

AEOLUS PHARMACEUTICALS, INC.
 Form 4
 July 19, 2006

FORM 4

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

OMB APPROVAL

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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 *
 Xmark Opportunity Partners, LLC

2. Issuer Name and Ticker or Trading Symbol
 AEOLUS PHARMACEUTICALS, INC. [AOLS.OB]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)
 06/05/2006

____ Director
 ____ Officer (give title below)
 10% Owner
 ____ Other (specify below)

301 TRESSER BOULEVARD, SUITE 1320

(Street)

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

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

STAMFORD, CT 06901

(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 Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)		
				(A) or (D)	Code	V	Amount	(D)	Price

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

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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	2. Conversion	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if	4. Transaction	5. Number of Derivative Securities Acquired (A) or	6. Date Exercisable and Expiration Date	7. Title and Underlying S
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Security (Instr. 3)	or Exercise Price of Derivative Security	any (Month/Day/Year)	Code (Instr. 8)	Disposed of (D) (Instr. 3, 4, and 5)	(Month/Day/Year)	(Instr. 3 and 4)	(Instr. 3 and 4)	(Instr. 3 and 4)
			Code V	(A)	(D)	Date Exercisable	Expiration Date	Title
Series A Convertible Preferred Stock	\$ 1	06/05/2006	J ⁽¹⁾	2,150,000 ⁽¹⁾		<u>(1)</u>	<u>(1)</u>	Common Stock
Series A Convertible Preferred Stock	\$ 0.5	06/05/2006	J ⁽¹⁾	2,150,000 ⁽¹⁾		<u>(1)</u>	<u>(1)</u>	Common Stock
Warrants (right to purchase Common Stock)	\$ 1	06/05/2006	J ⁽⁵⁾	2,150,000 ⁽⁵⁾		<u>(5)</u>	<u>(5)</u>	Common Stock
Warrants (right to purchase Common Stock)	\$ 0.5	06/05/2006	J ⁽⁵⁾	2,150,000 ⁽⁵⁾		<u>(5)</u>	<u>(5)</u>	Common Stock

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Xmark Opportunity Partners, LLC 301 TRESSER BOULEVARD SUITE 1320 STAMFORD, CT 06901		X		

Signatures

/s/ Mitchell D. Kaye, Chief Executive Officer of Xmark Opportunity Partners,
LLC

07/18/2006

__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) On June 5, 2006, Aeolus Pharmaceuticals, Inc., a Delaware corporation, formerly known as Incara Pharmaceuticals Corporation (the "Company"), entered into a private placement of common stock, par value \$0.01 per share ("Common Stock"), of the Company and warrants to purchase Common Stock of the Company. Pursuant to the terms of the Certificate of Designations, Preferences and Rights of the Company's Series A Convertible Preferred Stock (the "Series A Preferred") of the Company, the conversion price of the Series A Preferred held by Opportunity LP, Opportunity Ltd and JV Partners automatically was decreased from \$1.00 to \$0.50 per share, effective as of June 5, 2006. Following the change to the conversion price, the Series A Preferred continues to be exercisable immediately and has no expiration date.

(2) The reporting person, Xmark Opportunity Partners, LLC, a Delaware limited liability company ("Opportunity Partners"), is the sole member of the investment manager of Xmark Opportunity Fund, L.P., a Delaware limited partnership ("Opportunity LP") and Xmark Opportunity Fund, Ltd., a Cayman Islands exempted company ("Opportunity Ltd"), and the investment manager of Xmark JV Investment Partners, LLC, a Delaware limited liability company ("JV Partners"), and, as such, possesses sole power to vote and direct the disposition of all securities held by Opportunity LP, Opportunity Ltd and JV Partners. Opportunity Partners' interest in the securities reported herein is limited to the extent of its pecuniary interest in Opportunity LP, Opportunity Ltd and JV Partners, if any.

(3) Mitchell D. Kaye and David C. Cavalier, the Chief Executive Officer and Chief Operating Officer, respectively, of Opportunity Partners, the reporting person, share voting and investment power with respect to all securities beneficially owned by Opportunity Partners. Mr. Kaye is also the Chief Executive Officer of Xmark Asset Management, LLC ("XAM") and, as such, exercises sole voting and investment power with respect to all securities beneficially owned by XAM. XAM beneficially owns certain securities of the Company, all of which are subject to the sole voting and/or investment power of XAM. XAM, in its capacity as the holder of sole voting and/or investment power with respect to more than 10% of the Common Stock of the Company pursuant to Reg. 13d-3 separately files statements pursuant to Section 16 of the Securities Exchange Act of 1934, as amended.

(4) Opportunity Partners does not exercise any voting or investment power with respect to the shares of Common Stock of the Company separately reported by XAM, XAM does not exercise any voting or investment power with respect to the shares of Common Stock of the Company held by the reporting person and each of the reporting person and XAM at all times acts independently of the other with respect to their holdings of the securities of the Company. Opportunity Partners does not have any pecuniary interest in the shares of Common Stock of the Company separately reported by XAM and XAM does not have any pecuniary interest in the shares of Common Stock of the Company held by the reporting person.

(5) As a result of the Company's private placement of shares of Common Stock of the Company and warrants to purchase shares of Common Stock of the Company on June 5, 2006, pursuant to the terms of the warrants held by each of Opportunity LP, Opportunity Ltd and JV Partners, the exercise price of such warrants automatically was decreased from \$1.00 to \$0.50, effective as of June 5, 2006. Following the change to the exercise price, the warrants continue to be exercisable immediately and expire on November 21, 2015 (i.e., 10 years from the date of purchase).

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

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