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FORM D

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

OMB APPROVAL OMB Number: 3235-0076 Expires: April 30, 2008 Estimated average burden hours per response..... 16.00



FORM D NOTICE OF SALE OF SECURITIES PURSUANT TO REGULATION D, SECTION 4(6), AND/OR UNIFORM LIMITED OFFERING EXEMPTION

SEC USE ONLY Prefix Serial DATE RECEIVED

Name of Offering: NBI Development, Inc. Series A Convertible Preferred Stock Filing Under: Rule 506 checked. Type of Filing: New Filing checked.



A. BASIC IDENTIFICATION DATA

1. Enter the information requested about the issuer Name of Issuer: NBI Development, Inc. Address of Executive Offices: 750 Battery Street, Suite 400, San Francisco, CA 94111 Telephone Number: (415) 676-3830

Brief Description of Business: Neuromodulation company which aims to develop a differentiated algorithm for selectively blocking pain signals in the spinal cord for chronic pain control.

PROCESSED

Type of Business Organization: corporation checked. limited partnership, already formed and to be formed unchecked. other unchecked.

OCT 27 2006

Actual or Estimated Date of Incorporation or Organization: 10/06 Actual checked. Estimated unchecked. Jurisdiction of Incorporation or Organization: DE

THOMSON FINANCIAL

GENERAL INSTRUCTIONS

Federal: Who Must File: All issuers making an offering of securities in reliance on an exemption under Regulation D or Section 4(6), 17 CFR 230.501 et seq. or 15 U.S.C. 77d(6). When to File: A notice must be filed no later than 15 days after the first sale of securities in the offering. Where to File: U.S. Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies Required: Five (5) copies of this notice must be filed with the SEC, one of which must be manually signed. Information Required: A new filing must contain all information requested. Filing Fee: There is no federal filing fee.

ATTENTION

Failure to file notice in the appropriate states will not result in a loss of the federal exemption. Conversely, failure to file the appropriate federal notice will not result in a loss of an available state exemption unless such exemption is predicated on the filing of a federal notice.

Handwritten signature

**A. BASIC IDENTIFICATION DATA**

2. Enter the information requested for the following:

- Each promoter of the issuer, if the issuer has been organized within the past five years;
- Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer;
- Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
- Each general and managing partner of partnership issuers.

Check Box(es) that Apply:  Promoter  Beneficial Owner  Executive Officer  Director  General and/or Managing Partner

Full Name (Last name first, if individual)

**Harrington, Bill**

Business or Residence Address (Number and Street, City, State, Zip Code)

**c/o Three Arch Partners IV, L.P., 3200 Alpine Road, Portola Valley, CA 94028**

Check Box(es) that Apply:  Promoter  Beneficial Owner  Executive Officer  Director  General and/or Managing Partner

Full Name (Last name first, if individual)

**Goldfischer, Carl**

Business or Residence Address (Number and Street, City, State, Zip Code)

**c/o NBI Development, Inc., 750 Battery Street, Suite 400, San Francisco, CA 94111**

Check Box(es) that Apply:  Promoter  Beneficial Owner  Executive Officer  Director  General and/or Managing Partner

Full Name (Last name first, if individual)

**Alataris, Konstantinos**

Business or Residence Address (Number and Street, City, State, Zip Code)

**c/o NBI Development, Inc., 750 Battery Street, Suite 400, San Francisco, CA 94111**

Check Box(es) that Apply:  Promoter  Beneficial Owner  Executive Officer  Director  General and/or Managing Partner

Full Name (Last name first, if individual)

**Knudson, Mark**

Business or Residence Address (Number and Street, City, State, Zip Code)

**c/o EnteroMedics Inc., 2800 Patton Road, St. Paul, MN 55113**

Check Box(es) that Apply:  Promoter  Beneficial Owner  Executive Officer  Director  General and/or Managing Partner

Full Name (Last name first, if individual)

**Moffitt, Bill**

Business or Residence Address (Number and Street, City, State, Zip Code)

**c/o Nanosphere, Inc., 4088 Commercial Avenue, Northbrook, IL 60062**

Check Box(es) that Apply:  Promoter  Beneficial Owner  Executive Officer  Director  General and/or Managing Partner

Full Name (Last name first, if individual)

**Torborg, Jeffrey**

Business or Residence Address (Number and Street, City, State, Zip Code)

**c/o Mayo Foundation for Medical Education and Research, 200 1<sup>st</sup> Street SW, Rochester, MN 55905**

Check Box(es) that Apply:  Promoter  Beneficial Owner  Executive Officer  Director  General and/or Managing Partner

Full Name (Last name first, if individual)

**Masterson, Mike**

Business or Residence Address (Number and Street, City, State, Zip Code)

**c/o NBI Development, Inc., 750 Battery Street, Suite 400, San Francisco, CA 94111**

(Use blank sheet, or copy and use additional copies of this sheet, as necessary.)

**A. BASIC IDENTIFICATION DATA**

2. Enter the information requested for the following:

- Each promoter of the issuer, if the issuer has been organized within the past five years;
- Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer;
- Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
- Each general and managing partner of partnership issuers.

Check Box(es) that Apply:  Promoter  Beneficial Owner  Executive Officer  Director  General and/or Managing Partner

Full Name (Last name first, if individual)

**MPM BioVentures IV-QP, L.P.**

Business or Residence Address (Number and Street, City, State, Zip Code)

**c/o MPM Capital, The John Hancock Tower, 200 Clarendon Street, 54<sup>th</sup> Floor, Boston, MA 02116**

Check Box(es) that Apply:  Promoter  Beneficial Owner  Executive Officer  Director  General and/or Managing Partner

Full Name (Last name first, if individual)

**Three Arch Partners IV, L.P.**

Business or Residence Address (Number and Street, City, State, Zip Code)

**3200 Alpine Road, Portola Valley, CA 94028**

Check Box(es) that Apply:  Promoter  Beneficial Owner  Executive Officer  Director  General and/or Managing Partner

Full Name (Last name first, if individual)

**Bay City Capital Fund IV, L.P.**

Business or Residence Address (Number and Street, City, State, Zip Code)

**750 Battery Street, Suite 400, San Francisco, CA 94111**

Check Box(es) that Apply:  Promoter  Beneficial Owner  Executive Officer  Director  General and/or Managing Partner

Full Name (Last name first, if individual)

**Venturi Group, LLC**

Business or Residence Address (Number and Street, City, State, Zip Code)

**2800 Patton Road, St. Paul, MN 55113**

Check Box(es) that Apply:  Promoter  Beneficial Owner  Executive Officer  Director  General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply:  Promoter  Beneficial Owner  Executive Officer  Director  General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply:  Promoter  Beneficial Owner  Executive Officer  Director  General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

(Use blank sheet, or copy and use additional copies of this sheet, as necessary.)

**B. INFORMATION ABOUT OFFERING**

1. Has the issuer sold, or does the issuer intend to sell, to non-accredited investors in this offering?.....  Yes  No  
 Answer also in Appendix, Column 2, if filing under ULOE.
2. What is the minimum investment that will be accepted from any individual?..... N/A
3. Does the offering permit joint ownership of a single unit?.....  Yes  No
4. Enter the information requested for each person who has been or will be paid or given, directly or indirectly, any commission or similar remuneration for solicitation of purchasers in connection with sales of securities in the offering. If a person to be listed is an associated person or agent of a broker or dealer registered with the SEC and/or with a state or states, list the name of the broker or dealer. If more than five (5) persons to be listed are associated persons of such a broker or dealer, you may set forth the information for that broker or dealer only.

Full Name (Last name first, if individual)  
**Not Applicable**

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

- (Check "All States" or check individual States).....  All States
- |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |
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| <input type="checkbox"/> RI | <input type="checkbox"/> SC | <input type="checkbox"/> SD | <input type="checkbox"/> TN | <input type="checkbox"/> TX | <input type="checkbox"/> UT | <input type="checkbox"/> VT | <input type="checkbox"/> VA | <input type="checkbox"/> WA | <input type="checkbox"/> WV | <input type="checkbox"/> WI | <input type="checkbox"/> WY | <input type="checkbox"/> PR |

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

- (Check "All States" or check individual States).....  All States
- |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |
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Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

- (Check "All States" or check individual States).....  All States
- |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
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(Use blank sheet, or copy and use additional copies of this sheet, as necessary.)

**C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS**

1. Enter the aggregate offering price of securities included in this offering and the total amount already sold. Enter "0" if answer is "none" or "zero." If the transaction is an exchange offering, check this box  and indicate in the columns below the amounts of the securities offered for exchange and already exchanged.

Type of Security	Aggregate Offering Price	Amount Already Sold
Debt .....	\$0.00	\$0.00
Equity .....	\$4,704,946.00	\$4,704,946.00
<input type="checkbox"/> Common <input checked="" type="checkbox"/> Preferred <u>Convertible</u>		
Convertible Securities (including warrants) .....	\$0.00	\$0.00
Partnership Interests .....	\$0.00	\$0.00
Other (Specify _____) .....	\$0.00	\$0.00
<b>Total</b> .....	<b>\$4,704,946.00</b>	<b>\$4,704,946.00</b>

Answer also in Appendix, Column 3, if filing under ULOE.

2. Enter the number of accredited and non-accredited investors who have purchased securities in this offering and the aggregate dollar amounts of their purchases. For offerings under Rule 504, indicate the number of persons who have purchased securities and the aggregate dollar amount of their purchases on the total lines. Enter "0" if answer is "none" or "zero."

	Number Investors	Aggregate Dollar Amount of Purchases
Accredited Investors .....	14	\$4,704,946.00
Non-accredited Investors .....	0	\$0.00
<b>Total (for filings under Rule 504 only)</b> .....		

Answer also in Appendix, Column 4, if filing under ULOE.

3. If this filing is for an offering under Rule 504 or 505, enter the information requested for all securities sold by the issuer, to date, in offerings of the types indicated, in the twelve (12) months prior to the first sale of securities in this offering. Classify securities by type listed in Part C - Question 1.

Type of offering	Type of Security	Dollar Amount Sold
Rule 505 .....		
Regulation A .....		
Rule 504 .....		
<b>Total</b> .....		

4. a. Furnish a statement of all expenses in connection with the issuance and distribution of the securities in this offering. Exclude amounts relating solely to organization expenses of the issuer. The information may be given as subject to future contingencies. If the amount of an expenditure is not known, furnish an estimate and check the box to the left of the estimate.

Transfer Agent's Fees .....	<input type="checkbox"/>	\$0.00
Printing and Engraving Costs .....	<input type="checkbox"/>	\$0.00
Legal Fees .....	<input checked="" type="checkbox"/>	\$100,000.00
Accounting Fees .....	<input type="checkbox"/>	\$0.00
Engineering Fees .....	<input type="checkbox"/>	\$0.00
Sales Commissions (specify finders' fees separately) .....	<input type="checkbox"/>	\$0.00
Other Expenses (identify) .....	<input type="checkbox"/>	\$0.00
<b>Total</b> .....	<input checked="" type="checkbox"/>	<b>\$100,000.00</b>

**C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS**

b. Enter the difference between the aggregate offering price given in response to Part C - Question 1 and total expenses furnished in response to Part C - Question 4.a. This difference is the "adjusted gross proceeds to the issuer." .....

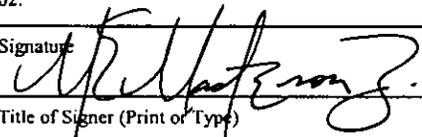
\$4,604,946.00

5. Indicate below the amount of the adjusted gross proceeds to the issuer used or proposed to be used for each of the purposes shown. If the amount for any purpose is not known, furnish an estimate and check the box to the left of the estimate. The total of the payments listed must equal the adjusted gross proceeds to the issuer set forth in response to Part C - Question 4.b above.

	Payments to Officers, Directors, & Affiliates	Payments to Others
Salaries and fees .....	<input type="checkbox"/> \$0.00	<input type="checkbox"/> \$0.00
Purchase of real estate .....	<input type="checkbox"/> \$0.00	<input type="checkbox"/> \$0.00
Purchase, rental or leasing and installation of machinery and equipment .....	<input type="checkbox"/> \$0.00	<input type="checkbox"/> \$0.00
Construction or leasing of plant buildings and facilities .....	<input type="checkbox"/> \$0.00	<input type="checkbox"/> \$0.00
Acquisition of other business (including the value of securities involved in this offering that may be used in exchange for the assets or securities of another issuer pursuant to a merger) .....	<input type="checkbox"/> \$0.00	<input type="checkbox"/> \$0.00
Repayment of indebtedness .....	<input type="checkbox"/> \$0.00	<input type="checkbox"/> \$0.00
Working capital .....	<input type="checkbox"/> \$0.00	<input checked="" type="checkbox"/> \$4,604,946.00
Other (specify): _____ _____	<input type="checkbox"/> \$0.00	<input type="checkbox"/> \$0.00
Column Totals .....	<input type="checkbox"/> \$0.00	<input checked="" type="checkbox"/> \$4,604,946.00
Total Payments Listed (column totals added) .....		<input checked="" type="checkbox"/> \$4,604,946.00

**D. FEDERAL SIGNATURE**

The issuer has duly caused this notice to be signed by the undersigned duly authorized person. If this notice is filed under Rule 505, the following signature constitutes an undertaking by the issuer to furnish to the U.S. Securities and Exchange Commission, upon written request of its staff, the information furnished by the issuer to any non-accredited investor pursuant to paragraph (b)(2) of Rule 502.

Issuer (Print or Type) NBI Development, Inc.	Signature 	Date 10/18/06
Name of Signer (Print or Type) Michael Masterson	Title of Signer (Print or Type) Treasurer and Secretary	

**ATTENTION**

**Intentional misstatements or omissions of fact constitute federal criminal violations. (See 18 U.S.C. 1001.)**