

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
Estimated average burden hours per response:	0.5

1. Name and Address of Reporting Person* <u>PROSPECT VENTURE PARTNERS II LP</u> (Last) (First) (Middle) <u>C/O PROSPECT VENTURE PARTNERS</u> <u>435 TASSO STREET, SUITE 200</u> (Street) <u>PALO ALTO CA 94301</u> (City) (State) (Zip)	2. Issuer Name and Ticker or Trading Symbol <u>Vanda Pharmaceuticals Inc. [VNDA]</u>	5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director <input checked="" type="checkbox"/> 10% Owner Officer (give title below) Other (specify below)
	3. Date of Earliest Transaction (Month/Day/Year) <u>11/03/2006</u>	
4. If Amendment, Date of Original Filed (Month/Day/Year)		

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 Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	11/03/2006		J ⁽¹⁾		907,332	D	\$0.00	1,459,323	I	By Prospect Venture Partners II, L.P. ⁽¹⁾
Common Stock	11/03/2006		J ⁽²⁾		13,817	D	\$0.00	22,223	I	By Prospect Associates II, L.P. ⁽²⁾

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)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V	(A)	(D)					

1. Name and Address of Reporting Person*
PROSPECT VENTURE PARTNERS II LP
 (Last) (First) (Middle)
C/O PROSPECT VENTURE PARTNERS
435 TASSO STREET, SUITE 200
 (Street)
PALO ALTO CA 94301
 (City) (State) (Zip)

1. Name and Address of Reporting Person*
PROSPECT ASSOCIATES II L P
 (Last) (First) (Middle)
C/O PROSPECT VENTURE PARTNERS
435 TASSO STREET, SUITE 200
 (Street)
PALO ALTO CA 94301
 (City) (State) (Zip)

(City)	(State)	(Zip)
1. Name and Address of Reporting Person*		
PROSPECT MANAGEMENT CO II LLC		
(Last)	(First)	(Middle)
C/O PROSPECT VENTURE PARTNERS		
435 TASSO STREET, SUITE 200		
(Street)		
PALO ALTO	CA	94301
(City)	(State)	(Zip)

1. Name and Address of Reporting Person*		
SCHNELL DAVID		
(Last)	(First)	(Middle)
435 TASSO STREET		
SUITE 200		
(Street)		
PALO ALTO	CA	94301
(City)	(State)	(Zip)

1. Name and Address of Reporting Person*		
BARKAS ALEXANDER E		
(Last)	(First)	(Middle)
435 TASSO STREET		
SUITE 200		
(Street)		
PALO ALTO	CA	94301
(City)	(State)	(Zip)

1. Name and Address of Reporting Person*		
HIRSCH RUSSELL C		
(Last)	(First)	(Middle)
435 TASSO STREET		
SUITE 200		
(Street)		
PALO ALTO	CA	94301
(City)	(State)	(Zip)

Explanation of Responses:

1. Represents in-kind distribution by Prospect Venture Partners II, L.P. without consideration to its limited partners and general partner.
2. Represents in-kind distribution by Prospect Associates II, L.P. without consideration to its limited partners and general partner.

[PROSPECT VENTURE PARTNERS II, L.P., /s/ Dave Markland, Attorney-In-Fact](#) [11/07/2006](#)

[PROSPECT ASSOCIATES II, L.P., /s/ Dave Markland, Attorney-In-Fact](#) [11/07/2006](#)

[PROSPECT MANAGEMENT CO. II, LLC, /s/ Dave Markland, Attorney-In-Fact for David Schnell, M.D.](#) [11/07/2006](#)

[/s/ Dave Markland, Attorney-In-Fact for Alexander E. Barkas, Ph.D.](#) [11/07/2006](#)

[/s/ Dave Markland, Attorney-In-Fact for Russell C. Hirsch,](#) [11/07/2006](#)

M.D., Ph.D.

** Signature of Reporting Person Date

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

* 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).

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

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.