

Otonomy, Inc.  
Form DEF 14A  
April 28, 2016  
Table of Contents

**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**

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 Pursuant to §240.14a-11(c) or §240.14a-2  
**Otonomy, Inc.**

**(Name of Registrant as Specified In Its Charter)**

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(1) Amount Previously Paid:

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**Table of Contents**

**OTONOMY, INC.**

Dear Stockholder:

I am pleased to invite you to attend the 2016 Annual Meeting of Stockholders (the Annual Meeting ) of Otonomy, Inc. ( Otonomy ), which will be held at our principal executive offices, located at 6275 Nancy Ridge Drive, Suite 100, San Diego, California 92121 on June 21, 2016 at 12:00 p.m. Pacific Time. Doors open at 11:00 a.m. Pacific Time.

The attached Notice of Annual Meeting of Stockholders and Proxy Statement contain details of the business to be conducted at the Annual Meeting.

Whether or not you attend the Annual Meeting, it is important that your shares be represented and voted at the meeting. Therefore, I urge you to promptly vote and submit your proxy via the Internet, by phone, or by signing, dating and returning the enclosed proxy card in the enclosed envelope. If you decide to attend the Annual Meeting, you will be able to vote in person, even if you have previously submitted your proxy.

On behalf of the Board of Directors, I would like to express our appreciation for your interest in Otonomy.

Sincerely,

David A. Weber, Ph.D.

President and Chief Executive Officer

Table of Contents

**OTONOMY, INC.**

**6275 Nancy Ridge Drive, Suite 100**

**San Diego, California 92121**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**Time and Date** June 21, 2016 at 12:00 p.m. Pacific Time

**Place** Otonomy, Inc., located at 6275 Nancy Ridge Drive, Suite 100, San Diego, California 92121.

**Items of Business** To elect three directors from the nominees described in this Proxy Statement.

To ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2016.

To transact other business that may properly come before the Annual Meeting.

**Record Date** April 27, 2016 (the Record Date ). Only stockholders of record at the close of business on the Record Date are entitled to receive notice of, and to vote at, the Annual Meeting.

**Proxy Voting** **IMPORTANT**

Please vote your shares at your earliest convenience. This will ensure the presence of a quorum at the meeting. Promptly voting your shares via the Internet, by telephone, or by signing, dating, and returning the enclosed proxy card will save the expenses and extra work of additional solicitation. If you wish to vote by mail, we have enclosed an addressed envelope, postage prepaid if mailed in the United States. Submitting your proxy now will not prevent you from voting your shares at the meeting, as your proxy is revocable at your option.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to Be Held on June 21, 2016.** Our Proxy Statement and Annual Report to Stockholders are available on our website at <http://investors.otonomy.com> in the Financial Information section of our Investor Relations webpage.

By order of the Board of Directors,

Eric J. Loumeau

*General Counsel, Chief Compliance Officer  
and*

*Secretary*

San Diego, California

April 28, 2016

The date of this proxy statement is April 28, 2016 and it is being mailed to stockholders on or about May 20, 2016.

Table of Contents

## TABLE OF CONTENTS

|  | <b>Page</b> |
|--|-------------|
| <u>QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING</u>  | 1           |
| <u>BOARD OF DIRECTORS AND CORPORATE GOVERNANCE</u>   | 8           |
| <u>Nominees for Director</u>   | 8           |
| <u>Continuing Directors</u>  | 9           |
| <u>Director Independence</u>   | 11          |
| <u>Board Leadership Structure</u>  | 12          |
| <u>Board Meetings and Committees</u>   | 12          |
| <u>Audit Committee</u>   | 12          |
| <u>Compensation Committee</u>  | 13          |
| <u>Corporate Governance and Nominating Committee</u>   | 13          |
| <u>Compensation Committee Interlocks and Insider Participation</u>   | 14          |
| <u>Considerations in Evaluating Director Nominees</u>  | 14          |
| <u>Stockholder Recommendations for Nominations to the Board of Directors</u>   | 15          |
| <u>Communications with the Board of Directors</u>  | 16          |
| <u>Corporate Governance Guidelines and Code of Business Conduct and Ethics</u>   | 16          |
| <u>Role of the Board in Risk Oversight</u>   | 16          |
| <u>Director Compensation</u>   | 17          |
| <u>PROPOSAL NO. 1 ELECTION OF DIRECTORS</u>  | 19          |
| <u>Nominees</u>  | 19          |
| <u>Vote Required</u>   | 19          |
| <u>PROPOSAL NO. 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>   | 20          |
| <u>Fees Paid to the Independent Registered Public Accounting Firm</u>  | 20          |
| <u>Auditor Independence</u>  | 20          |
| <u>Audit Committee Policy on Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm</u> | 21          |
| <u>Vote Required</u>   | 21          |
| <u>AUDIT COMMITTEE REPORT</u>  | 22          |
| <u>EXECUTIVE OFFICERS</u>  | 24          |
| <u>EXECUTIVE COMPENSATION</u>  | 26          |
| <u>Processes and Procedures for Compensation Decisions</u>   | 26          |
| <u>Summary Compensation Table</u>  | 26          |
| <u>Outstanding Equity Awards at Fiscal Year-End 2015</u>   | 27          |
| <u>Executive Employment Agreements</u>   | 27          |
| <u>Equity Compensation Plan Information</u>  | 30          |
| <u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>  | 32          |
| <u>RELATED PERSON TRANSACTIONS</u>   | 35          |
| <u>OTHER MATTERS</u>   | 37          |
| <u>Section 16(a) Beneficial Ownership Reporting Compliance</u>   | 37          |
| <u>Fiscal Year 2015 Annual Report and SEC Filings</u>  | 37          |
| <u>Company Website</u>   | 37          |
| <u>PROPOSALS OF STOCKHOLDERS FOR 2016 ANNUAL MEETING</u>   | 38          |





**Table of Contents**

**OTONOMY, INC.**

**PROXY STATEMENT**

**FOR 2016 ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held at 12:00 p.m. Pacific Time on June 21, 2016**

This proxy statement and the enclosed form of proxy are furnished in connection with the solicitation of proxies by our board of directors (the Board) for use at our 2016 Annual Meeting of Stockholders (the Annual Meeting), and any postponements, adjournments or continuations thereof. The Annual Meeting will be held on June 21, 2016 at 12:00 p.m. Pacific Time, at our principal executive offices, located at 6275 Nancy Ridge Drive, Suite 100, San Diego, California 92121.

**QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING**

The information provided in the question and answer format below addresses certain frequently asked questions but is not intended to be a summary of all matters contained in this proxy statement. Please read the entire proxy statement carefully before voting your shares.

**Why am I receiving these materials?**

The Board is providing these proxy materials to you in connection with the Board's solicitation of proxies for use at Otonomy's Annual Meeting, which will take place on June 21, 2016. Stockholders are invited to attend the Annual Meeting and are requested to vote on the proposals described in this Proxy Statement. This proxy statement and the accompanying proxy card are being mailed on or about May 20, 2016 in connection with the solicitation of proxies on behalf of the Board.

**What proposals will be voted on at the Annual Meeting?**

There are two proposals scheduled to be voted on at the Annual Meeting:

the election of three Class II directors to hold office until the 2019 annual meeting of stockholders or until their successors are duly elected and qualified; and

the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2016.

At the time this Proxy Statement was mailed, our management and Board were not aware of any other matters to be presented at the Annual Meeting other than those set forth in this Proxy Statement and in the notice accompanying this Proxy Statement.

**How does our board of directors recommend that I vote?**

The Board recommends that you vote:

FOR the election of each of the three directors nominated by the Board and named in this proxy statement as Class II directors to serve for a three-year term; and

FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2016.

-1-

## **Table of Contents**

### **Who is entitled to vote at the Annual Meeting?**

Holders of our common stock at the close of business on April 27, 2016, the record date for the Annual Meeting (the Record Date), are entitled to notice of and to vote at the Annual Meeting. Each stockholder is entitled to one vote for each share of our common stock held as of the Record Date. As of the Record Date, there were 30,113,882 shares of common stock outstanding and entitled to vote. Stockholders are not permitted to cumulate votes with respect to the election of directors. The shares you are entitled to vote include shares that are (1) held of record directly in your name, and (2) held for you as the beneficial owner through a stockbroker, bank or other nominee.

### **What is the difference between holding shares as a stockholder of record and as a beneficial owner?**

*Stockholder of Record: Shares Registered in Your Name.* If, at the close of business on the Record Date, your shares were registered directly in your name with Wells Fargo Shareowner Services, our transfer agent, then you are considered the stockholder of record with respect to those shares. As the stockholder of record, you have the right to grant your voting proxy directly to the individuals listed on the proxy card or to vote in person at the Annual Meeting.

*Beneficial Owners: Shares Registered in the Name of a Broker, Bank or Other Nominee.* If, at the close of business on the Record Date, your shares were held, not in your name, but rather in a stock brokerage account or by a bank or other nominee on your behalf, then you are considered the beneficial owner of shares held in street name. As the beneficial owner, you have the right to direct your broker, bank or other nominee how to vote your shares by following the voting instructions your broker, bank or other nominee provides. If you do not provide your broker, bank or other nominee with instructions on how to vote your shares, your broker, bank or other nominee may, in its discretion, vote your shares with respect to routine matters but may not vote your shares with respect to any non-routine matters. Please see *What if I do not specify how my shares are to be voted?* for additional information.

### **Do I have to do anything in advance if I plan to attend the Annual Meeting in person?**

*Stockholder of Record: Shares Registered in Your Name.* If you were a stockholder of record at the close of business on the Record Date, you do not need to do anything in advance to attend and/or vote your shares in person at the Annual Meeting, but you will need to present government-issued photo identification for entrance to the Annual Meeting.

*Beneficial Owners: Shares Registered in the Name of a Broker, Bank or Other Nominee.* If you were a beneficial owner at the close of business on the Record Date, you may not vote your shares in person at the Annual Meeting unless you obtain a legal proxy from your broker, bank or other nominee who is the stockholder of record with respect to your shares. You may still attend the Annual Meeting even if you do not have a legal proxy. For entrance to the Annual Meeting, you will need to provide proof of beneficial ownership as of the Record Date, such as the notice or voting instructions you received from your broker, bank or other nominee or a brokerage statement reflecting your ownership of shares as of the Record Date, and also present government-issued photo identification.

*Please note that no cameras, recording equipment, large bags, briefcases or packages will be permitted in the Annual Meeting.*

### **How do I vote and what are the voting deadlines?**

*Stockholder of Record: Shares Registered in Your Name.* If you are a stockholder of record, you can vote in one of the following ways:

**You may vote via the Internet.** To vote via the Internet, go to <http://www.proxyvote.com> to complete an electronic proxy card. You will be asked to provide the control number from the proxy card you receive. Your vote must be received by 11:59 p.m. Eastern Time on June 20, 2016 to be counted. If you vote via the Internet, you do not need to return a proxy card by mail.

-2-

**Table of Contents**

**You may vote by telephone. To vote by telephone,** dial toll-free 1-800-690-6903 and follow the recorded instructions. You will be asked to provide the control number from the proxy card. Your vote must be received by 11:59 p.m. Eastern Time on June 20, 2016 to be counted. If you vote by telephone, you do not need to return a proxy card by mail.

**You may vote by mail.** If you would like to vote by mail, you need to complete, date and sign the proxy card that accompanies this proxy statement and promptly mail it to the tabulation agent in the enclosed postage-paid envelope so that it is received no later than June 20, 2016. You do not need to put a stamp on the enclosed envelope if you mail it from within the United States. The persons named in the proxy card will vote the shares you own in accordance with your instructions on the proxy card you mail. If you return the proxy card, but do not give any instructions on a particular matter to be voted on at the Annual Meeting, the persons named in the proxy card will vote the shares you own in accordance with the recommendations of the Board. The Board recommends that you vote **FOR** the election of each of the three directors nominated by the Board and named in this proxy statement as Class II directors to serve for a three-year term and **FOR** the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2016.

**You may vote in person.** If you plan to attend the Annual Meeting, you may vote by delivering your completed proxy card in person or by completing and submitting a ballot, which will be provided at the Annual Meeting.

*Beneficial Owners: Shares Registered in the Name of a Broker, Bank or Other Nominee.* If you are the beneficial owner of shares held of record by a broker, bank or other nominee, you will receive voting instructions from your broker, bank or other nominee. You must follow the voting instructions provided by your broker, bank or other nominee in order to instruct your broker, bank or other nominee how to vote your shares. The availability of Internet and telephone voting options will depend on the voting process of your broker, bank or other nominee. **As discussed above, if you are a beneficial owner, you may not vote your shares in person at the Annual Meeting unless you obtain a legal proxy from your broker, bank or other nominee.**

**Can I change my vote or revoke my proxy?**

*Stockholder of Record: Shares Registered in Your Name.* If you are a stockholder of record, you may revoke your proxy or change your proxy instructions at any time before your proxy is voted at the Annual Meeting by:

entering a new vote by Internet or telephone;

signing and returning a new proxy card with a later date;

delivering a written revocation to our Secretary at Otonomy, Inc., 6275 Nancy Ridge Drive, Suite 100, San Diego, California 92121, by 11:59 p.m. Eastern Time on June 20, 2016; or

attending the Annual Meeting and voting in person.

*Beneficial Owners: Shares Registered in the Name of a Broker, Bank or Other Nominee.* If you are the beneficial owner of your shares, you must contact the broker, bank or other nominee holding your shares and follow their instructions to change your vote or revoke your proxy.

**What is the effect of giving a proxy?**

Proxies are solicited by and on behalf of the Board. The persons named in the proxy have been designated as proxy holders by the Board. When a proxy is properly dated, executed and returned, the shares represented by the proxy will be voted at the Annual Meeting in accordance with the instructions of the stockholder. If no specific instructions are given, however, the shares will be voted in accordance with the recommendations of the Board. If any matters not described in this proxy statement are properly presented at the Annual Meeting, the

## **Table of Contents**

proxy holders will use their own judgment to determine how to vote your shares. If the Annual Meeting is postponed or adjourned, the proxy holders can vote your shares on the new meeting date, unless you have properly revoked your proxy, as described above.

### **What if I do not specify how my shares are to be voted?**

*Stockholder of Record: Shares Registered in Your Name.* If you are a stockholder of record and you submit a proxy but you do not provide voting instructions, your shares will be voted:

FOR the election of each of the three directors nominated by the Board and named in this proxy statement as Class II directors to serve for a three-year term (Proposal No. 1);

FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2016 (Proposal No. 2); and

In the discretion of the named proxy holders regarding any other matters properly presented for a vote at the Annual Meeting.

*Beneficial Owners: Shares Registered in the Name of a Broker, Bank or Other Nominee.* If you are a beneficial owner and you do not provide your broker, bank or other nominee that holds your shares with voting instructions, then your broker, bank or other nominee will determine if it has discretion to vote on each matter. Brokers do not have discretion to vote on non-routine matters. Proposal No. 1 (election of directors) is a non-routine matter, while Proposal No. 2 (ratification of appointment of independent registered public accounting firm) is a routine matter. As a result, if you do not provide voting instructions to your broker, bank or other nominee, then your broker, bank or other nominee may not vote your shares with respect to Proposal No. 1, which would result in a broker non-vote, but may, in its discretion, vote your shares with respect to Proposal No. 2. For additional information regarding broker non-votes, see *What are the effects of abstentions and broker non-votes?* below.

### **What are the effects of abstentions and broker non-votes?**

An abstention represents a stockholder's affirmative choice to decline to vote on a proposal. If a stockholder indicates on its proxy card that it wishes to abstain from voting its shares, or if a broker, bank or other nominee holding its customers' shares of record causes abstentions to be recorded for shares, these shares will be considered present and entitled to vote at the Annual Meeting. As a result, abstentions will be counted for purposes of determining the presence or absence of a quorum and will also count as votes against a proposal in cases where approval of the proposal requires the affirmative vote of a majority of the shares present and entitled to vote at the Annual Meeting (e.g., Proposal No. 2). However, because the outcome of Proposal No. 1 (election of directors) will be determined by a plurality vote, abstentions will have no impact on the outcome of such proposal as long as a quorum exists.

A broker non-vote occurs when a broker, bank or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker, bank or other nominee does not have discretionary voting power with respect to such proposal and has not received voting instructions from the beneficial owner of the shares. Broker non-votes will be counted for purposes of calculating whether a quorum is present at the Annual Meeting but will not be counted for purposes of determining the number of votes cast. Therefore, a broker non-vote will make a quorum more readily attainable but will not otherwise affect the outcome of the vote on any proposal.

**What is a quorum?**

A quorum is the minimum number of shares required to be present at the Annual Meeting for the meeting to be properly held under our bylaws and Delaware law. A majority of the shares of common stock outstanding and



## **Table of Contents**

entitled to vote, in person or by proxy, constitutes a quorum for the transaction of business at the Annual Meeting. As noted above, as of the Record Date, there were a total of 30,113,882 shares of common stock outstanding, which means that 15,056,942 shares of common stock must be represented in person or by proxy at the Annual Meeting to have a quorum. If there is no quorum, a majority of the shares present at the Annual Meeting may adjourn the meeting to a later date.

### **How many votes are needed for approval of each proposal?**

*Proposal No. 1:* The election of Class II directors requires a plurality vote of the shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote thereon to be approved. This means that the three nominees who receive the most FOR votes will be elected. You may (i) vote FOR all nominees, (ii) WITHHOLD your vote as to all nominees, or (iii) vote FOR all nominees except for those specific nominees from whom you WITHHOLD your vote. Any shares not voted FOR a particular nominee (whether as a result of voting withheld or a broker non-vote) will not be counted in such nominee's favor and will have no effect on the outcome of the election. If you WITHHOLD your vote as to all nominees, you will be deemed to have abstained from voting on Proposal No. 1, and such abstention will have no effect on the outcome of the proposal.

*Proposal No. 2:* The ratification of the appointment of Ernst & Young LLP requires an affirmative vote of a majority of the shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote thereon to be approved. You may vote FOR, AGAINST or ABSTAIN. If you ABSTAIN from voting on Proposal No. 2, the abstention will have the same effect as a vote AGAINST the proposal.

### **How are proxies solicited for the Annual Meeting and who is paying for such solicitation?**

The Board is soliciting proxies for use at the Annual Meeting by means of the proxy materials. We will bear the entire cost of proxy solicitation, including the preparation, assembly, printing, mailing and distribution of the proxy materials. Copies of solicitation materials will also be made available upon request to brokers, banks and other nominees to forward to the beneficial owners of the shares held of record by such brokers, banks or other nominees. The original solicitation of proxies may be supplemented by solicitation by telephone, electronic communication, or other means by our directors, officers, employees or agents. No additional compensation will be paid to these individuals for any such services, although we may reimburse such individuals for their reasonable out-of-pocket expenses in connection with such solicitation. We do not plan to retain a proxy solicitor to assist in the solicitation of proxies.

If you choose to access the proxy materials and/or vote over the Internet, you are responsible for Internet access charges you may incur. If you choose to vote by telephone, you are responsible for telephone charges you may incur.

### **What does it mean if I received more than one Notice?**

If you receive more than one Notice, your shares may be registered in more than one name or in different accounts. Please follow the voting instructions on each Notice to ensure that all of your shares are voted.

### **Is my vote confidential?**

Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Otonomy or to third parties, except as necessary to meet applicable legal requirements, to allow for the tabulation of votes and certification of the vote, or to facilitate a successful proxy solicitation.

**I share an address with another stockholder, and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?**

We have adopted an SEC-approved procedure called householding, under which we can deliver a single copy of the proxy materials and annual report to multiple stockholders who share the same address unless we

**Table of Contents**

received contrary instructions from one or more of the stockholders. This procedure reduces our printing and mailing costs. Stockholders who participate in householding will continue to be able to access and receive separate proxy cards. Upon written or oral request, we will promptly deliver a separate copy of the proxy materials and annual report to any stockholder at a shared address to which we delivered a single copy of any of these documents. To receive a separate copy, or, if you are receiving multiple copies, to request that we only send a single copy of next year's proxy materials and annual report, you may contact us as follows:

Otonomy, Inc.

Attention: Secretary

6275 Nancy Ridge Drive, Suite 100

San Diego, California 92121

(805) 562-0500

Stockholders who hold shares in street name may contact their brokerage firm, bank, broker-dealer or other nominee to request information about householding.

**How can I find out the results of the voting at the Annual Meeting?**

Preliminary voting results will be announced at the Annual Meeting. In addition, final voting results will be published in a current report on Form 8-K that we expect to file within four business days after the Annual Meeting. If final voting results are not available to us at that time, we intend to file a Form 8-K to publish preliminary results and, within four business days after the final results are known to us, file an amendment to the Form 8-K to publish the final results.

**What is the deadline to propose actions for consideration at next year's annual meeting of stockholders or to nominate individuals to serve as directors?**

*Stockholder Proposals*

Stockholders may present proper proposals for inclusion in our proxy statement and for consideration at the next annual meeting of stockholders by submitting their proposals in writing to our Secretary in a timely manner. For a stockholder proposal to be considered for inclusion in our proxy statement for our 2017 annual meeting of stockholders, our Secretary must receive the written proposal at our principal executive offices not later than January 20, 2017. In addition, stockholder proposals must comply with the requirements of Rule 14a-8 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Stockholder proposals should be addressed to:

Otonomy, Inc.

Attention: Secretary

6275 Nancy Ridge Drive, Suite 100

San Diego, California 92121

Our bylaws also establish an advance notice procedure for stockholders who wish to present a proposal before an annual meeting of stockholders but do not intend for the proposal to be included in our proxy statement. Our bylaws provide that the only business that may be conducted at an annual meeting is business that is (i) specified in our proxy materials with respect to such meeting, (ii) otherwise properly brought before the annual meeting by or at the direction of the Board, or (iii) properly brought before the annual meeting by a stockholder of record entitled to vote at the annual meeting who has delivered timely written notice to our Secretary, which notice must contain the information specified in our bylaws. To be timely for our 2017 annual meeting of stockholders, our Secretary must receive the written notice at our principal executive offices:

not earlier than March 6, 2017; and

not later than April 5, 2017.

**Table of Contents**

In the event that we hold our 2017 annual meeting of stockholders more than 30 days before or more than 60 days after the first anniversary of the date of the Annual Meeting, then notice of a stockholder proposal that is not intended to be included in our proxy statement must be received no earlier than the close of business on the 120th day before such annual meeting and no later than the close of business on the later of the following two dates:

the 90th day prior to such annual meeting ; or

the 10th day following the day on which public announcement of the date of such annual meeting is first made.

If a stockholder who has notified us of his, her or its intention to present a proposal at an annual meeting does not appear to present his, her or its proposal at such annual meeting, we are not required to present the proposal for a vote at such annual meeting.

*Nomination of Director Candidates*

You may propose director candidates for consideration by our corporate governance and nominating committee. Any such recommendations should include the nominee's name and qualifications for membership on our board of directors and should be directed to our Secretary at the address set forth above. For additional information regarding stockholder recommendations for director candidates, see Board of Directors and Corporate Governance Stockholder Recommendations for Nominations to the Board of Directors.

In addition, our bylaws permit stockholders to nominate directors for election at an annual meeting of stockholders. To nominate a director, the stockholder must provide the information required by our bylaws. In addition, the stockholder must give timely notice to our Secretary in accordance with our bylaws, which, in general, require that the notice be received by our Secretary within the time period described above under Stockholder Proposals for stockholder proposals that are not intended to be included in a proxy statement.

*Availability of Bylaws*

A copy of our bylaws may be obtained by accessing our public filings on the SEC's website at [www.sec.gov](http://www.sec.gov). You may also contact our Secretary at our principal executive office for a copy of the relevant bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates.

**Table of Contents****BOARD OF DIRECTORS AND CORPORATE GOVERNANCE**

Our business affairs are managed under the direction of our board of directors, which is currently comprised of seven (7) members. Six (6) of our seven (7) directors are independent within the meaning of the independent director requirements of NASDAQ. Our board of directors is divided into three classes with staggered three-year terms. At each annual meeting of stockholders, a class of directors will be elected for a three-year term to succeed the same class whose term is then expiring.

Upon the recommendation of our corporate governance and nominating committee, we are nominating Chau Q. Khuong, Jay Lichter, Ph.D. and Theodore R. Schroeder. If elected, Messrs. Khuong and Schroeder and Dr. Lichter will each hold office for a three-year term until the annual meeting of stockholders to be held in 2019 or until their successors are duly elected and qualified.

The following table sets forth the names, ages as of March 31, 2016 and certain other information for each of the directors with terms expiring at the Annual Meeting (who are also nominees for election as a director at the Annual Meeting) and for each of the continuing directors:

| Name                           | Class | Age | Position  | Director Since | Current Term Expires | Expiration of Term For Which Nominated |
|--------------------------------|-------|-----|---|----------------|----------------------|--|
| <b>1. Director Nominees</b>    |       |     |   |                |                      |  |
| Chau Q. Khuong (1)(2)          | II    | 40  | Director  | 2013           | 2016                 | 2019                                   |
| Jay Lichter, Ph.D. (2)         | II    | 54  | Chairman of the Board                           | 2008           | 2016                 | 2019                                   |
| Theodore R. Schroeder (2)(3)   | II    | 61  | Director  | 2015           | 2016                 | 2019                                   |
| <b>2. Continuing Directors</b> |       |     |   |                |                      |  |
| Vickie Capps (1)(3)            | III   | 54  | Director  | 2014           | 2017                 |  |
| Heather Preston, M.D. (3)      | III   | 50  | Director  | 2010           | 2017                 |  |
| George J. Morrow (1)(2)        | I     | 64  | Director  | 2015           | 2018                 |  |
| David A. Weber, Ph.D.          | I     | 56  | President, Chief Executive Officer and Director | 2010           | 2018                 |  |

(1) Member of our audit committee

(2) Member of our compensation committee

(3) Member of our corporate governance and nominating committee

**Nominees for Director**

**Chau Q. Khuong** has served on our board of directors since August 2013. Mr. Khuong is currently employed as a Private Equity Partner at OrbiMed Advisers LLC, a venture capital and asset management firm, which he joined in 2003. Mr. Khuong currently serves as chairman of the board of directors of Pieris Pharmaceuticals, Inc., a public biopharmaceutical company. He also currently serves on the board of directors of Cerapedics, Inc., Aerpio Therapeutics, Inc., Inspire Medical Systems, Inc., Nabriva Therapeutics AG, NextCure, Inc., ReViral Ltd. and Synlogic, LLC. Mr. Khuong received a Bachelor's degree in molecular biology with concentration in biotechnology

and a Master's degree in Public Health with concentration in infectious diseases from Yale University.

We believe Mr. Khuong is qualified to serve on our board of directors because of his leadership experience, his extensive industry experience and his experience as a venture capital investor.

**Jay Lichter, Ph.D.** has served on our board of directors since May 2008 and Chairman of our board of directors since August 2015. Dr. Lichter served as our Chief Executive Officer from inception until November 2010. He is an experienced biotechnology and pharmaceutical business executive with 25 years of experience in

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**Table of Contents**

management, scientific research and business development. Since 2007, Dr. Lichter has been a managing director at Avalon Ventures, an early-stage venture capital fund focused on information technology and life sciences. In that role, he led Avalon's investments in and served as a director and chief executive officer for privately-held biotechnology companies Afraxis, Inc., Carolus Therapeutics, Inc., ReVision Therapeutics, Inc. and Zacharon Pharmaceuticals, Inc. He also currently serves on the board of directors of Aratana Therapeutics, Inc., a public company. Dr. Lichter also led Avalon's investments in or serves on the board of privately-held companies Sova Pharmaceuticals, Inc., Avelas Biosciences, Inc., COI Pharmaceuticals Inc. and Sitari Pharmaceuticals Corp. Dr. Lichter received a Bachelor's degree and Ph.D. in biochemistry from the University of Illinois. He also completed post-doctoral fellowships at Yale University and Du Pont Merck Pharmaceutical Company.

We believe Dr. Lichter is qualified to serve on our board of directors because of his experience as a venture capital investor and his experience as a biotechnology and pharmaceutical business executive with over 25 years of experience in management, scientific research and development.

**Theodore R. Schroeder** has served on our board of directors since August 2015. Since 2014, Mr. Schroeder has served as President, Chief Executive Officer and as a member of the board of directors of Zavante Therapeutics, Inc., a private biopharmaceutical company. Mr. Schroeder co-founded Cadence Pharmaceuticals, Inc., a formerly-public pharmaceutical company, and served as its President and Chief Executive Officer, and as a member of the board of directors, from May 2004 until its acquisition in May 2014 by Mallinckrodt Pharmaceuticals, Inc. From August 2002 to February 2004, Mr. Schroeder served as Senior Vice President, North American Sales and Marketing, of Elan Pharmaceuticals, Inc., a neuroscience-based pharmaceutical company, and from February 2001 to August 2002, as General Manager of the Hospital Products Business Unit. From May 1999 until its acquisition by Elan Pharmaceuticals, Inc. in November 2000, Mr. Schroeder served as Senior Director of Marketing Hospital Products at Dura Pharmaceuticals, Inc., a specialty respiratory pharmaceutical and pulmonary drug delivery company. Prior to joining Dura Pharmaceuticals, Inc., Mr. Schroeder held a number of hospital-related sales and marketing positions with Bristol-Myers Squibb Company, a global pharmaceutical company. Mr. Schroeder currently serves on the board of directors of Cidara Therapeutics, Inc, a public biotechnology company. Mr. Schroeder also currently serves on the board of directors of Collegium Pharmaceuticals, a specialty pharmaceutical company, and Biocom, a regional life science trade association, where he is Chairman and a member of the executive committee. Mr. Schroeder holds a Bachelor's degree in management from Rutgers University.

We believe Mr. Schroeder is qualified to serve on our board of directors because of his leadership and broad range of experience in pharmaceutical and life sciences companies.

**Continuing Directors**

**Vickie Capps** has served on our board of directors since March 2014. From July 2002 to December 2013, Ms. Capps was the Chief Financial Officer of DJO Global, Inc. Ms. Capps joined DJO Global, Inc. in 2002. Prior to joining DJO Global, Inc., Ms. Capps served as the Chief Financial Officer of several other public and private companies. Earlier in her career, Ms. Capps was a Senior Audit and Accounting Professional at Ernst & Young LLP. Ms. Capps is currently a member of the Senior Advisory Board of Consonance Capital Partners, or CCP, a healthcare investment firm, and is a member of the board of directors of CCP's portfolio company, Eagle Rx, Inc. Ms. Capps is also a member of the board of directors of Connecture, Inc., a public company, and is the chair of its audit committee and is also a member of the board of directors and audit committee of NuVasive, Inc., a public company. From December 2013 to August 2015, Ms. Capps served as a member of the board of directors of RF Surgical Systems, Inc., a private company, and as chair of its audit committee, prior to the company's acquisition by Medtronic plc in August 2015. From 2007 to July 2010, Ms. Capps served as a member of the board of directors of SenoRx, Inc., prior to its acquisition by C. R. Bard, Inc. in July 2010. In addition, Ms. Capps serves as a member of the board of directors of the San Diego State



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University Research Foundation and is a member of its audit committee and its finance and investment committee. Ms. Capps is a California Certified Public Accountant and was recognized as CFO of the Year by the San Diego Business Journal in 2009 and 2010. Ms. Capps holds a Bachelor's degree in Business Administration/Accounting from San Diego State University.

-9-

## **Table of Contents**

We believe Ms. Capps is qualified to serve on our board of directors because of her exceptionally strong skill set consisting of corporate finance, accounting, operations, investor relations, capital markets and strategic business development.

**Heather Preston, M.D.** has served on our board of directors since August 2010. Dr. Preston is currently employed as a Partner and Managing Director of TPG Biotech, a biotechnology venture capital firm. Dr. Preston joined TPG in 2005. She currently serves on the board of directors of Alder Biopharmaceuticals, Inc., a public company and on the boards of a number of private companies. Prior to joining TPG Biotech, Dr. Preston served for two years as a medical device and biotechnology venture capital investor at JP Morgan Partners, LLC, a private equity firm. Prior to that, she was an Entrepreneur-in-Residence at New Enterprise Associates, a venture capital firm. From 1997 to 2002, Dr. Preston served as a leader of the pharmaceutical and medical products consulting practice at McKinsey & Co. in New York. Dr. Preston holds a B.Sc.Hons degree in biochemistry from the University of London and an M.B.B.Chir degree in medicine from the University of Oxford. After leaving Oxford, Dr. Preston completed a post-doctoral fellowship in molecular biology at the Dana Farber Cancer Institute, Harvard University. Dr. Preston completed her training in Internal Medicine at the Massachusetts General Hospital and then sub-specialized in Gastroenterology and Hepatology at U.C.S.F. During Dr. Preston's academic career, she was the recipient of a Fulbright Scholarship, a Fulbright Cancer Research Scholarship, a Harlech Scholarship and a Science and Engineering Research Council Post-doctoral Fellowship Award.

We believe Dr. Preston is qualified to serve on our board of directors because of her experience as an investor in biopharmaceutical and life sciences companies, her educational background, and leadership in the medical and life science industries.

**George J. Morrow** has served on our board of directors since April 2015. Mr. Morrow served as a consultant to Amgen Inc., a global biotechnology company, from February 2011 until January 2013. From 2003 until his retirement in February 2011, he was the Executive Vice President, Global Commercial Operations at Amgen Inc., where he also served as Executive Vice President of Worldwide Sales and Marketing between 2001 and 2003. From 1992 to 2001, Mr. Morrow held multiple leadership positions at GlaxoSmithKline Inc. and its subsidiaries, including President and Chief Executive Officer of Glaxo Wellcome Inc. From 1981 to 1992, he served in various positions at Merck & Co., Inc., a pharmaceutical company, last serving as Vice President, Marketing. Mr. Morrow currently serves on the board of directors of public companies Align Technology, Inc., a medical device company, Neurocrine Biosciences, Inc., a biopharmaceutical company, and Vical Incorporated, a developer of biopharmaceutical products. Mr. Morrow served on the board of directors of Safeway Inc., a food and drug retailer, from May 2013 to February 2015, when it was acquired by an investor group led by Cerberus Capital Management, L.P. He also served on the board of directors of Human Genome Sciences, Inc., a public biopharmaceutical development company, from March 2011 to August 2012, when it was acquired by GlaxoSmithKline plc. Mr. Morrow received a Bachelor's degree in chemistry from Southampton College, Long Island University, a Master's degree in biochemistry from Bryn Mawr College and an MBA from Duke University's Fuqua School of Business.

We believe Mr. Morrow is qualified to serve on our board of directors because of his leadership and broad range of experience in the biotechnology and pharmaceutical industries.

**David A. Weber, Ph.D.** has served as our President and Chief Executive Officer and on our board of directors since November 2010. Prior to joining us, Dr. Weber served from February 2004 to April 2010 as the Chief Executive Officer of MacuSight, Inc., a developer of a sustained delivery formulation of sirolimus for the treatment of severe ophthalmic diseases. Prior to MacuSight, Dr. Weber served as acting Chief Executive Officer and Executive Vice President of Oculex Pharmaceuticals, Inc., a specialty pharmaceutical company focused on the development and commercialization of intraocular pharmaceuticals and drug delivery systems, until its acquisition by Allergan in 2003.

Dr. Weber has also held management positions with Oral-B Laboratories, a developer and manufacturer of oral hygiene products, and with Procter & Gamble, Co., a consumer products company. Dr. Weber received his Ph.D. in medical microbiology from Creighton University and his Master's and Bachelor's degrees in biological sciences from Wichita State University.

## **Table of Contents**

We believe Dr. Weber is qualified to serve on our board of directors because of his broad range of experience in business and healthcare product development, including over a decade as the chief executive officer of companies developing locally delivered therapeutics.

## **Director Independence**

Our common stock is listed on The NASDAQ Global Select Market. Under the rules of NASDAQ, independent directors must comprise a majority of a listed company's board of directors within a specified period after the completion of our initial public offering. In addition, the rules of NASDAQ require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and governance committees be independent. Audit committee members and compensation committee members must also satisfy the independence criteria set forth in Rule 10A-3 and Rule 10C-1, respectively, under the Securities Exchange Act of 1934, as amended (the Exchange Act). Under the rules of NASDAQ, 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.

To be considered independent for purposes of Rule 10A-3 and under the rules of NASDAQ, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of our audit committee, our board of directors, or any other board committee: (1) accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the listed company or any of its subsidiaries; or (2) be an affiliated person of the listed company or any of its subsidiaries.

To be considered independent for purposes of Rule 10C-1 and under the rules of NASDAQ, the board of directors must affirmatively determine that the member of the compensation committee is independent, including a consideration of all factors specifically relevant to determining whether the director has a relationship to the company which is material to that director's ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to: (i) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the company to such director; and (ii) whether such director is affiliated with the company, a subsidiary of the company or an affiliate of a subsidiary of the company.

Our board of directors has undertaken a review of its composition, the composition of its committees and the independence of our directors and considered whether any director has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. Based upon information requested from and provided by each director concerning his background, employment and affiliations, including family relationships, our board of directors has determined that none of Messrs. Khuong, Morrow and Schroeder, Drs. Lichter and Preston, and Ms. Capps, representing six of our seven 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 and the director nominee is independent as that term is defined under the rules of NASDAQ. Our board of directors also determined that Ms. Capps (chairperson) and Messrs. Khuong and Morrow, who comprise our audit committee, and Mr. Morrow (chairperson), Dr. Lichter and Messrs. Khuong and Schroeder, who comprise our compensation committee, satisfy the independence standards for committee members established by applicable SEC rules and the listing standards of NASDAQ.

In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director, and the transactions involving them described in the section titled Related Party Transactions.

There are no family relationships among any of our directors or executive officers.

## **Table of Contents**

### **Board Leadership Structure**

Our board of directors is currently chaired by Dr. Lichter. As a general policy, our board of directors believes that separation of the positions of Chairman and Chief Executive Officer reinforces the independence of the board of directors from management, creates an environment that encourages objective oversight of management's performance and enhances the effectiveness of the board of directors as a whole. As such, Dr. Weber serves as our President and Chief Executive Officer while Dr. Lichter serves as our Chairman of the board of directors but is not an officer. We expect and intend the positions of Chairman of the board of directors and Chief Executive Officer to continue to be held by two individuals in the future.

### **Board Meetings and Committees**

During 2015, our board of directors held seven meetings (including regularly scheduled and special meetings), and each director attended at least 75% of the aggregate of (i) the total number of meetings of our board of directors held during the period for which he or she served as a director and (ii) the total number of meetings held by all committees of our board of directors on which he or she served during the periods that he or she served.

It is the policy of our board of directors to regularly have separate meeting times for independent directors without management. Although we do not have a formal policy regarding attendance by members of our board of directors at annual meetings of stockholders, we encourage, but do not require, our directors to attend. Two directors attended our 2015 annual meeting of stockholders.

We have established an audit committee, a compensation committee and a corporate governance and nominating committee. We believe that the composition of these committees will meet the criteria for independence under, and the functioning of these committees comply with the requirements of, the Sarbanes-Oxley Act of 2002, the rules of the NASDAQ Global Select Market, and SEC rules and regulations. We intend to comply with the requirements of the NASDAQ Global Select Market with respect to committee composition of independent directors. Each committee has the composition and responsibilities described below.

#### **Audit Committee**

The members of our audit committee are Ms. Capps and Messrs. Khuong and Morrow, each of whom is a non-employee member of our board of directors. Ms. Capps serves as the chairperson of our audit committee. All members of our audit committee meet the requirements for independence and financial literacy of audit committee members under current NASDAQ listing standards and SEC rules and regulations. Our audit committee chairman, Ms. Capps, is our audit committee financial expert, as that term is defined under the SEC rules implementing Section 407 of the Sarbanes-Oxley Act of 2002, and possesses financial sophistication, as defined under NASDAQ listing standards. The responsibilities of our audit committee include, among other things:

selecting and hiring the independent registered public accounting firm to audit our financial statements;

helping to ensure the independence and performance of the independent registered public accounting firm;

approving audit and non-audit services and fees;

reviewing financial statements and discussing with management and the independent registered public accounting firm our annual audited and quarterly financial statements, the results of the independent audit and the quarterly reviews, and the reports and certifications regarding internal controls over financial reporting and disclosure controls;

preparing the audit committee report that the SEC requires to be included in our annual proxy statement;

**Table of Contents**

reviewing reports and communications from the independent registered public accounting firm;

reviewing the adequacy and effectiveness of our internal controls and disclosure controls and procedures;

reviewing our policies on risk assessment and risk management;

reviewing related party transactions; and

establishing and overseeing procedures for the receipt, retention and treatment of accounting related complaints and the confidential submission by our employees of concerns regarding questionable accounting or auditing matters.

Our audit committee operates under a written charter that satisfies the applicable rules and regulations of the SEC and the listing requirements of NASDAQ. A copy of the charter of our audit committee is available on our website at <http://investors.otonomy.com> in the Corporate Governance section of our Investor Relations webpage. During 2015, our audit committee held six meetings.

**Compensation Committee**

The members of our compensation committee are Messrs. Khuong, Morrow and Schroeder and Dr. Lichter. Mr. Morrow serves as the chairperson of our compensation committee. All members of our compensation committee meet the requirements for independence under current NASDAQ listing standards and SEC rules and regulations. Each member of the compensation committee is also a non-employee director, as defined pursuant to Rule 16b-3 promulgated under the Exchange Act, and each is an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code, as amended, other than Dr. Lichter. The purpose of our compensation committee is to oversee our compensation policies, plans and benefit programs and to discharge the responsibilities of our board of directors relating to compensation of our executive officers. The responsibilities of our compensation committee include, among other things:

overseeing our overall compensation philosophy and compensation policies, plans and benefit programs;

reviewing and approving or recommending to the board for approval compensation for our executive officers and directors;

preparing the compensation committee report that the SEC will require to be included in our annual proxy statement; and

administering our equity compensation plans.

Our compensation committee operates under a written charter that satisfies the listing standards of NASDAQ. A copy of the charter of our compensation committee is available on our website at <http://investors.otonomy.com> in the



Corporate Governance section of our Investor Relations webpage. During 2015, our compensation committee held three meetings.

**Corporate Governance and Nominating Committee**

The members of our corporate governance and nominating committee are comprised of Mr. Schroeder, Ms. Capps and Dr. Preston. Mr. Schroeder serves as the chairperson of our corporate governance and nominating committee. All members of our corporate governance and nominating committee meet the requirements for independence u