

Cavalier David  
Form 4  
February 18, 2011

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
Expires: January 31, 2005  
Estimated average burden hours per response... 0.5

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 \*  
Cavalier David

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)

3. Date of Earliest Transaction (Month/Day/Year)  
02/16/2011

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

C/O AEOLUS PHARMACEUTICALS, INC., 26361 CROWN VALLEY PARKWAY, SUITE 150

(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

MISSION VIEJO, CA 92691

(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, \$0.01 par value per share	02/16/2011		J		882,488 (3)	D	\$ 0
					39,748,589 (3) (4) (5) (6) (7) (8) (9)	I	(1) (2) (9) See Footnotes

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**

SEC 1474  
(9-02)

displays a currently valid OMB control number.

**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. 3 and 4)
				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
Cavalier David C/O AEOLUS PHARMACEUTICALS, INC. 26361 CROWN VALLEY PARKWAY, SUITE 150 MISSION VIEJO, CA 92691	X	X		

## Signatures

/s/ David C. Cavalier 02/18/2011

\*\*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) The reporting person, David Cavalier ("Mr. Cavalier"), is a Co-Managing Member of Xmark Capital Partners, LLC, a Delaware limited liability company, which is the Managing Member of Xmark Opportunity Partners, LLC, a Delaware limited liability company ("Opportunity Partners"). 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, together with Opportunity LP, the "Investors"), and, as such, possesses the sole power to vote and the sole power to direct the disposition of all securities of Aeolus Pharmaceuticals, Inc., a Delaware corporation (the "Company"), held by the Investors.

(2) Opportunity Partners is the investment manager of Xmark JV Investment Partners, LLC, a Delaware limited liability company ("JV Partners"), and, as such, possesses the sole power to vote and the sole power to direct the disposition of all securities of the Company held by JV Partners. Collectively, Opportunity LP and Opportunity Ltd hold a majority of the membership interests in Goodnow Capital, L.L.C., a Delaware limited liability company ("Goodnow"), and, as such, possesses the sole power to vote and the sole power to direct the disposition of all securities of the Company held by Goodnow. Mitchell D. Kaye, a Co-Managing Member of Xmark Capital Partners, LLC, and Mr. Cavalier share voting and dispositive power with respect to all securities beneficially owned by Opportunity Partners.

## Edgar Filing: Cavalier David - Form 4

- As of February 16, 2011 (the "Pro Rata Distribution Date"), Opportunity Partners caused Goodnow to undertake a pro rata distribution-in-kind to Goodnow's members of 2,026,760 shares of the Company's common stock, \$0.01 par value per share (the "Common Stock"). Neither Goodnow nor any other party received compensation for this distribution-in-kind. Accordingly, (i) 882,488
- (3) shares of Common Stock were distributed-in-kind to Goodnow's members who are unaffiliated with Opportunity Partners, and such shares of Common Stock, as of the Pro Rata Distribution Date, ceased to be deemed beneficially owned by Opportunity Partners, and (ii) 319,109 and 825,163 shares of Common Stock were distributed-in-kind to Opportunity LP and Opportunity Ltd, respectively, and such shares of Common Stock, as of the Pro Rata Distribution Date, continue to be deemed beneficially owned by Opportunity Partners.
- As of the Pro Rata Distribution Date, Opportunity LP held (i) 11,225,121 shares of Common Stock, including 957,326 shares of Common Stock held by Goodnow but attributed to Opportunity LP, (ii) warrants to purchase up to 17,304,642 shares of Common Stock at an exercise price of \$0.28 per share, subject to certain adjustments, and (iii) warrants to purchase up to 1,125,000 shares of Common Stock at an exercise price of \$0.50 per share, subject to certain adjustments.
- (4)
- As of the Pro Rata Distribution Date, Opportunity Ltd held (i) 24,679,524 shares of Common Stock, including 2,475,490 shares of Common Stock held by Goodnow but attributed to Opportunity Ltd, (ii) warrants to purchase up to 37,595,357 shares of Common Stock at an exercise price of \$0.28 per share, subject to certain adjustments, and (iii) warrants to purchase up to 2,625,000 shares of Common Stock at an exercise price of \$0.50 per share, subject to certain adjustments.
- (5)
- As of the Pro Rata Distribution Date, (i) JV Partners held 1,023,731 shares of Common Stock and warrants to purchase up to 500,000 shares of Common Stock at an exercise price of \$0.28 per share, subject to certain adjustments, and (ii) Goodnow held 2,647,463 shares of Common Stock in addition to the (a) 957,326 shares of Common Stock held by Goodnow but attributed to Opportunity LP and (b) 2,475,490 shares of Common Stock held by Goodnow but attributed to Opportunity Ltd. In addition, as of the Pro Rata Distribution Date, Mr. Cavalier held options to purchase 172,750 shares of Common Stock, all of which such options are currently exercisable by him (the "Cavalier Options").
- (6)
- The warrants set forth on this Form 4 are exercisable for a seven-year period from their date of issuance; contain a "cashless feature which allows the Investors to exercise the warrants without a cash payment to the Company under certain circumstances; contain a dividend participation right which allows the Investors to receive any cash dividends paid on the Common Stock without exercising the
- (7) warrants; contain a provision which provides for the reduction of the exercise price to \$0.01 in the event of any such payment of cash dividends by the Company or a change of control; and contain standard anti-dilution provisions which provide for the adjustment of the exercise price and the number of shares of Common Stock which can be purchased in the event of a stock dividend or split, dividend payment or other issuance, reorganization, recapitalization or similar event.
- The warrants set forth in this Form 4 contain an issuance limitation prohibiting the Investors from exercising such warrants to the extent that, after giving effect to such exercise of the warrants, the Investors would beneficially own more than 9.99% of the Common Stock then issued and outstanding, which prohibition cannot be modified by the Investors before the sixty-first (61st) day after such Investors' notice to the Company of its election to modify such prohibition.
- (8)
- Mr. Cavalier's interest in the securities reported herein is limited to the extent of his pecuniary interest in Opportunity LP, Opportunity Ltd and the Cavalier Options, if any, and neither the filing of this Form 4 nor any of its contents shall be deemed to constitute an admission by Mr. Cavalier or any other person/entity that he or it was or is the beneficial owner of any of the securities referred to herein for purposes of Section 16 of the Securities Exchange Act of 1934, or for any other purpose.
- (9)

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.