

Vanda Pharmaceuticals Inc.  
Form 4  
April 18, 2006

**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 \*  
**PROSPECT MANAGEMENT CO II LLC**

(Last) (First) (Middle)  
435 TASSO STREET, SUITE 200  
  
(Street)

PALO ALTO, CA 94301

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol

Vanda Pharmaceuticals Inc. [VNDA]

3. Date of Earliest Transaction (Month/Day/Year)  
04/18/2006

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

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

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

**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)
Common Stock	04/18/2006		C	2,366,655 (2)	A 1 2,366,655 (2)	I	See Footnote (5)
Common Stock	04/18/2006		C	36,040 (2)	A 1 36,040 (2)	I	See Footnote (6)

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

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SEC 1474 (9-02)

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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)		
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Series B Preferred Stock	(1)	04/18/2006		C	7,833,056	(3)	(4)	Common Stock	2,366,652
Series B Preferred Stock	(1)	04/18/2006		C	119,286	(3)	(4)	Common Stock	36,040 (2)

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PROSPECT MANAGEMENT CO II LLC 435 TASSO STREET SUITE 200 PALO ALTO, CA 94301		X		
PROSPECT VENTURE PARTNERS II LP 435 TASSO STREET SUITE 200 PALO ALTO, CA 94301		X		
PROSPECT ASSOCIATES II L P 435 TASSO STREET SUITE 200 PALO ALTO, CA 94301		X		
SCHNELL DAVID 435 TASSO STREET SUITE 200 PALO ALTO, CA 94301		X		
BARKAS ALEXANDER E 435 TASSO STREET SUITE 200 PALO ALTO, CA 94301		X		
HIRSCH RUSSELL C 435 TASSO STREET SUITE 200 PALO ALTO, CA 94301		X		

## Signatures

/s/ James B. Tananbaum, M.D., Authorized  
Signatory

04/18/2006

\_\_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) Reflects the automatic conversion of each share of Series B Preferred Stock into one share of Common Stock upon the close of business of the day immediately preceding the closing of the issuer's initial public offering.
- (2) Reflects a 1-for-3.309755 reverse stock split to occur immediately following the effectiveness of the registration statement covering the issuer's initial public offering.
- (3) Immediately.
- (4) Not applicable.

The reportable securities are owned directly by Prospect Venture Partners II, L.P. Prospect Management Co. II, L.L.C. is the general partner of Prospect Venture Partners II, L.P. Prospect Management Co. II, L.L.C. disclaims beneficial ownership of these securities and this report shall not be deemed an admission that Prospect Management Co. II, L.L.C. is the beneficial owner of such securities for purposes of Section 16 or for any other purpose, except to the extent of its pecuniary interest therein. David Schnell, M.D., Alex Barkas, Ph.D., and Russell Hirsch, M.D. are managing members of Prospect Management Co. II, L.L.C. Each of Dr. Schnell, Dr. Barkas, and Dr. Hirsch disclaims beneficial ownership of these securities and this report shall not be deemed an admission that any of them is the beneficial owner of such securities for purposes of Section 16 except to the extent of his pecuniary interest therein.

- (6) The reportable securities are owned directly by Prospect Associates II, L.P. Prospect Management Co. II, L.L.C. is the general partner of Prospect Associates II, L.P. Prospect Management Co. II, L.L.C. disclaims beneficial ownership of these securities and this report shall not be deemed an admission that Prospect Management Co. II, L.L.C. is the beneficial owner of such securities for purposes of Section 16 or for any other purpose, except to the extent of its pecuniary interest therein. David Schnell, M.D., Alex Barkas, Ph.D., and Russell Hirsch, M.D. are managing members of Prospect Management Co. II, L.L.C. Each of Dr. Schnell, Dr. Barkas, and Dr. Hirsch disclaims beneficial ownership of these securities and this report shall not be deemed an admission that any of them is the beneficial owner of such securities for purposes of Section 16 except to the extent of his pecuniary interest therein.

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.