

INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

OMB APPROVAL

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Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934
or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person* <u>Avalon Ventures VIII LP</u> (Last) (First) (Middle) <u>1134 KLINE STREET</u> (Street) <u>LA JOLLA CA 92037</u> (City) (State) (Zip)	2. Date of Event Requiring Statement (Month/Day/Year) 08/12/2014	3. Issuer Name and Ticker or Trading Symbol <u>Otonomy, Inc. [OTIC]</u> 4. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director <input checked="" type="checkbox"/> 10% Owner Officer (give title below) Other (specify below)	5. If Amendment, Date of Original Filed (Month/Day/Year) 6. Individual or Joint/Group Filing (Check Applicable Line) Form filed by One Reporting Person <input checked="" type="checkbox"/> Form filed by More than One Reporting Person
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Table I - Non-Derivative Securities Beneficially Owned

1. Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
Common Stock	8,532	I	See footnote ⁽¹⁾

Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)		3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)		4. Conversion or Exercise Price of Derivative Security	5. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of Shares			
Series A Preferred Stock	(2)	(2)	Common Stock	740,057	(2)	I	See footnote ⁽¹⁾
Series B Preferred Stock	(3)	(3)	Common Stock	175,889	(3)	I	See footnote ⁽¹⁾
Series C Preferred Stock	(3)	(3)	Common Stock	484,691	(3)	I	See footnote ⁽¹⁾
Series C Preferred Stock	(3)	(3)	Common Stock	568,828 ⁽³⁾	(3)	I	See footnote ⁽⁴⁾
Series D Preferred Stock	(3)	(3)	Common Stock	136,770	(3)	I	See footnote ⁽⁴⁾
Series A Preferred Stock Warrant (right to buy)	(5)	11/04/2018	Series A Preferred Stock ⁽²⁾	6,432	31.092	I	See footnote ⁽¹⁾
Series A Preferred Stock Warrant (right to buy)	(5)	12/08/2018	Series A Preferred Stock ⁽²⁾	6,432	31.092	I	See footnote ⁽¹⁾
Series A Preferred Stock Warrant (right to buy)	(5)	01/14/2019	Series A Preferred Stock ⁽²⁾	6,432	31.092	I	See footnote ⁽¹⁾
Series A Preferred Stock Warrant (right to buy)	(5)	04/13/2019	Series A Preferred Stock ⁽²⁾	6,432	31.092	I	See footnote ⁽¹⁾
Series A Preferred Stock Warrant (right to buy)	(5)	07/01/2019	Series A Preferred Stock	6,432	31.092	I	See footnote ⁽¹⁾
Series A Preferred Stock Warrant (right to buy)	(5)	10/08/2019	Series A Preferred Stock ⁽²⁾	6,432	31.092	I	See footnote ⁽¹⁾
Series A Preferred Stock Warrant (right to buy)	(5)	12/15/2019	Series A Preferred Stock ⁽²⁾	6,432	31.092	I	See footnote ⁽¹⁾
Series A Preferred Stock Warrant (right to buy)	(5)	01/22/2020	Series A Preferred Stock ⁽²⁾	6,432	31.092	I	See footnote ⁽¹⁾
Series A Preferred Stock Warrant (right to buy)	(5)	04/01/2020	Series A Preferred Stock ⁽²⁾	6,432	31.092	I	See footnote ⁽¹⁾
Series A Preferred Stock Warrant (right to buy)	(5)	05/28/2020	Series A Preferred Stock ⁽²⁾	6,432	31.092	I	See footnote ⁽¹⁾
Series C Preferred Stock Warrant (right to buy)	(5)	08/18/2014	Series C Preferred Stock ⁽³⁾	48,539	8.79	I	See footnote ⁽¹⁾
Series C Preferred Stock Warrant (right to buy)	(5)	08/18/2014	Series C Preferred Stock ⁽³⁾	42,472	8.79	I	See footnote ⁽¹⁾

1. Name and Address of Reporting Person*

Avalon Ventures VIII LP

(Last) (First) (Middle)

1134 KLINE STREET

(Street)

LA JOLLA CA 92037

(City) (State) (Zip)

1. Name and Address of Reporting Person*

Avalon Ventures X, L.P.

(Last) (First) (Middle)

1134 KLINE STREET

(Street)

LA JOLLA 92037

(City) (State) (Zip)

Explanation of Responses:

1. The reported securities are held of record by Avalon Ventures VIII, L.P. ("Avalon VIII LP"). Avalon Ventures VIII GP, LLC ("Avalon VIII GP"), the general partner of 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 shall automatically convert 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 has no expiration date.
3. Each of the Series B Convertible Preferred Stock, Series C Convertible Preferred Stock and Series D Convertible Preferred Stock shall automatically convert into Common Stock on a one for one basis immediately prior to the completion of the Issuer's initial public offering of common stock and has no expiration date.
4. 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.

Remarks:

/s/ Douglas Downs, a
managing member of Avalon
Ventures VIII GP, LLC, the 08/12/2014
General Partner of Avalon
Ventures VIII, L.P.

/s/ Douglas Downs, a
managing member of Avalon
Ventures X GP, LLC, the 08/12/2014
General Partner of Avalon
Ventures X, L.P.

** Signature of Reporting Person Date

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

* If the form is filed by more than one reporting person, see Instruction 5 (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).

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

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 Number.