#### AEOLUS PHARMACEUTICALS, INC.

Form SC 13G/A February 14, 2007

SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

SCHEDULE 13G (Rule 13d-102)

INFORMATION TO BE INCLUDED IN STATEMENTS
FILED PURSUANT TO RULES 13d-1(b), (c) AND (d)
AND AMENDMENTS THERETO FILED
PURSUANT TO RULE 13d-2(b)
(Amendment No. 3)\*

Aeolus Pharmaceuticals Inc.

(Name of Issuer)

COMMON STOCK

(Title of Class of Securities)

00765G109 -----(CUSIP Number)

December 31, 2006

Date of Event which Requires Filing of this Statement

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

- [ ] Rule 13d-1(b)
- [x] Rule 13d-1(c)
- [ ] Rule 13d-1(d)

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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\_\_\_\_\_

1 NAME OF REPORTING PERSON

Biotechnology Value Fund, L.P.

12 TYPE OF REPORTING PERSON (See Instructions)

I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (entities only) \_\_\_\_\_\_ 2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions) (a) [X] (b) [ ] \_\_\_\_\_ 3 SEC USE ONLY .\_\_\_\_\_ 4 CITIZENSHIP OR PLACE OF ORGANIZATION Delaware 5 SOLE VOTING POWER NUMBER OF SHARES 0 BENEFICIALLY -----OWNED BY 6 SHARED VOTING POWER EACH REPORTING PERSON 561,513 (1) WITH .\_\_\_\_\_ 7 SOLE DISPOSITIVE POWER 0 \_\_\_\_\_ 8 SHARED DISPOSITIVE POWER 561,513 (1) AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 561,513 (1) CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (See Instructions) 11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 1.9%(1)(2)

2

PN					
See attached f	or footnotes.				
CUSIP No. 007	65G109	13G	Page 3 of 12 Pages		
Biotechn	REPORTING PERSON ology Value Fund II DENTIFICATION NO. C	E, L.P. DF ABOVE PERSONS (ent	cities only)		
2 CHECK TH	E APPROPRIATE BOX I	F A MEMBER OF A GROU	JP (See Instructions) (a) [X] (b) []		
3 SEC USE	SEC USE ONLY				
4 CITIZENS  Delaware	HIP OR PLACE OF ORG	GANIZATION			
NUMBER OF SHARES	5 SOLE VOTING F	POWER			
BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	6 SHARED VOTING 384,279 (1)	POWER			
WIIN	7 SOLE DISPOSIT	TIVE POWER			
	8 SHARED DISPOS 384,279 (1)	SITIVE POWER			
	E AMOUNT BENEFICIAI	LY OWNED BY EACH REF	PORTING PERSON		

10		HECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (See nstructions)					
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)						
	1.3%(1)(2)	)					
12	TYPE OF REPORTING PERSON (See Instructions)						
	PN	PN					
See a	ttached for	r fo	otnotes.				
CUSIP	No. 0076			13G	Page 4 of 12 Pages		
1	NAME OF REPORTING PERSON						
			ts, L.L.C. FICATION NO. O	F ABOVE PERSONS (	entities only)		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)  (a) [X]  (b) []						
3	SEC USE O	NLY					
4	CITIZENSH	IP O	R PLACE OF ORG	ANIZATION			
	Delaware						
NUMBER OF SHARES		5	SOLE VOTING PO	OWER			
BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		6	SHARED VOTING	POWER			
			842,482 (1)				
		7	SOLE DISPOSIT	IVE POWER			

	0					
	8 SHARED DISPOSITIVE POWER 842,482 (1)					
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 842,482 (1)					
10	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (See Instructions)					
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 2.8%(1)(2)					
12	TYPE OF REPORTING PERSON (See Instructions)					
See a	ttached for footnotes.					
CUSIP	No. 00765G109 13G Page 5 of 12 Pages					
1	NAME OF REPORTING PERSON  Investment 10, LLC  I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (entities only)					
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)  (a) [3 (b) [					
3	SEC USE ONLY					
4	CITIZENSHIP OR PLACE OF ORGANIZATION  Illinois					

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		5	SOLE VOTING PO	DWER			
		6	6 SHARED VOTING POWER				
			93,595 (1)				
		7	SOLE DISPOSITI	SOLE DISPOSITIVE POWER			
			0				
		8	SHARED DISPOSI	ITIVE POWER			
			93,595 (1)				
9	AGGREGATE	AMO	UNT BENEFICIALI	LY OWNED BY EACH	REPORTING PERSON		
	93,595	(1	)				
10	CHECK BOX Instructio		THE AGGREGATE A	AMOUNT IN ROW (9)	EXCLUDES CERTAIN SHARES (S	 ee [ ]	
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 0.3%(1)(2)						
12	TYPE OF REPORTING PERSON (See Instructions)						
See a	ttached for	fo	otnotes.				
CUSIP	No. 00765	G10	9	13G	Page 6 of 12 Pages		
1	NAME OF RE	REPORTING PERSON Hers L.P.					
	BVF Partne						
	I.R.S. IDE	NTI	FICATION NO. OF	ABOVE PERSONS (	entities only)		

2 CHECK THE	E APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)  (a) [X] (b) []					
3 SEC USE (	DNLY					
4 CITIZENSI	HIP OR PLACE OF ORGANIZATION					
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5 SOLE VOTING POWER  0					
	7 SOLE DISPOSITIVE POWER  0  8 SHARED DISPOSITIVE POWER					
	1,881,869 (1)  E AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  1,869 (1)					
	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (See Instructions)					
11 PERCENT (	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 6.3%(1)(2)					
12 TYPE OF F	TYPE OF REPORTING PERSON (See Instructions)					
See attached for	or footnotes.					

CUSIP	No.	00765	 G109 		13G	Page 7 of 12 Pages
1	BVF I	Inc.		NG PERSON	ABOVE PERSONS (ent	ities only)
2	CHECK	THE	APPRC	PRIATE BOX IF	A MEMBER OF A GROU	P (See Instructions) (a) [X] (b) [
3	SEC U	JSE ON	 LY			
4	CITIZ		P OR	PLACE OF ORGA	NIZATION	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		LLY '	6 S	HARED VOTING 1	POWER	
			0  8 S	OLE DISPOSITION  HARED DISPOSITION  ,881,869 (1)		
9		EGATE 1		T BENEFICIALL	Y OWNED BY EACH REP	ORTING PERSON
10		K BOX		E AGGREGATE AI	MOUNT IN ROW (9) EX	CLUDES CERTAIN SHARES (See

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 6.3%(1)(2) \_\_\_\_\_ TYPE OF REPORTING PERSON (See Instructions) IA, CO See attached for footnotes. CUSIP No. 00765G109 13G Page 8 of 12 Pages The following footnotes relate to pages 2 thru 7: (1) With respect to each Reporting Person, the following securities are held, as follows (See Items 2(a) and 2(d) for defined terms for each entity and all other capitalized terms below): Security Type BVF BVF2 Investments ILL10 Partners BVF Inc. \_\_\_\_\_\_ Common Stock 391,513 268,279 586,818 65,259 1,311,869 1,311,869 170,000 116,000 255,664 28,336 570,000 570,000 Warrants The Warrants may be exercised at any time until expiration for shares of the issuer's Common Stock at an exercise price of \$0.50 per share or \$4.00 per share, as applicable (each subject to adjustment). The Warrants are exercisable until April 19, 2009 or November 21, 2010, as applicable. (2) The percentage calculations are based on 29,835,249 shares of Common Stock outstanding determined as follows: (x) 29,265,249 shares of Common Stock

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outstanding plus (y) 570,000 shares of Common Stock issuable upon exercise of

Item 1(a). Name of Issuer:

Aeolus Pharmaceuticals, Inc. ("Aeolus")

the Warrants held by the Reporting Persons.

Item 1(b). Address of Issuer's Principal Executive Offices:

23811 Inverness Place
Laguna Niguel, California 92677

Item 2(a). Names of Person Filing

This Amendment No. 3 to Schedule 13G is being filed on behalf of the following persons (the "Reporting Persons"):

- (i) Biotechnology Value Fund, L.P. ("BVF")
- (ii) Biotechnology Value Fund II, L.P. ("BVF2")
- BVF Investments, L.L.C. ("Investments")
- (iv) Investment 10, L.L.C. ("ILL10")
- (V) BVF Partners L.P. ("Partners")
- (vi) BVF Inc. ("BVF Inc.")

Item 2(b). Address of Principal Business Office or, if none, Residence:

The principal business office of the Reporting Persons comprising the group filing this Amendment No. 3 to Schedule 13G is located at 900 North Michigan Avenue, Suite 1100, Chicago, Illinois, 60611.

Item 2(c). Citizenship or Place of Organization:

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BVF:
               a Delaware limited partnership
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BVF2: a Delaware limited partnership
Investments: a Delaware limited liability company
ILL10: an Illinois limited liability company
Partners: a Delaware limited partnership
BVF Inc.

a Delaware corporation

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                    13G
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Item 2(d). Title of Class of Securities:

This Amendment No. 3 to Schedule 13G is being filed with respect to the common stock, par value \$0.01 per share (the "Common Stock"), of Aeolus. The Reporting Persons' percentage ownership of Common Stock is based on (i) 29,265,249 shares of Common Stock being outstanding, and (ii) the beneficial ownership by the Reporting Persons of 570,000 warrants (the "Warrants") to purchase an equivalent number of shares of the Common Stock. See the discussion in footnote (1) for a further description of the Warrants.

As of December 31, 2006, (i) BVF beneficially owned 561,513 shares of Common Stock, of which 170,000 shares are attributable to Warrants; (ii) BVF2 beneficially owned 384,279 shares of Common Stock, of which 116,000 shares are attributable to Warrants; (iii) Investments beneficially owned 842,482 shares of Common Stock, of which 255,664 shares are attributable to Warrants; and (iv) ILL10 beneficially owned 93,595 shares of Common Stock, of which 28,336 shares are attributable to Warrants. Beneficial ownership by Partners and BVF Inc. includes 1,881,869 shares of Common Stock, of which 570,000 shares are attributable to Warrants.

Item 2(e). CUSIP Number:

00765G109

Item 3. If this Statement is Filed Pursuant to Rule 13d-1(B), or 13d-2(B) or (C)

Check Whether the Person Filing is: One of the Following

Not applicable as this Amendment No. 3 to Schedule 13G is filed pursuant to Rule 13d-1(c).

Item 4. Ownership

The information in items 1 and 5 through 11 on the cover pages (pp. 2-7) on this Amendment No. 3 to Schedule 13G is hereby incorporated by reference.

Item 5. Ownership of 5 Percent or Less of a Class

If this statement is being filed to report the fact that as of the date hereof the Reporting Persons have ceased to be the beneficial owner of more than five percent of the class of securities check the following.  $|\ |$ 

Item 6. Ownership of More than 5 Percent on Behalf of Another Person

Pursuant to the operating agreement of Investments, Partners is authorized, among other things, to invest funds of Ziff Asset Management, L.P., the majority member of Investments, in shares of Preferred Stock, Common Stock and Warrants described herein and to vote and exercise dispositive power over those securities. Partners and BVF Inc. share voting and dispositive power over the shares of Preferred Stock, Common Stock and the Warrants beneficially owned by BVF, BVF2, Investments and those owned by ILL10, on whose behalf Partners acts as investment manager and, accordingly, Partners and BVF Inc. have beneficial ownership of all of the shares of Preferred Stock, Common Stock and Warrants held by such parties.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Securities Being Reported on By the Parent Holding Company

Not Applicable.

Item 8. Identification and Classification of Members of the Group

Not Applicable.

Item 9. Notice of Dissolution of Group

Not Applicable.

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Item 10. Certification

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

#### SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: February 13, 2007 BIOTECHNOLOGY VALUE FUND, L.P. By: BVF Partners L.P., its general partner By: BVF Inc., its general partner By: /s/ MARK N. LAMPERT Mark N. Lampert President BIOTECHNOLOGY VALUE FUND II, L.P. By: BVF Partners L.P., its general partner By: BVF Inc., its general partner By: /s/ MARK N. LAMPERT Mark N. Lampert President BVF INVESTMENTS, L.L.C. By: BVF Partners L.P., its manager By: BVF Inc., its general partner By: /s/ MARK N. LAMPERT Mark N. Lampert President INVESTMENT 10, L.L.C. By: BVF Partners L.P., its attorney-in-fact By: BVF Inc., its general partner \_\_\_\_\_\_ 13G CUSIP No. 00765G109 Page 12 of 12 Pages By: /s/ MARK N. LAMPERT Mark N. Lampert President BVF PARTNERS L.P. By: BVF Inc., its general partner By: /s/ MARK N. LAMPERT \_\_\_\_\_\_

Mark N. Lampert President

BVF INC.

By: /s/ MARK N. LAMPERT

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Mark N. Lampert President