

IRONWOOD PHARMACEUTICALS INC  
Form DEF 14A  
April 17, 2015

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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

Filed by a Party other than the Registrant

Check the appropriate box:

- 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 under §240.14a-12

**IRONWOOD PHARMACEUTICALS, INC.**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- 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:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o 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:

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**301 Binney Street  
Cambridge, Massachusetts 02142**

**NOTICE OF 2015 ANNUAL MEETING OF STOCKHOLDERS OF  
IRONWOOD PHARMACEUTICALS, INC.**

**Date:** Wednesday, June 3, 2015

**Time:** 9:00 a.m. - 10:00 a.m. Eastern Time

**Place:** Ironwood Pharmaceuticals, Inc.  
301 Binney Street  
Cambridge, MA 02142

**Purpose:** We are holding the annual meeting for stockholders to consider two company sponsored proposals as follows:

1. To elect our Class II directors, each for a three-year term; and
2. To ratify our audit committee's selection of Ernst & Young LLP as our auditors for 2015.

We will also consider action on any other matter that may be properly brought before the meeting or any postponement(s) or adjournment(s) thereof.

**Our board of directors recommends you vote "for" each of the nominees for Class II director (proposal no. 1) and "for" ratification of our selection of auditors (proposal no. 2).** Only stockholders of record at the close of business on April 10, 2015 are entitled to notice of and to vote at the meeting.

We are pleased to take advantage of the Securities and Exchange Commission rules that allow us to furnish proxy materials to our stockholders on the internet. We believe these rules allow us to provide you with the information that you need while lowering the costs of delivery and reducing the environmental impact of the annual meeting.

You are cordially invited to attend the annual meeting in person. To ensure that your vote is counted at the annual meeting, however, please vote as promptly as possible.

*Proxy Material Mailing Date:*

Sincerely,

April 17, 2015

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*Senior Vice President, Chief Legal Officer, and Secretary*

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301 Binney Street  
Cambridge, Massachusetts 02142

**PROXY STATEMENT FOR 2015 ANNUAL MEETING OF STOCKHOLDERS**

**GENERAL INFORMATION**

Our board of directors is soliciting proxies for the 2015 annual meeting of stockholders. This proxy statement explains the agenda, voting information and procedures for the meeting. Please read it carefully. This proxy statement and related materials are first being made available to stockholders on or about April 17, 2015, and the notice of internet availability of proxy materials is first being sent to our stockholders on the same day.

In this proxy statement, references to "the company" or "Ironwood" and, except within the Audit Committee Report and the Compensation Committee Report, references to "we", "us" or "our" mean Ironwood Pharmaceuticals, Inc. LINZESS® is a trademark of Ironwood Pharmaceuticals, Inc. Any other trademarks referred to in this proxy statement are the property of their respective owners. All rights reserved.

The contents of our website are not incorporated into this document and you should not consider information provided on our website to be part of this document.

**Who can vote.** Only stockholders of record of either of our two series of common stock, our Class A common stock and our Class B common stock, at the close of business on April 10, 2015 can vote at the meeting.

**Quorum.** In order to hold and complete the business of the annual meeting, we must have a majority of the votes entitled to be cast represented in person or by proxy at the meeting. On our record date, April 10, 2015, we had 142,078,411 shares of our common stock outstanding and entitled to vote (125,923,599 shares of our Class A common stock and 16,154,812 shares of our Class B common stock).

With respect to all matters that will come before the meeting, each share is entitled to one vote, and holders of shares of our Class A common stock and of our Class B common stock will vote together as a single class.

**Notice of internet availability of proxy materials.** Pursuant to rules adopted by the Securities and Exchange Commission, or the SEC, we have elected to provide access to our proxy materials via the internet. Accordingly, we are sending a notice of internet availability of proxy materials to our stockholders. All stockholders will have the ability to access the proxy materials on the website referenced in the notice and to request to receive a printed set of the proxy materials by mail. Instructions on how to access the proxy materials over the internet and how to request a printed copy may be found in the notice. In addition, stockholders may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis. We encourage stockholders to take advantage of the availability of the proxy materials on the internet or through email to help reduce the environmental impact of our annual meetings.

**Voting Procedures Stockholders of Record and Beneficial Owners.** You are a stockholder of record if your shares of our stock are registered directly in your own name with our transfer agent, Computershare Trust Company, N.A., or Computershare. You are a beneficial owner if a brokerage

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firm, bank, trustee or other agent, called a "nominee", holds your stock. This is often called ownership in "street name" because your name does not appear in the records of Computershare. If you hold your shares in street name, you should receive a voting instruction form from your broker nominee.

**How to vote your shares.**

If you are a stockholder of record, there are four ways to vote:

***In person.*** You may vote in person at the annual meeting. We will give you a ballot when you arrive. Directions to the annual meeting, which is being held at our corporate headquarters located at 301 Binney Street, Cambridge, MA 02142, are available through the About Us section of our website at [www.ironwoodpharma.com](http://www.ironwoodpharma.com), under the heading Contact Us.

***Via the Internet.*** You may vote by proxy via the internet by following the instructions provided on the notice of internet availability of proxy materials or the proxy card. You must have the control number that is on either the notice or the proxy card when voting.

***By Telephone.*** If you request printed copies of the proxy materials by mail and you live in the United States or Canada, you may vote by proxy by calling the toll free number found on the proxy card. You must have the control number that is on the proxy card when voting.

***By Mail.*** If you request printed copies of the proxy materials by mail, you may vote by proxy by filling out the proxy card and sending it back in the envelope provided.

If you are a beneficial owner of shares held in street name, there are four ways to provide voting instructions:

***In person.*** If you wish to vote in person at the annual meeting, you must obtain a legal proxy from the nominee that holds your shares. Please contact that nominee for instructions regarding obtaining a legal proxy. Directions to the annual meeting, which is being held at our corporate headquarters located at 301 Binney Street, Cambridge, MA 02142, are available through the About Us section of our website at [www.ironwoodpharma.com](http://www.ironwoodpharma.com), under the heading Contact Us.

***Via the Internet.*** You may provide voting instructions via the internet by following the instructions provided on your voting instruction form.

***By Telephone.*** If it is allowed by your nominee, you may provide voting instructions by calling the toll free number found on your voting instruction form.

***By Mail.*** You may provide voting instructions by filling out the voting instruction form and sending it back in the envelope provided.

**How you may revoke your proxy or voting instructions.** If you are a stockholder of record, you may revoke or amend your proxy at any time before it is voted at the annual meeting by writing to us directly "revoking" your earlier proxy, submitting a new proxy with a later date by mail, over the telephone or on the internet, or by attending the meeting and voting in person. Your last dated proxy timely received prior to or vote cast at the annual meeting will be counted. If you hold your shares in street name, you must follow the instructions on your voting instruction form to revoke or amend any prior voting instructions.

**What if you receive more than one notice of internet availability of proxy materials, proxy card or voting instruction form?** This means that you may have more than one account at Computershare and/or with a nominee. Your notice of internet availability of proxy materials, proxy card or voting instruction form lists the number of shares you are voting. Please vote the shares on all notices of internet availability of proxy materials, proxy cards and voting instruction forms that you receive.



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We recommend you consolidate your holdings under the same name, address and tax identification number, if possible. This will eliminate some duplication of mailings and reduce costs. Please contact your nominee to consolidate accounts, or our transfer agent, Computershare, at (800) 662-7232, as applicable.

**Abstentions and "broker non-votes".** If you are a stockholder of record and you vote "abstain" or "withhold" on any matter, your shares will not be voted on that matter and will not be counted as votes cast in the final tally of votes on that matter. However, your shares will be counted for purposes of determining whether a quorum is present. If you are a beneficial owner holding through a broker nominee, you may instruct your nominee that you wish to abstain from voting on a proposal or withhold authority to vote for one or more nominees for director.

A broker nominee generally may not vote on "non-routine" matters without receiving your specific voting instructions. This is called a "broker non-vote." Like abstentions, broker non-votes are counted as present and entitled to vote for quorum purposes, but are not counted as votes cast. At the annual meeting, your broker nominee will not be able to submit a vote on the election of directors unless it receives your specific instructions. If your nominee does not receive your specific instructions for this proposal, it will submit a broker non-vote. The broker nominee will, however, be able to vote on the ratification of the selection of our independent auditors even if it does not receive your instructions, so we do not expect any broker non-votes will exist in connection with this proposal.

**Discretionary authority.** If you are a stockholder of record and you properly submit your proxy without making any specific selections, your shares will be voted on each matter before the annual meeting in the manner recommended by our board. If other matters not included in this proxy statement properly come before the annual meeting, the persons named on the proxy card, or otherwise designated, will have the authority to vote on those matters for you as they determine. At this time, we are not aware of any matters that will come before the annual meeting other than those disclosed in this proxy statement. If you are a beneficial owner of shares held in street name, please see the discussion above regarding broker non-votes and the rules related to voting by nominees.

**Vote required.** The required vote for each of the proposals expected to be acted upon at the annual meeting is described below.

1. **Proposal No. 1 Election of Class II Directors:** the three nominees for director with the highest number of affirmative votes will be elected as directors to serve for three-year terms and until their successors are duly elected and qualified or until their death, resignation or removal. Because there is no minimum vote required, abstentions and broker non-votes will not affect the outcome of this proposal.
2. **Proposal No. 2 Ratification of Auditors:** the approval of this proposal requires a majority of the votes cast for or against the proposal. Abstentions will not affect the outcome of this proposal. Further, because we believe this matter to be routine, a broker nominee may vote on your behalf if you do not otherwise provide instructions, and we do not expect there will be any broker non-votes on this matter.

**Results of the voting.** We expect to announce the preliminary voting results at the annual meeting. The final voting results will be tallied by the inspector of election and published in a Current Report on Form 8-K, which we are required to file with the SEC within four business days following the annual meeting.

**Costs of solicitation.** We will pay the costs of soliciting proxies. We will solicit proxies by email from stockholders who are our employees or who previously requested to receive proxy materials electronically. Our directors, our officers and our employees also may solicit proxies on our behalf, personally, electronically or by telephone or other means, without additional compensation. We may



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also utilize the assistance of third parties in connection with our proxy solicitation efforts, and we would compensate such third parties for their efforts. We have engaged one such third party, The Proxy Advisory Group, LLC, to assist in the solicitation of proxies and provide related advice and informational support, for a services fee and the reimbursement of expenses that are not expected to exceed \$10,000 in the aggregate.

**Audio of annual meeting to be broadcast on our website.** The audio portion of our annual meeting will be broadcast live over the internet through a webcast that will be accessible through the Investors section of our website at [www.ironwoodpharma.com](http://www.ironwoodpharma.com). The contents of our website are not incorporated into this document and you should not consider information provided on our website to be part of this document.

**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 at March 31, 2015 for:

each person whom we know beneficially owns more than five percent of our common stock;

each of our directors;

each of our named executive officers; and

all of our directors and executive officers as a group.

The number of shares beneficially owned by each stockholder is determined under rules issued by the SEC. Under these rules, beneficial ownership includes any shares as to which the individual or entity has sole or shared voting power or investment power. Each of the stockholders listed has sole voting and investment power with respect to the shares beneficially owned by the stockholder unless noted otherwise, subject to community property laws where applicable.

The percentage of common stock beneficially owned by each person is based on 142,063,745 shares of common stock outstanding on March 31, 2015 (125,908,933 shares of Class A common stock and 16,154,812 shares of Class B common stock). Each share of Class B common stock is convertible at any time into one share of Class A common stock. Shares of common stock that may be acquired within 60 days following March 31, 2015 pursuant to the exercise of options or the vesting of restricted stock units are included in the holdings of each stockholder, as applicable, and are deemed to be outstanding for the purpose of computing the percentage ownership of such holder. Such amounts, however, are not included in the holdings of any other stockholder in the table and are not deemed to be outstanding for computing the percentage ownership of any other holder shown in the table. Beneficial ownership representing less than one percent is denoted with an "\*."

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Unless otherwise indicated, the address for each of the stockholders in the table below is c/o Ironwood Pharmaceuticals, Inc., 301 Binney Street, Cambridge, Massachusetts 02142.

Name of Beneficial Owner	Shares Beneficially Owned				% Total Voting Power(1)
	Class A Common		Class B Common		
	Stock		Stock		
	Shares	%	Shares	%	
<b>Officers and Directors</b>					
Peter M. Hecht(2)	850,084	*	5,006,309	29.4	4.1
Tom Graney(3)	2,841	*		*	*
Mark G. Currie(4)	383,160	*	1,070,000	6.3	1.0
Halley E. Gilbert(5)	220,004	*	152,250	*	*
Thomas A. McCourt(6)	259,506	*	240,000	1.5	*
Michael J. Higgins(7)	415,000	*	673,115	4.1	*
George H. Conrades(8)	45,665	*	573,755	3.6	*
Joseph C. Cook, Jr.(9)	42,775	*	333,080	2.1	*
David A. Ebersman	29,714	*	71,519	*	*
Marsha H. Fanucci	19,778	*	44,863	*	*
Terrance G. McGuire(10)	33,658	*	40,000	*	*
Julie H. McHugh	26,553	*		*	*
Lawrence S. Olanoff(11)		*		*	*
Edward P. Owens	117,450	*		*	*
Bryan E. Roberts(12)	67,277	*	40,000	*	*
Christopher T. Walsh	29,714	*	303,026	1.9	*
Douglas E. Williams	19,778	*		*	*
All executive officers and directors as a group (15 persons)(13)	2,147,957	1.7	7,874,802	43.3	6.9

### **5% Security Holders**

FMR LLC (Fidelity)(14)	19,755,935	15.7		*	13.9
Wellington Management Group LLP(15)	17,289,225	13.7		*	12.2
Janus Capital Management(16)	14,286,607	11.3		*	10.1
Entities associated with OrbiMed(17)	12,012,100	9.5		*	8.5
Blackrock, Inc.(18)	9,054,348	7.2		*	6.4
Entities associated with Morgan Stanley(19)	7,654,009	6.1		*	5.4
The Vanguard Group(20)	7,543,747	6.0		*	5.3

(1)

Percentage total voting power represents voting power with respect to all shares of our Class A common stock and Class B common stock, as a single class, on matters in which holders of our Class B common stock are entitled to one vote per share. Each share of Class A common stock and each share of Class B common stock has one vote per share, except (a) on the following matters (on which each share of Class A common stock has one vote per share and each share of Class B common stock has ten votes per share), if submitted to a vote of stockholders: (i) adoption of a merger or consolidation agreement involving Ironwood; (ii) a sale of all or substantially all of Ironwood's assets; or (iii) a dissolution or liquidation of Ironwood; and (b) on every matter if and when any individual, entity or "group" (as such term is used in Regulation 13D of the Securities Exchange Act of 1934, as amended, or the Exchange Act) has, or has publicly disclosed (through a press release or a filing with the SEC) an intent to have, beneficial ownership of 30% or more of the number of outstanding shares of Class A common stock and Class B common stock, combined. Holders of shares of Class A common stock and Class B common stock vote together as a single class on all matters (including those set forth in this proxy statement) submitted to a vote of

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stockholders, unless otherwise required by our certificate of incorporation or bylaws. The Class B common stock is convertible at any time by the holder into shares of Class A common stock on a share-for-share basis.

- (2) Includes 776,666 shares of Class A common stock and 864,892 shares of Class B common stock issuable to Dr. Hecht upon the exercise of options that are exercisable within 60 days following March 31, 2015.
- (3) Includes 2,841 shares of Class A common stock issuable to Mr. Graney upon the exercise of options that are exercisable within 60 days following March 31, 2015.
- (4) Includes 378,937 shares of Class A common stock and 760,000 shares of Class B common stock issuable to Dr. Currie upon the exercise of options that are exercisable within 60 days following March 31, 2015.
- (5) Includes 211,143 shares of Class A common stock and 152,250 shares of Class B common stock issuable to Ms. Gilbert upon the exercise of options that are exercisable within 60 days following March 31, 2015.
- (6) Includes 248,458 shares of Class A common stock and 240,000 shares of Class B common stock issuable to Mr. McCourt upon the exercise of options that are exercisable within 60 days following March 31, 2015.
- (7) Includes 415,000 shares of Class A common stock and 227,956 shares of Class B common stock issuable to Mr. Higgins upon the exercise of options that are exercisable within 60 days following March 31, 2015.
- (8) Includes 483,755 shares of Class B common stock held by Longfellow Venture Partners I, LLC, of which Mr. Conrades is the sole manager.
- (9) Includes 24,000 shares of Class B common stock held by Farview Management Company, L.P., of which Mr. Cook is a general partner. Also includes 304,080 shares of Class B common stock and 22,997 shares of Class A common stock held by Mr. Cook and his wife, Judith E. Cook. Mr. Cook has shared voting and investment authority over these shares. Also includes 5,000 shares of Class B common stock issuable to Mr. Cook upon the exercise of options that are exercisable within 60 days following March 31, 2015.
- (10) Includes 1,626 shares of Class A common stock held by Polaris Venture Management Co. II, L.L.C. and 29,117 shares of Class A common stock and 40,000 shares of Class B common stock held by Bartlett Partners, LLC. Mr. McGuire is a managing member of Bartlett Partners, LLC and Polaris Venture Management Co. II, L.L.C. and has shared voting and investment authority over these shares.
- (11) Dr. Olanoff was elected a director effective April 16, 2015.
- (12) Includes 18,910 shares of Class A common stock held by VHCP Management, LLC and 33,117 shares of Class A common stock and 40,000 shares of Class B common stock held by VR Management, LLC. Dr. Roberts is a managing member of VHCP Management, LLC and a member of VR Management, LLC, and as such, he may be deemed to have voting and investment power with respect to these shares. Dr. Roberts disclaims beneficial ownership with respect to these shares except to the extent of his indirect pecuniary interest therein. Further, under an agreement between Dr. Roberts and VR Management, LLC, Dr. Roberts is deemed to hold 165 shares of the Class A common stock registered in his name for the sole benefit of VR Management, LLC, and must hold or sell the shares solely upon the direction of VR Management, LLC. Dr. Roberts disclaims beneficial ownership with respect to these shares except

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to the extent of his indirect pecuniary interest therein. The address of VHCP Management, LLC and VR Management, LLC is 3340 Hillview Avenue, Palo Alto, CA 94304.

- (13) Includes 1,618,045 shares of Class A common stock and 2,022,142 shares of Class B common stock issuable upon the exercise of options that are exercisable within 60 days following March 31, 2015. Mr. Higgins was no longer an executive officer of Ironwood as of March 31, 2015, and therefore his beneficial ownership information is not included in this amount. Dr. Olanoff was elected a director effective April 16, 2015, and therefore his beneficial ownership information is not included in this amount.
- (14) Based upon the information provided by FMR LLC ("FMR"), Edward C. Johnson, III, Abigail P. Johnson, and Fidelity Growth Company Fund ("Fidelity Growth") in a Schedule 13G/A filed on February 13, 2015, reporting as of December 31, 2014. According to this Schedule 13G/A, (i) FMR has sole voting power with respect to 1,328,141 of these shares, sole dispositive power with respect to all of these shares, and shared voting and dispositive power with respect to none of these shares, (ii) Mr. Johnson has neither sole nor shared voting power with respect to these shares and sole dispositive power with respect to all of these shares and shared dispositive power with respect to none of these shares, and (iii) Ms. Johnson has neither sole nor shared voting power with respect to these shares and sole dispositive power with respect to all of these shares and shared dispositive power with respect to none of these shares. Further, according to this Schedule 13G/A, Fidelity Growth is the beneficial owner of 6,567,720 of these shares, representing 5.2% of our outstanding Class A common stock and 4.6% of our outstanding Class A and Class B common stock combined. Fidelity Growth has sole voting power with respect to all 6,567,720 shares beneficially owned, shared voting power with respect to none of such shares and neither sole nor shared dispositive power with respect to such shares. The address of FMR, Mr. Johnson, Ms. Johnson, and Fidelity Growth is 245 Summer Street, Boston, MA 02210.
- (15) Based upon the information provided by Wellington Management Group LLP ("Wellington") in a Schedule 13G/A filed on February 12, 2015, reporting as of December 31, 2014. According to this Schedule 13G/A, Wellington has sole voting and dispositive power with respect to none of these shares, shared voting power with respect to 10,831,161 of these shares, and shared dispositive power with respect to all of these shares. The address of Wellington is 280 Congress Street, Boston, MA 02210.
- (16) Based upon the information provided by Janus Capital Management LLC ("Janus Capital") in a Schedule 13G/A filed on February 18, 2015, reporting as of December 31, 2014. According to this Schedule 13G/A, Janus Capital has sole voting and sole dispositive power with respect to all of these shares, and shared voting and dispositive power with respect to none of these shares. The address of Janus Capital is 151 Detroit Street, Denver, Colorado 80206.
- (17) Based upon the information provided by OrbiMed Advisors LLC ("OrbiMed Advisors"), OrbiMed Capital LLC ("OrbiMed Capital"), and Samuel D. Isaly (collectively, the "OrbiMed Persons") in a Schedule 13G filed on February 17, 2015, reporting as of December 31, 2014. According to this Schedule 13G, (i) OrbiMed Advisors beneficially owns 4,781,300 of these shares, having sole voting and dispositive power with respect to none of such shares and shared voting and dispositive power with respect to all of such shares, (ii) OrbiMed Capital beneficially owns 7,230,800 of these shares, having sole voting and dispositive power with respect to none of such shares and shared voting and dispositive power with respect to all of such shares, and (iii) Samuel D. Isaly may be deemed to beneficially own all 12,012,100 of these shares, having sole voting and dispositive power with respect to none of such shares and shared voting and dispositive power with respect to all of such shares. The address of the OrbiMed Persons is 601 Lexington Avenue, 54<sup>th</sup> Floor, New York, NY 10022.

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- (18) Based upon the information provided by Blackrock, Inc. ("Blackrock") in a Schedule 13G/A filed on January 26, 2015, reporting as of December 31, 2014. According to this Schedule 13G/A, Blackrock has sole voting power with respect to 8,793,783 of these shares, sole dispositive power with respect to all of these shares, and shared voting and dispositive power with respect to none of these shares. The address of Blackrock is 55 East 52<sup>nd</sup> Street, New York, NY 10022.
- (19) Based upon the information provided by Morgan Stanley and Morgan Stanley Investment Management Inc. ("MSIM") in a Schedule 13G/A filed on February 12, 2015, reporting as of December 31, 2014. According to this Schedule 13G/A, each of Morgan Stanley and MSIM has sole voting power with respect to 7,560,717 of these shares, sole dispositive power with respect to none of these shares, shared voting power with respect to none of these shares, and shared dispositive power with respect to all of these shares. Morgan Stanley and MSIM also reported in this Schedule 13G/A that the securities being reported upon by Morgan Stanley as a parent holding company are owned, or may be deemed to be beneficially owned, by MSIM, and that MSIM is a wholly-owned subsidiary of Morgan Stanley. The address of Morgan Stanley is 1585 Broadway, New York, NY 10036. The address of MSIM is 522 Fifth Avenue, New York, NY 10036.
- (20) Based upon the information provided by The Vanguard Group ("Vanguard") in a Schedule 13G/A filed on February 10, 2015, reporting as of December 31, 2014. According to this Schedule 13G/A, Vanguard has sole voting power with respect to 160,644 of these shares, sole dispositive power with respect to 7,393,703 of these shares, shared voting power with respect to none of these shares and shared dispositive power with respect to 150,044 of these shares. The address of Vanguard is 100 Vanguard Blvd., Malvern, PA 19355.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Since January 1, 2014, except as described below, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we were or are a party in which the amount involved exceeded or exceeds \$120,000 and in which any of our directors, executive officers, holders of more than 5% of any class of our voting securities, or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest, other than compensation arrangements with directors and executive officers, which are described under the caption *Executive and Director Compensation* appearing elsewhere in this proxy statement.

**Registration Rights**

Each of Messrs. Conrades and Cook, and Dr. Hecht (and certain of their affiliated entities), as well as Venrock, had registration rights with respect to certain of their shares of our capital stock until such registration rights expired on or about February 2, 2015 or earlier, pursuant to our eighth amended and restated investors' rights agreement. These expired registration rights are described below. In April 2013 and November 2014, the holders of the majority of the registrable securities under the investors' rights agreement at such times entered into agreements to waive any registration rights and notice rights held by stockholders party to the investors' rights agreement with respect to offerings of our Class A common stock under the shelf registration statements we filed with the SEC on February 8, 2012 and November 5, 2014, respectively. Except as modified by this waiver, all other rights under the investors' rights agreement remained the same.

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***Demand Registration Rights***

Until the expiration of the registration rights as described above, the holders of shares of common stock having demand registration rights under the investors' rights agreement had the right to require that we register their shares of Class A common stock into which their shares of Class B common stock converted, provided such registration related to not less than 20% in aggregate of our then outstanding shares of Class B common stock having demand registration rights and the anticipated aggregate offering price to the public was at least \$5,000,000. In response to these demand registration rights, we were only obligated to effect two registrations for each series of our outstanding preferred stock that was converted into Class B common stock upon the completion of our initial public offering. We were permitted to postpone the filing of a registration statement for up to 90 days once in any 12-month period if our board of directors determined in good faith that the filing would be seriously detrimental to our stockholders or us. The underwriters of any underwritten offering had the right to limit the number of shares to be included in a registration statement filed in response to the exercise of these demand registration rights. We were required to pay all expenses, except for underwriters' discounts and commissions, incurred in connection with the exercise of these demand registration rights.

***Piggyback Registration Rights***

Until the expiration of the registration rights as described above, if we registered any securities for public sale, the stockholders that had piggyback registration rights under the investors' rights agreement had the right to include their shares in the registration, subject to specified exceptions. The underwriters of any underwritten offering had the right to limit the number of shares registered by these stockholders due to marketing reasons. We were required to pay all expenses, except for underwriters' discounts and commissions, incurred in connection with the exercise of these piggyback registration rights.

***S-3 Registration Rights***

Until the expiration of the registration rights as described above, the stockholders that had S-3 registration rights under the investors' rights agreement were permitted to request that we register their shares, provided that the total price of the shares of common stock offered to the public was at least \$500,000. These S-3 registration rights were wholly distinct from the demand registration rights and piggyback registration rights described above. A holder of S-3 registration rights was not permitted to require us to file a registration statement on Form S-3 if we had already effected two registrations on Form S-3 at the request of such holder in the last 12-month period. We were permitted to postpone the filing of a Form S-3 registration statement for up to 90 days once in any 12-month period if our board of directors determined in good faith that the filing would be seriously detrimental to our stockholders or us. The holders of S-3 registration rights were required to pay all expenses associated with any registrations on Form S-3 after the first six registrations on Form S-3.

**Indemnification Agreements**

We have entered into indemnification agreements with each of our current directors and certain of our officers. These agreements require us to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We intend to enter into indemnification agreements with our future directors and executive officers.

**Procedures for Related Party Transactions**

Under our code of business conduct and ethics, our employees, officers and directors are discouraged from entering into any transaction that may create or give the appearance of a conflict of

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interest. In addition, they must report any potential conflict of interest, including related party transactions, to certain members of our management or the chair of our audit committee. Pursuant to its charter, our audit committee must approve any related party transactions, including those transactions involving our directors. In approving or rejecting a proposed transaction, the audit committee considers the relevant facts and circumstances available to and deemed relevant by the audit committee, including the material terms of the transaction, risks, benefits, costs, availability of other comparable services or products and, if applicable, the impact on a director's independence. Our audit committee will approve only those transactions that, in light of known circumstances, are in, or are not inconsistent with, our best interests, as our audit committee determines in the good faith exercise of its discretion. A copy of our code of business conduct and ethics and our audit committee charter are available through the Investors section of our website at [www.ironwoodpharma.com](http://www.ironwoodpharma.com), under the heading Corporate Governance.

**PROPOSAL NO. 1 ELECTION OF DIRECTORS**

*Our board recommends that you vote for each of the Class II directors up for election.*

Our board of directors currently consists of 12 members, 11 of whom are non-employee members. In accordance with the terms of our certificate of incorporation, our board of directors is divided into three classes, and the directors in each class serve for three-year terms. Upon the expiration of the term of a class of directors, directors in that class will be eligible to be elected for a new three-year term at the annual meeting in the year in which their term expires. The current members of each class are set forth in the table below under *Directors*.

Our board has nominated each of our current class II directors Messrs. Conrades, Cook and Ebersman and Drs. Olanoff and Williams for election at the 2015 annual meeting. In April 2015, Messrs. Cook and Ebersman declined the nomination and announced their intention to retire as members of our board at the 2015 annual meeting, and, as a result, our board has elected to reduce the number of directors from 12 to ten at that time. Each of Mr. Conrades and Drs. Olanoff and Williams has indicated his willingness to serve if elected. Should any nominee become unavailable for election at the annual meeting, the persons named on the enclosed proxy as proxy holders may vote all proxies given in response to this solicitation for the election of a substitute nominee chosen by our board.

**Vote Required**

The three nominees for director with the highest number of affirmative votes will be elected as directors to serve for three years and until their successors are duly elected and qualified or until their death, resignation or removal. Because there is no minimum vote required, abstentions and broker non-votes will not affect the outcome of this proposal.

**DIRECTORS AND CORPORATE GOVERNANCE**

**Board Composition and Structure**

Our certificate of incorporation states that our board shall consist of between one and 15 members, and the precise number of directors shall be fixed by a resolution of our board. Each director holds office until his or her successor is duly elected and qualified or until his or her death, resignation or removal. Our certificate of incorporation provides that our directors may be removed only for cause by a majority of the stockholders entitled to vote on such removal. Any vacancy in the board, including

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a vacancy that results from an increase in the number of directors, may be filled by a vote of the majority of the directors then in office. Our board has elected to reduce the number of directors from 12 to ten upon the retirement of Messrs. Cook and Ebersman, which will occur at the 2015 annual meeting. Any additional directorships resulting from an increase in the number of directors will be apportioned by our board among the three classes.

We separate the roles of chair of the board and chief executive officer. Our board believes that this structure enhances the board's oversight of, and independence from, management, and enables the board to carry out its responsibilities on behalf of our stockholders. This leadership structure also allows Dr. Hecht, our chief executive officer, to focus his time and energy on operating and managing the company, while leveraging the experience and perspective of Dr. Roberts, our chair of the board. As set forth in our corporate governance guidelines, our board of directors currently anticipates that its chairperson shall rotate every five years, unless the governance and nominating committee recommends otherwise. We expect this rotation will take place in 2015.

**Directors**

We believe that our board of directors should be comprised of individuals with sophistication and experience in many substantive areas that will help us achieve our goals of creating medicines that make a difference for patients, building value to earn the continued support of our fellow stockholders, and empowering our team to passionately pursue excellence.

The core criteria that we use in evaluating each nominee to our board consists of the following: (a) a commitment to represent the interests of our stockholders, demonstrated, in part, through ownership of our capital stock; (b) strong personal and professional ethics, integrity and values; (c) strong business acumen; (d) a genuine passion for our business and the patients whom we serve; (e) demonstrated achievement in the nominee's field of expertise; (f) the absence of conflicts of interest that would impair the nominee's ability to represent the interests of our stockholders; (g) the ability to dedicate the time necessary to regularly participate in meetings of the board and committees of our board; and (h) the potential to contribute to the diversity of our board of directors, as a result of the nominee's professional background, expertise, gender, age or ethnicity. We believe that all current members of our board of directors possess the professional and personal qualifications necessary to serve on our board of directors.

Our governance and nominating committee identifies potential candidates through referrals and recommendations, including by incumbent directors, management and stockholders, as well as through business and other organizational networks. To date, our governance and nominating committee has not retained or paid any third party to identify or evaluate, or assist in identifying or evaluating, potential director nominees, although it reserves the right to engage executive search firms and other third parties to assist in finding suitable candidates.



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The following table sets forth certain information, as of April 17, 2015, with respect to each of our directors:

Name	Age	Class	Year term expires	Audit committee	Governance and Nominating committee	Compensation and HR committee
George H. Conrades	76	II	2015			ü
Joseph C. Cook, Jr.(1)	73	II	2015		ü	
David A. Ebersman(1)	45	II	2015			C
Lawrence S. Olanoff, M.D., Ph.D.	63	II	2015		ü	
Douglas E. Williams, Ph.D.	57	II	2015		ü	
Marsha H. Fanucci	61	III	2016	C		
Terrance G. McGuire	59	III	2016	ü		
Edward P. Owens	68	III	2016			ü
Christopher T. Walsh, Ph.D.	71	III	2016		C	
Peter M. Hecht, Ph.D., Chief Executive Officer	51	I	2017			
Bryan E. Roberts, Ph.D., Chair	48	I	2017			
Julie H. McHugh	50	I	2017	ü		

(1) Messrs. Cook and Ebersman will be retiring from our board at the 2015 annual meeting.

"C" indicates chair of the committee.

### **Class II Directors (accepted nomination for election at the 2015 annual meeting)**

**George H. Conrades** has served as a director since 2005. Mr. Conrades is the chairman of Akamai Technologies, Inc., a position he has held since August 2010, prior to which he was Executive Chairman since 2005. Mr. Conrades was both chairman and chief executive officer of Akamai Technologies, Inc. from 1999 to 2005 and has served as a director from 1998 to present. Mr. Conrades has also been a venture partner of Polaris Venture Partners, an early stage investment company, from August 1998 to present. From August 1997 to July 1998, Mr. Conrades served as executive vice president of GTE and president of GTE Internetworking, an integrated telecommunications services firm. Mr. Conrades served as chief executive officer of BBN Corporation, a national internet services provider and internet technology research and development company, from January 1994 until its acquisition by GTE Internetworking in July 1997. Prior to joining BBN Corporation, Mr. Conrades was a senior vice president at International Business Machines Corporation, or IBM, a developer of computer systems, software, storage systems and microelectronics, and a member of IBM's corporate management board. Mr. Conrades is currently a director of Harley Davidson, Inc., a motorcycle manufacturer, and Oracle Corporation, an enterprise software company, and currently serves as Life Trustee on the Board of Ohio Wesleyan University. Mr. Conrades received a B.A. in physics and math from Ohio Wesleyan University and an M.B.A. from the University of Chicago. Mr. Conrades' experience as chief executive officer of two public companies and as division president at two additional high technology companies, coupled with his past and present directorships and trusteeships make him an important member of our board of directors, particularly with respect to our corporate governance, growth strategy and business plans.

**Lawrence S. Olanoff, M.D., Ph.D.** joined our board of directors in April 2015. Dr. Olanoff most recently served as chief operating officer for Forest Laboratories, Inc. (acquired by Actavis plc) from October 2006 to December 2010. Dr. Olanoff also served as a director of Forest from October 2006 to July 2014. From July 2005 to October 2006, Dr. Olanoff was president and chief executive officer at Celsion Corporation. He also served as executive vice president and chief scientific officer of Forest from 1995 to 2005. Prior to joining Forest in 1995, Dr. Olanoff served as senior vice president of clinical research and development at Sandoz Pharmaceutical Corporation (now a division of the Novartis Group) and at the Upjohn Company in a number of positions including corporate vice

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president of clinical development and medical affairs. In addition, he is currently an adjunct assistant professor and special advisor to the president for corporate relations at the Medical University of South Carolina (MUSC), an ex-officio director of the MUSC foundation for research development, as well as chairman of the board of the Clinical Biotechnology Research Institute at Roper St. Francis Hospital. Dr. Olanoff received his Ph.D. in biomedical engineering and M.D. degree from Case Western Reserve University. Dr. Olanoff's detailed knowledge of the pharmaceutical industry, his broad operational experience and his research and development leadership over the course of his career make him an important asset to our board of directors.

**Douglas E. Williams, Ph.D.** joined our board of directors in June 2014. Dr. Williams has served as executive vice president, research and development at Biogen Inc. since January 2011. Prior to joining Biogen, Dr. Williams held several senior executive positions at ZymoGenetics Inc., a biopharmaceutical company, including chief executive officer and a director from January 2009 to October 2010, president and chief scientific officer from July 2007 to January 2009 and executive vice president, research and development and chief scientific officer from 2004 to July 2007. Previously, he held leadership positions within the biotechnology industry, including chief scientific officer and executive vice president of research and development at Seattle Genetics Inc., and senior vice president and Washington site leader at Amgen Inc. Dr. Williams also served in a series of scientific and senior leadership positions over a decade at Immunex Corp., including as executive vice president and chief technology officer and senior vice president of discovery research, as well as previously serving as a director of the company. Prior to that, Dr. Williams served on the faculty of the Indiana University School of Medicine and the Department of Laboratory Medicine at the Roswell Park Memorial Institute in Buffalo, New York. Dr. Williams serves on the board of directors of Regulus Therapeutics Inc. and previously served on the board of directors of Oncothyreon Inc., Aerovance Inc. and Array BioPharma Inc. Dr. Williams received his B.S. in Biological Sciences from the University of Massachusetts Lowell and Ph.D. in Physiology from the State University of New York at Buffalo, Roswell Park Memorial Institute Division. Dr. Williams brings to our board of directors significant senior management and scientific experience at biotechnology companies, which we believe is important to our goal of maximizing our current product and executing on our corporate strategy and associated pipeline.

**Class III Directors (term expires at the 2016 annual meeting)**

**Marsha H. Fanucci** has served as a director since 2009. Ms. Fanucci served as senior vice president and chief financial officer of Millennium Pharmaceuticals, Inc. from July 2004 through January 2009, where she was responsible for corporate strategy, treasury, financial planning and reporting and operations. While at Millennium, she also served as vice president, finance and corporate strategy and vice president, corporate development and strategy. Previously, she was vice president of corporate development and strategy at Genzyme Corporation, a biotechnology company, from 1998 to 2000. From 1987 to 1998, Ms. Fanucci was employed at Arthur D. Little, Inc. where she most recently served as vice president and director. Ms. Fanucci presently serves on the board of directors of Momenta Pharmaceuticals, Inc. and Alnylam Pharmaceuticals, Inc. She received her B.S. in pharmacy from West Virginia University and her M.B.A. from Northeastern University. Because of her extensive financial experiences at Millennium Pharmaceuticals and Genzyme in addition to her directorships at Momenta Pharmaceuticals and Alnylam Pharmaceuticals, we believe that Ms. Fanucci provides valuable industry insight and essential financial expertise as we execute our corporate objectives.

**Terrance G. McGuire** has served as a director since 1998. Mr. McGuire was a co-founder and is currently a general partner of Polaris Partners. Prior to starting Polaris Partners in 1996, Mr. McGuire spent seven years at Burr, Egan, Deleage & Co., investing in early stage medical and information technology companies. He serves on the board of directors of Acceleron Pharma Inc. and several private companies and has served on the boards of Akamai Technologies, Inc., Aspect Medical Systems, Inc., Cubist Pharmaceuticals, Inc., deCODE genetics, Inc., Trevena, Inc. and various private

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companies. Mr. McGuire is the former chairman of the National Venture Capital Association, which represents ninety percent of the venture capitalists in the U.S., chairman of the board of the Thayer School of Engineering at Dartmouth College, and a member of the boards of The David H. Koch Institute for Integrative Cancer Research at the Massachusetts Institute of Technology and The Arthur Rock Center for Entrepreneurship at Harvard Business School. Mr. McGuire earned a B.S. in physics and economics from Hobart College, an M.S. in engineering from The Thayer School at Dartmouth College, and an M.B.A from Harvard Business School. Mr. McGuire brings to our board extensive experience as a venture capitalist focused on the biotechnology industry, as well as many years of experience as a director of biotechnology companies guiding them in the execution of their corporate strategy and objectives.

**Edward P. Owens** has served as a director since 2013. Mr. Owens was previously partner, portfolio manager and global industry analyst with Wellington Management Company, LLP where he worked in investment management since 1974. He was the portfolio manager of the Vanguard Health Care Fund for 28 years from its inception in May 1984 until his retirement from Wellington in December 2012. Mr. Owens has a B.S. in physics from the University of Virginia and an M.B.A. from Harvard Business School. He brings to our board extensive experience in evaluating and investing in life sciences companies, providing valuable insight as we continue to strive towards our goal of maximizing long-term shareholder value.

**Christopher T. Walsh** has served as a director since 2003. Since October 2013, Dr. Walsh has been a consulting professor in Chemistry at Stanford University. Dr. Walsh was the Hamilton Kuhn Professor of Biological Chemistry and Molecular Pharmacology at Harvard Medical School from 1991 to July 2013 and formerly was president of the Dana-Farber Cancer Institute and chairman of the Department of Biological Chemistry and Molecular Pharmacology at Harvard Medical School. He has performed extensive research in enzyme stereochemistry, reaction mechanisms and the mechanisms of action of anti-infective and immunosuppressive agents. Dr. Walsh serves on the Scientific Advisory Board for Abide Therapeutics Inc., Epizyme Corporation, LS9, Inc. and the Bioventures Group of Health Care Ventures LLC. Dr. Walsh is also a board member of Achaogen, Inc. and Proteostasis Therapeutics, Inc. He is also on the board of directors of the nonprofit California Institute for Biomedical Research. Dr. Walsh received an A.B. in biology from Harvard University and a Ph.D. in life sciences from The Rockefeller University, New York. Based on his expertise in biological chemistry and molecular pharmacology, Dr. Walsh has been, and will continue to be, instrumental as we discover, develop and commercialize innovative medicines targeting important therapeutic needs.

**Class I Directors (term expires at the 2017 annual meeting)**

**Bryan E. Roberts** has served as a director since 2001 and as chair of our board since 2010. Dr. Roberts joined Venrock, a venture capital investment firm, in 1997, where he serves as partner. From 1989 to 1992, Dr. Roberts worked in the corporate finance department of Kidder, Peabody & Co., a brokerage company. Dr. Roberts serves as a director of ZELTIQ Aesthetics, Inc., Achaogen, Inc., Castlight Health, Inc. and Vitae Pharmaceuticals, Inc., as well as on the board of several private companies, and he has previously served on the board of directors of athenahealth, Inc., XenoPort, Inc. and Sirna Therapeutics, Inc. He received a B.A. from Dartmouth College and a Ph.D. in chemistry and chemical biology from Harvard University. Dr. Roberts brings to our board substantial experience in the life sciences industry, having served on the board of directors of several private and public companies. Dr. Roberts' experiences with facilitating the growth of healthcare and biotechnology companies, together with his historical perspective on the company, are critical as we continue to commercialize linaclotide and advance our other product candidates.

**Peter M. Hecht** has served as our chief executive officer and a director since our founding in 1998. Under his leadership, Ironwood has grown from nine Ph.D. scientists to an integrated research, development and commercial organization. Prior to founding Ironwood, Dr. Hecht was a research

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fellow at Whitehead Institute for Biomedical Research. Dr. Hecht earned a B.S. in mathematics and an M.S. in biology from Stanford University, and holds a Ph.D. in molecular biology from the University of California at Berkeley. Dr. Hecht's experiences as one of our founders and his tenure as our chief executive officer make him a valuable member of our board of directors.

**Julie H. McHugh** joined our board of directors in February 2014. Ms. McHugh most recently served as chief operating officer for Endo Health Solutions, Inc., from March 2010 through May 2013, where she was responsible for the specialty pharmaceutical and generic drug businesses. Prior to joining Endo, Ms. McHugh was the chief executive officer of Nora Therapeutics, Inc., a venture capital backed biotech start-up company focused on developing novel therapies for the treatment of infertility disorders. Before that she served as company group chairman for Johnson & Johnson's (J&J) worldwide virology business unit, and previously she was president of Centocor, Inc., a J&J subsidiary. While at J&J, Ms. McHugh oversaw the development and launches of several products, including Remicade® (infliximab), Prezista® (darunavir) and Intelence® (etravirine), and she was responsible for oversight of a research and development portfolio including compounds for HIV, hepatitis C, and tuberculosis. Prior to joining Centocor, Ms. McHugh led the marketing communications for gastrointestinal drug Prilosec® (omeprazole) at Astra-Merck Inc. She currently serves on the board of visitors for the Smeal College of Business of the Pennsylvania State University as well as on the board of directors of Epirus Biopharmaceuticals, Inc. and Trevena, Inc., both publicly held companies, and The New Xellia Group, a privately held company. She previously served on the board of directors for ViroPharma Inc., the Biotechnology Industry Organization (BIO), the Pennsylvania Biotechnology Association and the New England Healthcare Institute (NEHI). Ms. McHugh received her masters of business administration degree from St. Joseph's University and her Bachelor of Science degree from Pennsylvania State University. Ms. McHugh's experience as a chief executive officer and a chief operating officer at large multinational pharmaceutical companies make her a valuable member of our board of directors, particularly as we evolve as a company and seek to maximize our current product and execute on our corporate strategy and associated pipeline.

**Director Independence**

Under NASDAQ Rule 5605, a majority of a listed company's board of directors must be comprised of independent directors. In addition, NASDAQ rules require that, subject to specified exceptions, each member of a listed company's audit, compensation and governance and nominating committees be independent and that audit and compensation committee members also satisfy additional independence criteria set forth in Rule 10A-3 and 10C-1, respectively, under the Exchange Act. Under NASDAQ Rule 5605(a)(2), a director will only qualify as an "independent director" if, in the opinion of that company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Our governance and nominating committee determined that none of Messrs. Conrades, Cook, Ebersman, McGuire and Owens, Mses. Fanucci and McHugh, and Drs. Olanoff, Roberts, Walsh and Williams, representing 11 of our 12 current directors, has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under NASDAQ Rule 5605(a)(2). Our governance and nominating committee also determined that each of the current members of our audit committee, our governance and nominating committee, and our compensation and HR committee satisfies the independence standards for such committee established by Rule 10A-3 and 10C-1 under the Exchange Act, the SEC rules and the NASDAQ rules, as applicable. In making such determinations, our governance and nominating committee considered the information requested from and provided by each director concerning their background, employment and affiliations, including family relationships, the relationships that each such non-employee director has with Ironwood, including Drs. Olanoff and Walsh's service on our Pharmaceutical Advisory Committee and any payments for such services, and all other facts and circumstances our governance and nominating committee deemed relevant in determining their independence.

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Although Mr. Cook was a founder of Ironwood, he is not now, nor has he been in the past, involved with the operating activities of the company.

**Risk Oversight**

Our board retains ultimate responsibility for risk oversight, and our management retains the responsibility for risk management. In carrying out its risk oversight responsibilities, our board reviews the long- and short-term internal and external risks facing the company through its participation in long-range strategic planning, and the annual review and evaluation of corporate risks that the audit committee reports. Our board also believes that separating the roles of chair of the board and chief executive officer enhances the board's ability to oversee risk in an objective manner.

We have implemented and continue to refine a formalized enterprise risk management process. On an ongoing basis, we identify key risks, assess their potential impact and likelihood, and, where appropriate, implement operational measures and controls or purchase insurance coverage in order to help ensure adequate risk mitigation. On a quarterly basis, key risks, status of mitigation activities, and potential new or emerging risks are reported to and discussed with senior management and further addressed with our board, as necessary. On at least an annual basis, a long-term comprehensive enterprise risk management update is provided to our board. The long-term goal of our enterprise risk management process is to ingrain a culture of risk awareness and mitigation throughout the organization that can be applied to our current business activities as well as our assessment and pursuit of future business opportunities.

As set forth in its charter, our audit committee discusses with management and our independent registered public accounting firm any significant risks or exposures facing Ironwood, evaluates the steps management has taken or proposes to take to mitigate such risks, and reviews our compliance with such mitigation plans. As part of fulfilling these responsibilities, the audit committee meets regularly with Ernst & Young LLP, our independent registered public accounting firm, and members of our management, including our chief executive officer, chief financial officer, chief accounting officer, and chief legal officer. In addition, our audit committee reviews the risk factors presented in each of our annual report on Form 10-K and quarterly reports on Form 10-Q that we file with the SEC.

As part of our board's risk oversight role, our compensation and HR committee reviews and evaluates the risks associated with our compensation programs and succession plans, as it is responsible under its charter for approving the compensation of all of our executive officers and overseeing succession planning for members of our senior management. Likewise, our governance and nominating committee is responsible for evaluating the performance, operations and composition of our board and the sufficiency of our corporate governance guidelines, either of which may impact our risk profile from a governance perspective.

In performing their risk oversight functions, each committee has full access to management, as well as the ability to engage outside advisors.

**Hedging Policy**

As part of our insider trading prevention policy, our directors and executive officers are prohibited from engaging in any hedging or monetization transactions of our common stock, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds.

**Corporate Governance Guidelines**

We have adopted corporate governance guidelines which are accessible through the Investors section of our website at [www.ironwoodpharma.com](http://www.ironwoodpharma.com), under the heading Corporate Governance, and

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which also are available in print to any stockholder who requests them from our Secretary. Our board believes that sound governance practices and policies provide an important framework to assist it in fulfilling its duties to stockholders, and relies on these guidelines to provide that framework. Among other things, the guidelines help to ensure that our board is independent from management, that our board adequately performs its oversight functions, and that the interests of our board and management align with the interests of our stockholders.

**Board Meetings**

Our board of directors held four meetings during 2014. As stated in our corporate governance guidelines, we expect our board members to rigorously prepare for, attend and participate in all board and applicable committee meetings. Each board member is expected to ensure that other existing and planned future commitments do not materially interfere with his or her service as a director. We also expect that all of our board members up for election at, or who have a term that continues after, an annual meeting of stockholders will attend such annual meeting. In 2014, each director attended at least 75% of all meetings of the board and all committees of the board on which he or she served that were held during the period that such director was a member of the board or the applicable committee. Ms. McHugh was elected to our board on February 12, 2014, Dr. Williams was elected to our board on June 3, 2014 following our 2014 annual meeting of stockholders, and Dr. Olanoff was elected to our board on April 16, 2015. None of Ms. McHugh or Drs. Olanoff and Williams attended any meetings of our board prior to their respective election dates. Ten of our 11 directors at the time of our 2014 annual meeting of stockholders attended such meeting. Mr. Shaw did not attend our 2014 annual meeting of stockholders, as his term on our board ended effective at such meeting.

**Committees**

Our board of directors has established an audit committee, a governance and nominating committee and a compensation and HR committee. Each committee operates under a charter that has been approved by our board. Copies of each charter are accessible through the Investors section of our website at [www.ironwoodpharma.com](http://www.ironwoodpharma.com), under the heading Corporate Governance, and are also available in print to any stockholder who requests them from our Secretary. The chair of each of our committees is expected to rotate every three to five years, unless the governance and nominating committee recommends otherwise.

***Audit Committee.*** We have a separately designated standing audit committee established by our board for the purpose of overseeing our accounting and financial reporting processes and audits of our financial statements. In 2014, the members of our audit committee were Mses. Fanucci and McHugh and Mr. McGuire. Ms. McHugh joined our audit committee when she joined our board in February 2014. Ms. Fanucci chairs the audit committee. Our audit committee met five times during 2014. Our audit committee assists our board of directors in its oversight of significant risks facing Ironwood, the integrity of our financial statements and our independent registered public accounting firm's qualifications, independence and performance.

Our audit committee's responsibilities include:

reviewing and discussing with management and our independent registered public accounting firm our annual and quarterly financial statements, earnings releases and related disclosures;

reviewing and discussing with management and our independent registered public accounting firm our internal controls and internal auditing procedures, including any material weaknesses in either;

discussing our accounting policies and all material correcting adjustments with our management and our independent registered public accounting firm;

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discussing with our management and our independent registered public accounting firm any significant risks facing the company and the related mitigation plans, as well as monitoring our internal control over financial reporting and disclosure controls and procedures;

appointing, overseeing, and approving the compensation for and, when necessary, terminating our independent registered public accounting firm;

approving all audit services and all permitted non-audit, tax and other services to be performed by our independent registered public accounting firm, in each case, in accordance with the audit committee's pre-approval policy;

discussing with the independent registered public accounting firm its independence and ensuring that it receives the written disclosures regarding these communications required by the Public Company Accounting Oversight Board;

reviewing and approving all transactions or series of similar transactions to which we were or are a party in which the amount involved exceeded or exceeds \$120,000 and in which any of our directors, executive officers, holders of more than 5% of any class of our voting securities, or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest, other than compensation arrangements with directors and executive officers;

recommending whether the audited financial statements should be included in our annual report and preparing the audit committee report required by SEC rules;

reviewing all material communications between our management and our independent registered public accounting firm;

reviewing, updating and recommending to our board approval of our code of business conduct and ethics; and

establishing procedures for the receipt, retention, investigation and treatment of accounting related complaints and concerns.

Ms. Fanucci is an audit committee financial expert, as defined in Item 407(d)(5) of Regulation S-K.

***Audit Committee Report***

In the course of our oversight of Ironwood's financial reporting process, we have (i) reviewed and discussed with management the company's audited financial statements for the fiscal year ended December 31, 2014, (ii) discussed with Ernst & Young LLP, the company's independent registered public accounting firm, the matters and communications required to be discussed pursuant to applicable auditing standards, and (iii) received the written disclosures and the letter from the company's independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with us concerning independence, discussed with the independent registered public accounting firm its independence, and considered whether the provision of non-audit services by the independent registered public accounting firm is compatible with maintaining its independence.

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Based on the foregoing review and discussions, we recommended to the board of directors of the company that the audited financial statements be included in the company's Annual Report on Form 10-K for the year ended December 31, 2014 for filing with the SEC.

By the Audit Committee,

*Marsha H. Fanucci, Chair*

*Terrance G. McGuire*

*Julie H. McHugh*

***Governance and Nominating Committee.*** In 2014, the members of our governance and nominating committee were Mr. Cook and Drs. Walsh and Williams. Mr. Cook joined this committee in June 2014 in connection with his rotation off of our audit committee and Dr. Williams joined this committee when he joined our board in June 2014. Further, Dr. Olanoff joined this committee when he joined our board in April 2015. Dr. Walsh chairs the governance and nominating committee. Our governance and nominating committee met two times during 2014.

Our governance and nominating committee's responsibilities include:

identifying individuals qualified to become members of our board of directors;

recommending to our board of directors the persons to be nominated for election as directors;

assisting our board of directors in recruiting such nominees;

recommending to our board of directors qualified individuals to serve as committee members;

performing an annual evaluation of our board of directors;

evaluating the need and, if necessary, creating a plan for the continuing education of our directors; and

assessing and reviewing our corporate governance guidelines and recommending any changes to our board of directors.

***Compensation and HR Committee.*** In 2014, the members of our compensation and HR committee were Messrs. Conrades, Ebersman and Owens. Mr. Owens joined this committee in June 2014 in connection with his rotation off of our governance and nominating committee and Mr. Shaw's retirement from our board and this committee. Mr. Ebersman chairs our compensation and HR committee. Our compensation and HR committee met three times during 2014. Our compensation and HR committee assists our board in fulfilling its responsibilities relating to the compensation of our board and our executive officers.

Our compensation and HR committee's responsibilities include:

reviewing and approving corporate goals and objectives relevant to executive officer compensation and evaluating the performance of executive officers in light of those goals and objectives;

reviewing and approving executive officer compensation, including salary, bonus and incentive compensation, deferred compensation, perquisites, equity compensation, benefits provided upon retirement, severance or other termination of employment, and any other forms of executive compensation;

reviewing and approving our chief executive officer's compensation based on its evaluation of the chief executive officer's performance;





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overseeing and administering our incentive compensation plans and equity based plans and recommending the adoption of new incentive compensation plans and equity based plans to our board of directors;

making recommendations to our board of directors with respect to director compensation;

reviewing and discussing with management the compensation discussion and analysis required to be included in our filings with the SEC and recommending whether the compensation discussion and analysis should be included in such filings;

preparing the compensation and HR committee report required by the SEC; and

making recommendations to our board of directors with respect to management succession planning, including planning with respect to our chief executive officer.

***Compensation Committee Interlocks and Insider Participation***

None of the members of our compensation and HR committee is or has at any time during the past fiscal year been an officer or employee of Ironwood. None of the members of our compensation and HR committee has formerly been an officer of Ironwood. None of our executive officers serve, or in the past fiscal year has served, as a member of the board of directors or compensation committee of any other entity that has one or more executive officers serving as a member of our board of directors or compensation and HR committee. None of the members of our compensation and HR committee had any relationship with us that requires disclosure under any paragraph of Item 404 of Regulation S-K under the Exchange Act.

**EXECUTIVE AND DIRECTOR COMPENSATION**

**Compensation Committee Report**

We have:

1. reviewed and discussed with management the Compensation Discussion and Analysis found below; and
2. based on the review and discussions referred to in paragraph (1) above, we recommended to the board of directors that the Compensation Discussion and Analysis be included in the company's proxy statement on Schedule 14A for filing with the SEC.

By the Compensation and HR Committee,

*David A. Ebersman, Chair*  
*George H. Conrades*  
*Edward P. Owens*

**Compensation Discussion and Analysis**

This section discusses the principles underlying our policies and decisions with respect to the compensation of our executive officers who are named in the *Summary Compensation Table*, or our "named executive officers". Provided below are all material factors we believe are relevant to an analysis of these policies and decisions. Our named executive officers are:

Peter M. Hecht, Ph.D., chief executive officer;

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Tom Graney, chief financial officer and senior vice president, finance and corporate strategy;

Mark G. Currie, Ph.D., senior vice president, chief scientific officer and president of research and development;

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Halley E. Gilbert, senior vice president, chief legal officer, and secretary;

Thomas A. McCourt, senior vice president, marketing and sales, and chief commercial officer; and

Michael J. Higgins, former senior vice president, chief operating officer and chief financial officer.

SEC rules require that we discuss the compensation of all individuals serving in the role of chief financial officer during the year. As a result, Mr. Graney, our current chief financial officer, effective August 27, 2014, and Mr. Higgins, who served as our chief financial officer until such date and as our chief operating officer until December 31, 2014, are discussed in such capacity.

**Executive Summary**

The three primary elements of our compensation program for each of our executive officers are base salary, cash bonus and long-term incentive compensation in the form of equity awards. We believe our stock-based compensation serves as a significant motivator in attracting and motivating the kind of owner-oriented employees we seek, and we have structured our compensation packages accordingly with an emphasis on this element of compensation. By linking the ultimate value of this compensation to the performance of our stock price, we believe equity awards strongly reinforce the concept of "pay for performance." In addition, our compensation and HR committee emphasizes the achievement of corporate goals in making its compensation decisions for our executive officers. In 2014, our corporate performance goals were divided into four categories: (i) maximizing linaclotide, including successfully driving appropriate LINZESS (linaclotide) growth and adoption in the United States, achieving certain financial and commercial performance goals, and strengthening its label in the United States, (ii) advancing our pipeline of product candidates and furthering our discovery efforts, (iii) prioritizing investments in our key value drivers for the business and leveraging our commercial capabilities, and (iv) meeting certain other corporate performance goals focused on improving effectiveness and productivity. These goals and their associated achievements and weightings are set forth below under the caption *Compensation Actions in 2014 and 2015 Goals*.

The following table summarizes the compensation actions taken by our compensation and HR committee in early 2015 for each of our executive officers in recognition of the company's and his or her performance in 2014 and to motivate him or her toward achievement of our goals in 2015.

Executive Officer	Peter M. Hecht, Ph.D.	Tom Graney	Mark G. Currie, Ph.D.	Halley E. Gilbert	Thomas A. McCourt Senior Vice President, Marketing and Sales and Chief Commercial Officer	Michael J. Higgins Former Senior Vice President, Chief Operating Officer and Chief Financial Officer(1)
Title	Chief Executive Officer	Chief Financial Officer and Senior Vice President, Finance and Corporate Strategy	Senior Vice President, Chief Scientific Officer and President of R&D	Senior Vice President, Chief Legal Officer, and Secretary		
Base salary increase		(2)\$ 45,000	\$ 51,900	\$ 39,000	\$ 42,400	
2014 base salary	\$ 100,000	\$ 375,000(3)	\$ 388,100	\$ 371,000	\$ 377,600	\$ 371,800
2015 base salary	\$ 100,000	\$ 420,000	\$ 440,000	\$ 410,000	\$ 420,000	
Cash bonus		(2)\$ 37,406(3)	\$ 159,321	\$ 131,595	\$ 133,758	
Annual restricted stock units awarded(4)		5,700(3)	21,875	28,750	16,250	
Annual stock options awarded(5)	300,000	34,100(3)	131,250	57,500	97,500	
Stock options awarded in lieu of base salary increase and cash bonus(5)	265,000(6)					
Milestone-based stock options awarded(5)			50,000			

(1)

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Mr. Higgins departed from Ironwood effective December 31, 2014. The compensation Mr. Higgins received in connection with his departure from the company is excluded from the table above, as it was not part of our annual compensation process, and is discussed below under the caption *Potential Payments Upon Termination or Change of Control Michael J. Higgins Departure Arrangements*.

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- (2) Our compensation and HR committee recommended a salary increase and a cash bonus for Dr. Hecht, but he declined to accept either.
- (3) Mr. Graney joined Ironwood in August 2014. As a result, Mr. Graney only received \$131,250 of the 2014 base salary reflected in the table above for the portion of the year he was employed by Ironwood. Further, Mr. Graney's cash bonus and stock option and restricted stock unit, or RSU, awards for 2014 performance were prorated to reflect the portion of the year he was employed by Ironwood. The compensation Mr. Graney received in connection with his joining the company is excluded from the table above, as it was not part of our annual compensation process, and is discussed below under the caption *Elements of Executive Compensation and Determination of Amounts - Other Compensation - Tom Graney New Hire Arrangements*.
- (4) These RSUs for shares of our Class A common stock were awarded on March 16, 2015 under our Amended and Restated 2010 Employee, Director and Consultant Equity Incentive Plan, or our 2010 Plan, and vest over four years as to 25% of the award on each approximate anniversary of the grant thereof.
- (5) These stock options for shares of our Class A common stock were granted under our 2010 Plan and have an exercise price of \$15.62 per share (the closing price of our Class A common stock on the grant date of March 16, 2015). Except as noted below with respect to Dr. Currie's milestone-based stock option grant, such stock options vest over four years as to 1/48th of the award on each monthly anniversary of January 1, 2015. In recognition of the increased importance to Ironwood of the successful development and advancement of programs in our pipeline, Dr. Currie received an additional 50,000 milestone-based stock options. These stock options vest in two equal installments of 25,000 options, upon the first-dosing in the first clinical study of the next phase following achievement of proof of concept for the first two internally-derived or externally-accessed products (other than linaclotide) qualified by our compensation and HR committee as targeting a new indication, category or market.
- (6) Our compensation and HR committee consulted with Pearl Meyer & Partners, or PM&P, to understand competitive market trends for chief executive officer total direct compensation and elected to grant Dr. Hecht an additional annual stock option award, which is discussed further below, in order to keep his overall compensation competitive with that of our peers while accounting for his declination of a salary increase or a cash bonus.

We employ certain procedures and tools to ensure effective governance of compensation plans and decisions, including:

our compensation and HR committee has the authority to hire independent counsel and other advisors;

our compensation and HR committee conducts a regular review and assessment of risk as it relates to our compensation policies and practices;

as part of our insider trading prevention policy, our executive officers are prohibited from engaging in any hedging or monetization transactions of our common stock, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds;

we have no perquisites other than broad-based health, transportation, relocation, 401(k) plan and insurance-related benefits that we make available to all of our employees;

our 2010 Plan prohibits options' repricing (absent stockholder approval) and options' backdating; and

our executive severance arrangements and our Change of Control Severance Benefit Plan, which applies to all of our employees including our executive officers, do not provide for tax gross-ups.

Based on the recommendation of our stockholders, our board determined to provide our stockholders the opportunity to vote (on an advisory basis) on named executive officer compensation once every three years. We most recently conducted this advisory vote on named executive officer compensation at our 2014 annual meeting of stockholders. More than 99% of the votes cast on the advisory vote on named executive officer compensation were in favor of our named executive officer compensation as disclosed in our proxy statement for that meeting. For many years, our senior management has consulted with many of our significant stockholders with respect to our compensation program and philosophy to further align our compensation programs with our stockholders' interests, and we intend to continue to do so going forward. We believe that the insights we obtain during this ongoing dialogue, as well as the overwhelming support our compensation programs received from

our stockholders at our last advisory vote on named executive officer compensation, have been, and will continue to be, a substantial consideration for our compensation and HR committee during its ongoing review of our compensation program.

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***Compensation Philosophy***

We are an entrepreneurial pharmaceutical company focused on creating medicines that make a difference for patients, building value to earn the continued support of our fellow stockholders, and empowering our team to passionately pursue excellence. If we do these things well, we hope to earn the right to continue doing them and, one step at a time, build an enduring pharmaceutical company that helps patients lead better lives. The objective of our compensation policies is to provide compensation and incentives which align employee actions and motivations with the interests of our stockholders, attract, motivate and reward outstanding talent across Ironwood through well-communicated programs that are aligned with our core values and business mission, and support a positive company culture. Our core values are:

*Ownership:* drive outstanding long-term value.

*Collaboration:* achieve more together.

*Innovation:* make a difference for patients.

*Excellence:* foster greatness in each other.

*Humanity:* act with honesty, integrity and respect.

*Have fun.*

In addition, we have incorporated into our performance management and compensation philosophy the concept of "critical success factors" that we believe provide a useful framework for being a productive and successful member of our team. Among other uses, these success factors enable managers to use a common language of expected behaviors upon which individual performance can be managed and evaluated.

We are guided by the following principles with respect to our compensation determinations:

design compensation and incentive programs that align employee actions and motivations with the interests of our stockholders, support our business objectives and reward the achievement of key goals and milestones;

foster and support our performance-driven culture by setting clear, high-value, aggressive goals, rewarding outstanding performers, and making sure our best performers know clearly that we value their contributions;

as with all spending, serve as careful stewards of our stockholders' assets when making decisions to increase compensation or to make equity awards;

maximize our employees' sense of ownership so that they have a long-term owner's perspective, can see the impact of their efforts on our success, and can share in the benefits of that success through the opportunity to become stockholders of Ironwood via stock options, RSUs and other equity awards;

recognize that compensation is one of a number of tools to stimulate and reward productivity and great drug making, together with recognizing individual growth potential, providing a great workplace culture, and sharing in our success;



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foster a strong team culture, focused on our principles of great drug making and commercializing those drugs that we discover or in-license and develop, which is reinforced through our compensation and incentive programs;

design compensation and incentive programs that are fair, equitable and competitive; and

design compensation and incentive programs that are simple and understandable.

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***Basis for Our Compensation Policies and Decisions***

Our compensation policies and individual compensation determinations are based on an annual evaluation, and we take into consideration our results of operations, our long and short-term goals, individual goals, market data, the competitive market for our executive officers and general economic factors. As set forth in our compensation and HR committee's written charter, our compensation and HR committee has the responsibility of reviewing and approving the compensation of our executive officers; annually reviewing and determining our chief executive officer's compensation based on the committee's evaluation of his performance; recommending to the full board the adoption of new compensation plans; administering our existing plans; recommending director and committee compensation to the full board; and overseeing succession planning for our senior management. In addition, our compensation and HR committee is responsible for ensuring that our compensation policies are aligned with our compensation philosophy and guiding principles.

Our compensation and HR committee makes all of the compensation determinations with respect to each of our executive officers. In making its determinations with respect to Dr. Hecht, our compensation and HR committee takes into account the feedback from the other members of our board, as well as the feedback from each of our other executive officers, each of whom is Dr. Hecht's direct report, and a number of other members of our management team. In making its determinations with respect to each of our executive officers other than Dr. Hecht, our compensation and HR committee takes into account the feedback and recommendations from Dr. Hecht and the feedback from each of the executive officer's direct reports and other members of our management team.

Each component of each of our executive officer's initial compensation package was based on numerous factors, including:

the individual's particular background and circumstances, including prior relevant work experience and compensation paid prior to joining us;

the individual's role with us and the compensation paid to similar persons in the companies represented in the compensation data that we reviewed;

the demand for people with the individual's specific expertise and experience at the time of hire;

performance goals and other expectations for the position;

comparison to other executive officers within Ironwood having similar levels of expertise and experience; and

uniqueness of industry skills.

Our compensation and HR committee has the authority to select and retain independent advisors and consultants to assist it with carrying out its responsibilities, and we are required to pay any related expenses approved by the committee. For 2014, our compensation and HR committee exercised its authority to engage PM&P as a compensation consultant. PM&P reported directly to our compensation and HR committee and did not provide us with any services other than those requested by our compensation and HR committee and the review of this *Compensation, Discussion and Analysis* for conformance with best practices. Based on the scope of our compensation and HR committee's engagements with PM&P, it was determined that PM&P does not have a conflict of interest in its role as compensation consultant.

PM&P conducted a competitive assessment of compensation for our executive officers with respect to:

base salary;

actual total cash compensation (which is base salary plus the last bonus paid);

target total cash compensation (which is base salary plus the target bonus);



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long-term equity incentives;

actual total direct compensation (which is actual total cash compensation plus the value of the most recent long-term incentive grant); and

target total direct compensation (which is target total cash compensation plus the value of the most recent long-term incentive grant).

In performing this competitive assessment, PM&P used two data sources – our peer group (which is discussed in more detail in the following paragraphs) and data from the Radford Global Life Sciences Survey employing the appropriate industry, headcount and executive role perspectives. Our peer group is comprised of fifteen publicly-traded companies in the pharmaceutical, biotechnology and life sciences industries that represent competitors for executive talent and capital. In recognition that our peer group companies tend to be larger than us with respect to revenues and market capitalization, our compensation and HR committee reviewed data representing the 25th, 50th and 75th percentiles for peer pay positions to better understand how competitive pay varied with peer size and other factors. PM&P also prepared a financial performance analysis of our peer group on a calendar-year basis and a detailed equity usage and dilution analysis of Ironwood as compared with the companies in our peer group.

PM&P's assessment of executive compensation, which was a composite of peer group data and broad industry data for companies our size, reflected that we were paying total cash and total direct compensation below the median of the companies included in both data sources for all executive officers, except that our total direct compensation for our executive officers other than Dr. Hecht was above the median of the broad industry group driven by the size of our equity awards. The table below reflects our actual pay in comparison to the results from the two data sources (our peer group and the Radford Global Life Sciences Survey).

	vs. Peer Group (percentile)		vs. Radford Survey (percentile)	
	Chief Executive Officer	Average for Other Executive Officers	Chief Executive Officer	Average for Other Executive Officers
Base Salary	<25 <sup>th</sup>	<25 <sup>th</sup>	<25 <sup>th</sup>	<45 <sup>th</sup>
Total Cash	<25 <sup>th</sup>			