

| OMB APPROVAL | |
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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

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

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

| | | |
|--|---|---|
| 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. 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) 04/18/2006 | |
| | 4. 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 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 | 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⁾ |

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 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) | 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 | 2,366,655 ⁽²⁾ | (1) | 0 | I | See Footnote ⁽⁵⁾ |
| Series B Preferred Stock | (1) | 04/18/2006 | | C | | 119,286 | | (3) | (4) | Common Stock | 36,040 ⁽²⁾ | (1) | 0 | I | See Footnote ⁽⁶⁾ |

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. 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.
5. 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.

/s/ James B. Tananbaum, M.D., 04/18/2006
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 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.

POWER OF ATTORNEY

James

B. Tananbaum, M.D. has signed certain of these documents as an
Authorized

Signatory. Note that copies of the applicable Statement Appointing

Designated Filer and Authorized Signatories are already on file with the

appropriate agencies.

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 18, 2006

Issuer Name and Ticker

or Trading Symbol: Vanda Pharmaceuticals Inc. (VNDA)

Signature
Prospect Venture Partners II, L.P.

By: Prospect Management Co.

II, L.L.C.

Its General Partner

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
Requiring
Statement: April 18, 2006

Issuer Name and Ticker

or Trading Symbol: Vanda Pharmaceuticals Inc. (VNDA)

Signature
Prospect Associates II, L.P.

By: Prospect Management Co. II,

L.L.C.

Its General Partner

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 18, 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 18, 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 18, 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.
Tananbaum, Authorized Signatory