

Vanda Pharmaceuticals Inc.
 Form 3
 April 12, 2006

FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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INITIAL STATEMENT OF 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 *

Â PROSPECT
 MANAGEMENT CO II LLC

(Last) (First) (Middle)

435 TASSO STREET,Â SUITE
 200

(Street)

PALO ALTO,Â CAÂ 94301

(City) (State) (Zip)

2. Date of Event Requiring Statement

(Month/Day/Year)
 04/12/2006

3. Issuer Name and Ticker or Trading Symbol
 Vanda Pharmaceuticals Inc. [VNDA]

4. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

___ Director ___X___ 10% Owner
 ___ Officer ___ Other
 (give title below) (specify below)

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

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 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)

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

SEC 1473 (7-02)

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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 of Derivative Security: Direct (D)

6. Nature of Indirect Beneficial Ownership
 (Instr. 5)

Date Exercisable Expiration Date Title Amount or Number of

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				Shares		or Indirect (I) (Instr. 5)	
Series B Preferred Stock	Â (1)	Â (2)	Common Stock	2,366,655 (6)	\$ (3)	I	See Footnote (4)
Series B Preferred Stock	Â (1)	Â (2)	Common Stock	36,040 (6)	\$ (3)	I	See Footnote (5)

Reporting Owners

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

Signatures

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

04/12/2006

**Signature of Reporting Person

Date

Explanation of Responses:

* 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).

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- (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.

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

- (4) 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.

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

- (5) 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.

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

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