

OPENING A MANUFACTURING OPERATION IN MEXICO

Review: 2012

I. Introduction

SoftLanding Group Mexico S.C. (SLG), is the result of a merger of professionals with more than 25 years of experience in key economic sectors. Former Directors of the Mexican Government “Ex-Im Bank” (Bancomext), merged with a Mexico City’s law firm Perez Falcon S.C., forming SLG.

SLG is specialized in advising international corporations (mainly Asian), with the need in opening manufacturing/assembly operations in Mexico in different sectors (e.g. automotive, aerospace, electronics, pharmaceuticals, energy, plastic injection, food & beverages).

SLG provides one-stop shop advice on necessary areas: legal, business, trade, engineering, real estate, public relations, environmental, labor unions and human resources, which significantly lower the start-up costs of manufacturing/assembly operations, as well as, grants to project owners legal certainty for their operations and businesses in Mexico, from the moment all legal requirements for the opening of manufacturing operations are met.

II. Services

1. Site Selection in Mexico

It is pertinent to mention that, what sets us apart is our ability to help our clients to minimize the risk of the investment, due to our expertise in legal and business matters, in addition to:

- Our knowledge on the real estate industry, focused on manufacturing projects;
- Provide one-stop shop, granting advise on legal and government issues, real estate, site selection, environmental, and the obtaining of government incentives, which significantly lowers start-up costs;

- Our close relationship with different government authorities, for more than 25 years of experience working with authorities engaged in the promotion of foreign investments projects in their communities;
- Our knowledge of the labor market, education matters, logistics, customs, government matters among other issues, supports our clients in taking important decisions;
- Our experience in representing foreign companies who have established manufacturing plants in Mexico, assisting them in establishing a supplier base and developing new customers, allows our clients to receive practical advice on each phase of the Projects;
- Our full dedication to the Projects through our “Dedicated Services”, allow us to complete the Projects in compliance with applicable legislation, formalities and regulations, shortening time required with important savings in money and efforts; and
- Finally, SLG has an important experience in the automotive industry for more than 25 years.

Site Selection Studies.- Typically, we prepare a Matrix with different locations to be proposed for hosting the Projects. The Studies are divided in two parts:

Part I.- Studies include a list of PROS & CONS of each location, and detailed information on: (i) industrial and labor costs, (ii) logistics, (iii) infrastructure, (iv) proximity to technical schools, market & suppliers, (v) incentives available, (vi) government elections, (vii) governmental/political issues worth to be considered, (viii) ports, airports.

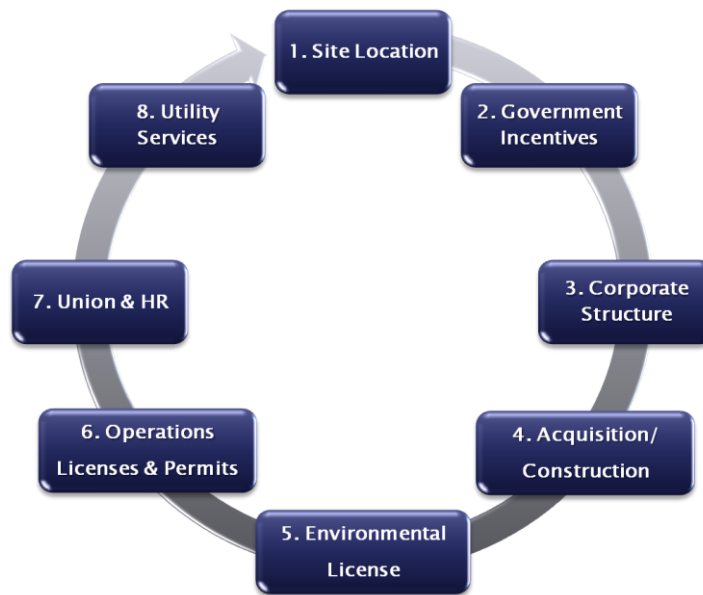
Part II.- We include formal proposals from different States, with each specific incentive package offered to the Projects, as well as, proposals from at least two to three Developers per location, with land and constructions prices.

Once the location is decided, we move to our **“Project Management”** services, normally required for the start-up process of a manufacturing plant. **“Project Management”** services, are comprised by areas listed below:

- a) Dedicated Services;
- b) Legal;
- c) Government Relations;
- d) Recruiting Services;
- e) Permits & Licenses;
- f) IMMEX (Import/ Export Programs);
- g) Environmental.

a) Dedicated Services

SLG Permanent Team.- Under our Dedicated Services (DS), partners of the firm work on the sites together with our client’s team, during the complete process required for the opening of a manufacturing/assembly operations. For such purpose, SLG appoints a team of partners for performing DS, assuming responsibility of the different phases of the Projects, as shown below. Normally, DS starts from the moment of the negotiations for obtaining government incentives and for acquiring/leasing buildings, until the opening of the plants.



SLG Engineer Team

(a) During the construction phases, SLG acts as “Project Manager”, managing a Civil Engineer Team, typically composed by 1 General Coordinator and different assistants posted on the sites.

(b) General Coordinator is based at a “Head Quarter”, interacting with other units at the different sites and with our clients’ team;

(c) The SLG Engineer Team acts as technical advisors during the construction and installation of machinery & equipment, until the start-up of operations.

Main responsibilities of the SLG-Engineer Team:

- Work and report to client’s engineer team, confirming special construction requirements under Mexican rules, to ensure compliance with local construction regulations and ordinances;
- Participate in the Planning of the Project, confirming objectives and goals to be accomplished;
- Review preliminary studies, including their extent, costs and terms of different studies to be practiced to the sites;

Additional services comprised in the DS

- (i) Conduct negotiations with Industrial Parks/Developers for closing the most favorable options for our clients. Turn-key projects are common in the industrial real estate sector in Mexico, where Developers owning important extensions of land inside industrial parks, sell the land plus the construction of the building as one deal.
- (ii) Prepare/review necessary legal documents required for closing acquisition and construction options, including performance of due diligence, confirm compliance with legal requirements (i.e. legal title, zoning, licenses and permits for operation of the building);
- (iii) Negotiate guarantees to be requested by Developers;
- (iv) Coordinate “bidding” processes with different Developers/construction firms/contractors, for the construction of the buildings, its equipment and operation;
- (v) Hire utility services required by the Projects (electricity, telecommunications, natural gas, water etc.).

b) Legal.- Within this area of services, SLG assumes responsibility to: **(i)** design of corporate/tax structure and incorporate of legal entities; **(ii)** prepare the necessary contractual framework for the Projects, including acquisitions, leases, constructions, engineering equipment, insurances, bonds, services, transportation agreements; **(iii)** prepare corporate records and documents for the legal entities; and **(iv)** grant legal advice on permanent basis as required by the Projects from the beginning to the start-up phase.

c) Government Relations.- SLG acts as representatives and advisors before government officers and authorities (Federal/State/City), seeking to accomplish: **(i)** Full analysis of incentive programs available, including preparation of the negotiation strategy for obtaining most favorable and complete package of incentives; **(ii)** In the case of manufacturing facilities located outside industrial parks, SLG prepares and negotiate benefits to be offered to local communities, seeking to obtain full support to the Projects, as well as, negotiate with Municipal authorities improvements to available infrastructure; **(iii)** Negotiate with state governments (current or future), to obtain most favorable package of incentives, duly supported by official resolutions; **(iv)** Deploy public relations campaigns to ensure Projects objectives and goals are accomplished; **(v)** Confirm and obtain different governmental permits, licenses and authorizations required for the acquisition of land and the construction of the required facilities; **(vi)** Establish a permanent communication channel between our clients and Municipal and State governments.

It is pertinent to mention, that it is common in the Projects we manage, to obtain the following general incentives:

- Exemption of payroll tax for at least two years;
- Exemption of registration duties for government records of properties acquisition;
- Training support programs equivalent to 1 to 3 months of minimum wage salary to new employees, including training abroad;
- “Grants” to be used for the acquisition of real estate; improvements to properties; consultation services; training abroad.

d) Recruiting Services.- In this area of services, SLG conducts the following:

- Administration of the selection and recruitment process according to the specific requirements from our clients for all levels in the organization;
- Recruitment and Selection process;
- Negotiate obtaining of training incentives and scholarships;
- As a special work within this line of service, SLG negotiates the execution of a Labor Union Agreements with the most favorable Union in the region.

e) Permits & Licenses.- As part of this area, SLG takes responsibility for the obtaining of permits and licenses required for the operations of the companies (e.g. zoning, imports, civil protection & fire department, etc.). Please note, manufacturing company requires special permits due to its production process. These permits and licenses are issued by Municipal and State governments.

f) IMMEX.- This is a government program which allows companies to import duty free different raw materials, parts, components, equipment and machinery under temporary basis. Important tax savings are accrued with this IMMEX program.

g) Environmental.- Before the manufacturing company starts operations, it is required to perform an “environmental impact study”. We coordinate the certified environmental firm entitled to perform such study. This study is a specialized certification process to evaluate a safe impact of the manufacturing activities to the environment.

The SoftLanding Group Mexico
