

financial returns materialize. Ultimately, however, the purpose of any business venture is to generate profits. There should be a clear agreement between the partners as to how profits are to be handled. In the case of some partnerships, any dividends due are deferred or reinvested during the venture's early years. In addition, some companies are able to arrange for profits to accrue to them through transfer prices and service contracts. Over the long term, the partners may come to differ over the issue of retaining earnings for reinvestment or redistributing them to the partners. Some of this can be avoided early in the relationship by specifying how much and how quickly the partners want their venture to grow and also by making the appropriate arrangements for the disposition of earnings at that time.

FINANCING CONSIDERATIONS

Financing is an all-important element in any business transaction. Do you have enough financing available to carry through on the deal? If not, can you get the financing you need at a reasonable rate? At an early stage in the process, it would be a good idea to answer the following questions:

1. Which of the following expenses would be involved in pursuing the business opportunity you have in mind? How much would each item cost?
 - market research
 - travel to Mexico
 - hiring professional assistance, e.g. translators, lawyers and tax specialists in Mexico
 - production of items for export into the Mexican market
 - product modifications for the Mexican market
 - transportation costs
 - agents' and distributors' fees
 - sales commissions
 - marketing in Mexico

2. How much of this cost can you cover from available resources or from operations? How much additional financing does the transaction require? How much of it is one time only (up-front) expenditure? How much is ongoing?

3. When do you need the financing? Do you need it all at once? Can it come in stages?

4. Which of the following external sources of financing are available to you?
 - commercial banks
 - programs offered by the Canadian federal government
 - provincial programs
 - investors: who and on what terms?
 - your prospective Mexican partner
 - the Mexican government
 - international agencies, e.g., the World Bank or agencies of the United Nations

5. If conventional financing is unavailable, can you arrange for a commercial factoring house to purchase your receivables at a discount and thus pay you faster than you could expect to be paid by your Mexican partners?
