

DISTRIBUTED ENERGY SYSTEMS CORP  
 Form 4  
 January 24, 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)  
 C/O PERSEUS, L.L.C., 2099 PENNSYLVANIA AVE., N.W., 9TH FLOOR

3. Date of Earliest Transaction (Month/Day/Year)  
 08/24/2007

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

(Street)  
 WASHINGTON, DC 20006

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

(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)
Common Stock	08/24/2007		A <sup>(1)</sup>	V Amount \$ 0	16,715 <sup>(1) (2)</sup> <sub>(3) (4)</sub>	I <sup>(2) (3) (4)</sup>	See Footnote <sup>(2) (3) (4)</sup>

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

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**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 Security (Instr. 3 and 4)
Non-qualified Stock Option (right to buy)	\$ 0.74	08/24/2007		A <sup>(5)</sup>	40,000 <sup>(5)</sup>	08/24/2010 08/24/2017	Common Stock 40,000
Non-qualified Stock Option (right to buy)	\$ 0.84	10/01/2007		A <sup>(6)</sup>	700 <sup>(6)</sup>	10/01/2007 10/01/2017	Common Stock 700
Non-qualified Stock Option (right to buy)	\$ 0.4	01/02/2008		A <sup>(7)</sup>	2,100 <sup>(7)</sup>	01/02/2008 01/02/2018	Common Stock 2,100

## 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	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/ Teresa Y. Bernstein + **Signature of Reporting Person	01/24/2008 Date
By: /s/ Teresa Y. Bernstein, Attorney-In-Fact for Frank H. Pearl **Signature of Reporting Person	01/24/2008 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) As previously reported on a Form 4 filed on September 21, 2007 for each of John C. Fox and Michael L. Miller, on August 24, 2007, the Issuer granted to Mr. Fox and Mr. Miller in their capacity as directors of the Issuer, 13,373 shares of restricted stock related to the Issuer's Board of Directors Compensation program for an aggregate total of 26,746 shares of restricted stock. These shares vest monthly over one year. As reported on a Current Report on Form 8-K filed on November 21, 2007, Mr. Miller resigned as a director of the Issuer effective November 21, 2007. As of the date of his resignation, of the 13,373 shares of restricted stock granted to Mr. Miller, only 3,342 shares vested.

(2) Each of Mr. Fox and Mr. Miller was nominated as a director of the Issuer by Perseus Partners VII, L.P. ("Perseus VII"), pursuant to its rights under a Securities Purchase Agreement, dated May 10, 2007, between Perseus VII and the Issuer. As a result of this director representation, Perseus VII is deemed to be a director of the Issuer by deputization. All securities issued to either of Mr. Fox or Mr. Miller in their capacity as directors of the Issuer are held by them as nominees of Perseus VII. Each of Mr. Fox and Mr. Miller disclaims beneficial ownership of all such securities, except to the extent each may have any pecuniary interest therein.

(3) In addition to the restricted stock and non-qualified stock options reported on this Form 4, Perseus VII holds directly for its own account, (a) three senior secured convertible promissory notes in an aggregate amount of \$15,668,659.69, which are convertible into 27,488,876 shares of the Issuer's common stock, as reported on a Form 4 filed on August 28, 2007, a Form 4 filed on October 2, 2007 and a Form 4 filed on January 2, 2008 and (b) warrants granting it the right to purchase up to an aggregate amount of 42,944,165 shares of the common stock of the Issuer, as reported on a Form 3 filed on June 11, 2007 and a Form 4 filed on August 28, 2007. 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. ...(continued on the next footnote)

(4) (Continue from the last footnote)... 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 or other securities that may be issued to Perseus VII, Mr. Fox and Mr. Miller.

(5) As previously reported on a Form 4 filed on September 21, 2007 for each of Mr. Fox and Mr. Miller, on August 24, 2007, the Issuer granted to Mr. Fox and Mr. Miller in their capacity as directors of the Issuer, 20,000 non-qualified stock options to buy 20,000 shares of the Issuer's common stock for an aggregate total of 40,000 non-qualified stock options with an exercise price of \$0.74. These options vest at the end of three years. Due to Mr. Miller's resignation as disclosed in Footnote 1, none of the options granted to him on August 24, 2007 vested.

(6) As previously reported on a Form 4 filed on October 2, 2007 for Mr. Fox, on October 1, 2007, the Issuer granted to Mr. Fox in his capacity as a director of the Issuer, 700 non-qualified stock options to buy 700 shares of the Issuer's common stock with an exercise price of \$0.84. These options vested at the time of the grant.

(7) As previously reported on a Form 4 filed on January 2, 2008, the Issuer granted to Mr. Fox and Mr. Miller in their capacity as directors of the Issuer, 700 non-qualified stock options and 1,400 non-qualified stock options, respectively, for an aggregate total of 2,100 non-qualified stock options to buy 2,100 shares of the Issuer's common stock with an exercise price of \$0.40. These options vested at the time of grant.

### Remarks:

+ Ms. Bernstein is signing in her capacity as Secretary and Treasurer of Perseus Partners VII GP, L.L.C., which is the general

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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