

DISTRIBUTED ENERGY SYSTEMS CORP
 Form 4
 October 02, 2007

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)
 10/01/2007

____ 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	

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	10/01/2007		J ⁽¹⁾	190,068.49 <u>(2)</u> <u>(3)</u>	10/01/2007	11/30/2008 ⁽⁴⁾	Common Stock

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

/s/Rona Kennedy Rona Kennedy, Chief Financial Officer, Secretary and Treasurer *(see Remarks section) 10/02/2007
 **Signature of Reporting Person Date

/s/Rona Kennedy, Attorney-In-Fact for Frank H. Pearl 10/02/2007
 **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 October 1, 2007, the Issuer elected to issue to Perseus Partners VII, L.P. ("Perseus VII") a senior secured convertible promissory note (the "Additional Convertible Note") as payment for interest due and payable to Perseus VII on the \$15,000,000 senior secured convertible promissory note (the "Senior Secured Convertible Promissory Note") issued in a transaction that closed on August 24, 2007. The Additional Convertible Note is convertible at any time at Perseus VII's option into shares of common stock of the Issuer.
- (2) On October 1, 2007, the Issuer issued to Perseus VII the Additional Convertible Note in the principal amount of \$190,068.49 as payment for interest due and payable on the \$15,000,000 borrowed by the Issuer and evidenced by the Senior Secured Convertible Note. Both the Senior Secured Convertible Note and the Additional Convertible Note mature on November 30, 2008 and bear interest at a rate of 12.5% per annum, with such interest being paid, in the Issuer's discretion, either in cash or in kind by the issuance of additional senior secured convertible promissory notes. Both the Senior Secured Convertible Promissory Note and the Additional Convertible Note are convertible into shares of common stock of the Issuer at a price equal to \$0.57 per share...(continued onto next footnote)

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- (continued from previous footnote)...Assuming that neither note is prepaid and both will be fully converted, the Senior Secured Convertible Promissory Note is convertible into up to 26,315,789 shares and the Additional Convertible Note is convertible into up to 333,453 shares of common stock of the Issuer. The Senior Secured Convertible Promissory Note and the Additional Convertible Note together are convertible into up to 26,649,242 shares of the Issuer's common stock.
- (3) The maturity date of the Note.
- (4) The Issuer issued the Additional Convertible Note to pay interest in the amount of \$190,068.49 due and payable to Perseus VII on the Senior Secured Convertible Promissory Note for the period ended September 30, 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 the shares that will be issued to Perseus VII.
- (6)

Remarks:

Ms. Kennedy is signing in her capacity as Chief Financial Officer, Secretary and Treasurer of Perseus Partners VII GP, L.L.C.

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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