

Vanda Pharmaceuticals Inc.
 Form 4
 November 07, 2006

FORM 4 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

OMB APPROVAL

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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 *
TANANBAUM JAMES B

 (Last) (First) (Middle)
C/O PROSPECT VENTURE PARTNERS, 435 TASSO STREET, SUITE 200

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

5. Relationship of Reporting Person(s) to Issuer
 (Check all applicable)

3. Date of Earliest Transaction
 (Month/Day/Year)
11/03/2006

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

(Street)
PALO ALTO, CA 94301

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

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 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 Ownership (Instr. 4) | | | |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|--|-----------|---|--|
| | | | Code | V | Amount | (D) | Price | | | |
| Common Stock | 11/03/2006 | | J ⁽¹⁾ | | 907,332 | D | \$ 0 | 1,459,323 | I | By Prospect Venture Partners II, L.P. ⁽¹⁾ |
| Common Stock | 11/03/2006 | | J ⁽²⁾ | | 13,817 | D | \$ 0 | 22,223 | I | By Prospect Associates II, L.P. ⁽²⁾ |
| Common Stock | 11/03/2006 | | J ⁽³⁾ | | 2,303 | A | \$ 0 | 2,303 | D | |

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 displays a currently valid OMB control number.

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(9-02)

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 Beneficially Owned (Instr. 5) |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--|--|
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--|--|

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|---------|-------|
| | Director | 10% Owner | Officer | Other |
| TANANBAUM JAMES B C/O PROSPECT VENTURE PARTNERS 435 TASSO STREET, SUITE 200 PALO ALTO, CA 94301 | | X | | |

Signatures

/s/ Dave Markland, Attorney-In-Fact for James B. Tananbaum,
M.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. ("PVP II") without consideration to its limited partners and general partner.
- (2) Represents in-kind distribution by Prospect Associates II, L.P. ("PA II") without consideration to its limited partners and general partner.
- (3) The Reporting Person is a managing member of Prospect Management Co. II, LLC, which serves as the sole general partner of PVP II and PA II. The Reporting Persons disclaims beneficial ownership of the shares held by PVP II and PA II except to the extent of his pecuniary interest therein.

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.