

Otonomy, Inc.  
Form 4  
August 19, 2014

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0287  
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
Avalon Ventures VIII LP

2. Issuer Name and Ticker or Trading Symbol  
Otonomy, Inc. [OTIC]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)  
1134 KLINE STREET  
(Street)

3. Date of Earliest Transaction (Month/Day/Year)  
08/18/2014

\_\_\_ Director \_\_\_X\_\_\_ 10% Owner  
\_\_\_ Officer (give title below) \_\_\_ Other (specify below)

LA JOLLA, CA 92037

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)  
\_\_\_ Form filed by One Reporting Person  
\_X\_ Form filed by More than One Reporting Person

(City) (State) (Zip)

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership Indirect Beneficial Ownership (Instr. 4) |           |                                 |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|---|-----------|---------------------------------|
|                                 |                                      |  | Code                           | V   | Amount  | (A) or (D)   | Price   |           |                                 |
| Common Stock                    | 08/18/2014                           |  | C                              |   | 740,057   | A  | ②   | 748,589   | D <sup>(1)</sup>                |
| Common Stock                    | 08/18/2014                           |  | C                              |   | 660,580   | A  | ③   | 1,409,169 | D <sup>(1)</sup>                |
| Common Stock                    | 08/18/2014                           |  | X                              |   | 91,011  | A  | \$ 8.79   | 1,500,180 | D <sup>(1)</sup> <sup>(7)</sup> |
| Common Stock                    | 08/18/2014                           |  | S                              |   | 50,001  | D  | \$ 16   | 1,450,179 | D <sup>(1)</sup> <sup>(7)</sup> |
| Common Stock                    | 08/18/2014                           |  | C                              |   | 705,598   | A  | ③   | 705,598   | I                               |
|                                 | 08/18/2014                           |  | P                              |   | 109,375   | A  | \$ 16   | 814,973   | I                               |

See footnote <sup>(4)</sup>

Common  
StockSee  
footnotes  
(4) (8)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**SEC 1474  
(9-02)**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3)      | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) |                   | 6. Date Exercisable and Expiration Date (Month/Day/Year) |                  | 7. Title and Amount of Underlying Security (Instr. 3 and 4) |                 |
|---|--|--------------------------------------|--|--------------------------------|---|-------------------|--|------------------|---|-----------------|
|   |  |                                      |  |                                | V   | (A)               | (D)  | Date Exercisable |   | Expiration Date |
| Series A Preferred Stock                        | <u>(2)</u>   | 08/18/2014                           |  | C                              |   | 337,432           | <u>(2)</u>   | <u>(2)</u>       | Common Stock  | 740             |
| Series B Preferred Stock                        | <u>(3)</u>   | 08/18/2014                           |  | C                              |   | 175,889           | <u>(3)</u>   | <u>(3)</u>       | Common Stock  | 175             |
| Series C Preferred Stock                        | <u>(3)</u>   | 08/18/2014                           |  | C                              |   | 484,691           | <u>(3)</u>   | <u>(3)</u>       | Common Stock  | 484             |
| Series C Preferred Stock                        | <u>(3)</u>   | 08/18/2014                           |  | C                              |   | 568,828           | <u>(3)</u>   | <u>(3)</u>       | Common Stock  | 568             |
| Series D Preferred Stock                        | <u>(3)</u>   | 08/18/2014                           |  | C                              |   | 136,770           | <u>(3)</u>   | <u>(3)</u>       | Common Stock  | 136             |
| Series A Preferred Stock Warrant (right to buy) | \$ 31.092  | 08/18/2014                           |  | C                              |   | 6,432 <u>(2)</u>  | <u>(5)</u>   | 11/04/2018       | Series A Preferred Stock                                    | 6,              |
| Common Stock Warrant (right to buy)             | \$ 14.1773   | 08/18/2014                           |  | C                              |   | 14,106 <u>(2)</u> | <u>(5)</u>   | 11/04/2018       | Common Stock  | 14              |

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|   |            |            |   |                       |            |            |                          |    |
|---|------------|------------|---|-----------------------|------------|------------|--------------------------|----|
| Series A Preferred Stock Warrant (right to buy) | \$ 31.092  | 08/18/2014 | C | 6,432 <sup>(2)</sup>  | <u>(5)</u> | 12/08/2018 | Series A Preferred Stock | 6, |
| Common Stock Warrant (right to buy)             | \$ 14.1773 | 08/18/2014 | C | 14,106 <sup>(2)</sup> | <u>(5)</u> | 12/08/2018 | Common Stock             | 14 |
| Series A Preferred Stock Warrant (right to buy) | \$ 31.092  | 08/18/2014 | C | 6,432 <sup>(2)</sup>  | <u>(5)</u> | 01/14/2019 | Series A Preferred Stock | 6, |
| Common Stock Warrant (right to buy)             | \$ 14.1773 | 08/18/2014 | C | 14,106 <sup>(2)</sup> | <u>(5)</u> | 01/14/2019 | Common Stock             | 14 |
| Series A Preferred Stock Warrant (right to buy) | \$ 31.092  | 08/18/2014 | C | 6,432 <sup>(2)</sup>  | <u>(5)</u> | 04/13/2019 | Series A Preferred Stock | 6, |
| Common Stock Warrant (right to buy)             | \$ 14.1773 | 08/18/2014 | C | 14,106 <sup>(2)</sup> | <u>(5)</u> | 04/13/2019 | Common Stock             | 14 |
| Series A Preferred Stock Warrant (right to buy) | \$ 31.092  | 08/18/2014 | C | 6,432 <sup>(2)</sup>  | <u>(5)</u> | 07/01/2019 | Series A Preferred Stock | 6, |
| Common Stock Warrant (right to buy)             | \$ 14.1773 | 08/18/2014 | C | 14,106 <sup>(2)</sup> | <u>(5)</u> | 07/01/2019 | Common Stock             | 14 |
| Series A Preferred Stock                        | \$ 31.092  | 08/18/2014 | C | 6,432 <sup>(2)</sup>  | <u>(5)</u> | 10/08/2019 | Series A Preferred Stock | 6, |

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|                                |            |            |   |                      |            |            |                                |    |  |  |
|--------------------------------|------------|------------|---|----------------------|------------|------------|--------------------------------|----|--|--|
| Warrant<br>(right to<br>buy)   |            |            |   |                      |            |            |                                |    |  |  |
| Common<br>Stock                |            |            |   |                      |            |            |                                |    |  |  |
| Warrant<br>(right to<br>buy)   | \$ 14.1773 | 08/18/2014 | C | 14,106<br><u>(2)</u> | <u>(5)</u> | 10/08/2019 | Common<br>Stock                | 14 |  |  |
| Series A<br>Preferred<br>Stock |            |            |   |                      |            |            |                                |    |  |  |
| Warrant<br>(right to<br>buy)   | \$ 31.092  | 08/18/2014 | C | 6,432 <u>(2)</u>     | <u>(5)</u> | 12/15/2019 | Series A<br>Preferred<br>Stock | 6, |  |  |
| Common<br>Stock                |            |            |   |                      |            |            |                                |    |  |  |
| Warrant<br>(right to<br>buy)   | \$ 14.1773 | 08/18/2014 | C | 14,106<br><u>(2)</u> | <u>(5)</u> | 12/15/2019 | Common<br>Stock                | 14 |  |  |
| Series A<br>Preferred<br>Stock |            |            |   |                      |            |            |                                |    |  |  |
| Warrant<br>(right to<br>buy)   | \$ 31.092  | 08/18/2014 | C | 6,432 <u>(2)</u>     | <u>(5)</u> | 01/22/2020 | Series A<br>Preferred<br>Stock | 6, |  |  |
| Common<br>Stock                |            |            |   |                      |            |            |                                |    |  |  |
| Warrant<br>(right to<br>buy)   | \$ 14.1773 | 08/18/2014 | C | 14,106<br><u>(2)</u> | <u>(5)</u> | 01/22/2020 | Common<br>Stock                | 14 |  |  |
| Series A<br>Preferred<br>Stock |            |            |   |                      |            |            |                                |    |  |  |
| Warrant<br>(right to<br>buy)   | \$ 31.092  | 08/18/2014 | C | 6,432 <u>(2)</u>     | <u>(5)</u> | 04/01/2020 | Series A<br>Preferred<br>Stock | 6, |  |  |
| Common<br>Stock                |            |            |   |                      |            |            |                                |    |  |  |
| Warrant<br>(right to<br>buy)   | \$ 14.1773 | 08/18/2014 | C | 14,106<br><u>(2)</u> | <u>(5)</u> | 04/01/2020 | Common<br>Stock                | 14 |  |  |
| Series A<br>Preferred<br>Stock |            |            |   |                      |            |            |                                |    |  |  |
| Warrant<br>(right to<br>buy)   | \$ 31.092  | 08/18/2014 | C | 6,432 <u>(2)</u>     | <u>(5)</u> | 05/28/2020 | Series A<br>Preferred<br>Stock | 6, |  |  |

|   |            |            |   |               |     |            |                              |    |
|---|------------|------------|---|---------------|-----|------------|------------------------------|----|
| Common Stock Warrant (right to buy)             | \$ 14.1773 | 08/18/2014 | C | 14,106<br>(2) | (5) | 05/28/2020 | Common Stock                 | 14 |
| Series C Preferred Stock Warrant (right to buy) | \$ 8.79    | 08/18/2014 | C | 91,011<br>(6) | (5) | 08/18/2014 | Series C Preferred Stock (3) | 91 |
| Common Stock Warrant (right to buy)             | \$ 8.79    | 08/18/2014 | C | 91,011<br>(6) | (5) | 08/18/2014 | Common Stock                 | 91 |
| Common Stock Warrant (right to buy)             | \$ 8.79    | 08/18/2014 | X | 91,011        | (5) | 08/18/2014 | Common Stock                 | 91 |

## Reporting Owners

| Reporting Owner Name / Address                                     | Relationships |           |         |       |
|--|---------------|-----------|---------|-------|
|  | Director      | 10% Owner | Officer | Other |
| Avalon Ventures VIII LP<br>1134 KLINE STREET<br>LA JOLLA, CA 92037 |               | X         |         |       |
| Avalon Ventures X, L.P.<br>1134 KLINE STREET<br>LA JOLLA, CA 92037 |               | X         |         |       |

## Signatures

|   |            |
|---|------------|
| /s/ Douglas Downs, a managing member of Avalon Ventures VIII GP, LLC, the General Partner of Avalon Ventures VIII, L.P. | 08/18/2014 |
| **Signature of Reporting Person   | Date       |
| /s/ Douglas Downs, a managing member of Avalon Ventures X GP, LLC, the General Partner of Avalon Ventures X, L.P.       | 08/18/2014 |
| **Signature of Reporting Person   | Date       |

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1)

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Avalon Ventures VIII GP, LLC ("Avalon VIII GP"), the general partner of Avalon Ventures VIII, L.P. ("Avalon VIII LP"), has sole voting and dispositive power with respect to the securities held by Avalon VIII LP. Kevin Kinsella, Stephen Tomlin, Richard Levandov, Braden Bohrmann, Douglas Downs and Jay Lichter, one of our directors, are the managing directors of Avalon VIII GP. Such persons and entities disclaim beneficial ownership of the securities held by Avalon VIII LP except to the extent of any pecuniary interest therein.

- (2) The Series A Convertible Preferred Stock automatically converted into Common Stock on a 2.193204365 to one basis immediately prior to the completion of the Issuer's initial public offering of common stock and had no expiration date.

- (3) Each of the Series B Convertible Preferred Stock, Series C Convertible Preferred Stock and Series D Convertible Preferred Stock automatically converted into Common Stock on a one to one basis immediately prior to the completion of the Issuer's initial public offering of common stock and had no expiration date.

The reported securities are held of record by Avalon Ventures X, L.P. ("Avalon X LP"). Avalon Ventures X GP, LLC ("Avalon X GP"), the general partner of Avalon X LP, has sole voting and dispositive power with respect to the securities held by Avalon X LP. Kevin Kinsella, Stephen Tomlin, Richard Levandov, Braden Bohrmann, Douglas Downs and Jay Lichter, one of our directors, are the managing directors of Avalon X GP. Such persons and entities disclaim beneficial ownership of the securities held by Avalon X LP except to the extent of any pecuniary interest therein.

- (5) The warrants are immediately exercisable.

- (6) The Series C Preferred Stock Warrants automatically converted into Common Stock Warrants on a one to one basis immediately prior to the completion of the Issuer's initial public offering of common stock.

- (7) Avalon VIII LP exercised the warrants to purchase 91,011 shares of Issuer Common Stock for \$8.79 per share immediately prior to the completion of the Issuer's initial public offering of common stock. Avalon VIII LP paid the exercise price on a cashless basis, resulting in Issuer's withholding of 50,001 of the warrant shares to pay the exercise price and issuing to Avalon VIII LP the remaining 41,010 shares. The shares issued pursuant to such exercise remain subject to a 180-day lock-up restriction.

- (8) Avalon X LP purchased 109,375 shares of Issuer Common Stock in the Issuer's initial public offering.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.