

AEOLUS PHARMACEUTICALS, INC.

Form 4

July 13, 2005

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 ASSET MANAGEMENT LLC

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
301 TRESSER BOULEVARD,
SUITE 1320

(Street)

3. Date of Earliest Transaction
(Month/Day/Year)
07/11/2005

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

STAMFORD, CT 06901

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

6. Individual or Joint/Group Filing(Check Applicable Line)
__X__ Form filed by One Reporting Person
____ 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 (Instr. 4)
			Code	V Amount (A) or (D) Price			
Common Stock, par value \$0.01 per share ⁽¹⁾ _{(2) (3) (4)}	07/11/2005		P	10,000 A \$ 0.98	9,357,482	I ⁽¹⁾ ₍₄₎ ⁽²⁾ ⁽³⁾	See footnotes ⁽¹⁾ _{(2) (3) (4)}

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

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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 Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Beneficially (Instr. 5)
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

Reporting Owners

Reporting Owner Name / Address

Relationships

Director 10% Owner Officer Other

XMARK ASSET MANAGEMENT LLC
301 TRESSER BOULEVARD, SUITE 1320
STAMFORD, CT 06901

X

Signatures

/s/ Mitchell D. Kaye, Manager of Xmark Asset Management, LLC

07/13/2005

__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 July 11, 2005, Xmark Fund, L.P., a Delaware limited partnership ("Xmark LP") purchased 5,000 shares of Common Stock, par value \$0.01 per share (the "Common Stock") of Aeolus Pharmaceuticals, Inc., a Delaware corporation formerly known as Incara Pharmaceuticals Inc. (the "Company"). On July 11, 2005, Xmark Fund, Ltd., a Cayman Islands exempted company ("Xmark Ltd"), purchased 5,000 shares of Common Stock. The reporting person is Xmark Asset Management, LLC ("XAM"), a New York limited liability company, which is the investment manager for Xmark LP and Xmark Ltd, and the sole manager of Goodnow Capital, L.L.C., a Delaware limited liability company ("Goodnow"). Goodnow is the holder of 8,107,039 shares of Common Stock. Pursuant to Goodnow's Operating Agreement, management and control of Goodnow is vested exclusively in the sole manager and, as a result, XAM possesses the sole power to vote and direct the disposition of all securities of the Company owned by Goodnow.

Mitchell D. Kaye is Chief Investment Officer of XAM, and as such possesses sole power to vote and direct the disposition of all securities of the Company held by Xmark LP, Xmark Ltd and Goodnow. In addition, pursuant to the terms of a certain Voting Trust Agreement, dated as of April 19, 2004, by and among Great Point Partners, on behalf of Biomedical Value Fund, L.P. and Biomedical Offshore Value

(2) Fund, Ltd. (collectively, the "Biomedical Funds"), the Company and XAM, as voting trustee: (i) the Biomedical Funds deposited into a voting trust (the "Voting Trust") the 1,000,000 shares of Common Stock (the "Voting Trust Shares") purchased by the Biomedical Funds from the Company pursuant to that certain Purchase Agreement, dated as of April 19, 2004 (the "Purchase Agreement"), by and among the Company and the investors named therein, in exchange for a voting trust certificate issued by the voting trustee of the Voting Trust;

(3) (ii) XAM, as the voting trustee of the Voting Trust, has the exclusive right and power to vote the Voting Trust Shares and to give written consents with respect to any lawful corporate action of the Company, and (iii) except as set forth in clause (ii) above, all powers and

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privileges affecting the Voting Trust Shares attach to the voting trust certificates issued in exchange therefor. While XAM may be deemed to be the beneficial owner of the Voting Trust Shares pursuant to its power to vote and give written consents with respect to the Voting Trust Shares, XAM does not own and expressly disclaims any pecuniary interest in the Voting Trust Shares.

- (4) As a result of the fact that XAM possesses the sole power to vote and direct the disposition of the shares of Common Stock held by Xmark LP, Xmark Ltd and Goodnow, and the sole power to vote the Voting Trust Shares, for purposes of Reg. Section 240.13d-3, XAM may be deemed to beneficially own 9,357,482 Shares, or 66.8% of the shares deemed issued and outstanding as of July 11, 2005. XAM's interest in the securities reported herein is limited to its pecuniary interest in Goodnow, Xmark LP and Xmark Ltd, if any.

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.