

INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

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

1. Name and Address of Reporting Person* <u>PROSPECT MANAGEMENT CO II LLC</u> (Last) (First) (Middle) 435 TASSO STREET SUITE 200 (Street) PALO ALTO CA 94301 (City) (State) (Zip)	2. Date of Event Requiring Statement (Month/Day/Year) 04/12/2006	3. Issuer Name and Ticker or Trading Symbol <u>Vanda Pharmaceuticals Inc. [VNDA]</u>	
		4. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director <input checked="" type="checkbox"/> 10% Owner Officer (give title below) Other (specify below)	5. If Amendment, Date of Original Filed (Month/Day/Year) 6. Individual or Joint/Group Filing (Check Applicable Line) Form filed by One Reporting Person <input checked="" type="checkbox"/> Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1. Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
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Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)		3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)		4. Conversion or Exercise Price of Derivative Security	5. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of Shares			
Series B Preferred Stock	(1)	(2)	Common Stock	2,366,655 ⁽⁶⁾	(3)	I	See Footnote ⁽⁴⁾
Series B Preferred Stock	(1)	(2)	Common Stock	36,040 ⁽⁶⁾	(3)	I	See Footnote ⁽⁵⁾

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)

1. Name and Address of Reporting Person*
PROSPECT VENTURE PARTNERS II LP
 (Last) (First) (Middle)
 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)
 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. Immediately.
2. Not applicable.
3. Reflects the automatic conversion of each share of Series B Preferred Stock into one share of Common Stock to occur upon the close of business of the day immediately preceding the closing of the issuer's initial public offering.
4. 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.
5. 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.
6. 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.

/s/ James B. Tananbaum, M.D., 04/12/2006
Authorized Signatory

** 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 5 (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.

STATEMENT APPOINTING DESIGNATED FILER AND
AUTHORIZED SIGNATORY

APRIL 12, 2006

Each of the entities listed on SCHEDULE A attached hereto (each a "Reporting Entity") and each party listed on SCHEDULE B attached hereto (each a "Reporting Individual"; together with the Reporting Entities, the "Reporting Persons") hereby authorizes and designates Prospect Management Co. II, L.L.C. (the "Designated Filer"), to prepare and file on behalf of such Reporting Person individually, or jointly together with other Reporting Persons, any and all reports, notices, communications and other documents (including, but not limited to, reports on Schedule 13D, Schedule 13G, Form 3, Form 4 and Form 5) that such Reporting Person may be required to file with the United States Securities and Exchange Commission or with any regulatory body, including United States federal, state and self-regulatory bodies, with respect to the Reporting Person's ownership of, or transactions in, the securities of any entity whose securities are beneficially owned (directly or indirectly) by such Reporting Person (collectively, the "Reports").

Each Reporting Person hereby further authorizes and designates James B. Tananbaum (the "Authorized Signatory") to execute and file on behalf of such Reporting Person the Reports and to perform any and all other acts, which in the opinion of a Designated Filer or such Authorized Signatory may be necessary or incidental to the performance of the foregoing powers herein granted.

The authority of the Designated Filer and Authorized Signatory under this document with respect to each Reporting Person shall continue until such Reporting Person is no longer required to file any Reports with respect to the Reporting Person's ownership of, or transactions in, securities, unless earlier revoked in writing. Each Reporting Person acknowledges that the Designated Filer and the Authorized Signatory are not assuming any of the Reporting Person's responsibilities to comply with any United States federal or state law or with any regulations promulgated thereto.

SCHEDULE A

Prospect Venture Partners II, L.P.
Prospect Associates II, L.P.

Prospect Management Co. II, L.L.C.

SCHEDULE B

David Schnell,
M.D.
Alex Barkas, Ph.D.
Russell Hirsch, M.D.

In Witness
Whereof, the undersigned have caused this Statement Appointing
Designated Filer and Authorized Signatory to be effective as of April 12,
2006.

Reporting Persons:

April 12, 2006

David Schnell, M.D.

/s/

David Schnell, M.D.

April 12, 2006

Barkas, Ph.D.

/s/ Alex

Alex

Barkas, Ph.D.

April 12, 2006

/s/ Russell Hirsch, M.D.

Russell Hirsch, M.D.

April 12, 2006

Prospect Venture Partners II, L.P.

By: Prospect Management Co. II, L.L.C.

Its

General Partner

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

James B. Tananbaum,

Managing Member

April 12, 2006

Prospect Associates

II, L.P.

By: Prospect Management Co. II, L.L.C.

Its General Partner

M.D.

/s/ James B. Tananbaum,

James

B. Tananbaum, Managing Member

April 12, 2006

Prospect

Management Co. II, L.L.C.

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

James B.

Tananbaum, Managing Member

JOINT FILER INFORMATION

Joint Filer Name:
Prospect Venture Partners II, L.P.

Relationship to Issuer: 10% Owner

Address: 435 Tasso Street, Suite 200, Palo Alto, CA 94301

Designated Filer: Prospect Management Co. II, L.L.C.

Date of Event
Requiring
Statement: April 12, 2006

Issuer Name and Ticker

or Trading Symbol: Vanda Pharmaceuticals, Inc. (VNDA)

Signature
Prospect Venture Partners II, L.P.

By: Prospect Management Co.
Its General Partner

II, L.L.C.

By: /s/ James B.

Tananbaum, M.D.

James B.

Tananbaum, M.D., Authorized Signatory

Joint Filer Name:
Prospect Associates II, L.P.

Relationship to Issuer: 10% Owner

Address: 435 Tasso Street, Suite 200, Palo Alto, CA
94301

Designated Filer: Prospect Management Co. II, L.L.C.

Date of Event
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Signature
Prospect Associates II, L.P.

By: Prospect Management Co. II,
Its General Partner

L.L.C.

By: /s/ James B.

Tananbaum, M.D.

James B.

Tananbaum, M.D., Authorized Signatory

Joint Filer Name: David
Schnell, M.D.

Relationship to Issuer: 10% Owner

Address: 435
Tasso Street, Suite 200, Palo Alto, CA 94301

Designated Filer:

Prospect Management Co. II, L.L.C.

Date of Event Requiring

Statement: April 12, 2006

Issuer Name and Ticker
or Trading

Symbol: Vanda Pharmaceuticals, Inc. (VNDA)

Signature David
Schnell, M.D.

By: /s/ James B. Tananbaum, M.D.

James B.

Tananbaum, Authorized Signatory

Joint Filer Name: Alex Barkas,
Ph.D.

Relationship to Issuer: 10% Owner

Address: 435 Tasso
Street, Suite 200, Palo Alto, CA 94301

Designated Filer: Prospect
Management Co. II, L.L.C.

Date of Event Requiring
Statement:
April 12, 2006

Issuer Name and Ticker
or Trading Symbol: Vanda
Pharmaceuticals, Inc. (VNDA)

Signature Alex Barkas, Ph.D.

By: /s/ James B. Tananbaum, M.D.

James B.

Tananbaum, M.D., Authorized Signatory

Joint Filer Name:
Russell Hirsch, M.D.

Relationship to Issuer: 10% Owner

Address: 435 Tasso Street, Suite 200, Palo Alto, CA
94301

Designated Filer: Prospect Management Co. II, L.L.C.

Date of Event
Requiring
Statement: April 12, 2006

Issuer Name and Ticker
or Trading Symbol: Vanda Pharmaceuticals, Inc. (VNDA)

Signature Russell Hirsch, M.D.

By: /s/ James B.

Tananbaum, M.D.

James B.

