

Private and Confidential

By courier, international signed delivery (RZ 2766 6575 7GB) and email

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14 March 2025

Your Excellencies,

Re: Notice of Dispute under the 1998 Agreement between the Government of the State of Israel and the Government of the Republic of Cyprus for the Reciprocal Promotion and Protection of Investments

1. We act on behalf of Mr Shimon Mistriel Aykout (“**Mr S Aykout**”), Mr Yaacov Afik (“**Mr Afik**”) and Mr Michael Mistriel Aykout (“**Mr M Aykout**”) (collectively, the “**Claimants**”).

2. This letter is served on the Republic of Cyprus (“**Cyprus**”) under the 1998 Agreement between the Government of the State of Israel (“**Israel**”) and the Government of Cyprus for the Reciprocal Promotion and Protection of Investments (the “**Treaty**”). It concerns the dispute that has arisen between the Claimants and Cyprus due to Cyprus’ breaches of its obligations in connection with investments made in Cyprus by the Claimants. This letter constitutes a notice of dispute under the Treaty.

I. Mr S Aykout, Mr Afik and Mr M Aykout are investors under the Treaty

3. Mr S Aykout, Mr Afik and Mr M Aykout are citizens of Israel. None of them are citizens of Cyprus. Each is therefore an “*investor*” within the meaning of Article 1(3) of the Treaty.

II. Mr S Aykout, Mr Afik and Mr M Aykout each have investments under the Treaty

4. Article 1(1) of the Treaty provides that the term “*investments*’ shall comprise any kind of assets”.
5. Mr S Aykout’s investments in Cyprus include, *inter alia*, (1) his ownership of 0.323% of the shareholding in Dumika Construction Limited (“**Dumika**”), (2) his ownership of 3% of the shareholding in Irbar Development and Construction Limited (“**Irbar**”), (3) his ownership of 50% of the shareholding in Cafe Noir Trading Limited (“**Cafe Noir**”), (4) his ownership of 5% of the shareholding in Surface Net Limited (“**Surface Net**”), (5) his ownership of 1% of the shareholding in Afik Rentals Limited (“**Afik Rentals**”), (6) his ownership of 0.001% of the shareholding in Afik Real Estate Agency Limited (“**Afik Real Estate Agency**”), and (7) claims to money in a Bank of Cyprus account.
6. Mr Afik’s investments in Cyprus include, *inter alia*, (1) his ownership of 99.677% of the shareholding in Dumika, (2) his ownership of 97% of the shareholding in Irbar, (3) his ownership of 50% of the shareholding in Cafe Noir, (4) his ownership of 48% of the shareholding in Keppel Properties Co. Limited, (5) his ownership of 20% of the shareholding in Ofri Development & Management Limited, (6) his ownership of 99.99% of the shareholding in Essencia Properties Limited, (7) his ownership of 95% of the shareholding in Surface Net, (8) his ownership of 99% of the shareholding in Afik Rentals, (9) his ownership of 99.999% of the shareholding in Afik Real Estate Agency, (10) his ownership of 50% of the shareholding in Liomi Construction Limited, (11) his ownership of 11.9% of the shareholding in Glisson Development Limited, (12) his ownership of 97% of the shareholding in New-Era Development Limited, (13) his ownership of 100% of the shareholding in Liolia Company Limited (“**Liolia**”), and (14) claims to money.
7. Mr M Aykout’s investments in Cyprus include, *inter alia*, claims to money in a Bank of Cyprus account.

8. Accordingly, Mr S Aykout, Mr Afik and Mr M Aykout each have “*investments*” in Cyprus that are protected by the Treaty.

III. A dispute has arisen between the Claimants and Cyprus due to Cyprus’ breaches of its obligations

9. The present dispute arises because the conduct of the Cypriot authorities has breached Cyprus’ obligations under the Treaty.

10. As to the relevant conduct, *inter alia*:

(1) Cyprus has improperly brought criminal proceedings against Mr S Aykout, Mr Afik and Mr M Aykout in connection with transactions in immovable property in the Turkish Republic of Northern Cyprus (the “**TRNC**”). In particular:

(a) On 6 June 2024, the Nicosia District Court issued arrest warrants against Mr S Aykout, Mr Afik and Mr M Aykout.

(b) The next day, 7 June 2024, the Cypriot authorities arrested and detained Mr S Aykout at the Deryneia checkpoint as he travelled from the TRNC to the south of Cyprus. Nine months later, and despite multiple well-founded bail applications, Mr S Aykout remains in custody in the Nicosia Central Prison awaiting trial. His time in detention has been marked by severe and ongoing health issues exacerbated by the conditions of his detention.

(c) On 12 July 2024, the Cypriot authorities indicated in court that “*European and international arrest warrants have been issued*” against Mr Afik and Mr M Aykout.

(d) On 24 August 2024, in the context of a discussion of Mr S Aykout’s arrest, the Government affirmed its political motivation in this case when it asserted that “*the lawless situation in our country continues as a result of the illegal invasion and continued occupation*”. The article containing the Government’s prejudicial statement also reveals that Mr S Aykout’s arrest forms part of a broader political struggle in which the TRNC authorities have been implored to arrest Greek Cypriots who use Turkish Cypriot-owned property vacated between 1963 and 1974.

(e) On 9 September 2024, a 242-count indictment concerning Mr S Aykout was preferred before the Nicosia Assize Criminal Court (“**Assize Court**”). Thereafter, the Assize Court (i) held on 8 November 2024 that it has jurisdiction to adjudicate the charges in the 242-count indictment and (ii) dismissed on 20 December 2024 Mr S Aykout’s application to stay the criminal proceedings for abuse of process. The Assize Court dismissed

Mr S Aykout's abuse of process application notwithstanding that the proceedings are oppressive and unfair. Among other things, in the course of its investigation, the police sought out individuals to advance complaints against Mr S Aykout. This proactive search for complainants in the context of the politically charged land conflict between Cyprus and the Republic of Türkiye helps explain why there are an exorbitant 242 charges levelled against Mr S Aykout. Having sought out complainants, the police did not afford Mr S Aykout the opportunity to provide exculpatory evidence. No opportunity has subsequently been afforded to Mr S Aykout by the Prosecuting Authority. Investigative irregularities are compounded by the fact that witness summonses cannot be served in the TRNC, and Mr S Aykout is unable to call material witnesses of his choosing because Cyprus will detain them or otherwise proceed against them if they travel to Cyprus to give evidence. Mr S Aykout also cannot effectively put forward a defence or discredit the Prosecuting Authority's case as a result of the absence of an up-to-date land registry in Cyprus. Further, the Assize Court dismissed Mr S Aykout's abuse of process application despite being provided with an independent expert report from Professor Eyal Benvenisti, the leading authority on title to abandoned property in the TRNC under the law of occupation and European human rights law, which states that the "*case against Mr. Aykout simply does not show any illegal activities on his part*" and "*the criminal charges against Mr. Aykout and his continued detention constitute infringement of his right to liberty and security ..., and his right to a fair trial*".

- (f) The foregoing conduct of Cyprus has impaired the reputation of Mr S Aykout, Mr Afik and Mr M Aykout (and that of their businesses), as well as their ability to manage, maintain, use and/or dispose of their investments.
- (2) In addition to misusing criminal proceedings, on 12 July 2024, the Cypriot authorities sought and obtained, *ex parte*, a freezing and charging order from the Nicosia District Court which, among other things, froze Mr S Aykout's money held in a Bank of Cyprus account, charged Mr Afik's immovable property, charged Liolia's immovable property, and froze Mr M Aykout's money held in a Bank of Cyprus account. This conduct is part of the campaign to deprive Mr S Aykout, Mr Afik and Mr M Aykout of the entire substance and value of their investments in Cyprus.
11. Cyprus' conduct has breached several provisions of the Treaty, including its obligations to:
- (1) provide fair and equitable treatment to the Claimants' investments, as required by Article 2(2) of the Treaty;

- (2) provide protection and security to the Claimants' investments, as required by Article 2(2) of the Treaty;
 - (3) refrain from impairing in any way the management, maintenance, use, enjoyment or disposal of the Claimants' investments by unreasonable or discriminatory measures, as required by Article 2(2) of the Treaty;
 - (4) provide the Claimants' investments with treatment which is not less favourable than that accorded to the investments of investors of any third State, as required by Article 3(1) of the Treaty, by way of which obligation Cyprus was required to provide the Claimants with effective means for the assertion of claims and the enforcement of rights with respect to their investments, as required by Article 10(12) of the Energy Charter Treaty;
 - (5) refrain from subjecting the Claimants' investments to expropriation or measures having effect equivalent thereto, as required by Article 5 of the Treaty; and
 - (6) guarantee the unrestricted transfer of the Claimants' investments and returns, as required by Article 6 of the Treaty.
12. Cyprus' conduct in connection with the Claimants' investments has also violated, *inter alia*, the Convention for the Protection of Human Rights and Fundamental Freedoms, the International Covenant on Civil and Political Rights, and general international law.
 13. *Inter alia*, the Claimants are entitled to full reparation from Cyprus as a result of Cyprus' breaches of its obligations.

IV. The Claimants request negotiations to settle the dispute

14. The Claimants request that Cyprus engage in negotiations to attempt to settle the dispute pursuant to Article 8(1) of the Treaty. In the absence of a settlement of the dispute within six months of the date of this letter, the Claimants will have no choice but to submit the dispute to international arbitration in accordance with Article 8(2) of the Treaty. That provision constitutes Cyprus' consent to the submission of the dispute under the Treaty to international arbitration, and the Claimants hereby express their consent for that purpose (thereby perfecting consent for the purpose of the arbitration). The Claimants reserve their right to amend and supplement all matters outlined in this letter, including in any negotiations and/or international arbitration.
15. The Claimants request that all correspondence in response to this letter be directed to:

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Yours sincerely,



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