

Net Element, Inc.
Form 4
January 22, 2016

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 *
Rakishev Kenges

(Last) (First) (Middle)

C/O SAT & COMPANY, 241
MUKANOVA STREET

(Street)

ALMATY, 1P 050008

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
Net Element, Inc. [NETE]

3. Date of Earliest Transaction
(Month/Day/Year)
01/21/2016

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

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

6. Individual or Joint/Group Filing(Check Applicable Line)

Form filed by One Reporting Person
 Form filed by More than One Reporting Person

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)
Common Stock	01/21/2016	(5)(6)(7)(8)	A	4,664,275 (5) (6) (7) (8)	0.1951 19,507,467 (5) (6) (7) (1) (2) (3) (4) (8)	I	See Footnotes (1) (2) (3) (4) (5) (6) (7) (8)

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

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(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 Amount of Underlying Security (Instr. 3 and 4)
Option (right to buy)	\$ 0.2146	01/21/2016		A	4,664,275		Common Stock
		(5)(6)(7)(8)			(5) (6) (7) (8)	(5)(6)(7)(8) (5)(6)(7)(8)	(5) (6) (7) (8)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Rakishev Kenges C/O SAT & COMPANY 241 MUKANOVA STREET ALMATY, 1P 050008	X	X		

Signatures

/s/ Kenges Rakishev
01/22/2016

**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) 7,522,441 of these Shares (as defined below) are held directly by Mr. Rakishev (as defined below). "Shares" are shares of common stock of the Issuer, par value \$0.0001 per share.
 - (2) 7,320,751 of these Shares are held by Novatus Holding PTE. Ltd., a private limited company organized under the laws of Singapore ("Novatus").

Kenges Rakishev, a citizen of the Republic of Kazakhstan ("Mr. Rakishev"), is the sole shareholder of Novatus. Consequently, Mr. Rakishev has voting control and investment discretion over the Shares held by Novatus. As a result of the foregoing, Mr. Rakishev may be deemed to have beneficial ownership (as determined under Section 13(d) of the Securities Exchange Act of 1934, as amended) of the Shares held by Novatus.
 - (3) Each of Mr. Rakishev and Novatus disclaim beneficial ownership of these Shares except to the extent of their respective pecuniary interest therein
 - (4) In connection with a private placement of securities by the Issuer, Mr. Rakishev entered into a letter agreement, dated as of January 21, 2016 (the "Second Investment Agreement"), pursuant to which, among other things, Mr. Rakishev agreed to purchase, on the terms and conditions contained therein, (1) 4,664,275 Shares and (2) an option (the "Second Option") (such transactions are referred to herein as the "Second Investment Transaction"). The Second Option will be immediately exercisable upon issuance but will only be issued to Mr. Rakishev as further described below. The Second Option will expire on the fifth (5th) anniversary of the date of issuance. The Second Investment Agreement provides that issuance of the Shares and Second Option pursuant to the Second Investment Agreement is subject to the approval by the Issuer's stockholders in accordance with NASDAQ Listing Rule 5635 within 120 days from the date of the Second Investment Agreement (the "Stockholder Approval").
 - (5)
 - (6)

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(Continued from Footnote 5) In the event that the Stockholder Approval is not obtained within 120 days from the date of the Second Investment Agreement, then at Mr. Rakishev's election, either (i) the purchase price for the Shares and the Second Option shall be automatically amended to be equal to the product of (x) 4,664,275 and (y) the sum of (A) \$0.1951 and (B) \$0.125, in which case Mr. Rakishev shall have paid to the Issuer the difference between the previously paid purchase price for the Shares and Second Option and the purchase price for the Shares and Second Option calculated as set forth in this clause (i) above, (ii) the number of these Shares and Second Option issuable to Mr. Rakishev shall be adjusted to be equal to, in each case, the quotient determined by dividing (I) \$910,000 by (II) \$0.3201, or (iii) the Second Option shall not be issued and Mr. Rakishev shall only be issued these 4,664,275 Shares as originally contemplated by the Second Investment Agreement.

(7) (Continued from Footnote 6) Mr. Rakishev's election to pay the additional consideration described in the immediately preceding clause (i) above would result in the purchase price per share of the Shares and Second Option issuable to Mr. Rakishev pursuant to the Second Investment Agreement being increased from \$0.1951 to \$0.3201 and Mr. Rakishev being required to pay an additional \$583,034.4275 to the Issuer to receive these 4,664,275 Shares and Second Option as originally contemplated by the Investment Agreement.

(8) (Continued from Footnote 7) The adjustment described in the immediately preceding clause (ii) would result in the purchase price per share of the Shares and Second Option issuable to Mr. Rakishev pursuant to the Second Investment Agreement being increased from \$0.1951 to \$0.3201 and (x) Mr. Rakishev being issued 2,842,862 Shares instead of the 4,664,275 Shares originally contemplated by the Second Investment Agreement and (y) the Second Option would be exercisable for up to 2,842,862 Shares instead of 4,664,275 Shares originally contemplated by the Investment Agreement.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.