

DISTRIBUTED ENERGY SYSTEMS CORP
 Form 4
 April 03, 2008

FORM 4

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

OMB APPROVAL

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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)
 04/01/2008

Director 10% Owner
 Officer (give title below) 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)	Code	V	Amount	(D)	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 (Instr. 3 and 4)	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title
Senior Secured Convertible Promissory Note	\$ 0.57	04/01/2008		J(1)(2)(3)	\$ 488,304.12 (1) (2) (3) (4)	04/01/2008 11/30/2008	Common Stock	
Senior Secured Convertible Promissory Note	\$ 0.33	04/01/2008		J(1)(2)(3)	\$ 9,246.58 (1) (2) (3) (4)	04/01/2008 11/30/2008	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	X		
PEARL FRANK H C/O PERSEUS, L.L.C. 2099 PENNSYLVANIA AVE., N.W., 9TH FLOOR WASHINGTON, DC 20006			X	

Signatures

/s/ Teresa Y. Bernstein + Secretary and Treasurer 04/03/2008
 **Signature of Reporting Person Date

By: /s/ Teresa Y. Bernstein, Attorney-In-Fact for Frank H. Pearl 04/03/2008
 **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 April 1, 2008, the Issuer elected to issue to Perseus Partners VII, L.P. ("Perseus VII") (a) a senior secured convertible promissory note in the principal amount of \$488,304.12 (the "Third PIK Note") as payment for interest due and payable to Perseus VII pursuant to the terms of 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 senior secured convertible promissory notes in an aggregate principal amount of \$668,659.69 that have been issued to Perseus VII as payment for interest due and payable in connection with the Original Note (collectively, the

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"Existing PIK Notes," and together with the Original Note and the Third PIK Note, the "\$15,000,000 Investment Notes")...(continued onto next footnote)

(2) (continued)..and (b) a senior secured convertible promissory note in the principal amount of \$9,246.58 (the "Fourth PIK Note") as payment for interest due and payable to Perseus VII pursuant to the terms of a \$1,500,000 senior secured convertible promissory note that was issued to Perseus VII in a transaction that closed on March 13, 2008 (the "Additional Note," and together with the Fourth PIK Note, the "\$1,500,000 Investment Notes"). The \$15,000,000 Investment Notes and the \$1,500,000 Investment Notes are collectively referred to herein as the "Perseus Notes." Each Perseus Note bears interest at a rate of 12.5% per annum, with such interest payable, in the Issuer's discretion, either in cash or in kind by the issuance of additional senior secured convertible promissory notes (the "Additional Convertible Notes"). Any Additional Convertible Note issued as payment for interest due and payable under any \$15,000,000 Investment Note will be convertible into shares of common...(continued)

(3) (continued)...stock of the Issuer at a price equal to \$0.57 per share. Any Additional Convertible Note issued as payment for interest due and payable under the Additional Note and the Fourth PIK Note will be convertible into shares of common stock of the Issuer at a price equal to \$0.33 per share. Assuming that all interest payable on each Perseus Note through its scheduled maturity is paid by the issuance of Additional Convertible Notes, that all Additional Convertible Notes are fully converted, and that no Perseus Note nor any Additional Convertible Note is prepaid, Perseus VII would receive an additional 2,826,864 shares of the Issuer's common stock upon the conversion of all such Additional Convertible Notes. Payment of all outstanding principal of and accrued but unpaid interest on the Perseus Notes and any Additional Convertible Notes is due in full on November 30, 2008.

(4) The Issuer issued the Third PIK Note to pay interest in the amount of \$488,304.12 due and payable to Perseus VII under the terms of the Original Note and the Existing PIK Notes for the quarter ended March 31, 2008. The Third PIK Note is convertible into 856,673 shares of common stock of the Issuer. The Issuer issued the Fourth PIK Note to pay interest in the amount of \$9,246.58 due and payable to Perseus VII under the terms of the Additional Note for the quarter ended March 31, 2008. The Fourth PIK Note is convertible into 28,019 shares of common stock of the Issuer.

(5) The \$15,000,000 Investment Notes are convertible into 28,345,550 shares of common stock of the Issuer. The \$1,500,000 Investment Notes are convertible into 4,573,474 shares of common stock of the Issuer. In addition to the Perseus Notes, Perseus VII holds directly for its own account, warrants granting it the right to purchase up to an aggregate amount of 42,944,165 shares of 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 holds indirectly 17,829 shares of restricted stock of the Issuer and non-qualified stock options to acquire 122,800 shares of the Issuer's common stock. These securities were granted by the Issuer to individuals nominated by Perseus VII to serve as directors of the Issuer as reported on a Form 4 filed on January 24, 2008 and a Form 4 filed on February 12, 2008.

(6) All of the Perseus Notes 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 72.9% 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 27.1% of Perseuspur, L.L.C. By virtue of such control, Mr. Pearl may be deemed to have beneficial ownership of any shares that have been or may be issued to Perseus VII.

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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