The Terms and Conditions
for the Business Incubators & Accelerators

This document was drafted in Arabic and English. In the event of a dispute concerning its interpretation, the Arabic text alone shall be considered as the official text and are subject to change by the SMEs Development Directorate. Any updates or amendments shall be posted on Sijilat website.

The abbreviations used in this document are as follow:

- **The Activity:** Business Incubators & Accelerators Activity (821-2)
- **The Directorate:** Small and Medium Enterprises Development Directorate.
- **A Business Incubator/Accelerator:** A company with an environment designed to nurture, develop and accelerate the growth of Startups and to scale-up the small, and medium enterprises by offering a range of facilities and support mechanisms for a specific period, to ease the challenges and difficulties faced by companies/enterprises in its first stages of operation.
- **An incubated Startup:** An enterprise or a company in its first stage of operations and being hosted under the incubator's address.
- **The Capacity:** The maximum number of companies/enterprises allowed to be registered under a business iincubator's address.
- **SA:** Service Agreement.
- **Incubation SA:** The agreement signed between the Business Incubator and the incubated Startup to obtain incubation services.
- **Acceleration SA:** The agreement signed between the Business accelerator and the accelerated company/enterprise to obtain acceleration services.
- **CR:** Commercial Registration

❖ **General Terms:**

1. The Directorate is responsible for the following:

- Licensing the "Business Incubator/Accelerator" activity (821-2) as per the following required documents to be submitted in Sijilat:
- a) A "Business Profile", as per the template available on Sijilat.
- b) A "floor plan" detailing the total floor area and dimensions including all facilities (i.e. management office, meeting room, reception, etc.)

- Assign the capacity of 6 sqm per Startup, subject to the Directorate's decision according to the function, services, and sector specific of the Business Incubator.
- Conducting a site visit to the business incubator/accelerator, or what is equivalent to the Directorate.
- Monitor the performance periodically according to the Directorate's methodology.
- Implementation of "Violating Regulations of Business Incubators and Accelerators" violation, when not adhering to the stipulated terms and conditions, where the violated business incubators will be banned from registering new Startups on its commercial address until the violation is permanently removed.

2. The Activity is allowed for company CR only and not for individual CR.
3. The Activity is allowed 100% for foreign ownership.
4. Explicitly, the "Business Incubators and Accelerator" activity is not only for the purpose of providing workspace to Startups. Therefore, if that was recognized; the violation "Violating regulations of Business Incubators and Accelerators" will be imposed.
5. Only sector specific Business Incubators/Accelerators can apply for the license. (Please specify the specialization in the Business profile).
6. The business incubator/accelerator is not allowed to share the same address with another commercial entity except for its incubated startups. However, the business incubator/accelerator can include complementary business activities on its CR.
7. As with all commercial companies and establishments, business incubators and accelerators are subject to LMRA inspections.
8. Business incubators/accelerators must sign a "Service Agreement" with the enterprise/company requiring its services. The SA should minimum include:
   - Agreement type: incubation (with commercial address) or acceleration.
   - Start and end date of the incubation/acceleration period.
   - Determine the role of the incubator and business accelerator and its obligations towards these enterprises/companies in terms of services provided.
   - Services offered to the enterprise/company.
   - Commercial activities acquired by the enterprise/company. (To be updated in the SA Annexure)
   - A clause stating that the incubated Startup must adhere to the incubation period stated in the SA and the business incubator has the right to react in case of not renewing the SA, or not changing the address within 30 days of SA expiration date.

❖ Business Incubator Terms and Conditions:

1. A Business incubator shall provide a range of, but not limited to, the following services according to its core business:
   - Workspace with Information and communications technology (ICT) services
   - Business guidance, counseling & mentoring
   - Vocational/technical skills development workshops and programs
   - Networking and promotional activities/events
   - Assist in Business Planning

2. The business incubators/accelerators methodology of the "Startups Selection Criteria" - stated at the Business Profil-" is subject to the Directorate's approval. Then, the incubator will be held responsible for selecting the incubated startups and the relevancy of their commercial activities to the specialization of the incubator. Therefore, only eligible Startups, as per the criteria listed under Section "Terms & Conditions of the Incubated Startups" are permitted to register under the Incubator's address.

3. Business incubators undergoing any of the following CR amendments: Delete the activity, Delete the branch, Liquidation must inform the Directorate and inform all the incubated Startups to change their commercial addresses within a maximum of 30 days prior to performing the amendment. After the end of that period, rules and regulations applies.

❖ Business Accelerator Terms and Conditions:

All the above terms & condition applies to the business accelerators; in addition to the following:

1. To provide the following services within its main operations:
   - Acceleration program.
   - Assist in access to finance and/or connecting startups with Venture Capital and investors and/or invest in capital.

2. The enterprises/companies interested in benefiting from the acceleration services are allowed for that without the need to move their address, by signing an "Acceleration SA", by which, existing enterprises/companies whom their "Get license" date exceeded 12 months can benefit from the Accelerators services.

❖ **Incubated startups Terms & Conditions:**

1. Bahraini individual enterprises or companies are allowed to be incubated Startups, in the following terms:
   - New CRs.
   - An existing CR given that the applied for branch is the only active one.
   - An existing CR with a maximum of 12 months from the "Get License" date.

2. The maximum incubation period is two years with a possibility to extend for an additional one year once only, based on the business incubator's recommendation and the Directorate's approval, terms and conditions apply.

3. Technology, innovative, added value enterprises/companies are allowed to be incubated in all sizes subject to the Directorate's approval, terms and conditions apply.

4. Enterprises/companies with supportive activities to the incubated startups in terms of providing financing solutions and technical support are allowed to be incubated subject to the Directorate's approval.

5. Standard Foreign Ownership rules apply to incubated Startups.

6. All Kingdom of Bahrain Laws & regulations apply to incubated Startups.

7. Incubated Startups may receive a maximum of two (2) Labor Permits by applying directly to the LMRA. As with all Bahraini Registered Companies, startups will be subject to random LMRA inspection.

8. Startups applications are not subject to the approval of Municipalities Affairs of the Ministry of works, Municipalities Affairs & Urban Planning while registering under the business incubator's address. However, they are subject to the post approvals of the related licensing entities according to the commercial activity's requirements.

9. Incubated Startups must submit the "Incubation SA" as a mandatory document when applying in Sijilat.

10. Holding companies are not allowed to be incubated.

11. Incubated startups are not allowed to utilize the business incubator/accelerator's venue as a point of direct sale. However, they can display samples of their products.

12. Virtual CR "Sijili" can register into a business incubator by transforming to a traditional CR even if it exceeds 12 months from the "Get License" date, rules and regulations apply. Also incubated Startups can change to a virtual CR "Sijili" - rules and regulations apply.

13. The incubated Startup shall observe the following in relation to the incubation SA:

- <u>Within 30 days</u> of the expiration date of the "Incubation SA", the Startup must either:
  a) Renew the SA with the same incubator for another term, within the remaining incubation period.
  b) Relocate to another incubator, within the remaining incubation period and attempt to settle the legal and financial obligations with the fist business incubator.
  c) Move to a commercial address and attempt to settle the legal and financial obligations with the fist business incubator.
- <u>After the 30 days</u> of the expiration date of the "Incubation SA", if none of the above options were implemented, the below procedure shall be applied:
  d) The business incubator submits the expired incubation SA to the Directorate.
  e) Accordingly, violation of "Expiration of service agreement" will be imposed on the Startup for another 30 days to rectify the situation.
- <u>To remove the violation</u>, the Startup must take one of the above options. (a, b, c)
- If the Startup does not rectify the situation within the assigned 30 days, the Directorate will avail back the capacity to the business incubator. If that Startup wishes to apply again for being incubated, the application will be considered new and terms and conditions apply.

14. If the incubated Startup exceeded the incubation period of two years without changing to an independent commercial address, violation (92) of "Exceeding the incubation period without changing the commercial address" will be imposed automatically. To remove the violation, Startup must apply for "change address".

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