58 % and 4.545% respectively for the first and second advance.

The borrowers have granted ship mortgages over their vessels as security. The loan agreements contain debt covenants related to minimum liquidity reserves of $5,000,000, minimum value clauses for the vessels, minimum interest coverage of 2:1 and minimum tangible net worth. As of June 30, 2005, tangible net worth exceeded the minimum requirement by $4,805,801. The Company has complied with all applicable debt covenants for all periods presented.

NOTE 9: STOCK OPTION PLAN

The following table summarizes the activity under the stock plan during the first 6 months of 2005:

	Number of shares	Weighted average exercise price
Options outstanding as of December 31, 2004	142,918	1.84
Options granted in 2005	186,398	9.228
Options exercised in 2005	142,918	1.84
Options forfeited in 2005	-	-
Options outstanding as of June 30, 2005	186,398	9.228
Options exercisable as of June 30, 2005	186,398	9.228

On June 14, 2005, the Company's Board of Directors approved the issuance of 186,398 options to employees at an exercise price of $9.228 per share. Options granted under this plan are granted with an exercise price equal to the average of the Company's stock price over the ten days prior to the grant date. As a result, the intrinsic value of these options on the grant date was $0.402 per share and the Company recognized a non cash compensation charge of $74,932. The fair value for these options was estimated to be equal to $2.96 per share at the date of grant using a

Black-Scholes option pricing model with the following assumptions:

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	2005
Risk-free interest rate	3.70%
Volatility	54%
Expected option term (in years)	2
Dividend yield	2.50%

On June 14, 2005, the Board modified the vesting conditions of the stock options under the terms of the plan. From now on, the options vest 100% on the day following the grant date. There are no more options to be granted under the plan as of June 30, 2005.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

	3 months ended June 30, 2005	3 months ended June 30, 2004	6 months ended June 30, 2005	6 months ended June 30, 2004
Net income, as reported	$ 2,861,999	$ 536,445	$ 4,908,754	$ 1,336,843
Add: Stock-based employee compensation expense included in reported net income	74,932	-	74,932	-
Deduct: total stock-based employee compensation expense determined under fair value based method for all awards	(642,875)	(3,590)	(657,844)	(7,180)
Proforma net income	2,294,056	532,855	4,325,842	1,329,663
Earnings per share:				
Basic - as reported	0.33	0.06	0.56	0.15
Basic - pro forma	0.26	0.06	0.49	0.15
Diluted - as reported	0.32	0.06	0.55	0.15
Diluted - pro forma	0.26	0.06	0.48	0.15

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

Results of Operations for the quarter ended on June 30, 2005.

Significant events during the six months

In the first 6 months of 2005, the Company focused its activities in the LPG sector. The company sold its four container vessels in January, while retaining a 25.6% interest, bought two very large gas carriers from Bergesen and 50% of another one from Shell in April (see Note 3. Sale and Purchase of vessels and Note 4. Investments in Associated Companies).

Revenues

The Company had revenue from charterhire and other sources amounting to $9,628,735 for the quarter and $15,867,221 for the six month period ended June 30, 2005 ($7,881,660 for the quarter and $15,777,436 for the six month period ended June 30, 2004). The increase in revenues is a result of the change in fleet composition.

In the first half of 2005, the Company's on-hire performance of the vessels on time charter was 99.6% on a potential 1441 days (for the first half of 2004, it was 99.0% on a potential of 2002 days). The increase in on-hire performance is due to the fact that no ship underwent dry-docking during the first six months of 2005, compared to one ship in the same period of 2004.

Whenever possible, the Company employs its vessels on long term time charters with first class charterers. All of the Company's eleven fully-owned vessels (except the sea river vessels) are currently fixed on time charters. Future minimum revenues from these non-cancellable charters are as follows:

Last 6 months of 2005	$ 18,202,500
2006	$ 28,040,000
2007	$ 19,150,625
2008	$ 16,980,000
2009	$ 16,980,000
2010	$ 4,245,000

Costs and Expenses

Commission on charterhire was $131,887 for the quarter and $285,743 for the six months ended June 30, 2005. It was $196,756 for the quarter and $387,130 for the six months ended June 30, 2004. The increase is directly related to increased revenues.

Vessel operating expenses plus amortisation of dry-docking costs totalled $3,922,463 for the quarter and $6,866,998 for the six months ended June 30, 2005. They were $4,221,253 for the quarter and $8,962,314 for the six months ended June 30, 2004. Vessel operating expenses comprise vessel running costs, direct costs (such as fuel costs, port charges and canal dues incurred directly while vessels are unemployed or are employed on voyage charters) and management fees. As a percentage of revenue, vessel operating expenses plus amortisation of dry-docking costs decreased from 56.8% in the first half of 2004 to 43.3% in the first half of 2005. Daily operating expenses per vessel on time charter (excluding the container vessels sold in January 2005) averaged $3,608 in the first half of 2005, as compared to $3,168 in the first half of 2004. The changes in vessel operating expenses as a percentage of revenues and in daily operating expenses are due to the change in fleet composition and to higher charter rates.

Depreciation totalled $2,363,335 in the quarter and $3,541,611 for the first six months of 2005 ($1,285,203 for the quarter and $2,570,790 for the six months ended June 30 2004). The increase in depreciation following the purchase of two vessels in April 2005 was more important than the reduction due to the sale of four vessels in January 2005.

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General and administrative expenses amounted to $550,664 for the quarter and $1,087,066 for the six months ended June 30, 2005. They were $734,925 for the quarter and $1,067,153 for the six months ended June 30, 2004. In the second quarter of 2004, the Company incurred certain non-recurring expenses in relation to the change of ownership of the Company and the offer for additional equity received by the Company.

Interest Expense

Interest expense amounted to $1,217,768 for the quarter and $1,572,117 for the six months ended June 30, 2005 ($913,270 for the quarter and $1,918,491 for the six months ended June 30, 2004). Despite the increase in long term debt, the interest expense is significantly reduced in the first 6 months of 2005 due to the refinancing of the 11.25% Senior Notes at a substantially lower rate in October 2004.

Interest Income

Interest income totalled $82,937 for the quarter and $216,508 for the six months ended June 30, 2005 ($26,547 for the quarter and $62,045 for the six months ended June 30, 2004). The increase in interest income is due to higher interest rates.

Deferred Income

Deferred income totalled $1,187,572 for the quarter and $2,114,139 for the six months that ended June 30, 2005 and represents the portion of Deferred Gain on sale of assets recognized as income during the relevant period (see Note 2). There were no payments made under the guarantee as of June 30, 2005 and therefore no deduction from deferred income. The container vessels experienced no off-hire during the quarter and operated within their budget.

Equity in Income of associated companies

Equity in net income of associated companies totalled $148,872 for the quarter and $64,421 for the six months ended June 30, 2005.

	3 months ended June 30, 2005	6 months ended June 30, 2005
MUNIA	$ 270,849	$ 186,398
Waterloo	(121,977)	(121,977)
Equity in net income of associated companies	148,872	64,421

The Company's 25.8% share of MUNIA's net income amounted to $270,849 and $186,398 respectively for the quarter and for the six month periods ended June 30, 2005. The on-hire performance of the container vessels was 100% on a potential 644 days.

The LPG carrier Galileo, owned by Waterloo, suffered off-hire during its first 3 months of operation due to initial technical problems. The on-hire performance of the Galileo was 83.0% on a potential 87 days. As a result, Waterloo experienced a loss in the quarter ended June 30, 2005 and the Company's share of Waterloo's loss was $121,977.

Market Conditions

Five of the Company's six small pressurized LPG vessels are due for renewal between December 2005 and June 2006. The existing charter rates of these vessels are significantly below current market rates. Management feels that the charter market will remain strong for the next twelve months and that the Company will be able to take advantage of such improved rates as the existing charters come for renewal.

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The market for VLGCs (very large gas carriers) was also quite strong in the first part of 2005; however, the Company's three fully-owned VLGC are fixed on long-term timecharter. The first one will be free in September 2006 and the other two are fixed at least until April 2010. The Galileo owned by the associated company Waterloo Shipping is contracted until May 2009.

In the 2nd quarter of 2005, the scrapping prices of vessels have come down somewhat from the very high levels of the beginning of 2005.

Market value of the vessels

In July 2005, the Company received appraisals for its gas fleet from a leading independent shipbroker (see Note 6. Provision for Impairment Loss). The Company seariver vessels and the container vessels sold to MUNIA and 25.8% owned by the Company were not appraised at this time and were assumed to remain respectively at their appraised value of January 2005 and their book value.

On this basis, Management estimates that the excess of market value over book value of the Company's fleet and Investment in Associated Companies is equal to approximately $43 million, or $4.80 per share. Such excess is subject to market fluctuations, cyclical nature of the shipping industry, competition, general economic conditions and other risk factors. The Company's shareholders' equity was equal to $34,540,750 as of June 30, 2005, not including the deferred gain on sale of vessels of $15,601,145.

Liquidity and Sources of Capital

Liquidity

The Company had $12,319,593 in Cash at June 30, 2005 (December 31, 2004 - $11,629,896). Restricted cash amounted to $1,675,646 (December 31, 2004 - $5,000,000). In addition, it should be noted that $1,098,320 were deposited in vessels operating accounts which are directly operated by the vessel technical managers (December 31, 2004 - $1,255,280).

The ratio of current assets to current liabilities decreased from 1.18 at December 31, 2004 to 0.91 at June 30, 2005. The reduction is mainly due to the fact that, upon the acquisition of two vessels in April 2005, the Company's current portion of long term debt increased by $7,116,000 after the drawdown of the Scotia loan. However, the cash flows from the purchased vessels, which are employed under five year time charters at fixed charter rates, are expected to be more than sufficient to cover the expected interest and principal repayments of such loan.

Operating activities

The Company generated cash flows from operations of $8,085,112 in the six months ended June 30, 2005 in comparison to $2,763,730 in the six months ended June 30, 2004. The increase is due to higher charter rates and a change in the fleet composition resulting in higher net income.

In the first half of 2005, the Company did not dry-dock any vessel, against one vessel in the same period of 2004. Four vessels are planned to be dry-docked in the second half of 2005 (three vessels in the second half of 2004).

Investing activities

In April 2005, the Company acquired two very large gas carriers (“VLGCs”) from the Bergesen Group of Norway. The vessels, M/v ‘Berge Flanders’ of 75,000 m^3 capacity (built 1991) and M/v ‘Berge Kobe’ of 77,000 m^3 capacity (built 1987) were acquired for considerations of $50,717,250 and $32,260,000, respectively. The vessels are time-chartered to the Bergesen Group for a minimum period of five years. The acquisitions were funded with a $68 million loan from Scotiabank Europe PLC and for the balance with internal cash resources.

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In April 2005, Waterloo Shipping Limited ("Waterloo"), a joint venture company set up on a 50/50 basis by the Company and Petredec Limited, a leading LPG trading and shipping company, acquired the 1983-built, 59,725 m^3, LPG carrier 'Galileo' (ex 'Isomeria') for a total consideration of $16 million and chartered the vessel to Petredec for a period of four years. The vessel is technically managed by V.Ships. The Company and Petredec each advanced an amount of $2,481,923 to Waterloo and Waterloo borrowed $11.2 million from Danmarks Skibskreditfond. The bank loan bears interest at LIBOR plus 1.05% and is repayable in 16 equal quarterly instalments of $610,156 plus a balloon of $1,437,504. The loan is non-recourse to the joint venture partners, except for a corporate guarantee limited to $850,000 for each joint venture partner.

Financing activities

In the first six months of 2005, the Company repaid net borrowings of $17,500,000. These repayments on the Fortis Loan consisted of: normal scheduled repayments of $2,500,000 and a prepayment of $15,000,000 at the time of the sale of the four container vessels.

In April, the Company borrowed $68 million to partially finance the acquisition of two vessels. The debt service of this loan during the first five years is more than adequately supported by time charters with a first class charterer.As a result, the Company's long term debt (including current portion) increased from $28,750,000 as of March 31, 2005 to $95,500,000 as of June 30, 2005.

Dividend

The Company resumed the distribution of cash dividends and expects to pay $0.0625 per share per quarter. The first distribution took place on April 29, 2005 and amounted to $548,563.

Contractual obligations

As of June 30, 2005, the Company's contractual obligations were as follows:

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Fortis loan due 2010	$ 27,500,000	$ 5,000,000	$ 10,000,000	$ 10,000,000	$ 2,500,000
Scotia loan due 2016	$ 68,000,000	$ 7,116,000	$ 14,232,000	$ 14,232,000	$ 32,420,000
Total	$ 95,500,000	$ 12,116,000	$ 24,232,000	$ 24,232,000	$ 34,920,000

Future cash requirements

Management believes that the net cash generated by operating activities will provide sufficient funds to enable the Company to meet its liquidity requirements throughout 2005. After the completion of the acquisitions and investments that took place in April 2005, Management believes that the Company still has excess cash to invest and is looking actively at the acquisition of vessels. However, the Company does not currently have any significant commitments for capital expenditures.

Contingencies

In June 2001, the Company sold the 1984-built container vessel Maersk Tampa to a non-affiliated Company with the Maersk charter attached. The buyer had the option to give the vessel back on charter to the Company in November

2004 for 12 months at a daily rate of $17,900, then a second option in November 2005 for a period of 6 months at a daily rate of $17,500. The first option was not exercised. The aggregate amount of the Company’s commitment under the second option is approximately $3,182,000. This amount does not take into consideration any revenues the Company would earn from chartering out the vessel to another party. As of August 2005, the current charter rate for six month time charter of a vessel similar to the Maersk Tampa is well in excess of $17,500 and the expected revenues from the chartering out of the vessel would cover the expected amount of the commitment. There is no assurance today, however, as to where market rates will be in November 2005.

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Share Repurchase Program

The Company Share repurchase Program is not expected to have a material impact on the Company liquidity. The buy back will be used if management feels the stock trades at or below levels where it does not accurately reflect the potential of the Company and where it makes such action attractive. It is designed as one of the tools to enhance shareholder value and will not replace or repress the strategy in place to grow the Company.

Guarantees

The Company has issued guarantees in relation to the Fortis and Scotia Loans. In addition, the Company has issued a guarantee of $850,000 in relation with the loan granted by Danmarks Skibskreditfond to Waterloo (see Investing Activities).

In connection with the sale of the container vessels in January 2005, the Company has agreed to guarantee to the purchaser certain levels of operating expenses and of employment for the vessels until February 1st 2008, September 1st 2008, May 15th 2009 and February 1st 2009, for the respective vessel (or earlier in case of sale or total loss of the respective vessel). As a result, the excess or surplus of operating expenses, up to a certain extent, will be absorbed by the Company. As compensation for issuing such guarantee, the Company receives a daily guarantee fee for each vessel, which is included in Revenues.

Critical Accounting Policies

The Company believes that there have been no significant changes to its critical accounting policies during the six months ended June 30, 2005, as compared to those the Company disclosed in the Management Discussion and Analysis section of its Form 10-K for the year ended December 31, 2004.

Off-Balance sheet Arrangements

The Company had no off-balance sheet financial arrangements as of June 30, 2005.

Forward looking statements

Certain of the information contained in this Form 10-Q may constitute “forward-looking statements” as that term is defined under United States federal securities laws. “Forward-looking statements” are subject to risks, uncertainties and other factors which could cause actual events to differ materially from those stated in such statements, including the identification of suitable vessels for purchase, the availability of additional financing for the Company, if needed, the cyclical nature of the shipping industry, competition, general economic conditions and other risk factors detailed in the Company’s filings with the SEC.

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ITEM 3: Market Risk

Interest Rate Swaps

The Company holds three interest rate swap agreements, which are used to hedge the Company’s interest rate exposure associated with its long-term debt.

As of June 30, 2005	Notional amount	Fair value	Interest rate	Expiry
First swap / Fortis loan	$ 27,500,000	$ 400,914	3.075%	October 2007
Second swap / Scotia loan	$ 41,000,000	$ (424,127)	4.580%	April 2010
Third swap / Scotia loan	$ 27,000,000	$ (765,163)	4.545%	April 2010

Long term Debt

As of June30, 2005, the Company had no variable interest debt.

Impact of Currency Fluctuations

The Company’s functional currency is the US dollar; however, a number of trade transactions related to normal vessel operations are performed in other currencies. Trade payables and accrued expenses as well as cash and trade receivables in foreign currencies are converted at year end exchange rates and therefore recorded at fair value. The Company does not hold any other assets or liabilities denominated in foreign currencies.

ITEM 4: Controls and Procedures

Evaluation of disclosure controls and procedures.

The Company’s Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company’s “disclosure controls and procedures” (as defined in the Securities and Exchange Act of 1934 Rules 13a-14(c) and 15d-14(c)) as of June 30, 2005, (the “Evaluation Date”). Based on such review, they have concluded that, as of the Evaluation Date, the Company’s disclosure controls and procedures were effective to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities.

Changes in internal controls.

There were no significant changes in the Company’s internal controls or, to the knowledge of the Company’s Chief Executive Officer and Chief Financial Officer, in other factors that could significantly affect the Company’s disclosure controls and procedures subsequent to the Evaluation Date.

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PART II: OTHER INFORMATION

Item 1 - Legal Proceedings

None

Item 2 - Changes in Securities

None

Item 3 - Defaults upon Senior Securities

None

Item 4 - Submission of Matters to a Vote of Security Holders

None

Item 5 - Other Information

None

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibit 10.1 Memorandum of Agreement for the purchase of Berge Kobe
Exhibit 10.2 Memorandum of Agreement for the purchase of Berge Flanders
Exhibit 10.3 Amended Partnership Agreement, dated as of March 31,2005, signed on June 7, 2005 (non-binding translation)
Exhibit 10.4 Loan Agreement with Scotia Bank and Guarantee Agreement dated March 30, 2005

(b) Exhibit 31.1
Certification provided by the Chief Executive Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2003.

(c) Exhibit 31.2
Certification provided by the Chief Financial Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2003.

(d) Exhibit 32
Certification provided by the Chief Executive Officer and the Chief Financial Officer of the Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2003.

(e) Reports on Form 8-K

None

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SIGNATURES

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

MC SHIPPING INC.
Registrant

Date : August 1, 2005

/S/ ANTONY CRAWFORD

Antony Crawford

Chief Executive Officer
President and Chief Operating Officer
(Principal Executive Officer)

Date : August 1, 2005

/S/ DOMINIQUE SERGENT

Dominique Sergent

Vice President
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)