

DISTRIBUTED ENERGY SYSTEMS CORP

Form 4

August 29, 2008

FORM 4**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

OMB APPROVAL

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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 P2. Issuer Name **and** Ticker or Trading
SymbolDISTRIBUTED 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)

07/28/2008

☐ 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 Indirect Beneficial Ownership (Instr. 4)
			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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information contained in this form are not
required to respond unless the form
displays a currently valid OMB control
number.**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	Underlying Security
Senior Secured Convertible Promissory Note ⁽¹⁾	\$ 0.57	07/28/2008		J ⁽²⁾	8,769,653 ⁽¹⁾ <u>(2)</u>	⁽³⁾	11/30/2008	Common	Stock
Senior Secured Convertible Promissory Note ⁽¹⁾	\$ 0.57	08/15/2008		J ⁽⁶⁾	7,387,310.81 ⁽¹⁾ <u>(6)</u>	⁽³⁾	11/30/2008	Common	Stock
Senior Secured Convertible Promissory Note ⁽¹⁾	\$ 0.33	08/15/2008		J ⁽⁶⁾	1,509,246.58 ⁽¹⁾ <u>(6)</u>	⁽³⁾	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	
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	08/29/2008
<u> </u> **Signature of Reporting Person	Date
/s/Teresa Y. Bernstein, Attorney-In-Fact for Frank H. Pearl	08/29/2008
<u> </u> **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) Prior to the transactions reported on this Form 4, Perseus Partners VII, L.P. ("Perseus VII") held (a) senior secured convertible promissory notes issued by Distributed Energy Systems Corp. (the "Issuer") in the aggregate principal amount of \$16,156,963.81 (the "Original Convertible Notes") convertible into 28,345,550 shares of the Issuer's common stock ("Common Stock") at a price of \$0.57 per share and (b) senior secured convertible promissory notes in the aggregate principal amount of \$1,509,246.58 (the "Additional Convertible Notes") convertible into 4,573,474 shares of Common Stock at a price of \$0.33 per share. The Original Convertible Notes and the Additional Convertible Notes are collectively referred to herein as the "Perseus Notes."

(2) On July 28, 2008, the Issuer repaid \$8,769,653 of the amount due and payable under the Original Convertible Notes. This partial repayment resulted in the cancellation of the conversion rights held by Perseus VII under the Original Convertible Notes to convert the Original Convertible Notes with an aggregate principal amount of \$8,769,653 into 15,385,356 shares of Common Stock.

(3) All of the Perseus Notes were exercisable on the date of issuance.

(4) Perseus VII continues to hold 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 125,600 shares 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, a Form 4 filed on February 12, 2008 and a Form 4 filed on April 10, 2008.

(5) 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 or other securities that have been or may be issued to Perseus VII.

(6) On August 15, 2008, the Issuer repaid in full the remaining amounts due and payable under the Original Convertible Notes and all amounts due and payable under the Additional Convertible Notes in full. This repayment resulted in the cancellation of all conversion rights held by Perseus VII under the Perseus Notes.

Remarks:

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

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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