

Guide to Commercial Structuring

Supporting First Nations in evaluating
equity investments in major projects

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Prepared by



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Table of Contents

1.	Introduction	4
2.	About this guide	5
2.1	Scope of this guide	5
2.2	Audience	5
3.	Project fundamentals	6
3.1	Defining a project	6
3.2	Common project types	6
3.3	Project lifecycle stages	7
3.4	Parties and party-adjacent considerations	9
4.	Equity ownership	11
4.1	Why do First Nations seek equity investments in major projects?	11
4.2	True equity ownership	11
4.3	Ownership structures	12
4.4	Why limited partnerships are often preferred	13
4.5	Other economic participation models	14
5.	Assessing an equity investment	15
5.1	The three levels of analysis	15
5.2	The project's commercial strength or weakness	16
5.3	Relationships between investors - the "Mantra of Five"	19
6.	Investing in a project SPV	21
6.1	Choosing an ownership structure	21
6.2	Common structuring considerations	22
6.3	Single vs. multi-party investment vehicles	23
6.4	Financing the investment	26
6.5	Nation readiness	29
7.	Process	32
7.1	Early discussions and relationship building	33
7.2	Evaluating and negotiating the opportunity	34
7.3	Finalizing financing and documentation	35
7.4	Becoming an owner	36
8.	Key takeaways	38

1. Introduction

First Nations in Canada are increasingly looking at opportunities to become equity owners in major projects in their territories. These opportunities are found in sectors such as energy, electricity transmission, mining, pipelines, transportation, ports, telecommunications, and other infrastructure projects. What used to be an exception is becoming an important model of Indigenous economic participation on the path to sovereignty.

This is supported by growing interest from governments, lenders and project proponents in partnering with Nations as owners. In addition to advancing economic reconciliation, equity partnerships can help align the interests of First Nations and project proponents, build stronger relationships and increase project certainty. Indigenous loan guarantee programs and other financing tools are also increasingly available to improve access to capital for First Nations.

Potential benefits of equity ownership

Financial benefits	Non-financial benefits
revenue generation	governance capacity
economic independence	operational experience and capacity building
intergenerational wealth	support of community priorities
	environmental stewardship

Making a well-informed decision

Equity can create long-term value, but not every project is a good investment.

It is up to the Nation to decide if an equity ownership opportunity is good for them and to conduct thorough, independent due diligence before investing. Different opportunities will lead to different answers.

This guide does not attempt to cover all aspects related to First Nations participation in major projects. It focuses on helping Nations better understand relevant concepts and issues, and to help them join discussions, ask good questions, and know when to seek additional expertise.

This guide is written primarily for First Nations. The term Indigenous is used where referring to programs, institutions, or frameworks that also apply to Inuit or Métis groups.

2. About this guide

This guide is...

- An introduction to commercial structuring
- A practical guide to common ownership and financing models
- A resource to support discussions with proponents, lenders, governments, and advisors
- A tool to help Nations ask informed questions and understand commercial trade-offs

This guide is not...

- Legal advice
- Tax or accounting advice
- Investment advice or a recommendation to invest
- A replacement for Nation-specific technical, financial, or legal advice, or for appropriate due diligence

2.1 Scope of this guide

This guide provides a practical introduction to the key commercial structuring considerations associated with equity ownership in major projects. It is meant to:

- explain common ownership, governance and financing structures
- introduce key commercial concepts in major projects
- help Nations understand the risks, responsibilities and benefits associated with equity participation, and
- support discussions with proponents, lenders, governments and advisors.

The guide can be read from start to finish or used as a reference tool. Sections 1–3 introduce core concepts and project fundamentals, while Sections 5–7 provide practical guidance for evaluating and negotiating an equity opportunity. Section 8 summarizes key principles that can support leadership throughout the decision-making process.

The guide focuses primarily on major projects led and managed by third-party proponents. However, much of the content also applies to Nation-led projects. The guide is intended as an introductory resource. Nations should seek independent legal, financial, technical, tax and business advice when considering an equity opportunity.

Commercial structuring is only one part of the broader decision-making process. Equity participation does not replace consultation obligations, accommodation discussions, environmental review processes or discussions related to Rights, title, jurisdiction or free, prior and informed consent.

2.2 Audience

The guide has been written primarily for:

- **elected leadership**
- **economic development leadership**
- **finance and administration teams**
- **community representatives involved in project discussions**

It may also be useful to:

- **project proponents**
- **governments**
- **lenders and financial institutions**
- **technical and professional advisors**
- **industry partners looking to better understand First Nations perspectives on project ownership and participation**

Since readers may have different levels of knowledge about commercial and financial topics, this guide aims to balance technical accuracy and detail with clear, easy-to-understand explanations.

3. Project fundamentals

3.1 Defining a project

For the purpose of this guide, a “project” is defined as a major physical development or piece of infrastructure that is expected to generate revenue and cash flow over a long period of time.

Projects generate revenue in a number of ways, for example:

- sell commodities such as minerals or natural gas
- sell electricity under long-term power purchase agreements
- collect tolls or user fees
- operate under regulated tariffs or long-term service agreements

Understanding how a project earns money is key because it affects the risks involved, the ways it can be financed, and what investors might gain.

Ownership opportunities can involve both third-party-led and Nation-led projects. In some cases, Nations invest alongside proponents and other partners. In others, Nations are the majority owners or project developers.

Most major projects are financed using project finance, where lenders rely primarily on the project's future cash flow and the project assets rather than the broader balance sheet of the project developer. For this reason, projects are often established as separate legal entities, called Special Purpose Vehicles (SPVs). The SPV is where a project owner's equity is held, which helps separate project risks and liabilities from those of the project owners while providing a clear governance and financing structure.

3.2 Common project types

First Nations may want to evaluate equity opportunities across a range of sectors, including:

- utilities and electricity transmission
- renewable energy
- mining and critical minerals
- transportation infrastructure
- pipelines
- telecommunications
- ports and marine infrastructure
- industrial and community infrastructure projects

Even projects within the same sector can be of a different nature. Nations may come across opportunities that involve:

- new (“greenfield”) projects, which often carry higher development and construction risk but may offer greater long-term upside; or
- existing (“brownfield”) projects, which provide more stable cash flows and lower risk because construction has been completed, and they are already commissioned and generating revenue

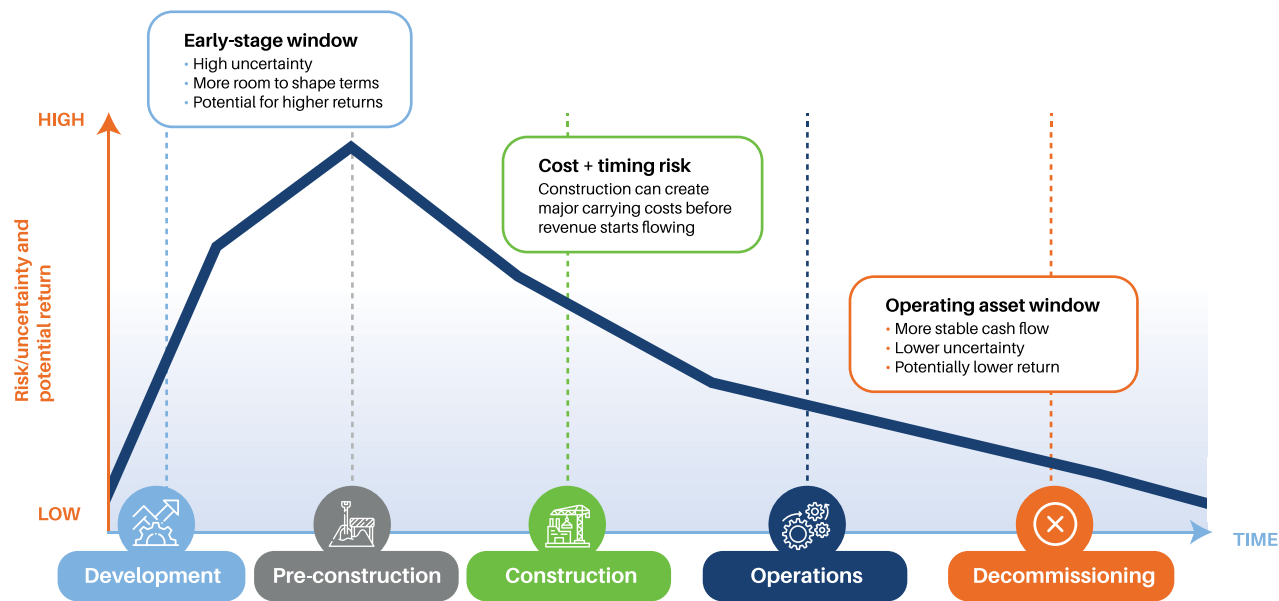
Projects can differ widely in their risks, timelines, financing needs, management complexity, and the returns they might offer. Projects also vary in how they generate revenue. Regulated assets, such as electricity transmission systems, often generate stable, predictable revenues, whereas projects tied to commodity prices or market conditions can experience greater fluctuations in revenue and returns.

Project type	Typical revenue	General risk	Typical timeline
Electricity transmission	Regulated tariffs	Low-moderate	Long
Renewable energy	Long-term PPAs	Moderate	Medium
Mining	Commodity prices	Higher	Long
Transportation	User fees/contracts	Moderate	Long

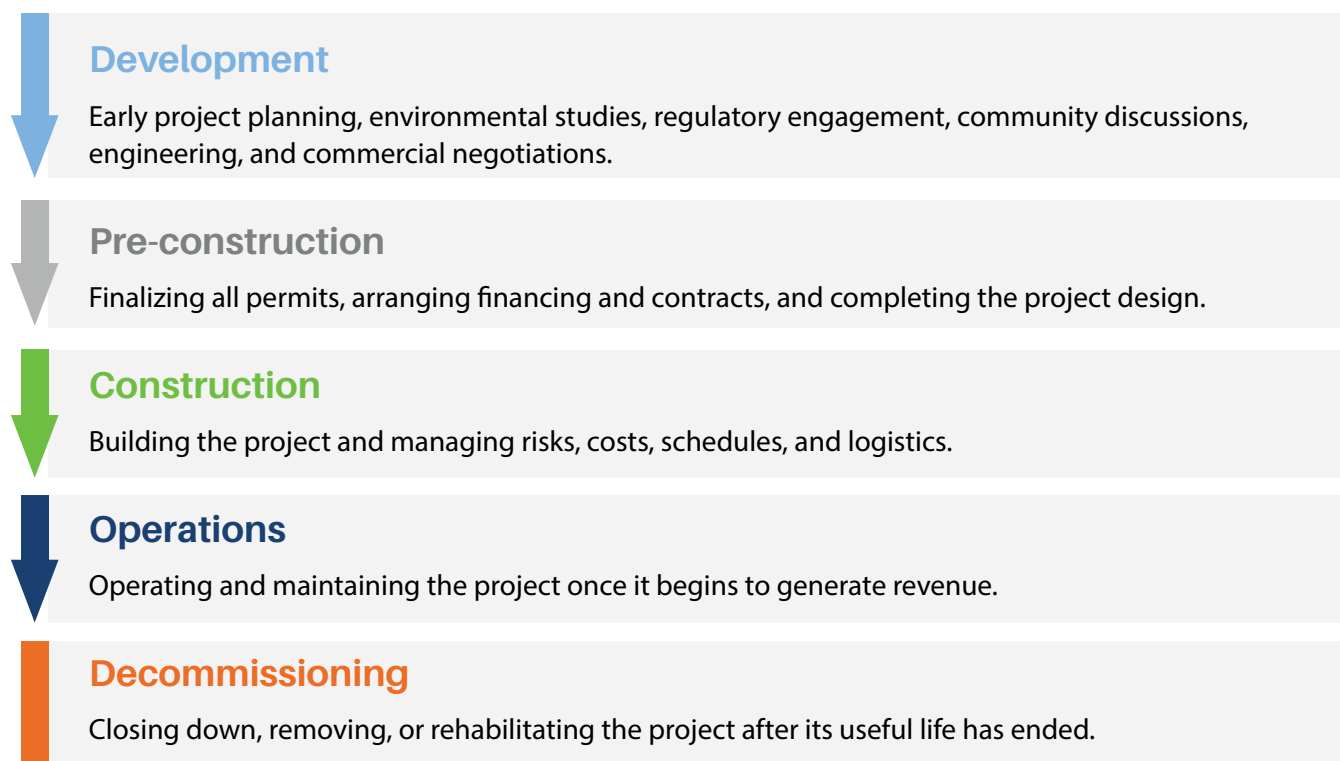
A clear understanding of these differences in project type, stage of development, and business and governance model can help Nations evaluate whether an opportunity fits with their priorities, risk tolerance, and long-term goals.

3.3 Project lifecycle stages

Project Lifecycle: how risk, influence, and investment timing change over time



Major projects usually move through several lifecycle stages over many years:



How project risks change

Project risks shift as the project moves forward. In the **development** and **pre-construction** stages, uncertainty is at its highest. Common risks at this point are permitting, environmental approvals, financing, engineering, community support, and market changes.

Once **construction** begins, the main risks become possible delays, labour shortages, supply chain problems, or cost overruns. These issues can affect both the project schedule and the budget.

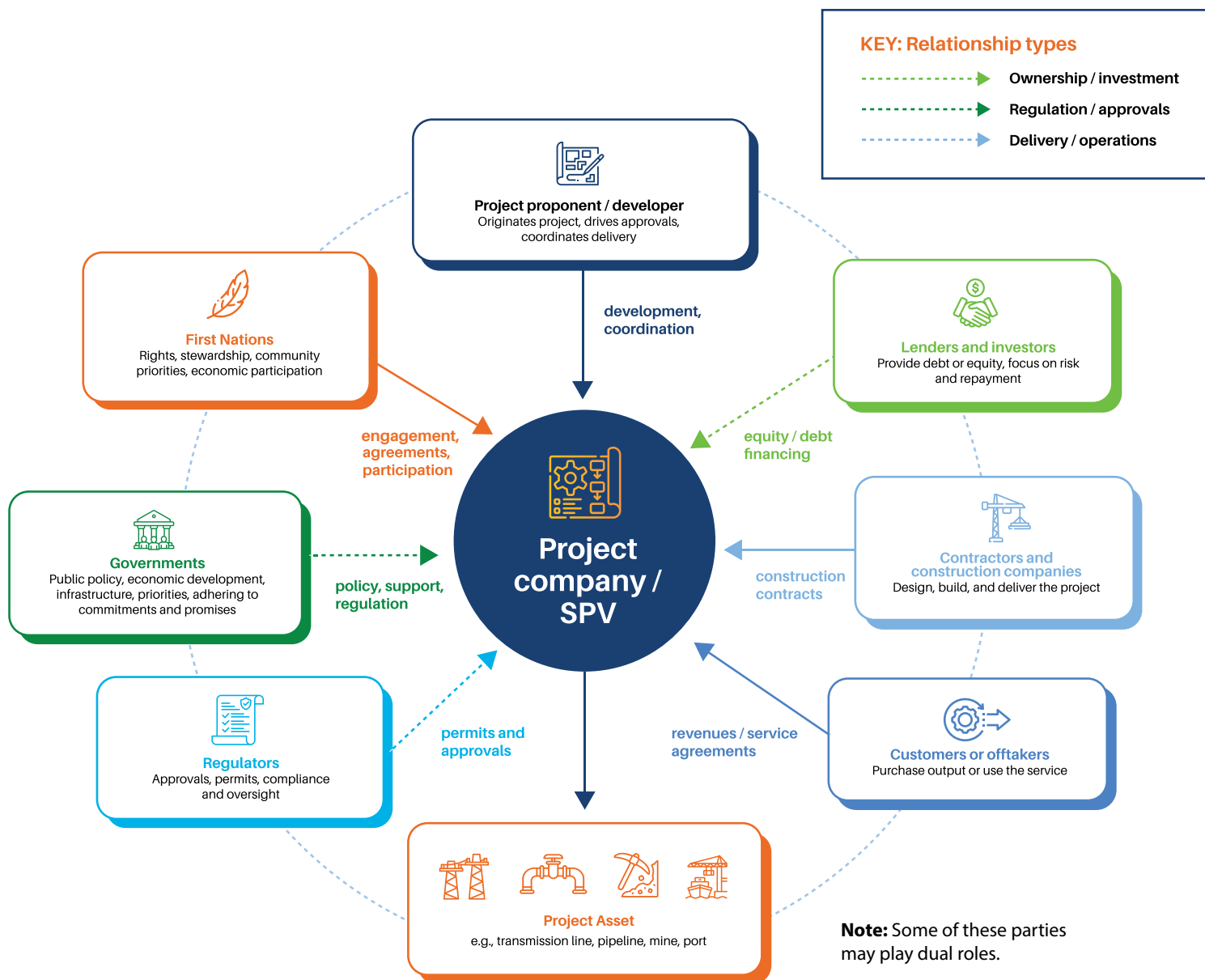
After **operations** start, most early risks are resolved, and revenues often become more stable. Still, projects can face new risks like equipment problems, unanticipated capital or maintenance costs, market changes, or new regulations.

The **type and level of risk** also vary between projects. For example, constructing a transmission line brings different challenges than developing a mining project, while operating a renewable energy facility involves different risks than operating a pipeline. Understanding the project stage and type can help Nations better assess commercial risk.

What are carrying costs?

Carrying costs are the financing costs while a project is being built. Because most projects borrow money before they generate revenue, every construction delay increases interest costs and can reduce returns for owners.

3.4 Parties and party-adjacent considerations



Major projects involve many different parties, each with their own objectives, responsibilities, and pressures:

- Indigenous Nations and communities
- project proponents or developers
- lenders and investors
- contractors and construction companies
- regulators
- federal, provincial, territorial, or municipal governments
- customers or offtakers

Each party approaches the project from a different perspective:

- **First Nations** look at economic opportunities, environmental stewardship, governance responsibilities, recognition of their Rights and title, long-term community benefits, and how today's decisions will affect future generations.
- **Proponents** focus on getting approvals, securing financing, building the project, and making sure it will be successful over time.
- **Lenders** want to reduce financial risk and make sure their loans are repaid.
- **Contractors** care about staying on schedule, keeping within budget, and finishing construction as planned.
- **Governments** try to balance economic growth, regulations, and policy goals while adhering to commitments made to constituents.

These groups will not always have the same priorities. Their interests may range from essential needs to stronger or weaker preferences. It is not realistic to expect other stakeholders to ignore their own priorities, and doing so will likely lead to frustration and delays. By understanding and respecting what each group needs and wants, Nations can identify where interests align or compete and negotiate more effectively.

Creating a stakeholder map can be helpful to clarify:

- who is involved in the project
- what influence they have
- what they want from the project
- where relationships, risks, or opportunities may exist

Questions to ask:

- What is this party trying to achieve?
- What risks are they most concerned about?
- What decisions can they make?
- Who are they accountable to?
- Where do our interests align, and where do they not?

4. Equity ownership

4.1 Why do First Nations seek equity investments in major projects?

Equity ownership is a way to participate more directly in long-term economic opportunities created by major projects in a Nation's territory. Unlike other forms of participation, equity ownership provides an ownership interest in a project and the potential to share in its long-term risk and reward.

Depending on the project and the ownership structure, equity ownership can also support non-financial objectives such as:

- building governance and institutional capacity for long-term planning
- building operational experience and capacity
- supporting community priorities
- facilitating enhanced environmental stewardship

4.2 True equity ownership

True equity ownership means owning a share of a project or of the entity that owns the project. Rather than participating only through commercial agreements or benefit arrangements, the Nation becomes one of the project's investors.

One characteristic of equity ownership is that investors share in both the potential benefits and the risks of a project. If the project performs well, owners may receive distributions and benefit from an increase in the value of their investment. If the project does not perform as expected, returns may be lower, and owners may have additional financial obligations.

However, not all investors share risks and benefits in the same way. These can be allocated differently depending on how the investment is structured. For example, an investor may hold a preferred interest that provides greater protection from losses but also limits potential returns. The rights that come with equity ownership depend on the negotiated agreements and ownership structure. It is helpful to distinguish between:

- **Economic rights**, such as receiving distributions or sharing in the value of the investment.
- **Governance rights**, such as board representation, voting rights, access to information, or approval rights over major decisions.

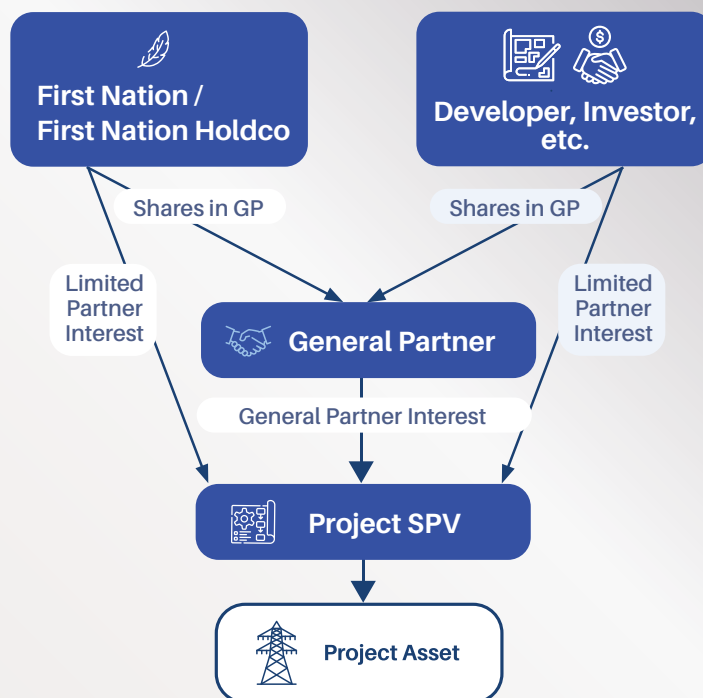
These rights do not always go together. A Nation may have a significant ownership interest, but limited governance rights, or governance rights that go beyond its ownership percentage through negotiated agreements.

Nations may also choose to incorporate their own laws, customs, and cultural protocols into governance and decision-making processes, alongside the formal legal structures of a project.

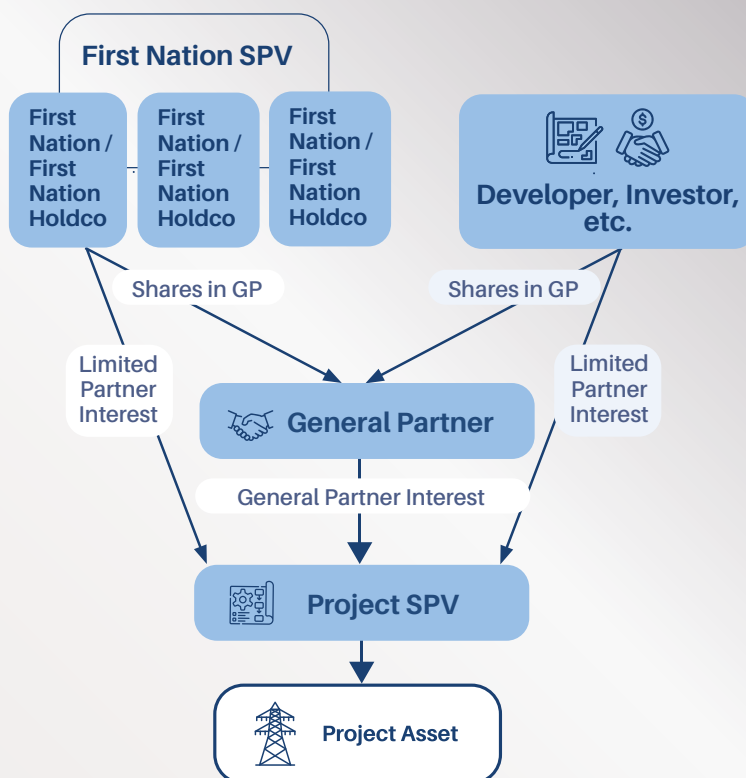
4.3 Ownership structures

Most major projects are organized using legal structures that separate the project from the companies and investors behind it. These structures help allocate risk, organize financing, define ownership, and establish how the project will be governed. A First Nation may participate through its own investment entity, or multiple Nations may establish a shared entity to participate in a project together.

Single Nation structure



Multiple Nation structure



Special Purpose Vehicles (SPVs)

Many projects are owned through a **Special Purpose Vehicle (SPV)**, a legal entity created specifically to own, build, finance, or operate a project. An SPV also facilitates equity investments by First Nations in a particular project, rather than in all projects held by a particular developer or sponsor.

The SPV enters contracts, borrows money, receives project revenues, and distributes profits to its owners. Separating the project from its owners helps manage risk, simplify financing, and establish clear governance and reporting arrangements. It also structurally limits liability flowing back to the owners, such as the First Nation or the First Nation economic development entity.

Projects can use corporations, partnerships, or a combination of both as the legal structure for the SPV. Understanding the project structure helps Nations understand:

- who owns the project
- how decisions are made
- where risks sit
- how revenues flow
- what responsibilities come with ownership

4.4 Why limited partnerships are often preferred

Limited partnerships (LPs) are one of the most common ownership structures used for major projects in Canada, particularly where the equity participants are exempt from Canadian income tax.

An LP has two types of partners:

- **General partner (GP)** – manages the partnership and makes day-to-day decisions.
- **Limited partner (LP)** – contributes capital and shares in the project's profits but does not manage the partnership directly.

LPs are generally tax transparent, meaning that income and losses flow through the partnership to the individual partners rather than being taxed within the partnership itself. The tax treatment for each partner depends on their own circumstances.

Limited partners typically have limited governance rights in their role as limited partners. In many Canadian jurisdictions, participating directly in management or decision-making may put their limited liability at risk. However, there are ways to structure governance that avoid this risk. Nations should not assume they need to give up governance rights that are important to them. For example, they may be able to negotiate the right to appoint board members to the corporate general partner of the limited partnership.

While LPs are common, they are not the right structure for every project. Depending on tax considerations, financing requirements, governance arrangements, or the number and types of investors involved, corporations, trusts, or other ownership structures may be more appropriate in some circumstances.

4.5 Other economic participation models

Major projects create different types of economic opportunities for First Nations. Equity ownership is one option, but it is not the only way to participate. Depending on the project, their willingness to take on risk, and their own priorities, First Nations may choose one or several forms of participation. For example, a Nation may negotiate a combination of revenue sharing, procurement opportunities, and employment agreements. Some of these arrangements may be included in an Impact or Relationship Benefit Agreement (IBA/RBA), while others may be negotiated separately.

Common participation models include:

Participation model	Description
Revenue sharing	A negotiated share of project revenues, royalties, or profits without acquiring an ownership interest.
Procurement and service agreements	Commercial opportunities for Nation-owned businesses to provide goods or services during construction or operations.
Employment and training	Programs that support workforce participation, apprenticeships, and long-term skills development.
Milestone or capacity funding	Funding that supports participation during project planning, regulatory processes, or negotiations.
IBA/RBA	Agreements that may include a variety of direct and indirect benefits, including some or all of those listed above as well as other negotiated benefits.
Synthetic equity	Arrangements that provide financial returns similar to equity ownership without the Nation becoming an actual owner of the project. It may be used when direct equity ownership is not practical, for example when a project is part of a larger group of assets rather than being held in its own Special Purpose Vehicle (SPV).

Some projects may also involve ownership arrangements connected to land access, rights-of-way, or other negotiated commercial agreements.

5. Assessing an equity investment

5.1 The three levels of analysis



When evaluating an equity opportunity, Nations should consider not only the project itself, but also the relationships among investors and how the Nation structures its own affairs to hold an investment. These three levels of analysis provide a structured way to consider the different dimensions of an equity opportunity.

Level 1: The project

Focus on whether the project can reliably generate value.

Potential questions:

1. Is the project economically viable?
2. How does it make money?
3. Who are the customers or offtakers?
4. Is revenue expected to be stable (e.g., long-term contracts or regulated returns) or volatile (e.g., commodity exposure)?
5. Does it align with community values and priorities?
6. What are the major risks (permitting, construction, market, operations)?
7. Can it be built on time and on budget?
8. Do the development partner and project parties have experience delivering projects of similar size and complexity?

More details on this level in Section 5.2

Level 2: Investor relationships

Consider how the owners work together and how decisions are made.

Potential questions:

1. Who owns the project, and in what proportions?
2. How are decisions made (board rights, voting thresholds, approvals)?
3. How are risks, costs, and future capital needs shared?
4. What happens if there are disagreements or a partner wants to exit?
5. Are the interests and expectations of all partners aligned?

More details on this level in Section 5.3

Level 3: Nation ownership and governance readiness

A successful investment also depends on the Nation's capacity to manage its ownership responsibilities in the long term. Before investing, Nations need to consider how the investment will be governed, how decisions will be made, and whether they have the capacity to support the investment over time.

Potential questions:

1. How will the Nation organize and oversee its ownership interest?
2. Who will make decisions on behalf of the Nation?
3. How will information flow between the project, leadership, and community?
4. How will revenues be received, managed, and reported?
5. How will accountability be maintained across elections and leadership changes?

More details on this level in Section 6

5.2 The project's commercial strength or weakness

Level 1 of the analysis focuses on the commercial strength of the project itself. Even the best ownership structure cannot overcome a project with weak economics or unreliable revenues. A project's commercial strength or weakness affects not only whether a project can be financed, but also on what terms, and these terms directly affect the value of an equity investment.

Not all economically or socially important projects are equally strong commercial investments. A project may create jobs, improve infrastructure, or support regional development, but still offer limited financial returns to owners.

A bankable project is generally a project with reasonably strong economics and other characteristics that would be acceptable for debt financing by banks and other lenders.

Projects with lower technology, construction and other risks, and more predictable revenue, are typically more bankable than projects that are riskier or have less predictable cash flows. Nations should understand bankability when evaluating any ownership opportunity, particularly if lenders are required to finance the project.

A project's bankability refers to whether lenders and investors believe it can generate stable enough cash flow to support financing, manage risk, and deliver acceptable long-term returns.

Lenders pay close attention to project structure because they want to ensure that:

- the project will generate stable revenues
- risks are manageable
- contracts are reliable
- financing obligations can be repaid on time

Projects with stable and predictable revenues are generally easier to finance. Examples include:

- regulated utilities
- electricity transmission projects
- projects supported by long-term contracts
- infrastructure assets with reliable customer demand

Projects exposed to commodity price risk and/or country and market risk are considered riskier as the revenues are subject to variation.

Construction risk is also an important factor in lenders' analysis. Labour shortages, supply chain problems, or permitting challenges can all delay the project's completion or increase its cost.

Lenders also pay attention to a project's debt capacity and leverage. They assess how much debt a project can service with its expected future cash flow. A project with too much debt will be very sensitive to a decrease in revenue or an increase in costs.

A project that is considered bankable usually has:

- predictable revenue
- manageable construction risk
- reliable contracts
- strong governance
- realistic timelines
- experienced partners
- stable regulation
- clear long-term demand

Common lender requirements include:

- detailed due diligence
- environmental reviews
- long-term contracts
- financial models
- insurance coverage
- reserve accounts
- reporting obligations
- restrictions on distributions or borrowing

Understanding these concepts helps explain why some projects attract financing more easily than others and how financing terms can affect the long-term value of an equity investment.

PROJECT CASH FLOW WATERFALL

Project Revenue

Cash generated from operations
(e.g., sales, off-take payments)



Operating Costs

WHAT IT COVERS

Day-to-day costs to run the project
(operations, maintenance,
staffing, materials, etc.)

WHO GETS PAID

Operations and
service providers



Taxes (if applicable)

WHAT IT COVERS

Income and other taxes owed
to governments

WHO GETS PAID

Government (tax
authorities)



Debt Services

WHAT IT COVERS

Repayment of debt including
interest and principal

WHO GETS PAID

Lenders and
financial institutions



Distributions to Equity

WHAT IT COVERS

Dividends or distributions to
equity investors

WHO GETS PAID

Equity owners (First
Nations & other partners)



Debt is repaid before equity. Equity investors take more risk because they are paid last, but may receive higher long-term returns if the project performs well.

What is a cash waterfall?

A cash waterfall shows the order in which project revenues are used. Operating costs, taxes, and debt are typically paid first. Whatever remains is available for distribution to the equity owners.

Projects are typically financed using a combination of debt and equity, known as the project's capital structure or "capital stack". Debt is money borrowed that must be repaid with interest. Equity is an investment made by the project owners.

Debt, including interest, is repaid first. Equity owners receive the remaining cash after operating costs and taxes.

Because equity owners are paid last, they bear more risk. However, if the project performs well, there is the potential for higher returns over the long term.

5.3 Relationships between investors — the “Mantra of Five”

Level 2 of the analysis assesses the commercial terms that shape the relationship between investment partners. When reviewing equity opportunities and commercial agreements, Nations often have to negotiate many complex issues at once. A helpful way to think about these discussions is through the “Mantra of Five”: (1) Money In, (2) Money Out / Distributions, (3) Exits and Transfers, (4) Control and Governance, and (5) Reporting and Transparency.

1. Money in

- How much capital must be invested?
- When are contributions required?
- Will additional funding be needed later?
- How will financing be arranged?
- What happens if someone fails to fund?

The answers to these questions determine the Nation's upfront financial commitment and whether additional capital or borrowing may be needed over the life of the project if costs increase or revenues fall short.

Example: A Nation may negotiate terms to reduce the risk of needing to provide substantial amounts of additional capital later in the life of the project.

2. Money out / distributions

- When may revenues begin flowing to owners?
- How are profits distributed?
- What restrictions may lenders put on distributions?
- Are revenues expected to be stable over time?

The answers to these questions affect when a Nation can realistically expect to receive financial returns and how predictable those returns are over the life of the investment.

Example: A project may be profitable overall, but distributions to owners could be delayed for a few years while construction loans are being paid off. A Nation may need to negotiate terms or otherwise find ways to cover its carrying costs before distributions are expected to be received.

3. Exits and transfers

- Can ownership interests be sold or transferred?
- Who can purchase ownership interests?
- What approvals are required?
- What happens if a partner wants to leave the project?

The answers to these questions help establish how ownership can change over the life of the project. Exit provisions are important because ownership relationships can last for decades.

Example: A Nation may wish to transfer part of its ownership interest in the future, but the partnership agreement could require approval from the other owners, making future transfer plans more uncertain or challenging.

4. Control and governance

- Who is allowed to appoint individuals to the board of directors?
- Who has voting rights and on which issues?
- Who has approval rights and on which issues?
- Who is in charge of day-to-day operational decision-making?
- What dispute resolution processes are in place?

The answers to these questions determine how much influence a Nation will have over important project decisions and how disagreements between partners will be managed. Nations should understand the governance rights that are attached to their ownership interest, since ownership percentage alone does not necessarily determine decision-making authority.

Example: One Nation may choose to invest more capital in exchange for greater voting rights or board representation, while another may prefer fewer governance responsibilities.

5. Reporting and transparency

- What financial information do investors have access to?
- What project information do investors have access to?
- Do the investors have audit rights?
- When do investors receive operational updates?
- How much transparency is there between partners?
- What are the terms of confidentiality that apply to the information received by the investors?

Clear reporting allows Nations to monitor project performance, meet their own governance obligations, and make good decisions throughout the life of the investment.

Example: Regular financial reports and operational updates allow a Nation to monitor the project's performance and identify issues before they become larger problems. A Nation may need to negotiate the terms of confidentiality to ensure that it can report back to leadership and community members in accordance with its own governance obligations.

All five areas are interconnected, and decisions made in one area can affect the others. For example, a Nation may be comfortable with governance arrangements negotiated with the original project partner, but much less comfortable if that partner later transfers its interest to someone else.

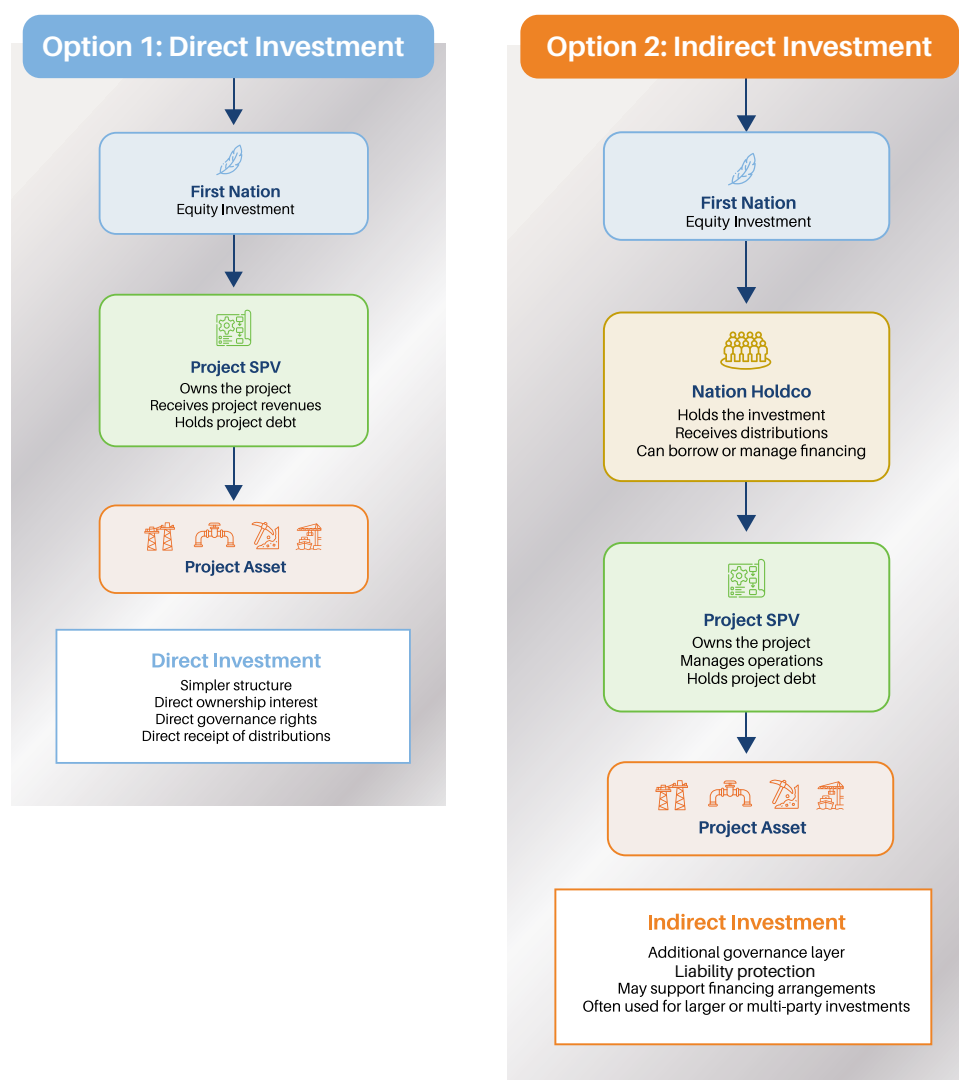
For this reason, Nations should consider the overall commercial arrangement rather than focusing too narrowly on any one provision. Changes to one part of an agreement can have consequences elsewhere.

6. Investing in a project SPV

Level 3 of the analysis focuses on how a Nation structures, governs, and finances its investment. There is no single approach that works for every Nation or every project. Nations with experience investing in multiple project Special Purpose Vehicles (SPVs) may already have established approaches. For Nations that are newer to equity ownership, each of these elements should be considered carefully based on the specific project and the Nation's priorities.

6.1 Choosing an ownership structure

A Nation considering an equity investment will need to decide how to hold its ownership interest. While it is possible for a Nation to invest directly in a project entity, most choose to invest through a separate commercial entity, such as a development corporation or other holding structure. The choice of structure can have important tax implications. For example, not all corporate structures are exempt from income tax, so Nations should seek legal and tax advice before deciding how to hold their investment.



Investing directly in the project entity

In some circumstances, a Nation may hold its ownership interest directly in the project corporate or partnership SPV. Although this approach can simplify the ownership structure, direct ownership can pose issues around:

- liability exposure
- governance continuity
- leadership transitions
- future financing flexibility
- managing ongoing administrative obligations

For that reason, holding directly is generally not recommended as best practice.

Indirect ownership

It is generally considered best practice for Nations to invest through a separate holding vehicle such as the Nation's economic development entity.

This approach:

- separates political and commercial decision-making
- supports long-term governance continuity
- reduces liability exposure
- simplifies future investments across multiple projects
- simplifies project financing
- strengthens financial management and reporting
- supports professional management and oversight
- supports timely decision-making within a clearly delegated governance framework

6.2 Common structuring considerations

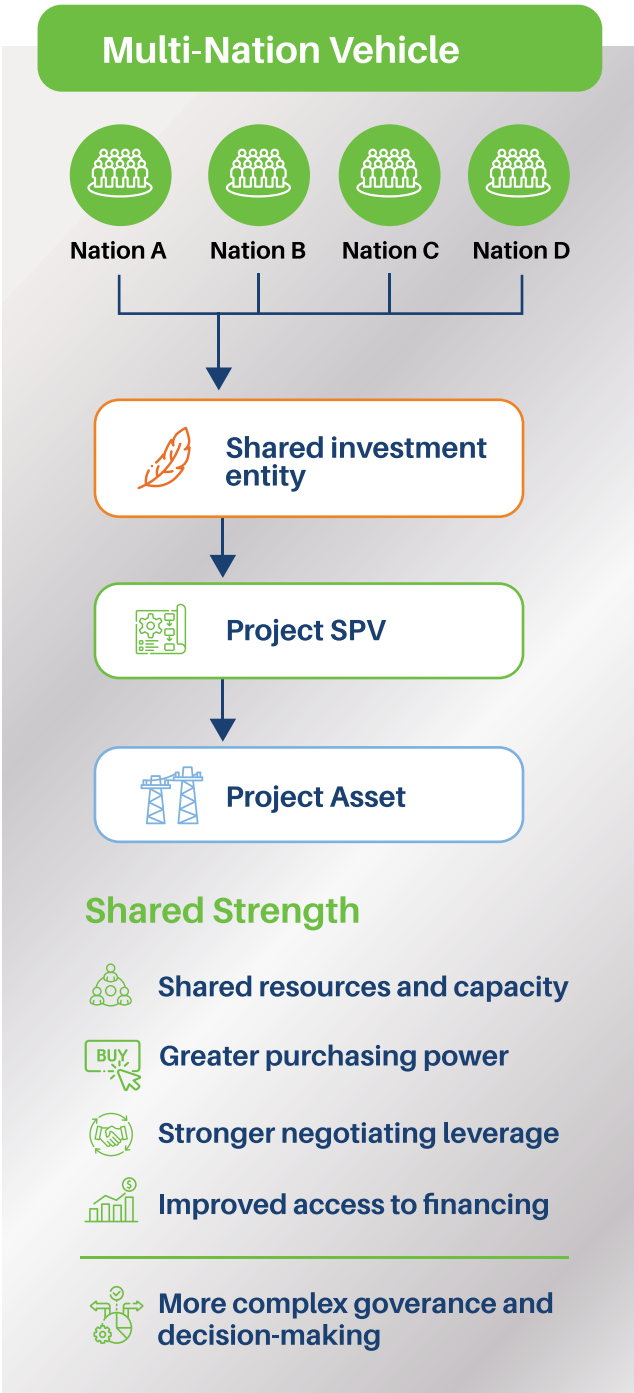
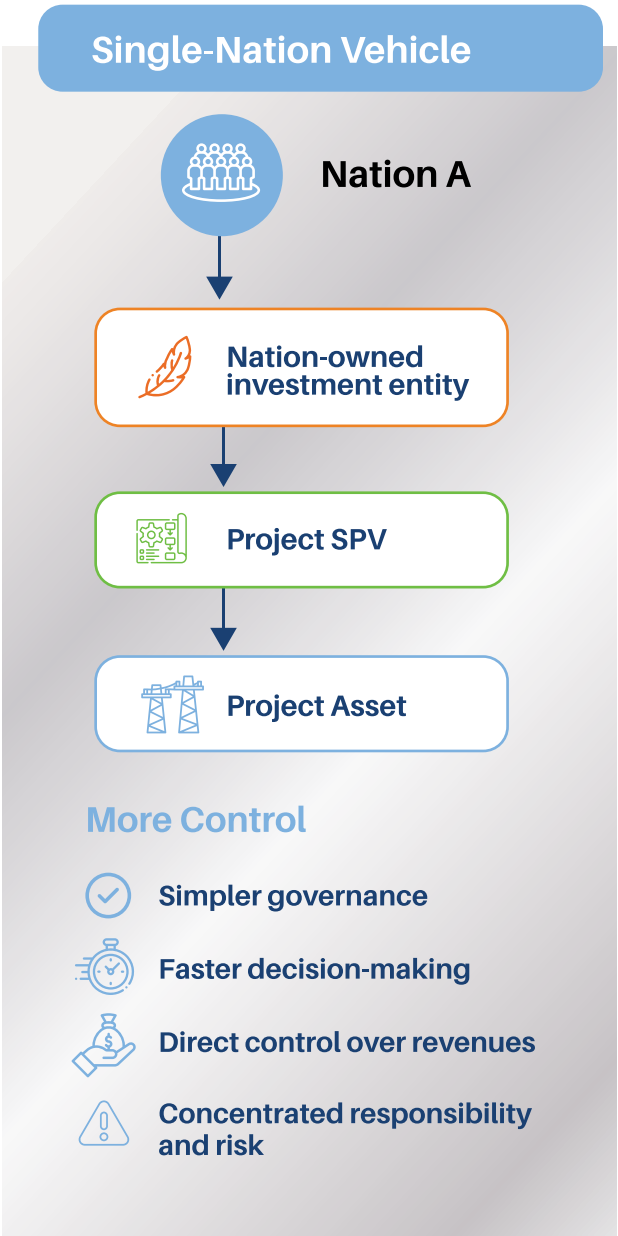
Selecting an ownership structure involves more than deciding who owns the project. Nations also need to consider how the structure will affect governance, taxation, liability, administration, future investment opportunities, and financing.

Consideration	Why it matters
Governance	Determines how important decisions are made, who has the authority to make them, and how decision-makers are held accountable.
Tax treatment	Affects how revenues flow to the Nation, financing arrangements, and eligibility for tax exemptions or incentives.
Liability protection	Helps separate project risks from other Nation assets and limit exposure to project liabilities.
Administration	More complex structures often require additional reporting, accounting, legal compliance, and governance systems.
Future flexibility	Some structures make it easier to acquire additional investments, establish partnerships, or build long-term investment portfolios.
Governance continuity	Supports stable decision-making and commercial continuity through leadership transitions and over the life of the investment.
Lender requirements	Expectations regarding financial reporting, governance, insurance, reserve accounts, or borrowing restrictions.

A note on governance: Serving as a director or manager carries legal responsibilities. Directors are expected to act honestly, exercise reasonable care, avoid conflicts of interest, and act in the best interests of the corporation they serve. Individuals appointed to a board need to understand these responsibilities, understand the protections and limitations of directors' and officers' (D&O) insurance coverage, and have access to appropriate training and advice.

6.3 Single vs. multi-party investment vehicles

Some projects are owned by a single Nation and are managed by that Nation as an independent investment, whereas others are owned by multiple Nations in a joint ownership structure. Both options can be appropriate depending on the project and the Nations involved.



	Single-Nation structure	Multi-Nation structure
Typical approach	One Nation owns and manages its investment independently.	Two or more Nations invest through a shared ownership entity, such as a limited partnership or jointly owned development corporation.
Potential strengths	• Simpler governance • Faster decision-making • Direct control over revenues • Greater flexibility • Better accountability	• More leverage in negotiations with project developers and other investors • Shared advisory and transaction costs • Better access to financing • Shared technical and governance capacity • Regional collaboration
Things to consider	• Higher administrative costs • May place greater demands on the Nation	• Need for clear governance • Agreed decision-making processes • Shared capital commitments • Allocation of benefits among Nations • Coordinated communication and relationship management

Governance in a multi-Nation structure

Collective ownership structures can pose governance challenges best addressed early in the process.

Nations may need to negotiate:

- voting thresholds
- board representation and qualification
- decision-making rules
- dispute resolution processes
- distribution formulas
- exit rights
- confidentiality obligations
- future capital contribution requirements

Dispute resolution in a multi-Nation structure

Disagreements can arise in any partnership.

Multi-Nation ownership agreements need to include processes for resolving disputes before they happen.

These can include:

- mediation
- arbitration
- escalation procedures
- supermajority voting thresholds
- clearly defined decision-making authority

Nations may also choose to incorporate culturally appropriate approaches to dispute resolution. At the same time, governance arrangements should protect Nations against unfair treatment without allowing a small minority to create unintended deadlock or make routine administration impractical.

Allocation of benefits in a multi-Nation structure

Participating Nations also need to consider how the revenues or other benefits from a project will be allocated.

Different approaches may consider:

- geography or proximity to the project
- project impacts
- population
- equal sharing models
- historical agreements
- negotiated allocations

These conversations can be sensitive and rely on good relationships and trust.

6.4 Financing the investment

Equity participation can be funded from a variety of sources, depending on the scale of investment, the nature of the project, and a Nation's financial circumstances and priorities.

Equity contributions

To reduce the amount of borrowed funds and associated costs, Nations can fund part of their investment directly using:

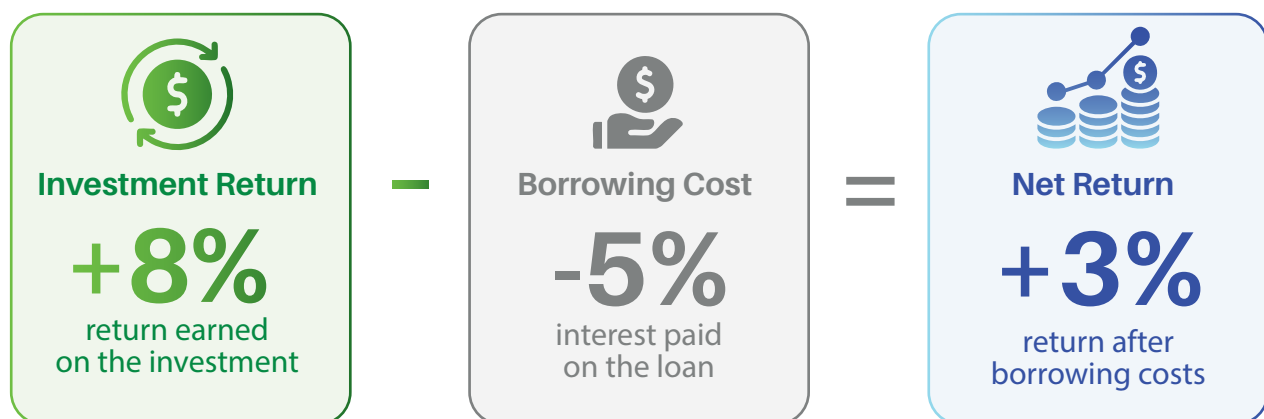
- cash reserves
- own-source revenues
- settlement funds
- revenues from existing businesses or projects

Financing source	Typical use	Advantage	Key consideration
Equity contributions	Use the Nation's own funds	Reduces borrowing costs	Uses capital that could support other priorities
Debt financing	Borrow to fund the investment	Preserves available capital	Borrowing costs reduce returns; security may expose other assets
Government loan guarantees	Support debt financing	Can lower borrowing costs	Eligibility and approval requirements apply
Government and Indigenous-led financing programs	Loans or other financing	May offer more favourable terms	Eligibility, terms and conditions vary
Grants and contribution funding	Support early-stage work	Reduces preparation and evaluation costs	Usually does not fund the investment itself
Land or access contributions	Contribute project-related value	Reduces reliance on cash or debt	Can be complex to value and structure

Debt financing

Debt financing is the most common way to fund an equity investment. Financing can come from banks, institutional investors, Indigenous lenders, or private lenders.

If a Nation borrows to make an investment, the cost of borrowing reduces its overall return. Loan terms, such as fixed or floating interest rates and repayment schedules, can have a significant impact on the overall return.



Net return = Investment return - Borrowing costs

Example only. Actual returns depend on investment performance and loan terms, including interest rates (fixed or floating) and repayment schedules.

Lenders set loan terms based on how they assess the risk of an investment. When financing an investment in a project SPV, they consider factors such as the assets available as security, the strength of the project, its existing debt, and its expected cash flow.

Lenders also use financial measures such as the debt service coverage ratio (DSCR), which indicates how easily project cash flow can cover loan payments, and the loan-to-value ratio (LTV), which compares the amount borrowed to the value of the underlying asset. If cash flow is limited or the loan amount is high relative to the asset's value, the investment is considered riskier. As a result, financing may cost more or be more difficult to obtain.

It is also uncommon for lenders to finance 100 percent of an equity investment unless additional support, such as a government loan guarantee, is available.

If a Nation secures financing using broader assets—for example, through an economic development corporation—rather than relying solely on the project itself, lenders may offer more favourable loan terms. However, this approach also exposes more of the Nation's assets to potential claims if the loan cannot be repaid.

Loan guarantees and other financing programs

In recent years, federal and provincial governments have introduced programs to help address some of the historical barriers First Nations face in accessing capital. The programs are intended to make infrastructure development and equity investments more financially viable by improving access to financing.

Loan guarantees

Loan guarantee programs provide a federal or provincial guarantee to a third-party lender that is financing a Nation or a Nation-owned entity. Because the guarantee reduces the lender's risk, it can lower borrowing costs and improve the Nation's net return on its investment.

While these programs can reduce the cost of financing for eligible projects, obtaining a loan guarantee is not a simple process, and not every project qualifies. Loan guarantee providers have their own policies, due diligence requirements, and approval processes. As a result, they become another stakeholder in the transaction whose requirements must be considered alongside those of the Nation, the lender, and the project partners.

Canada Infrastructure Bank

The federal government also provides financing for eligible First Nation infrastructure and equity investments through the Canada Infrastructure Bank (CIB). The CIB can provide direct loans to Indigenous communities that are acquiring equity stakes in projects in which the CIB is also investing.

Other federal and provincial programs may also provide financing or support for First Nation infrastructure and equity investments. Eligibility, funding criteria, and program terms vary, so Nations should confirm current requirements before applying.

Indigenous-Led institutions

In addition to federal and provincial programs, several Indigenous-led financial institutions provide financing for First Nation investments.

The First Nations Finance Authority (FNFA) raises capital by issuing bonds backed by the collective credit of its borrowing member Nations. It then lends those funds to individual Nations. Because risk is shared across many borrowers, the FNFA can often access capital at lower borrowing costs than individual Nations could obtain on their own.

The number of Indigenous-led institutions and financing programs continues to grow, and program terms and eligibility requirements change over time. Nations should always confirm current program details before making financing decisions.

Grants and contribution funding

Nations can also access grants, capacity funding, development funding, and other forms of early-stage financial support.

These funding sources are commonly used to support activities such as:

- feasibility studies
- due diligence
- legal and advisory services
- governance development
- technical and environmental studies

Although this funding does not usually pay for the equity investment itself, it can help Nations evaluate opportunities, participate in negotiations, and prepare for an investment. Capacity funding may not be available for all opportunities or cover all costs, and Nations may need to use their own resources to support some of this work.

Land or access contributions

Nations may negotiate value contributions connected to:

- land access
- rights-of-way
- infrastructure access
- project support arrangements

Value contributions often require legal, financial and valuation support because of their complexity and to make sure they are correctly reflected in a project's ownership structure.

6.5 Nation readiness

Financing an investment is only one part of preparing for equity ownership. As discussed in Level 3 of the analysis, Nations also need to consider how they will structure, govern, and manage an investment over the long term.

Every Nation enters equity discussions from a different starting point, and no Nation is expected to have everything in place before considering an investment. The goal is to understand where additional planning, resources, or expertise may be needed to support a successful long-term investment.

Financial readiness

Financial readiness means whether a Nation has the financial capacity to support a long-term investment and meet the obligations that come with ownership.

Considerations include:

- existing debt obligations and borrowing capacity
- availability of own-source revenues
- financial risk tolerance
- impact of potentially delayed returns on other priorities
- capacity to meet future capital requirements
- ability to manage long-term financial reporting and oversight

Some financing arrangements require Nations to provide credit support, such as guarantees, contractual protections, or other security arrangements. Government-backed loan guarantee programs may reduce or replace some of these requirements, depending on the financing structure.

Before investing, Nations should consider whether they are prepared to support the investment over its full life. This could include responding to changing financial circumstances, refinancing, or additional capital requirements if they arise.

Governance readiness

Strong governance systems help support successful long-term ownership. Because major projects often last longer than election cycles or changes in leadership, Nations need governance arrangements that safeguard accountability, decision-making continuity, and institutional knowledge, including:

- defined decision-making authority
- qualifications and awareness of the duties, responsibilities, and potential liabilities
- financial controls and reporting systems
- accountability and oversight
- continuity through leadership changes
- long-term investment planning

Many Nations establish development corporations with professional boards and governance policies to separate day-to-day commercial activities from elected leadership while staying accountable to the community.

Community readiness

Long-term ownership also depends on being able to build and maintain community support. Consistent community engagement and transparent communications can help:

- explain project risks and opportunities
- manage expectations around revenues and timelines
- respond to false information or uncertainty

Advisor readiness

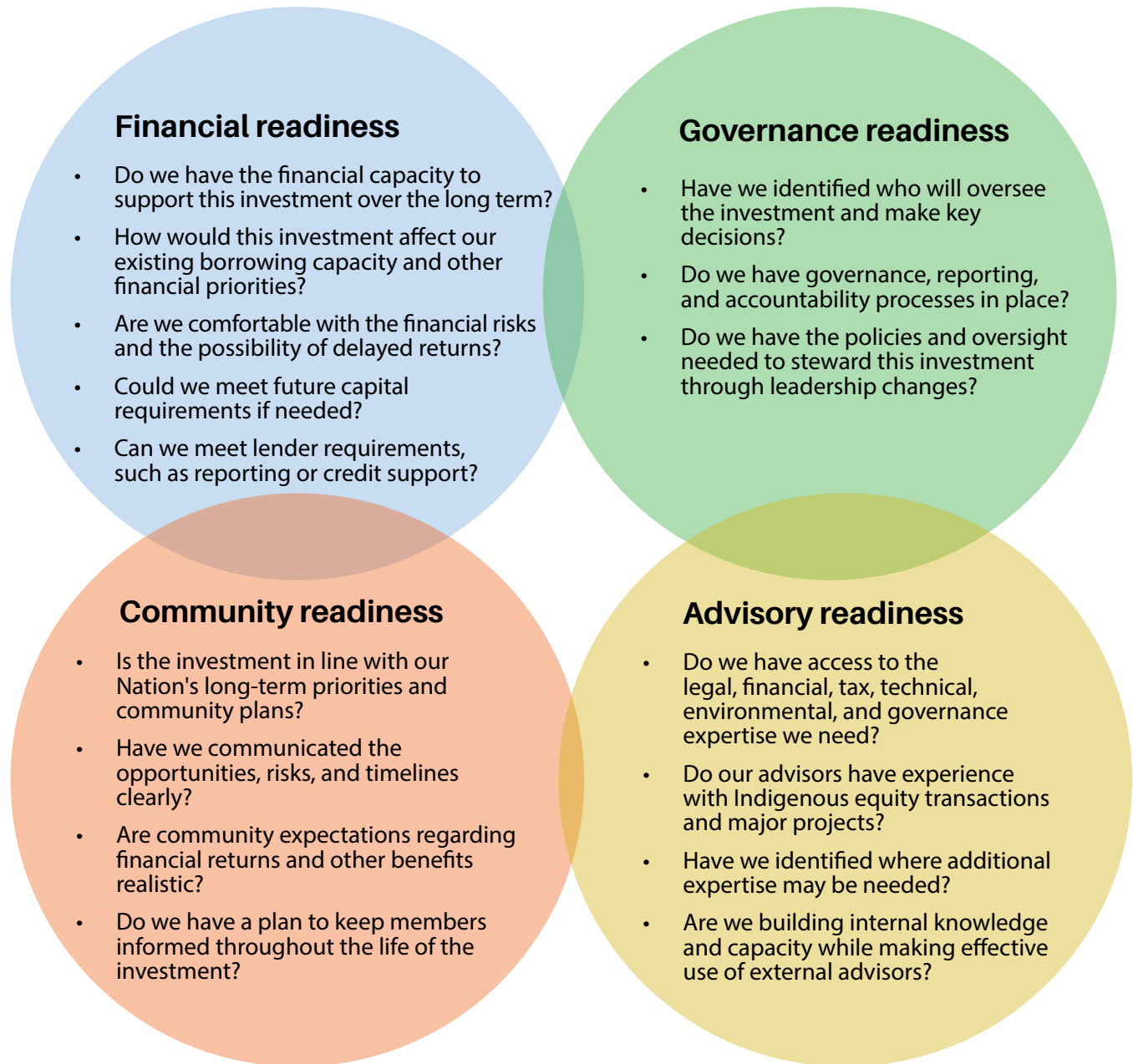
Major projects typically require specialist expertise, including:

- legal advisors
- tax advisors
- financial modelers
- technical consultants
- environmental experts
- governance advisors

Some Nations build this expertise internally over time, while others continue to rely on trusted external advisors. Most Nations use a combination of both.

This guide is not a substitute for qualified professional advice. It is important to work with advisors who have experience with the type of project, ownership structure, and technologies being considered. Building relationships with trusted advisors early allows Nations to understand opportunities better, manage risks, and negotiate commercial arrangements with confidence.

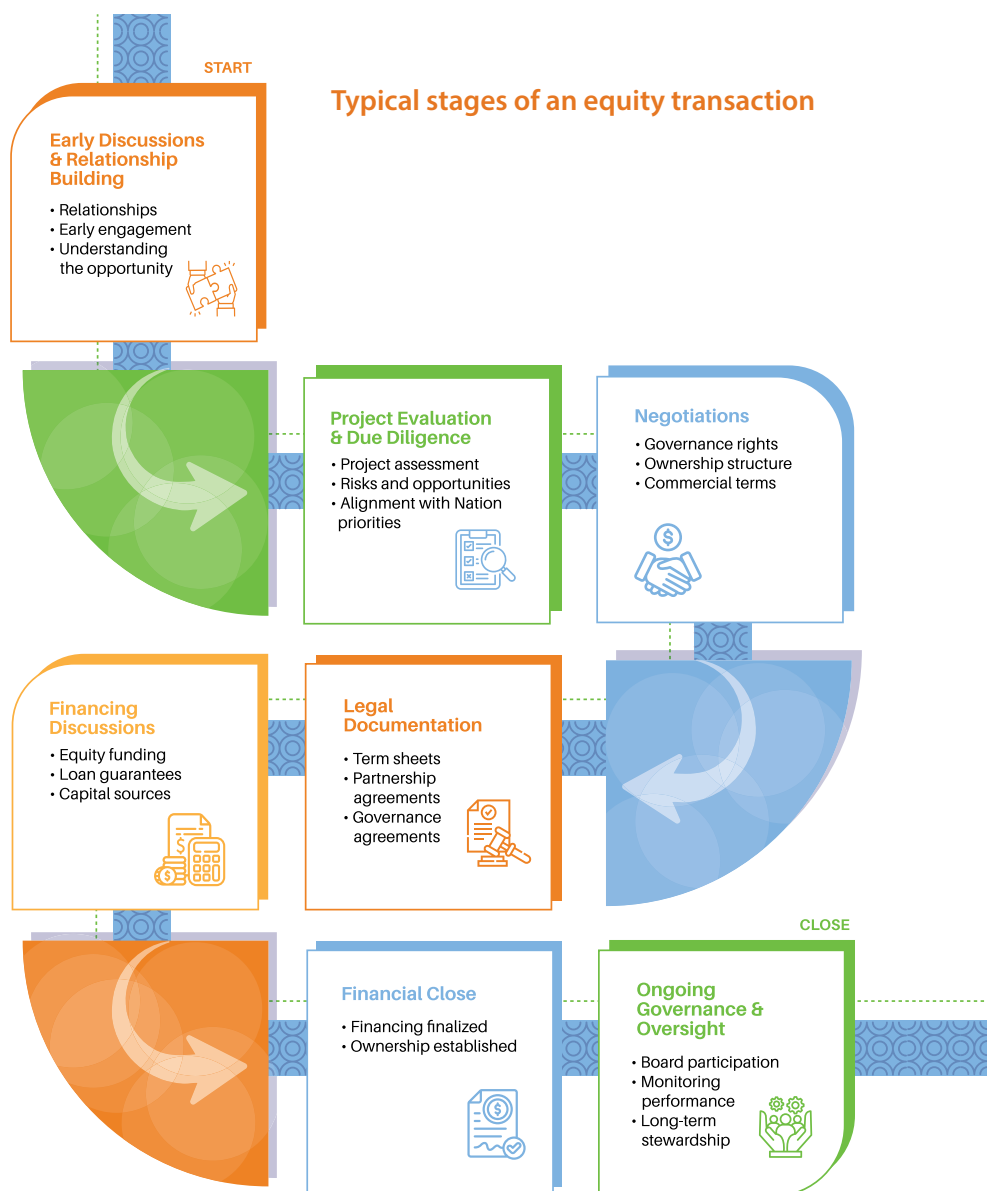
Nation readiness self-assessment



The more questions your Nation can answer with “yes”, the better prepared it is to evaluate and steward a long-term equity investment.

7. Process

Every equity transaction is different, but most follow a similar overall process. While some activities occur in sequence, others might overlap. For example, financing discussions can begin while commercial terms are still being negotiated, and legal documents are often finalized over the course of the transaction rather than all at once.



Understanding the overall process can help Nations anticipate key decisions, identify when to involve different advisors, and prepare for the long-term responsibilities of ownership.

The following sections highlight the key decisions and activities Nations should consider as they move through the process.

7.1 Early discussions and relationship building

Before entering formal negotiations, Nations should establish an internal process that supports informed, consistent decision-making.

Establish governance and decision-making

Clear governance helps everyone understand who has authority to make decisions throughout the transaction. This can include:

- leadership mandates
- council resolutions
- development corporation mandates
- negotiation authorities
- internal approval processes

This also helps proponents, lenders, and advisors understand who is authorized to negotiate and make decisions on behalf of the Nation.

Engage the community

Community engagement helps build understanding, identify concerns early, and strengthen confidence in the process. Activities can include:

- community meetings
- leadership updates
- discussions about project opportunities and risks
- conversations about long-term benefits and responsibilities

Projects involving long-term borrowing or ownership obligations generally require ongoing communication leading up to the investment and throughout the life of the project.

Coordinate the work

Major projects create a significant amount of technical, legal, financial, and commercial information. Nations should consider:

- who will lead negotiations
- how advisors will be engaged
- who will review technical information
- how decisions will be documented
- how information will flow between leadership, staff, boards, and community members

Some Nations establish project teams, working groups, or investment committees to support these activities.

Documenting decisions throughout the process also helps preserve knowledge and supports continuity through leadership changes.

7.2 Evaluating and negotiating the opportunity

As Nations evaluate a potential investment, they will conduct due diligence while negotiating commercial terms with project partners. These activities often occur at the same time and continue throughout the transaction.

When to enter

The timing of a Nation's entry into a project matters, as it affects:

- negotiating leverage
- pricing
- governance rights
- project risk
- financing options

Understanding your leverage

Every Nation brings different strengths to a negotiation. Leverage can come from different places, such as:

- territorial proximity
- regulatory processes
- rights and title considerations
- project certainty needs
- access to land or infrastructure
- relationships with governments or communities
- regional collaboration among Nations

Understanding where a Nation's leverage exists and the value it can bring to a project can help Nations negotiate more effectively. Rights, title, jurisdiction, consultation, accommodation, and consent considerations exist independently of an equity negotiation. They should not be treated simply as commercial leverage or compromised as part of a commercial agreement.

Consider trade-offs

Commercial negotiations can mean having to balance competing priorities. For example:

- lower-risk projects may generate lower returns
- stronger governance rights may require larger investments
- early participation may involve greater uncertainty
- borrowing may create opportunities while increasing financial exposure

Be prepared to walk away

Not every opportunity will be the right fit.

A Nation may decide not to proceed for a number of reasons, including:

- the risks outweigh the benefits
- financing terms are not acceptable
- the project does not fit with community priorities
- the proposed timeline is unrealistic

Choosing not to proceed can be just as important a decision as choosing to invest.

Red flags during negotiations

- ▶ **revenue projections that seem unrealistic or cannot be supported**
- ▶ **pressure to make decisions quickly**
- ▶ **missing or inconsistent information**
- ▶ **unclear governance rights or decision-making procedures**
- ▶ **financing obligations that are not fully explained**
- ▶ **requests to rely on verbal commitments rather than written agreements**
- ▶ **not enough time for due diligence or independent advice**
- ▶ **limited opportunities for community engagement**
- ▶ **long-term governance responsibilities that have not been clearly discussed**

7.3 Finalizing financing and documentation

As commercial terms become more defined, financing arrangements and legal documentation are often developed in parallel. The following documents are commonly used throughout this stage of the transaction.

Document	Purpose
Capacity agreement	Provides funding to support technical reviews, due diligence, advisory services, negotiations, and community engagement.
Non-disclosure agreement (NDA)	Allows confidential project information to be shared while protecting commercially sensitive information.
Term sheet	Outlines the key commercial terms of the proposed transaction and provides the framework for negotiating the definitive agreements.
Definitive agreements	Legally binding agreements that establish the rights and obligations of all parties. These may include partnership agreements, shareholder agreements, financing agreements, and operating agreements.
Governance agreements	Set out how decisions will be made, including board representation, voting rights, approval processes, reporting requirements, and dispute resolution.



Common pitfalls to watch for

When reviewing commercial and legal agreements, Nations should pay attention to:

- capital contribution obligations, including what happens if a partner does not contribute additional capital when required
- when and how project distributions will be made, including any restrictions on cash distributions
- transfer and exit provisions that could limit future options or create unintended obligations
- governance arrangements that do not align with ownership interests
- decision-making rights that are unclear or not clearly documented
- information rights and confidentiality restrictions that limit a Nation's ability to provide adequate community updates, transparency and accountability

Small details in the documentation can have long-term consequences for:

- governance rights
- future capital requirements
- financing flexibility
- exit rights
- financial returns
- long-term control of the investment

7.4 Becoming an owner

Reaching financial close is not the end of the process. In many ways it marks the beginning of long-term ownership and governance responsibilities for a Nation.

Financial close

Financial close usually occurs once:

- financing agreements have been finalized
- legal documents have been executed
- financing conditions have been satisfied
- ownership transfers have been completed

Ongoing oversight

After the financial close, Nations continue to play an active part in overseeing their investment. This may include:

- participating on boards or governance committees
- reviewing financial and operational performance
- monitoring construction or operational milestones
- participating in major commercial decisions
- reviewing refinancing or expansion opportunities

Monitoring and reporting

Ownership also involves ongoing monitoring and reporting. Depending on the project, this can include reviewing:

- financial performance
- project distributions
- construction or operational progress
- environmental commitments
- governance obligations

Reporting obligations can also extend to lenders, project partners, leadership, and community members.

Equity ownership as an intergenerational responsibility

Many projects continue to evolve after construction is complete. Ownership may involve refinancing, expansion, acquisitions, or changes to the ownership structure over time.

Nations should also consider how revenues will be managed, including whether distributions will support current priorities, future investments, or long-term wealth management.

Commercial ownership is a long-term commitment. Strong governance, ongoing oversight, and thoughtful stewardship help ensure that an investment continues to support the Nation's priorities for generations to come.

8. Key takeaways

1

Equity ownership can create long-term value, but it is not the right fit for every project or every Nation.

2

A good opportunity starts with a strong project. Nations should understand how the project makes money, what risks it carries, and whether it is likely to generate stable long-term returns.

3

Commercial terms matter as much as ownership percentage. Governance rights, financing terms, reporting obligations, future capital requirements, and exit rights all affect the real value of an investment.

4

Nation readiness matters. Clear governance, internal decision-making, community communication, and access to trusted advisors all support better long-term ownership.

5

The right ownership structure depends on the situation. Nations should choose a structure that supports accountability, continuity, and effective stewardship over time.

6

Equity is one option, not the only option. Other forms of economic participation may sometimes be a better fit.

7

Long-term stewardship is essential. Ownership continues after closing and requires ongoing oversight, reporting, and planning to support future generations.

8

Equity ownership is about more than investment returns. It can support Nation sovereignty, strengthen self-determination, and help ensure that the benefits of major projects are guided by Nation priorities and stewarded for future generations.