

DISTRIBUTED ENERGY SYSTEMS CORP
 Form 4
 January 02, 2008

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 *
 PERSEUS PARTNERS VII L P

2. Issuer Name and Ticker or Trading Symbol
 DISTRIBUTED ENERGY SYSTEMS CORP [DESC]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)
 01/01/2008

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

C/O PERSEUS, L.L.C., 2099 PENNSYLVANIA AVE., N.W., 9TH FLOOR

(Street)

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

WASHINGTON, DC 20006

(City) (State) (Zip)

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 Ownership (Instr. 4)
				(A) or (D)	Price		
				Code	V	Amount	Price

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

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

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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 Underlying Security (Instr. 3 and 4)	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title
Senior Secured Convertible Promissory Note	\$ 0.57	01/01/2008		J ⁽¹⁾		01/01/2008	11/30/2008 ⁽³⁾	Common Stock
					\$ 478,591.2 ⁽²⁾			

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PERSEUS PARTNERS VII L P C/O PERSEUS, L.L.C. 2099 PENNSYLVANIA AVE., N.W., 9TH FLOOR WASHINGTON, DC 20006		X		
PEARL FRANK H C/O PERSEUS, L.L.C. 2099 PENNSYLVANIA AVE., N.W., 9TH FLOOR WASHINGTON, DC 20006		X		

Signatures

Perseus Partners VII, L.P. /s/ Kenneth M. Socha Executive Vice President and Senior Managing Director 01/02/2008
 **Signature of Reporting Person Date

By: /s/ Kenneth M. Socha, Attorney-In-Fact for Frank H. Pearl 01/02/2008
 **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) On January 1, 2008, the Issuer elected to issue to Perseus Partners VII, L.P. ("Perseus VII") a senior secured convertible promissory note (the "New PIK Note") as payment for interest due and payable to Perseus VII pursuant to the terms of (i) a \$15,000,000 senior secured convertible promissory note that was issued to Perseus VII in a transaction that closed on August 24, 2007 (the "Original Note") and (ii) a \$190,068.49 senior secured convertible promissory note that was issued to Perseus VII on October 1, 2007 as payment for interest due and payable to Perseus VII on the Original Note (the "First PIK Note", and together with the Senior Convertible Note, the "Existing Notes"). The Existing Notes and the New PIK Note (collectively, the "Perseus Notes") are convertible at any time at Perseus VII's option into shares of common stock of the Issuer.
- (2) On January 1, 2008, the Issuer issued to Perseus VII the New PIK Note in the principal amount of \$478,591.20 as payment for interest due and payable on the Existing Notes. The Perseus Notes mature on November 30, 2008 and bear interest at a rate of 12.5% per annum, with such interest being paid quarterly, in the Issuer's discretion, either in cash or in kind by the issuance of additional senior secured convertible promissory notes. The Perseus Notes are convertible into shares of common stock of the Issuer at a price equal to

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\$0.57 per share. Assuming that the New PIK Note is not prepaid and is fully converted, the New PIK Note is convertible into 839,633 shares of the Issuer's common stock. The Perseus Notes are convertible into 27,488,876 shares of the Issuer's common stock. As previously reported on a Form 4 filed on August 28, 2007, Perseus VII also holds warrants granting it the right to purchase up to 42,944,165 shares of the common stock of the Issuer.

- (3) The maturity date of the Note.
- (4) The Issuer issued the New PIK Note to pay interest in the amount of \$478,591.20 due and payable to Perseus VII under the terms of the Existing Notes for the quarter ended December 31, 2007.

All of the securities reported herein are held directly for the account of Perseus VII. Perseus VII is a Delaware limited partnership. Its general partner is Perseus Partners VII GP, L.P., a Delaware limited partnership. Perseus Partners VII GP, L.L.C., a Delaware limited liability company, is the general partner of Perseus Partners VII GP, L.P. The sole member of Perseus Partners VII GP, L.L.C. is Perseus, L.L.C., a Delaware limited liability company. Perseuspur, L.L.C., a Delaware limited liability company, is the managing member of Perseus, L.L.C. Frank H. Pearl, individually, owns 72.7% of Perseuspur, L.L.C. He also is the sole director and sole shareholder of Rappahannock Investment Company, a Delaware corporation, which in turn owns the remaining 27.3% of Perseuspur, L.L.C. By virtue of such control, Mr. Pearl may be deemed to have beneficial ownership of any shares that may be issued to Perseus VII.

Remarks:

Mr. Socha is signing in his capacity as Executive Vice President and Senior Managing Director of Perseus Partners VII GP, L.P.

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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