

Vanda Pharmaceuticals Inc.  
Form 4  
November 07, 2006

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
Expires: January 31, 2005  
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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 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)

2. Issuer Name and Ticker or Trading Symbol

Vanda Pharmaceuticals Inc. [VNDA]

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

11/03/2006

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 Indirect Beneficial Ownership (Instr. 4) |   |  |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|---|---|--|
|                                 |                                      |  | Code                           | V   | Amount  | (D)  | Price   |   |  |
| Common Stock                    | 11/03/2006                           |  | J <sup>(1)</sup>               |   | 907,332   | D  | \$ 0 1,459,323  | I | By Prospect Venture Partners II, L.P. <sup>(1)</sup> |
| Common Stock                    | 11/03/2006                           |  | J <sup>(2)</sup>               |   | 13,817  | D  | \$ 0 22,223   | I | By Prospect Associates II, L.P. <sup>(2)</sup>       |

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

**Persons who respond to the collection of information contained in this form are not required to respond unless the form**

SEC 1474 (9-02)

displays a currently valid OMB control number.

**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) | 8. Price of Derivative Security (Instr. 5) | 9. Number of Derivative Securities Owned Beneficially (Instr. 5) |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--|--|
|  |  |                                      |  | Code                           | V (A) (D)   | Date Exercisable   | Expiration Date   | Title                                      | Amount or Number of Shares                                       |

## Reporting Owners

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

SUITE 200  
PALO ALTO, CA 94301

## Signatures

|  |            |
|--|------------|
| PROSPECT VENTURE PARTNERS II, L.P., /s/ Dave Markland,<br>Attorney-In-Fact | 11/07/2006 |
| **Signature of Reporting Person  | Date       |
| PROSPECT ASSOCIATES II, L.P., /s/ Dave Markland, Attorney-In-Fact          | 11/07/2006 |
| **Signature of Reporting Person  | Date       |
| PROSPECT MANAGEMENT CO. II, LLC, /s/ Dave Markland,<br>Attorney-In-Fact    | 11/07/2006 |
| **Signature of Reporting Person  | Date       |
| /s/ Dave Markland, Attorney-In-Fact for David Schnell, M.D.                | 11/07/2006 |
| **Signature of Reporting Person  | Date       |
| /s/ Dave Markland, Attorney-In-Fact for Alexander E. Barkas, Ph.D.         | 11/07/2006 |
| **Signature of Reporting Person  | Date       |
| /s/ Dave Markland, Attorney-In-Fact for Russell C. Hirsch, M.D., Ph.D.     | 11/07/2006 |
| **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) 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.

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.