
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-35877



HA SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

46-1347456
(I.R.S. Employer
Identification No.)

One Park Place Suite 200
Annapolis, Maryland
(Address of principal executive offices)

21401
(Zip code)

(410) 571-9860

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	HASI	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: 118,792,128 shares of common stock, par value \$0.01 per share, outstanding as of November 4, 2024 (which includes 312,620 shares of unvested restricted common stock).

FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this Quarterly Report on Form 10-Q ("Form 10-Q") within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are subject to risks and uncertainties. For these statements, we claim the protections of the safe harbor for forward-looking statements contained in such Sections. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. When we use the words "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "may" or similar expressions, we intend to identify forward-looking statements. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future are forward-looking statements.

Forward-looking statements are subject to significant risks and uncertainties. Investors are cautioned against placing undue reliance on such statements. Actual results may differ materially from those set forth in the forward-looking statements. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, important factors included in Part I, Item 1A. Risk Factors contained in our Annual Report on Form 10-K for the year ended December 31, 2023, as amended by Amendment No. 1 to our Annual Report on Form 10-K for the year ended December 31, 2023 (collectively, our "2023 Form 10-K") (in addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements) that could have a significant impact on our operations and financial results, and could cause our actual results to differ materially from those contained or implied in forward-looking statements made by us or on our behalf in this Form 10-Q, in presentations, on our websites, in response to questions or otherwise.

Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances, including, but not limited to, unanticipated events, after the date on which such statement is made, unless otherwise required by law. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained or implied in any forward-looking statement.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HA SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)
 (UNAUDITED)

	September 30, 2024 (unaudited)	December 31, 2023
Assets		
Cash and cash equivalents	\$ 44,053	\$ 62,632
Equity method investments	3,353,224	2,966,305
Receivables, net of allowance of \$49 million and \$50 million, respectively	2,899,707	3,073,855
Receivables held-for-sale	22,183	35,299
Real estate	2,987	111,036
Investments	17,576	7,165
Securitization assets, net of allowance of \$3 million and \$3 million, respectively	257,537	218,946
Other assets	75,257	77,112
Total Assets	\$ 6,672,524	\$ 6,552,350
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable, accrued expenses and other	\$ 218,844	\$ 163,305
Credit facilities	116,388	400,861
Commercial paper notes	18,265	30,196
Term loans payable	412,309	727,458
Non-recourse debt (secured by assets of \$302 million and \$239 million, respectively)	130,347	160,456
Senior unsecured notes	2,840,077	2,318,841
Convertible notes	613,195	609,608
Total Liabilities	4,349,425	4,410,725
Stockholders' Equity:		
Preferred stock, par value \$0.01 per share, 50,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, par value \$0.01 per share, 450,000,000 shares authorized, 118,194,568 and 112,174,279 shares issued and outstanding, respectively	1,182	1,122
Additional paid-in capital	2,567,654	2,381,510
Accumulated deficit	(318,084)	(303,536)
Accumulated other comprehensive income (loss)	7,537	13,165
Non-controlling interest	64,810	49,364
Total Stockholders' Equity	2,323,099	2,141,625
Total Liabilities and Stockholders' Equity	\$ 6,672,524	\$ 6,552,350

See accompanying notes.

HA SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue				
Interest income	\$ 64,068	\$ 54,295	\$ 195,539	\$ 145,624
Rental income	83	6,039	2,012	19,013
Gain on sale of assets	7,678	22,405	62,084	52,915
Securitization asset income	9,082	5,620	19,197	13,381
Other income	1,054	1,492	3,466	2,353
Total revenue	81,965	89,851	282,298	233,286
Expenses				
Interest expense	59,401	43,295	180,804	120,413
Provision (benefit) for loss on receivables and securitization assets	1,233	9,792	(944)	12,481
Compensation and benefits	17,221	16,296	58,711	48,527
General and administrative	6,993	6,708	24,001	24,826
Total expenses	84,848	76,091	262,572	206,247
Income (loss) before equity method investments	(2,883)	13,760	19,726	27,039
Income (loss) from equity method investments	(23,405)	2,759	162,019	27,429
Income (loss) before income taxes	(26,288)	16,519	181,745	54,468
Income tax (expense) benefit	7,112	5,128	(49,429)	5,299
Net income (loss)	\$ (19,176)	\$ 21,647	\$ 132,316	\$ 59,767
Net income (loss) attributable to non-controlling interest holders	440	201	2,367	692
Net income (loss) attributable to controlling stockholders	\$ (19,616)	\$ 21,446	\$ 129,949	\$ 59,075
Basic earnings (loss) per common share	\$ (0.17)	\$ 0.20	\$ 1.12	\$ 0.59
Diluted earnings (loss) per common share	\$ (0.17)	\$ 0.20	\$ 1.09	\$ 0.59
Weighted average common shares outstanding—basic	116,584,392	107,715,057	114,518,199	98,665,598
Weighted average common shares outstanding—diluted	116,584,392	109,145,088	129,562,463	101,142,782

See accompanying notes.

HA SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(DOLLARS IN THOUSANDS)
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ (19,176)	\$ 21,647	\$ 132,316	\$ 59,767
Unrealized gain (loss) on available-for-sale securities and securitization assets, net of tax benefit (provision) of \$(4.5) million and \$(1.3) million for the three and nine months ended September 30, 2024 and \$0.6 million and \$0.6 million for the three and nine months ended September 30, 2023	13,547	(20,614)	3,897	(17,046)
Unrealized gain (loss) on interest rate swaps, net of tax benefit (provision) of \$16.1 million and \$3.1 million for the three and nine months ended September 30, 2024 and \$(26.4) million and \$(24.9) million for the three and nine months ended September 30, 2023	(47,520)	76,597	(9,624)	75,481
Comprehensive income (loss)	(53,149)	77,630	126,589	118,202
Less: Comprehensive income (loss) attributable to non-controlling interest holders	(18)	917	2,267	1,465
Comprehensive income (loss) attributable to controlling stockholders	\$ (53,131)	\$ 76,713	\$ 124,322	\$ 116,737

See accompanying notes.

HA SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(AMOUNTS IN THOUSANDS)
(UNAUDITED)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Non-controlling interests	Total
	Shares	Amount					
Balance at June 30, 2024	115,152	\$ 1,152	\$ 2,467,512	\$ (249,277)	\$ 41,052	\$ 62,728	\$ 2,323,167
Net income (loss)	—	—	—	(19,616)	—	440	(19,176)
Unrealized gain (loss) on available-for-sale securities and securitization assets	—	—	—	—	13,357	190	13,547
Unrealized gain (loss) on interest rate swaps	—	—	—	—	(46,872)	(648)	(47,520)
Issued shares of common stock	3,041	30	97,678	—	—	—	97,708
Equity-based compensation	—	—	1,118	—	—	3,001	4,119
Issuance (repurchase) of vested equity-based compensation shares	2	—	(36)	—	—	—	(36)
Other	—	—	1,382	—	—	—	1,382
Dividends and distributions	—	—	—	(49,191)	—	(901)	(50,092)
Balance at September 30, 2024	118,195	\$ 1,182	\$ 2,567,654	\$ (318,084)	\$ 7,537	\$ 64,810	\$ 2,323,099
Balance at June 30, 2023	106,769	\$ 1,068	\$ 2,283,257	\$ (326,413)	\$ (8,002)	\$ 43,998	\$ 1,993,908
Net income (loss)	—	—	—	21,446	—	201	21,647
Unrealized gain (loss) on available-for-sale securities and securitization assets	—	—	—	—	(20,363)	(251)	(20,614)
Unrealized gain (loss) on interest rate swaps	—	—	—	—	75,629	968	76,597
Issued shares of common stock	4,394	44	107,376	—	—	—	107,420
Equity-based compensation	—	—	688	—	—	2,811	3,499
Issuance (repurchase) of vested equity-based compensation shares	3	—	(33)	—	—	—	(33)
Purchase of capped calls	—	—	(37,835)	—	—	—	(37,835)
Dividends and distributions	—	—	—	(43,962)	—	(733)	(44,695)
Balance at September 30, 2023	111,166	\$ 1,112	\$ 2,353,453	\$ (348,929)	\$ 47,264	\$ 46,994	\$ 2,099,894

See accompanying notes.

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Non-controlling interests	Total
	Shares	Amount					
Balance at December 31, 2023	112,174	\$ 1,122	\$ 2,381,510	\$ (303,536)	\$ 13,165	\$ 49,364	\$ 2,141,625
Net income (loss)	—	—	—	129,949	—	2,367	132,316
Unrealized gain (loss) on available-for-sale securities and securitization assets	—	—	—	—	3,830	67	3,897
Unrealized gain (loss) on interest rate swaps	—	—	—	—	(9,458)	(166)	(9,624)
Issued shares of common stock	5,997	60	182,119	—	—	—	182,179
Equity-based compensation	—	—	3,145	—	—	15,857	19,002
Issuance (repurchase) of vested equity-based compensation shares	24	—	(502)	—	—	—	(502)
Other	—	—	1,382	—	—	—	1,382
Dividends and distributions	—	—	—	(144,497)	—	(2,679)	(147,176)
Balance at September 30, 2024	118,195	\$ 1,182	\$ 2,567,654	\$ (318,084)	\$ 7,537	\$ 64,810	\$ 2,323,099
Balance at December 31, 2022	90,837	\$ 908	\$ 1,924,200	\$ (285,474)	\$ (10,397)	\$ 35,509	\$ 1,664,746
Net income (loss)	—	—	—	59,075	—	692	59,767
Unrealized gain (loss) on available-for-sale securities and securitization assets	—	—	—	—	(16,841)	(205)	(17,046)
Unrealized gain (loss) on interest rate swaps	—	—	—	—	74,502	979	75,481
Issued shares of common stock	20,261	203	466,190	—	—	—	466,393
Equity-based compensation	—	—	2,363	—	—	12,614	14,977
Issuance (repurchase) of vested equity-based compensation shares	68	1	(1,467)	—	—	—	(1,466)
Conversion of convertible notes	—	—	2	—	—	—	2
Purchase of capped calls	—	—	(37,835)	—	—	—	(37,835)
Dividends and distributions	—	—	—	(122,530)	—	(2,595)	(125,125)
Balance at September 30, 2023	111,166	\$ 1,112	\$ 2,353,453	\$ (348,929)	\$ 47,264	\$ 46,994	\$ 2,099,894

See accompanying notes.

HA SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)
(UNAUDITED)

	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities		
Net income (loss)	\$ 132,316	\$ 59,767
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for loss on receivables	(944)	12,481
Depreciation and amortization	690	2,746
Amortization of financing costs	12,994	9,347
Equity-based compensation	19,002	14,977
Equity method investments	(122,042)	(937)
Non-cash gain on securitization	(58,978)	(34,080)
(Gain) loss on sale of receivables and investments	7,717	1,305
Changes in receivables held-for-sale	(16,763)	40,183
Changes in accounts payable and accrued expenses	69,357	8,952
Change in accrued interest on receivables and investments	(52,244)	(26,087)
Cash received (paid) upon hedge settlement	19,261	—
Other	7,689	3,686
Net cash provided by (used in) operating activities	18,055	92,340
Cash flows from investing activities		
Equity method investments	(200,202)	(583,323)
Equity method investment distributions received	26,705	20,259
Proceeds from sales of equity method investments	2,107	—
Purchases of and investments in receivables	(501,548)	(1,016,467)
Principal collections from receivables	508,704	167,406
Proceeds from sales of receivables	124,150	7,634
Proceeds from sale of real estate	115,767	—
Purchases of investments and securitization assets	(10,537)	(14,404)
Posting of hedge collateral	(26,380)	—
Receipt of hedge collateral	16,150	—
Other	(845)	(285)
Net cash provided by (used in) investing activities	54,071	(1,419,180)
Cash flows from financing activities		
Proceeds from credit facilities	831,792	777,000
Principal payments on credit facilities	(1,116,792)	(342,000)
Proceeds from issuance of term loan	250,000	200,000
Principal payments on term loan	(563,148)	(9,575)
Proceeds from issuance of non-recourse debt	94,000	—
Principal payments on non-recourse debt	(72,302)	(14,714)
Proceeds from issuance of commercial paper notes	—	49,775
Principal payments on commercial paper notes	(12,000)	—
Proceeds from issuance of senior unsecured notes	900,355	—
Proceeds from issuance of convertible notes	—	402,500
Principal payments on convertible notes	—	(143,748)
Purchase of capped calls related to the issuance of convertible notes	—	(37,835)
Redemption of senior unsecured notes	(400,000)	—
Net proceeds of common stock issuances	179,722	465,015
Payments of dividends and distributions	(142,178)	(115,087)
Withholdings on employee share vesting	(502)	(1,466)
Payment of financing costs	(27,100)	(13,302)
Posting of hedge collateral	(134,150)	—
Receipt of hedge collateral	124,700	106,330
Other	(969)	(2,493)
Net cash provided by (used in) financing activities	(88,572)	1,320,400
Increase (decrease) in cash, cash equivalents, and restricted cash	(16,446)	(6,440)
Cash, cash equivalents, and restricted cash at beginning of period	75,082	175,972
Cash, cash equivalents, and restricted cash at end of period	\$ 58,636	\$ 169,532
Interest paid	\$ 142,808	\$ 91,988
Supplemental disclosure of non-cash activity		
Residual assets retained from securitization transactions	\$ 31,662	\$ 26,020
Equity method investments retained from securitization and deconsolidation transactions	32,564	144,603
Equity method investments retained from sale of assets upon establishment of co-investment structure	54,655	—
Deconsolidation of non-recourse debt	51,233	257,746
Deconsolidation of assets pledged for non-recourse debt	51,761	374,608

See accompanying notes.

HA SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
September 30, 2024

1. The Company

HA Sustainable Infrastructure Capital, Inc., formerly known as Hannon Armstrong Sustainable Infrastructure Capital, Inc. prior to July 2, 2024 (the “Company”), actively partners with clients to deploy real assets that facilitate the energy transition, which we refer to as “climate solutions”. Our investments take various forms, including equity, joint ventures, land ownership, lending, and other financing transactions. We generate net investment income from our portfolio, and fees through gain-on-sale securitization transactions, asset management and servicing, broker/dealer and other services. We also generate recurring income through our residual ownership in securitization and syndication structures.

The Company and its subsidiaries are hereafter referred to as “we,” “us” or “our.” We refer to the income producing assets that we hold on our balance sheet as our “Portfolio.” Our Portfolio includes equity investments in either preferred or common structures in unconsolidated entities and receivables and debt securities. We finance our business through cash on hand, recourse and non-recourse debt, convertible securities, or equity issuances and may also decide to finance such transactions through the use of off-balance sheet securitization or syndication structures.

Our common stock is listed on the New York Stock Exchange (“NYSE”) under the symbol “HASI.” We intend to continue to operate our business in a manner that will maintain our exemption from registration as an investment company under the Investment Company Act of 1940 (the “1940 Act”), as amended. We operate our business through, and along with two of our wholly owned subsidiaries serve as the general partners of, our operating partnership subsidiary, Hannon Armstrong Sustainable Infrastructure, L.P., (the “Operating Partnership”), which was formed to acquire and directly or indirectly own our assets.

2. Summary of Significant Accounting Policies

Basis of Presentation

The preparation of financial statements in accordance with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and such differences could be material. These financial statements have been prepared in accordance with the instructions to Form 10-Q and should be read in conjunction with the consolidated financial statements and notes thereto included in our annual report on Form 10-K for the year ended December 31, 2023, as filed with the SEC. In the opinion of management, all adjustments necessary to present fairly our financial position, results of operations and cash flows have been included. Our results of operations for the three- and nine-month periods ended September 30, 2024 and 2023, are not necessarily indicative of the results to be expected for the full year or any other future period. Certain information and footnote disclosures normally included in our annual consolidated financial statements have been condensed or omitted. Certain amounts in the prior years have been reclassified to conform to the current year presentation.

The consolidated financial statements include our accounts and controlled subsidiaries, including the Operating Partnership. All material intercompany transactions and balances have been eliminated in consolidation.

Following the guidance for non-controlling interests in Financial Accounting Standards Board Accounting Standards Codification (“ASC”) 810, Consolidation (“ASC 810”), references in this report to our earnings per share and our net income and stockholders’ equity attributable to common stockholders do not include amounts attributable to non-controlling interests.

Consolidation

We account for our investments in entities that are considered voting interest entities or variable interest entities (“VIEs”) under ASC 810 and assess on an ongoing basis whether we should consolidate these entities. We have established various special purpose entities or securitization trusts for the purpose of securitizing certain assets that are not consolidated in our financial statements as described below in Securitization of Financial Assets.

Since we have assessed that we have power over and receive the benefits from those special purpose entities that are formed for the purpose of holding our assets on our balance sheet, we have concluded we are the primary beneficiary and

should consolidate these entities under the provisions of ASC 810. We also have certain subsidiaries we deem to be voting interest entities that we control through our ownership of voting interests and accordingly consolidate.

Certain of our equity method investments were determined to be interests in VIEs in which we are not the primary beneficiary, as we do not direct the significant activities of these entities, and thus we account for those investments as Equity Method Investments as discussed below. Our maximum exposure to loss through these investments is typically limited to their recorded values. However, we may provide financial commitments to these VIEs or guarantee certain of their obligations. Certain other entities in which we have equity investments have been assessed to be voting interest entities and as we exert significant influence rather than control through our ownership of voting interests, we do not consolidate them and thus account for them as equity method investments described below.

Equity Method Investments

We have made equity investments, typically in structures where we have a preferred return position. These investments are typically owned in holding companies (using limited liability companies (“LLCs”) taxed as partnerships) where we partner with either the operator of the project or other institutional investors. We share in the cash flows, income and tax attributes according to a negotiated schedule which typically does not correspond with our ownership percentages. Investors in a preferred return position, if any, typically receive a priority distribution of all or a portion of the project’s cash flows, and in some cases, tax attributes. Once the preferred return, if applicable, is achieved, the partnership “flips” and common equity investors, often the operator of the project, receive a larger portion of the cash flows, with the previously preferred investors retaining an on-going residual interest.

Our equity investments in climate solutions projects are accounted for under the equity method of accounting. Under the equity method of accounting, the carrying value of these equity method investments is determined based on amounts we invested, adjusted for the earnings or losses of the investee allocated to us based on the LLC agreement, less distributions received. We generally conclude that investments where the LLC agreements contain preferences with regard to cash flows from operations, capital events and liquidation contain substantive profit sharing arrangements, so we accordingly reflect our share of profits and losses by determining the difference between our claim on the investee’s reported book value at the beginning and the end of the period, which is adjusted for distributions received and contributions made during the period. This claim is calculated as the amount we would receive if the investee were to liquidate all of its assets at the recorded amounts determined in accordance with GAAP and distribute the resulting cash to creditors and investors in accordance with their respective priorities. This method is referred to as the hypothetical liquidation at book value method (“HLBV”). Our exposure to loss in these investments is limited to the amount of our equity investment, as well as receivables from or guarantees made to the same investee.

Any difference between the amount of our investment and the amount of underlying equity in net assets at the time of our investment is generally amortized over the life of the assets and liabilities to which the difference relates. Cash distributions received from each equity method investment are classified as operating activities to the extent of cumulative earnings for each investment in our consolidated statements of cash flows. Our initial investment and additional cash distributions beyond the amounts that are classified as operating activities are classified as investing activities in our consolidated statements of cash flows. We typically recognize earnings one quarter in arrears for these investments to allow for the receipt of financial information. Our proportionate share of any revenue earned from equity method investees is eliminated through the income (loss) from equity method investment line of our income statement.

We evaluate quarterly whether the current carrying value of our investments accounted for using the equity method have an other than temporary impairment (“OTTI”). An OTTI occurs when the estimated fair value of an investment is below the carrying value and the difference is determined to not be recoverable in the near term. First, we consider both qualitative and quantitative evidence in determining whether there is an indicator of a loss in investment value below carrying value. After considering the weight of available evidence, if it is determined that there is an indication of loss in investment value, we will perform a fair value analysis. If the resulting fair value is less than the carrying value, we will determine if this loss in value is OTTI, and we will recognize any OTTI in the income statement as an impairment. This evaluation requires significant judgment regarding, but not limited to, the severity and duration of the impairment; the ability and intent to hold the securities until recovery; financial condition, liquidity, and near-term prospects of the issuer; specific events; and other factors.

Receivables

Receivables include project loans and receivables, and are separately presented in our balance sheet to illustrate the differing nature of the credit risk related to these assets. Unless otherwise noted, we generally have the ability and intent to hold our receivables for the foreseeable future and accordingly we classify them as held for investment. Our ability and intent to hold certain receivables may change from time to time depending on a number of factors including economic, liquidity and capital market conditions. At inception of the arrangement, the carrying value of receivables held for investment represents the present value of the note, lease or other payments, net of any unearned fee income, which is recognized as income over the term of the note or lease using the effective interest method. Receivables that are held for investment are carried at amortized cost, net of

any unamortized acquisition premiums or discounts and include origination and acquisition costs, as applicable. Our initial investment and principal repayments of these receivables are classified as investing activities and the interest collected is classified as operating activities in our consolidated statements of cash flows. Receivables that we intend to sell in the short-term are classified as held-for-sale and are carried at the lower of amortized cost or fair value on our balance sheet, which is assessed on an individual asset basis. The purchases and proceeds from receivables that we intend to sell at origination are classified as operating activities in our consolidated statements of cash flows. Interest collected is classified as an operating activity in our consolidated statements of cash flows. Receivables from certain projects are subordinate to preferred investors in a project who are allocated the majority of such project's cash in the early years of the investment. Accordingly, such receivables may include the ability to defer scheduled interest payments in exchange for increasing our receivable balance. We generally accrue this paid-in-kind ("PIK") interest when collection is expected, and cease accruing PIK interest if there is insufficient value to support the accrual or we expect that any portion of the principal or interest due is not collectible. The change in PIK in any period is included in Change in accrued interest on receivables and investments in the operating section of our statement of cash flows.

We evaluate our receivables for an allowance as determined under ASC Topic 326 *Financial Instruments- Credit Losses* ("Topic 326") and for our internally derived asset performance categories included in Note 6 to our financial statements in this Form 10-Q on at least a quarterly basis and more frequently when economic or other conditions warrant such an evaluation. When a receivable becomes 90 days or more past due, and if we otherwise do not expect the debtor to be able to service all of its debt or other obligations, we will generally consider the receivable delinquent or impaired and place the receivable on non-accrual status and cease recognizing income from that receivable until the borrower has demonstrated the ability and intent to pay contractual amounts due. If a receivable's status significantly improves regarding the debtor's ability to service the debt or other obligations, we will remove it from non-accrual status.

We determine our allowance based on the current expectation of credit losses over the contractual life of our receivables as required by Topic 326. We use a variety of methods in developing our allowance, including discounted cash flow analysis and probability-of-default/loss given default ("PD/LGD") methods. In developing our estimates, we consider our historical experience with our and similar assets in addition to our view of both current conditions and what we expect to occur within a period of time for which we can develop reasonable and supportable forecasts, typically two years. For periods following the reasonable and supportable forecast period, we revert to historical information when developing assumptions used in our estimates. In developing our forecasts, we consider a number of qualitative and quantitative factors in our assessment, which may include a project's operating results, loan-to-value ratio, any cash reserves held by the project, the ability of expected cash from operations to cover the cash flow requirements currently and into the future, key terms of the transaction, the ability of the borrower to refinance the transaction, other credit support from the sponsor or guarantor and the project's collateral value. In addition, we consider the overall economic environment, the climate solutions sector, the effect of local, industry, and broader economic factors, such as unemployment rates and power prices, the impact of any variation in weather and the historical and anticipated trends in interest rates, defaults and loss severities for similar transactions. For assets where the obligor is a publicly rated entity, we consider the published historical performance of entities with similar ratings in developing our estimate of an allowance, making adjustments determined by management to be appropriate during the reasonable and supportable forecast period.

We have made certain loan commitments that are within the scope of Topic 326. When estimating an allowance for these loan commitments we consider the probability of certain amounts to be funded and apply either a discounted cash flow or PD/LGD methodology as described above. We charge off receivables against the allowance, if any, when we determine the unpaid principal balance is uncollectible, net of recovered amounts. For those assets where we record our allowance using a discounted cash flow method, we have elected to record the change in allowance due solely to the passage of time through the provision for loss on receivables in our income statement. Any provision we record for an allowance is a non-cash reconciling item to cash from operating activities in our consolidated statements of cash flows.

Real Estate

Real estate consists of land or other real property and its related lease intangibles, net of accumulated amortization. Our real estate is generally leased to tenants on a triple net lease basis, whereby the tenant is responsible for all operating expenses relating to the property, generally including property taxes, insurance, maintenance, repairs and capital expenditures. Certain real estate transactions may be characterized as "failed sale-leaseback" transactions as defined under ASC Topic 842, *Leases*, and thus are accounted for as financing transactions similarly to our receivables as described above in Receivables.

For our real estate lease transactions that are classified as operating leases, the scheduled rental revenue typically varies during the lease term and thus rental income is recognized on a straight-line basis, unless there is considerable risk as to collectability, so as to produce a constant periodic rent over the term of the lease. Accrued rental income is the aggregate difference between the scheduled rents that vary during the lease term and the income recognized on a straight-line basis and is recorded in other assets. Expenses, if any, related to the ongoing operation of leases where we are the lessor, are charged to

operations as incurred. Our initial investment is classified as investing activities and income collected for rental income is classified as operating activities in our consolidated statements of cash flows.

When our real estate transactions are treated as an asset acquisition with an operating lease, we typically record our real estate purchases at cost, including acquisition and closing costs, which is allocated to each tangible and intangible asset acquired on a relative fair value basis.

Securitization of Assets

We have established various special purpose entities or securitization trusts for the purpose of securitizing certain financial assets. We determined that the trusts used in securitizations are VIEs, as defined in ASC 810. When we conclude that we are not the primary beneficiary of certain trusts because we do not have power over those trusts' significant activities, we do not consolidate the trust. We typically serve as primary or master servicer of these trusts; however, as the servicer, we do not have the power to make significant decisions impacting the performance of the trusts.

We account for transfers of financial assets to these securitization trusts as sales pursuant to ASC 860 *Transfers and Servicing* ("ASC 860"), when we have concluded the transferred assets have been isolated from the transferor (i.e., put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership) and we have surrendered control over the transferred assets. When we are unable to conclude that we have been sufficiently isolated from the securitized financial assets, we treat such trusts as secured borrowings, retaining the assets on our balance sheet and recording the amounts due to the trust investor as non-recourse debt. Transfers of non-financial assets are accounted for under ASC 610-20, *Gains and Losses from the Derecognition of Non-financial Assets*, and those transfers are accounted for as sales when we have concluded that we have transferred control of the non-financial asset.

For transfers treated as sales under ASC 860, we have received true-sale-at-law and non-consolidation legal opinions to support our conclusion regarding the transferred financial assets. When we sell financial assets in securitizations, we generally retain interests in the form of servicing rights and residual assets, which we refer to as securitization assets.

Gain or loss on the sale of assets is calculated based on the excess of the proceeds received from the securitization (net of any transaction costs) plus any retained interests obtained over the cost basis of the assets sold. For retained interests, we generally estimate fair value based on the present value of future expected cash flows using our best estimates of the key assumptions of anticipated losses, prepayment rates, and current market discount rates commensurate with the risks involved. Cash flows related to our securitizations at origination are classified as operating activities in our consolidated statements of cash flows.

We initially account for all separately recognized servicing assets and servicing liabilities at fair value and subsequently measure such servicing assets and liabilities using the amortization method. Servicing assets and liabilities are amortized in proportion to, and over the period of, estimated net servicing income with servicing income recognized as earned. We assess servicing assets for impairment at each reporting date. If the amortized cost of servicing assets is greater than the estimated fair value, we will recognize an impairment in net income.

We account for our other retained interests in securitized financial assets, the residual assets, similar to available-for-sale debt securities and carry them at fair value, with changes in fair value recorded in accumulated other comprehensive income ("AOCI") pursuant to ASC 325-40, *Beneficial Interests in Securitized Financial Assets*. Income related to the residual assets is recognized using the effective interest rate method and included in securitization income in our income statement. Our residual assets are evaluated for impairment on a quarterly basis under Topic 326. A residual asset is impaired if its fair value is less than its carrying value. The credit component of impairments, if any, are recognized by recording an allowance against the amortized cost of the asset. For changes in expected cash flows, we will calculate a new yield based on the current amortized cost of the residual assets and the revised expected cash flows. This yield is used prospectively to recognize our income related to these assets. Residual interests in securitized non-financial assets are accounted for as equity method investments, and subject to those accounting policies described above.

Cash and Cash Equivalents

Cash and cash equivalents include short-term government securities, certificates of deposit and money market funds, all of which had an original maturity of three months or less at the date of purchase. These securities are carried at their purchase price, which approximates fair value.

Restricted Cash

Restricted cash includes cash and cash equivalents set aside with certain lenders primarily to support obligations outstanding as of the balance sheet dates. Restricted cash is reported as part of other assets in our consolidated balance sheets. Refer to Note 3 to our financial statements in this Form 10-Q for disclosure of the balances of restricted cash included in other assets.

Convertible Notes

We have issued convertible and exchangeable senior unsecured notes (together, "Convertible Notes") that are accounted for in accordance with ASC 470-20 *Debt with Conversion and Other Options*, and ASC 815, *Derivatives and Hedging* ("ASC 815"). Under ASC 815, issuers of certain convertible or exchangeable debt instruments are generally required to separately account for the conversion or exchange option of the debt instrument as either a derivative or equity, unless it meets the scope exemption for contracts indexed to, and settled in, an issuer's own equity. Since our conversion or exchange options are both indexed to our equity and can be settled in our common stock at our option, we have met the scope exemption, and therefore, we do not separately account for the embedded conversion or exchange options. The initial issuance and any principal repayments are classified as financing activities and interest payments are classified as operating activities in our consolidated statements of cash flows. If converted or exchanged, the carrying value of each Convertible Note is reclassified into stockholders' equity.

Derivative Financial Instruments

We use derivative financial instruments, including interest rate swaps and collars, to manage, or hedge, our interest rate risk exposures associated with new debt issuances and anticipated refinancings of existing debt, to manage our exposure to fluctuations in interest rates on floating-rate debt, and to optimize the mix of our fixed and floating-rate debt. Our objective is to reduce the impact of changes in interest rates on our results of operations and cash flows. The fair values of our interest rate derivatives designated and qualifying as effective cash flow hedges are reflected in our consolidated balance sheets as a component of other assets (if in an unrealized asset position) or accounts payable, accrued expenses and other (if in an unrealized liability position) and in net unrealized gains and losses in AOCI as described below. The cash settlements of our interest rate swaps, if any, are classified as operating activities in our consolidated statements of cash flows.

The interest rate derivatives we use are intended to be designated as cash flow hedges and are considered highly effective in reducing our exposure to the interest rate risk that they are designated to hedge. This effectiveness is required in order to qualify for hedge accounting. Instruments that meet the required hedging criteria are formally designated as hedging instruments at the inception of the derivative contract. Derivatives are recorded at fair value. If a derivative is designated as a cash flow hedge and meets the highly effective threshold, the change in the fair value of the derivative is recorded in AOCI, net of associated deferred income tax effects and is recognized in earnings along with the income tax effect at the same time as the hedged item, which is when interest expense is recognized. For any derivative instruments not designated as hedging instruments, changes in fair value would be recognized in earnings in the period that the change occurs. We assess, both at the inception of the hedge and on an ongoing basis, whether the derivatives designated as cash flow hedges are highly effective in offsetting the changes in cash flows of the hedged items. We also assess on an ongoing basis whether the forecasted transactions remain probable, and discontinue hedge accounting if we conclude that they do not. We do not hold derivatives for trading purposes. Any collateral posted or received as credit support against derivative positions are netted against those derivatives in our balance sheets. When our collateral account with any particular counterparty is in a liability position, we include inflows and outflows related to those collateral postings within investing activities in our statement of cash flows. When our collateral account with any particular counterparty is in an asset position, we include inflows and outflows related to those collateral postings within investing activities in our statement of cash flows. The inflows and outflows related to instruments designated as cash flow hedges are included within our statement of cash flows in the same section as the hedged item, which is typically operating activities for our instruments which hedge interest rate risk exposures.

Interest rate derivative contracts contain a credit risk that counterparties may be unable to fulfill the terms of the agreement. We attempt to minimize that risk by evaluating the creditworthiness of our counterparties, who are limited to major banks and financial institutions, and do not anticipate nonperformance by the counterparties due to their requirement to post collateral.

We have entered into certain capped call transactions to mitigate the economic dilution that may result from the conversion or exchange of certain of our Convertible Notes. These transactions are freestanding equity-linked derivative instruments that qualify for the exemption for contracts indexed to, and settled in, an issuer's own equity found in ASC 815, and accordingly the payment of the option premium was recorded as a reduction of Additional Paid-in-Capital within our Statement of Stockholders' Equity.

Income Taxes

We elected and qualified to be taxed as a REIT for U.S. federal income tax purposes, commencing with our taxable year ended December 31, 2013, through our taxable year ended December 31, 2023. We have revoked our REIT election effective January 1, 2024 and beginning in taxable year 2024 are taxed as a taxable C Corporation. For tax years 2023 and prior, we had taxable REIT subsidiaries (“TRS”) that were taxed separately, and that were generally subject to U.S. federal, state and local income taxes. To qualify as a REIT, we were required to meet on an ongoing basis several organizational and operational requirements, including a requirement that we distribute at least 90% of our REIT’s net taxable income before dividends paid, excluding capital gains, to our stockholders each year. As a REIT, for tax years ended December 31, 2023 and earlier, we were not subject to U.S. federal corporate income tax on that portion of net income that was distributed to our owners in accordance with the REIT rules. Subsequent to our REIT status revocation, all of our net taxable income is subject to U.S. federal and state income tax at the applicable corporate tax rate, and dividends paid to stockholders are no longer tax deductible.

We account for income taxes under ASC 740, *Income Taxes* (“ASC 740”) using the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in earnings in the period when the new rate is enacted. We evaluate any deferred tax assets for valuation allowances based on an assessment of available evidence including sources of taxable income, prior years taxable income, any existing taxable temporary differences and our future investment and business plans that may give rise to taxable income. We treat any tax credits we receive from our equity investments in renewable energy projects as reductions of federal income taxes of the year in which the credit arises.

We apply ASC 740 with respect to how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. This guidance requires the accounting and disclosure of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are “more likely than not” to be sustained by the applicable tax authority. We are required to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, which includes U.S. federal and certain states.

Equity-Based Compensation

We have adopted equity incentive plans which provide for grants of stock options, stock appreciation rights, restricted stock units, shares of restricted common stock, phantom shares, dividend equivalent rights, long-term incentive-plan units (“LTIP Units”) and other restricted limited partnership units issued by our Operating Partnership and other equity-based awards. From time to time, we may grant equity or equity-based awards as compensation to our senior management team, independent directors, employees, advisors, consultants and other personnel. Certain awards earned under each plan are based on achieving various performance or market targets, which are generally earned between 0% and 200% of the initial target, depending on the extent to which the performance or market target is met. In addition to performance or market targets, income or gain must be allocated by our Operating Partnership to certain LTIP Units issued by our Operating Partnership so that the capital accounts of such units are equalized with the capital accounts of other holders of OP units before parity is reached and LTIP Units can be converted to limited partnership units.

We record compensation expense for grants made in accordance with ASC 718, *Compensation-Stock Compensation*. We record compensation expense for unvested grants that vest solely based on service conditions on a straight-line basis over the vesting period of the entire award based upon the fair market value of the grant on the date of grant. Fair market value for restricted common stock is based on our share price on the date of grant. For awards where the vesting is contingent upon achievement of certain performance targets, compensation expense is measured based on the fair market value on the grant date and is recorded over the requisite service period (which includes the performance period). Actual performance results at the end of the performance period determines the number of shares that will ultimately be awarded. We have also issued awards where the vesting is contingent upon service being provided for a defined period and certain market conditions being met. The fair value of these awards, as measured at the grant date, is recognized over the requisite service period, even if the market conditions are not met. The grant date fair value of these awards was developed by an independent appraiser using a Monte Carlo simulation. Forfeitures of unvested awards are recognized as they occur.

We have a retirement policy that provides for full vesting at retirement of any time-based awards that were granted prior to the date of retirement and permits the vesting of performance-based awards that were granted prior to the date of retirement according to the original vesting schedule of the award, subject to the achievement of the applicable performance measures and without the requirement for continued employment. Employees are eligible for the retirement policy upon meeting age and years of service criteria. We record compensation expense for unvested grants through the date in which an employee meets the retirement criteria.

Earnings Per Share

We compute earnings per share of common stock in accordance with ASC 260, *Earnings Per Share*. Basic earnings per share is calculated by dividing net income attributable to controlling stockholders (after consideration of the earnings allocated to unvested grants, if applicable) by the weighted-average number of shares of common stock outstanding during the period excluding the weighted average number of unvested grants, if applicable (“participating securities” as defined in Note 12 to our financial statements in this Form 10-Q).

Diluted earnings per share is calculated by dividing net income attributable to controlling stockholders (after consideration of the earnings allocated to unvested grants, if applicable) by the weighted-average number of shares of common stock outstanding during the period plus other potential common stock instruments if they are dilutive. Other potentially dilutive common stock instruments include our unvested restricted stock, other equity-based awards, and Convertible Notes. The restricted stock and other equity-based awards are included if they are dilutive using the treasury stock method. The treasury stock method assumes that theoretical proceeds received for future service provided is used to purchase shares of treasury stock at the average market price per share of common stock, which is deducted from the total shares of potential common stock included in the calculation. When unvested grants are dilutive, the earnings allocated to these dilutive unvested grants are not deducted from the net income attributable to controlling stockholders when calculating diluted earnings per share.

The Convertible Notes are included if they are dilutive using the if-converted method, which removes interest expense related to the Convertible Notes from the net income attributable to controlling stockholders and includes the weighted average shares of potential common stock over the period issuable upon conversion or exchange of the note. No adjustment is made for shares of potential common stock that are anti-dilutive during a period. Our capped call transactions are anti-dilutive and therefore their impact will be excluded from earnings per share.

Segment Reporting

We manage our business as a single portfolio, and report all of our activities as one business segment.

Recently Issued Accounting Pronouncements

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. ASU No. 2023-07 amended the existing segment reporting requirements by requiring disclosure of the significant segment expenses based on how management internally views segment information and by allowing the disclosure of more than one measure of segment profit or loss, as well as by expanding the interim period segment requirements. The ASU also requires single-reportable segment entities to report the disclosures required under ASC Topic 280, *Segment Reporting*. ASU No. 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Upon adoption of ASU No. 2023-07, we will provide the disclosures required by ASC Topic 280, *Segment Reporting*.

Other accounting standards updates issued before November 8, 2024, and effective after September 30, 2024, are not expected to have a material effect on our consolidated financial statements and related disclosures.

3. Fair Value Measurements

Fair value is defined as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value accounting guidance provides a three-level hierarchy for classifying financial instruments. The levels of inputs used to determine the fair value of our financial assets and liabilities carried on the balance sheet at fair value and for those which only disclosure of fair value is required are characterized in accordance with the fair value hierarchy established by ASC 820, Fair Value Measurements. Where inputs for a financial asset or liability fall in more than one level in the fair value hierarchy, the financial asset or liability is classified in its entirety based on the lowest level input that is significant to the fair value measurement of that financial asset or liability. We use our judgment and consider factors specific to the financial assets and liabilities in determining the significance of an input to the fair value measurements. As of September 30, 2024 and December 31, 2023, only our residual assets related to our securitization trusts, our derivatives, and our investments were carried at fair value on the consolidated balance sheets on a recurring basis. The three levels of the fair value hierarchy are described below:

- Level 1 — Quoted prices (unadjusted) in active markets that are accessible at the measurement date.
- Level 2 — Observable prices that are based on inputs not quoted on active markets but corroborated by market data.
- Level 3 — Unobservable inputs are used when little or no market data is available.

The tables below illustrate the estimated fair value of our financial instruments on our balance sheet. Unless otherwise discussed below, fair values for our Level 2 and Level 3 measurements are measured using a discounted cash flow model, contractual terms and inputs which consist of base interest rates and spreads over base rates which are based upon market observation and recent comparable transactions. An increase in these inputs would result in a lower fair value and a decline would result in a higher fair value. Our Senior Unsecured Notes (as defined below) and Convertible Notes are valued using a market-based approach and observable prices. The receivables held-for-sale, if any, are carried at the lower of cost or fair value, as determined on an individual asset basis.

	As of September 30, 2024		
	Fair Value	Carrying Value	Level
	<i>(in millions)</i>		
Assets			
Receivables	\$ 2,648	\$ 2,900	Level 3
Receivables held-for-sale	24	22	Level 3
Investments ⁽¹⁾	18	18	Level 3
Securitization residual assets ⁽²⁾	258	258	Level 3
Derivative assets	10	10	Level 2
Liabilities ⁽³⁾			
Credit facilities	\$ 116	\$ 116	Level 3
Commercial paper notes	18	18	Level 3
Term loans payable	420	420	Level 3
Non-recourse debt	137	135	Level 3
Senior unsecured notes	2,858	2,862	Level 2
Convertible Notes:			
2025 Exchangeable Senior Notes	213	217	Level 2
2028 Exchangeable Senior Notes	550	404	Level 2
Total Convertible Notes	763	621	
Derivative liabilities	37	37	Level 2

(1) The amortized cost of our investments as of September 30, 2024, was \$ 19 million.

(2) Included in securitization assets on the consolidated balance sheet. The amortized cost of our securitization residual assets net of allowance for credit losses as of September 30, 2024 was \$ 289 million.

(3) Fair value and carrying value exclude unamortized financing costs.

As of December 31, 2023			
	Fair Value	Carrying Value	Level
	(in millions)		
Assets			
Receivables	\$ 2,733	\$ 3,074	Level 3
Receivables held-for-sale	36	35	Level 3
Investments ⁽¹⁾	7	7	Level 3
Securitization residual assets ⁽²⁾	219	219	Level 3
Derivative assets	10	10	Level 2
Liabilities ⁽³⁾			
Credit facilities	\$ 401	\$ 401	Level 3
Commercial paper notes	30	30	Level 3
Term loan facilities	736	736	Level 3
Non-recourse debt	158	162	Level 3
Senior unsecured notes	2,251	2,337	Level 2
Convertible Notes:			
2025 Exchangeable Senior Notes	202	211	Level 2
2028 Exchangeable Senior Notes	481	408	Level 2
Total Convertible Notes	683	619	
Derivative liabilities	9	9	Level 2

(1) The amortized cost of our investments as of December 31, 2023, was \$ 8 million.

(2) Included in securitization assets on the consolidated balance sheet. The amortized cost of our securitization residual assets as of December 31, 2023, was \$ 258 million.

(3) Fair value and carrying value exclude unamortized financing costs.

Securitization residual assets

The following table reconciles the beginning and ending balances for our Level 3 securitization residual assets that are carried at fair value on a recurring basis, with changes in fair value recorded through AOCI:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
	(in millions)			
Balance, beginning of period	\$ 238	\$ 204	\$ 219	\$ 177
Accretion of securitization residual assets	5	4	13	11
Additions to securitization residual assets	3	1	32	27
Collections of securitization residual assets	(6)	(3)	(11)	(13)
Unrealized gains (losses) on securitization residual assets recorded in OCI	18	(20)	5	(16)
Provision for loss on securitization residual assets	—	(3)	—	(3)
Balance, end of period	<u>\$ 258</u>	<u>\$ 183</u>	<u>\$ 258</u>	<u>\$ 183</u>

The following table illustrates our securitization residual assets in an unrealized loss position:

	Estimated Fair Value		Unrealized Losses ⁽¹⁾		Count of Assets	
	Assets with a loss shorter than 12 months	Assets with a loss longer than 12 months	Assets with a loss shorter than 12 months	Assets with a loss longer than 12 months	Assets with a loss shorter than 12 months	Assets with a loss longer than 12 months
	(in millions)					
September 30, 2024	\$ 7	\$ 161	\$ 0.3	\$ 39	10	66
December 31, 2023	24	164	0.3	41	11	66

1) Other than the assets for which there is a reserve as discussed in Note 5, loss positions are due to interest rates movements and is not indicative of credit deterioration. We have the intent and ability to hold these investments until a recovery of fair value.

In determining the fair value of our securitization residual assets, we used a market-based risk-free rate and added a range of interest rate spreads of approximately 1% to 6% based upon transactions involving similar assets as of September 30, 2024 and December 31, 2023. The weighted average discount rates used to determine the fair value of our securitization residual assets as of September 30, 2024 and December 31, 2023 were 6.6% and 6.6%, respectively.

Non-recurring Fair Value Measurements

Our financial statements may include non-recurring fair value measurements related to acquisitions and non-monetary transactions, if any. Assets acquired in a business combination, if any, are recorded at their fair value. We may use third-party valuation firms to assist us with developing our estimates of fair value.

Concentration of Credit Risk

Receivables, real estate leases and debt investments consist primarily of receivables from various projects, U.S. federal government-backed receivables, and investment grade state and local government receivables and do not, in our view, represent a significant concentration of credit risk given the large number of diverse offtakers and other obligors of the projects. Additionally, certain of our investments are collateralized by projects concentrated in certain geographic regions throughout the United States. These investments typically have structural credit protections to mitigate our risk exposure and, in most cases, the projects are insured for estimated physical loss, which helps to mitigate the possible risk from these concentrations.

We had cash deposits that are subject to credit risk as shown below:

	September 30, 2024	December 31, 2023
	(in millions)	
Cash deposits	\$ 44	\$ 63
Restricted cash deposits (included in other assets)	15	12
Total cash deposits	<u>\$ 59</u>	<u>\$ 75</u>
Amount of cash deposits in excess of amounts federally insured	\$ 57	\$ 63

4. Non-Controlling Interest

Units of limited partnership interests in the Operating Partnership ("OP units") that are owned by limited partners other than us are included in non-controlling interest on our consolidated balance sheets. The non-controlling interest holders are generally allocated their pro rata share of income, other comprehensive income and equity transactions.

The outstanding OP units not held by us represent approximately 1% of our outstanding OP units and are redeemable by the limited partners for cash, or at our option, for a like number of shares of our common stock. No OP units were redeemed by non-controlling interest holders during the nine months ended September 30, 2024 or September 30, 2023.

We have also granted to members of our leadership team and directors LTIP Units pursuant to our equity incentive plans. LTIP Units issued to employees are held by HASI Management HoldCo LLC. The LTIP Units are designed to qualify as profits interests in the Operating Partnership and initially will have a capital account balance of zero and, therefore, will not have full parity with OP units with respect to liquidating distributions or other rights. However, the amended and restated agreement of limited partnership of the Operating Partnership (the "OP Agreement") provides that "book gains," or economic appreciation, in the Operating Partnership will be allocated first to the LTIP Units until the capital account per LTIP Units is equal to the capital account per-unit of the OP units. Under the terms of the OP Agreement, the Operating Partnership will revalue its assets upon the occurrence of certain specified events, and any increase in valuation from the time of grant until such event will be allocated first to the holders of LTIP Units to equalize the capital accounts of such holders with the capital accounts of OP unit holders. Once this has occurred, the LTIP Units will achieve full parity with the OP units for all purposes, including with respect to liquidating distributions and redemption rights. In addition to these attributes, there are vesting and settlement conditions similar to our other equity-based awards as discussed in Notes 2 and 11 to our financial statements in this Form 10-Q.

5. Securitization of Financial Assets

The following summarizes certain transactions with securitization trusts:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
	<i>(in millions)</i>			
Gains on securitizations	\$ 8	\$ 22	\$ 63	\$ 53
Cost of financial assets securitized	106	23	864	424
Proceeds from securitizations	114	45	927	477
Cash received from residual and servicing assets	7	4	13	15

In connection with securitization transactions, we typically retain servicing responsibilities and residual assets. We generally receive annual servicing fees that are typically up to 0.25% of the outstanding balance. We may periodically make servicer advances that are subject to credit risk. Included in securitization assets in our consolidated balance sheets are our servicing assets at amortized cost and our residual assets at fair value. Our residual assets are subordinate to investors' interests, and their values are subject to credit, prepayment and interest rate risks on the transferred financial assets. Other than our securitization assets representing these residual interests in the trusts' assets, the investors and the securitization trusts have no recourse to our other assets for failure of debtors to pay when due. In computing gains and losses on securitizations, we use discount rates based on a review of comparable market transactions including Level 3 unobservable inputs, which consist of base interest rates and spreads over these base rates. Depending on the nature of the transaction risks, the all-in discount rate ranged from 5% to 9% for the nine months ended September 30, 2024.

As of September 30, 2024 and December 31, 2023, our managed assets totaled \$3.1 billion and \$12.3 billion, respectively, of which \$6.8 billion and \$6.1 billion, respectively, were securitized assets held in unconsolidated securitization trusts or other investors' portions of assets held in co-investment structures. As of September 30, 2024 and December 31, 2023, trusts holding transferred financial assets held \$6.2 billion and \$5.6 billion, respectively, of notes due to investors.

We have an allowance for losses on securitization residual assets related to assets secured by property assessed clean energy liens, as a result of our estimates of cash flows due to prepayments on certain of these assets. There has been no change in the underlying credit quality of the securitized assets since origination. The following table reconciles our beginning and ending allowance for loss on securitization residual assets:

	Three months ended September 30, 2024		Three months ended September 30, 2023	
	Government	Commercial	Government	Commercial
	<i>(in millions)</i>			
Beginning balance	\$ —	\$ 3	\$ —	\$ —
Provision for loss on securitization assets	—	—	—	3
Ending balance	\$ —	\$ 3	\$ —	\$ 3

	Nine months ended September 30, 2024		Nine months ended September 30, 2023	
	Government	Commercial	Government	Commercial
	<i>(in millions)</i>			
Beginning balance	\$ —	\$ 3	\$ —	\$ —
Provision for loss on securitization assets	—	—	—	3
Ending balance	\$ —	\$ 3	\$ —	\$ 3

As of September 30, 2024, there were no material payments from debtors to the securitization trusts that were greater than 90 days past due.

Receivables from contracts for the installation of energy efficiency and other technologies are the source of cash flows of \$122 million of our securitization residual assets. These technologies are installed in facilities owned by, or operated for or by, federal, state or local government entities where the ultimate obligor for the receivable is a governmental entity. The contracts may have guarantees of energy savings from third-party service providers, which typically are entities rated investment grade by an independent rating agency. The remainder of our securitization residual assets are related to contracts where the underlying cash flows are secured by an interest in real estate which are typically senior in terms of repayment to other financings.

6. Our Portfolio

As of September 30, 2024, our Portfolio included approximately \$6.3 billion of equity method investments, receivables, real estate and investments on our balance sheet. The equity method investments represent our non-controlling equity investments in climate solutions projects. The receivables and investments are typically collateralized by contractually committed debt obligations of government entities or private high credit quality obligors and are often supported by additional forms of credit enhancement, including security interests and supplier guaranties. The real estate is typically land and related lease intangibles for long-term leases to wind and solar projects.

In developing and evaluating performance against our credit criteria, we consider a number of qualitative and quantitative criteria which may include a project's operating results, loan-to-value ratio, any cash reserves, the ability of expected cash from operations to cover the cash flow requirements currently and into the future, key terms of the transaction, the ability of the borrower to refinance the transaction, the financial and operating capability of the borrower, its sponsors or the obligor as well as any guarantors and the project's collateral value. In addition, we consider the overall economic environment, the climate solutions sector, the effect of local, industry and broader economic factors, the impact of any variation in weather and the historical and anticipated trends in interest rates, defaults and loss severities for similar transactions.

The following is an analysis of the Performance Ratings of our Portfolio as of September 30, 2024, which is assessed quarterly:

	Portfolio Performance					
	1 ⁽¹⁾		2 ⁽²⁾		3 ⁽³⁾	Total
	Commercial	Government	Commercial	Commercial		
	<i>(dollars in millions)</i>					
Receivable vintage ⁽⁴⁾						
2024	\$ 20	\$ —	\$ —	\$ —	\$ —	\$ 20
2023	854	—	—	—	—	854
2022	1,008	—	—	—	—	1,008
2021	294	—	—	—	—	294
2020	173	—	—	—	—	173
2019	242	—	—	—	—	242
Prior to 2019	323	35	—	—	—	358
Total receivables held-for-investment	2,914	35	—	—	—	2,949
Less: Allowance for loss on receivables	(49)	—	—	—	—	(49)
Net receivables held-for-investment	2,865	35	—	—	—	2,900
Receivables held-for-sale	19	3	—	—	—	22
Investments	16	2	—	—	—	18
Real estate	3	—	—	—	—	3
Equity method investments ⁽⁵⁾	3,320	—	33	—	—	3,353
Total	\$ 6,223	\$ 40	\$ 33	\$ —	\$ —	\$ 6,296
Percent of Portfolio	98 %	1 %	1 %	— %	— %	100 %

(1) This category includes our assets where based on our credit criteria and performance to date we believe that our risk of not receiving our invested capital remains low.

(2) This category includes our assets where based on our credit criteria and performance to date we believe there is a moderate level of risk to not receiving some or all of our invested capital.

(3) This category includes our assets where based on our credit criteria and performance to date, we believe there is substantial doubt regarding our ability to recover some or all of our invested capital. Loans in this category are placed on non-accrual status.

(4) Receivable vintage refers to the period in which the relevant loan agreement is signed, and a given vintage may contain loan advances made in periods subsequent to the period in which the loan agreement was signed.

(5) Some of the individual projects included in portfolios that make up our equity method investments have government off-takers. As they are part of large portfolios, they are not classified separately.

Receivables

As of September 30, 2024, our allowance for losses on receivables was \$49 million based on our expectation of credit losses over the lives of the receivables in our portfolio. During the three months ended September 30, 2024, we increased our reserve by approximately \$1 million, driven primarily by loans and loan commitments made during the period.

Below is a summary of the carrying value, loan funding commitments, and allowance by type of receivable or "Portfolio Segment", as defined by Topic 326, as of September 30, 2024 and December 31, 2023:

	September 30, 2024			December 31, 2023		
	Gross Carrying Value	Loan Funding Commitments	Allowance	Gross Carrying Value	Loan Funding Commitments	Allowance
	<i>(in millions)</i>					
Commercial ⁽¹⁾	2,914	455	49	3,033	423	50
Government ⁽²⁾	\$ 35	\$ —	\$ —	\$ 91	\$ —	\$ —
Total	\$ 2,949	\$ 455	\$ 49	\$ 3,124	\$ 423	\$ 50

(1) As of September 30, 2024, this category of assets includes \$ 1.5 billion of mezzanine loans made on a non-recourse basis to bankruptcy-remote special purpose subsidiaries of residential solar companies which hold residential solar assets where we rely on certain limited indemnities, warranties, and other obligations of the residential solar companies or their other subsidiaries. These residential solar assets typically contain back-up servicer provisions to allow for continuity of operations in the event the project sponsor is unable to fulfill its duties in that capacity. See "Related Party Transactions" below for discussion of loans in this category made to special purpose entities sponsored by the SunPower Corporation.

Risk characteristics of our commercial receivables include a project's operating risks, which include the impact of the overall economic environment, the climate solutions sector, the effect of local, industry, and broader economic factors, the impact of any variation in weather and trends in interest rates. We use assumptions related to these risks to estimate an allowance using a discounted cash flow analysis or the PD/LGD method as discussed in Note 2 to our financial statements in this Form 10-Q. All of our commercial receivables are included in Performance Rating 1 in the Portfolio Performance table above. For those assets in Performance Rating 1, the credit worthiness of the obligor combined with the various structural protections of our assets cause us to believe we have a low risk we will not receive our invested capital, however we recorded a \$49 million allowance on these \$ 2.9 billion in assets as a result of lower probability assumptions utilized in our allowance methodology.

(2) As of September 30, 2024, our government receivables include \$ 7 million of U.S. federal government transactions and \$ 28 million of transactions where the ultimate obligors are state or local governments.

Risk characteristics of our government receivables include the energy savings or the power output of the projects and the ability of the government obligor to generate revenue for debt service, via taxation or other means. Transactions may have guarantees of energy savings or other performance support from third-party service providers, which typically are entities, directly or whose ultimate parent entity is, rated investment grade by an independent rating agency. All of our government receivables are included in Performance Rating 1 in the Portfolio Performance table above. Our allowance for government receivables is primarily calculated by using PD/LGD methods as discussed in Note 2 to our financial statements in this Form 10-Q. Our expectation of credit losses for these receivables is immaterial given the high credit-quality of the obligors.

The following table reconciles our beginning and ending allowance for loss on receivables by Portfolio Segment:

	Three months ended September 30, 2024		Three months ended September 30, 2023	
	Government	Commercial	Government	Commercial
	<i>(in millions)</i>			
Beginning balance	\$ —	\$ 48	\$ —	\$ 44
Provision for loss on receivables	—	1	—	7
Ending balance	\$ —	\$ 49	\$ —	\$ 51

	Nine months ended September 30, 2024		Nine months ended September 30, 2023	
	Government	Commercial	Government	Commercial
	<i>(in millions)</i>			
Beginning balance	\$ —	\$ 50	\$ —	\$ 41
Provision for loss on receivables	—	(1)	—	10
Ending balance	\$ —	\$ 49	\$ —	\$ 51

We have no receivables on non-accrual status.

The following table provides a summary of our anticipated maturity dates of our receivables and the weighted average yield for each range of maturities as of September 30, 2024:

	Total	Less than 1 year	1-5 years	5-10 years	More than 10 years
		<i>(dollars in millions)</i>			
Maturities by period (excluding allowance)	\$ 2,949	\$ 15	\$ 908	\$ 903	\$ 1,123
Weighted average yield by period	8.6 %	8.3 %	8.4 %	9.2 %	8.2 %

Real Estate

Our real estate is leased to renewable energy projects, typically under long-term triple net leases. In the first quarter of 2024, we sold \$00 million carrying value of land and related intangibles, and we retain a residual interest in those assets in the form of an equity method investment. The components of our real estate portfolio that we own directly as of September 30, 2024 and December 31, 2023, were as follows:

	September 30, 2024	December 31, 2023
	<i>(in millions)</i>	
Real estate		
Land	\$ 3	\$ 97
Lease intangibles	—	22
Accumulated amortization of lease intangibles	—	(8)
Real estate	<u>\$ 3</u>	<u>\$ 111</u>

Equity Method Investments

We have made non-controlling equity investments in a number of climate solutions projects that we account for as equity method investments.

As of September 30, 2024, we held the following equity method investments:

Investee	Carrying Value <i>(in millions)</i>
Jupiter Equity Holdings LLC	\$ 579
Daggett Renewable HoldCo LLC	445
Lighthouse Renewable HoldCo 2 LLC	350
CarbonCount Holdings 1 LLC	84
Other equity method investments	1,895
Total equity method investments	<u>\$ 3,353</u>

Jupiter Equity Holdings LLC

We have a preferred equity interest in Jupiter Equity Holdings LLC (“Jupiter”) that owns nine operating onshore wind projects and four operating utility-scale solar projects with an aggregate capacity of approximately 2.3 gigawatts. As of September 30, 2024, we have made capital contributions to Jupiter of approximately \$62 million related to these projects reflecting final funding true-ups after all projects reached substantial completion. Alongside the project sponsor and under terms outlined in the partnership agreement, we have made \$91 million in loans to Jupiter for both payments related to winter storm Uri as well as for payments to allow for the restructuring of certain power purchase agreements and tax equity arrangements, which we expect to increase both near-term cash flows and expected lifetime return. Those loans are included in our Related Party Transactions disclosures below. The projects typically feature cash flows from fixed-price power purchase agreements and financial hedges contracted with highly creditworthy off-takers and counterparties.

Jupiter is governed by an amended and restated limited liability company agreement, dated July 1, 2020, by and among the members, one of our subsidiaries and a subsidiary of the project sponsor, which contains customary terms and conditions. We own 100% of the Class A Units in Jupiter corresponding to 49% of the distributions from Jupiter subject to the preferences discussed below. Most major decisions that may impact Jupiter, its subsidiaries or its assets, require the majority vote of a four person committee on which we and the project sponsor each have two representatives. Through Jupiter, we will be entitled to preferred distributions until certain return targets are achieved. Once these return targets are achieved, distributions will be allocated approximately 33% to us and approximately 67% to the sponsor. We and the sponsor each have a right of first offer if the other party desires to transfer any of its equity ownership to a third party. We use the equity method of accounting to account for our preferred equity interest in Jupiter, and have elected to recognize earnings from this investment one quarter in arrears to allow for the receipt of financial information.

Daggett Renewable HoldCo LLC

We have preferred equity interests in Daggett Renewable HoldCo LLC (“Daggett”) which owns two utility-scale solar projects developed and managed by the project sponsor. We have made investments in the preferred cash equity interests of Daggett of approximately \$232 million through September 30, 2024, reflecting final funding true-ups after all projects reached

substantial completion.. The Daggett projects feature contracted cash flows with a diversified group of predominately investment grade utility offtakers.

Daggett is governed by a limited liability company agreement between us and the sponsor serving as managing member and contain customary terms and conditions. Most major decisions that may impact Daggett, its subsidiaries or its assets, require a unanimous vote of the representatives present at a meeting of a review committee in which a quorum is present. The review committee is a four person committee, which includes two of our representatives and two sponsor representatives. Commencing on a certain date following the effective date of the applicable limited liability company agreement, we will be entitled to preferred distributions until certain return targets of each investment are achieved. Subject to customary exceptions, no member can transfer any of its equity ownership in Daggett to a third party without approval of the review committee of Daggett. We use the equity method of accounting to account for our preferred equity interests in Daggett, and have elected to recognize earnings from this investment one quarter in arrears to allow for the receipt of financial information.

Lighthouse Renewables HoldCo 2 LLC

We have preferred equity interests in Lighthouse Renewables HoldCo 2 LLC (“Lighthouse 2”) which ownsthree onshore wind and utility-scale solar and solar-plus-storage projects, all developed and managed by the project sponsor. We have made investments in the preferred cash equity interests of the Lighthouse 2 of approximately \$420 million through September 30, 2024. Alongside the project sponsor and under terms outlined in the partnership agreement, we have made \$18 million in working capital loans to Lighthouse 2 primarily for payments related to winter storm Uri. Those working capital loans are included in our Related Party Transactions disclosures below. The Lighthouse 2 projects feature contracted cash flows with a diversified group of predominately investment grade corporate and university offtakers.

Lighthouse 2 is governed by a limited liability company agreement between us and the sponsor serving as managing member and contain customary terms and conditions. Most major decisions that may impact Lighthouse 2, its subsidiaries or its assets, require a unanimous vote of the representatives present at a meeting of a review committee in which a quorum is present. The review committee is a four person committee, which includes two of our representatives and two sponsor representatives. Commencing on a certain date following the effective date of the applicable limited liability company agreement, we will be entitled to preferred distributions until certain return targets of each investment are achieved. Subject to customary exceptions, no member of Lighthouse 2 can transfer any of its equity ownership in Lighthouse 2 to a third party without approval of the review committee of Lighthouse 2. We use the equity method of accounting to account for our preferred equity interests in Lighthouse 2, and have elected to recognize earnings from this investment one quarter in arrears to allow for the receipt of financial information.

Related Party Transactions

CarbonCount Holdings 1 LLC

On May 4, 2024, we, through our indirect subsidiary, HASI CarbonCount Holdings 1, LLC (“HASI CarbonCount”), a Delaware limited liability company, and Hoops Midco, LLC (“KKR Hoops”), an investment vehicle established as a Delaware limited liability company and managed by an affiliate of Kohlberg Kravis Roberts & Co. L.P. (“KKR”), entered into agreements to acquire interests in CarbonCount Holdings 1 LLC (“CCH1”), established to invest in certain eligible climate positive projects across the United States, as further described below.

CCH1 has been formed as a Delaware limited liability company. HASI CarbonCount and KKR Hoops have each committed \$1 billion to be invested in clean energy assets during an 8 month investment period. In addition, HASI, through its indirect subsidiaries, Hannon Armstrong Securities, LLC (the “Broker-Dealer”) and CarbonCount Holdings Manager LLC (the “Asset Manager”), and, together with the Broker-Dealer, the “Service Providers”), is engaged by CCH1 pursuant to a services agreement (the “Services Agreement”) to provide certain services to CCH1.

CCH1 is governed by a board of directors (“the Board”) which will initially be composed of four directors, two of whom will be appointed by us and two of whom will be appointed by KKR Hoops. Actions of the Board generally require the affirmative vote of at least three out of four directors. Pursuant to the service agreement, the Board has delegated to the Service Providers certain rights and powers to manage the day-to-day business and affairs of CCH1, while retaining control over the significant decision making of CCH1. We account for our investment in CCH1 as an equity method investment.

The Broker-Dealer sources investment opportunities for CCH1 pursuant to the terms of the Services Agreement. Through the Broker-Dealer, HASI is obligated to present all of the investment opportunities it identifies that fit within certain predetermined criteria to the Board until either joint venture party’s commitment has been fully invested or upon the date that the 18-month investment period described above expires or is earlier terminated. The investment criteria under the Services Agreement includes investment opportunities that we would typically have originated on our balance sheet.

CCH1 pays the Broker-Dealer, for provision of the services provided, an upfront fee on each funding of investments generally equal to % of the total cash consideration funded by CCH1 to the applicable investment counterparty. CCH1 also pays the Asset Manager, for provision of the services provided by it, ongoing fees in respect of asset management and administering the management and operation of CCH1, payable when deducted from CCH1's cash available for distribution. The fee payable to the Asset Manager is calculated on the basis of certain performance thresholds and will generally not be less than 0.5% of invested capital per annum, subject to certain limited exceptions, nor more than 1.00%.

At inception, and prior to KKR's acquisition of its interest in CCH1, we seeded CCH1 with equity method investments and receivables which were previously on our balance sheet with a combined book value of \$108 million, and which are expected to have a total invested amount of \$191 million once fully funded. We received approximately \$55 million from KKR for the purchase of their share of the net assets of CCH1, resulting in the deconsolidation of CCH1 by us. There were no material differences between the amounts paid by KKR and the carrying values of the contributed assets, resulting in no material gain or loss upon deconsolidation and no material basis differences established. CCH1 will recognize income from its equity method investees one quarter in arrears to allow for its receipt of financial information.

Other Related Party Transactions

Of our receivables, approximately \$899 million are loans made to entities in which we also have non-controlling equity investments of approximately \$32 million. Typically, these equity method investments are LLCs taxed as partnerships that we have entered into with various renewable energy project sponsors, including SunPower Corporation further described below. We negotiate the commercial terms of these loans with the other partner, and the assets against which the project sponsors are borrowing are contributed into the LLCs upon the execution of the loans. Our equity investments allow us to participate in the residual economics of those contributed assets alongside the other partner, and our rights under the project operating agreements do not allow us to make any significant unilateral decisions regarding the terms of the arrangement. These assets are bankruptcy remote from the project sponsor, and residential solar assets typically contain back-up servicer provisions to allow for continuity of operations in the event the project sponsor is unable to fulfill its duties in that capacity. We are not obligated to contribute capital to support these entities beyond agreements to make contributions to allow for the entities to purchase additional renewable energy assets. Because the loans made to these entities are typically subordinate to senior debt and tax equity investors in the projects, these loans, which have maturities of over ten years, may accrue PIK interest in the early years of the project until sufficient cash flow is available for our interest payments. Any change in PIK interest is included in Change in accrued interest on receivables and investments in the operating section of our statement of cash flows. On a quarterly basis, we assess these loans for any impairment inclusive of any PIK interest accrued under CECL as discussed above under Receivables.

The following table provides additional detail on our transactions with related party equity method investments:

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
	<i>(in millions)</i>			
Interest income from related party loans	\$ 21	\$ 18	\$ 60	\$ 49
Additional investments made in related party loans	79	95	172	187
Principal collected from related party loans	17	12	260	27
Interest collected from related party loans	15	15	49	45

Investments related to SunPower Corporation

On August 5, 2024, SunPower Corporation ("SunPower"), a project sponsor for certain of the residential solar projects in which we invest, declared Chapter 11 bankruptcy. As of September 30, 2024, we have commercial receivables with a gross carrying value of \$327 million due from special purpose entities which own individual residential solar assets ("SunStrong SPEs") for which SunPower performed certain services including billing and collections, operations and maintenance, and accounting, tax filings, and financial reporting. These SunStrong SPEs are bankruptcy remote from SunPower, and were jointly owned by SunPower and us. The cash flows supporting our loans are from each individual residential customer rather than SunPower and are not expected to be materially impacted by this event. We evaluate these loans quarterly during our assessment of allowance for loan losses, and have determined that our allowance for loan losses related to these loans has not been materially impacted by these events.

As of September 30, 2024, we had equity method investments of \$31 million in the SunStrong SPEs. We have not identified any OTTI with regards to these assets, and we do not expect our equity method investments in these entities to be materially impacted by this ownership change.

In October of 2024, SunPower's interests in such entities were purchased by a third party, who have retained SunPower's governance rights within those structures and who intend to be a long-term co-owner of the SunStrong SPEs, and accordingly we have continued and will continue to account for our interest in these entities as equity method investments. We are taking steps to ensure continuation of the services currently provided by SunPower, including the engagement of replacement service providers. As of the date of filing of these financial statements, we do not believe the bankruptcy of SunPower will have a material impact on our consolidated financial statements.

7. Credit facility and commercial paper notes

Unsecured revolving credit facility

We have an unsecured revolving credit facility pursuant to a revolving credit agreement with a syndicate of lenders. In the second quarter of 2024, we increased the maximum outstanding borrowing amount of this facility to \$1.25 billion, and extended the maturity to April 2028. In October of 2024, we added a new lender to the existing syndicate and increased the capacity of the facility by an additional \$100 million.

As of September 30, 2024, the outstanding balance on this facility was \$116 million, and it currently bears interest at a weighted average rate of 6.83%. As of September 30, 2024, we have approximately \$9 million of remaining unamortized financing costs associated with the unsecured revolving credit facility that have been capitalized and included in other assets on our balance sheet and are being amortized on a straight-line basis over the term of the unsecured revolving credit facility.

The unsecured revolving credit facility has a commitment fee based on our current credit rating and bears interest at a rate of SOFR or prime rate plus applicable margins based on our current credit rating, which may also be adjusted downward up to 0.10% to the extent our Portfolio achieves certain targeted levels of carbon emissions avoidance, as measured by our CarbonCount[®] metric. The current applicable margins are 1.625% for SOFR-based loans and 0.625% for prime rate-based loans, plus an additional 0.10%. The unsecured revolving credit facility has a commitment fee based on our current credit rating. The unsecured revolving credit facility contains terms, conditions, covenants, and representations and warranties that are customary and typical for transactions of this nature, including various affirmative and negative covenants, and limitations on the incurrence of liens and indebtedness, investments, fundamental organizational changes, dispositions, changes in the nature of business, transactions with affiliates, use of proceeds, stock repurchases, and dividends we can declare. The unsecured revolving credit facility also includes customary events of default and remedies. At our option, upon maturity of the unsecured revolving credit facility, we have the ability to convert amounts borrowed into term loans for a fee equal to 1.625% of the term loan amounts.

CarbonCount Green Commercial Paper Note Program

As of September 30, 2024, we have a CarbonCount Green Commercial Paper Note Program (the "commercial paper program") that allows us to issue commercial paper notes at any time. In the second quarter of 2024, we increased the capacity of the program to allow for up to \$125 million outstanding at any time, and extended the maturity of the program to April 2026. We obtained an irrevocable direct-pay letter of credit in an amount not to exceed \$125 million from Bank of America, N.A, to support these obligations which expires in April 2026.

Bank of America provides a direct-pay letter of credit to the noteholders in the same amount of each commercial paper note. The letter of credit is automatically drawn upon at maturity of a commercial paper note and the noteholders are repaid in full. We have a five business-day grace period during which we repay Bank of America for the amount drawn or issue a new commercial paper note. Following the five business-day grace period, any amount then-outstanding is converted into a loan from Bank of America. Commercial paper notes are not redeemable or subject to voluntary prepayment and cannot exceed 397 days. An amount equal to the proceeds of our commercial paper notes are allocated to either the acquisition or refinance of, in whole or in part, eligible green projects, including assets that are neutral to negative on incremental carbon emissions. As of September 30, 2024, we have \$18 million of commercial paper notes outstanding under the facility, which together bear an average total borrowing rate of 6.25%.

Commercial paper notes will be issued at a discount based on market pricing, subject to broker fees of 0.10%. For issuance of the letter of credit, we will pay 1.325% on any drawn letter of credit amounts to Bank of America, N.A., and 0.35% on any unused letter of credit capacity. Any loans converted from drawn letter of credit amounts bear interest at a rate of Term SOFR plus 0.875%, plus an additional 0.10%. Fees paid on the drawn letters of credit may be reduced by up to 0.1% to the extent our Portfolio achieves certain targeted levels of carbon emissions avoidance as measured by our CarbonCount metric. As of September 30, 2024, we have no remaining unamortized financing costs associated with the commercial paper program and associated letter of credit. The associated letter of credit contains terms, conditions, covenants, and representations and warranties that are customary and typical for a transaction of this nature, including various affirmative and negative covenants, and limitations on the incurrence of liens and indebtedness, investments, fundamental organizational changes, dispositions, changes in the nature of business, transactions with affiliates, use of proceeds, stock repurchases and dividends we declare. The letter of credit also includes customary events of default and remedies.

Senior secured revolving credit agreement

In the second quarter of 2024, we entered into a senior secured revolving credit agreement with a maximum outstanding principal amount of \$100 million which matures in 2029. Under the terms of the senior secured revolving credit agreement, we will pledge collateral to the facility in the form of certain qualifying land assets or assets secured by land and will be allowed to borrow up to 80% of our cash amount invested in the collateral pledged. Any loans under the agreement bear interest at a rate of Term SOFR plus 1.90%, and interest is due quarterly. The rate of interest can be reduced by up to 0.10% to the extent our Portfolio achieves certain targeted levels of carbon emissions avoidance as measured by our CarbonCount metric. There is a commitment fee of 0.20% of the used capacity of the agreement, which is paid quarterly. The senior secured revolving credit agreement contains terms, conditions, covenants, and representations and warranties that are customary and typical for transactions of this nature, including various affirmative and negative covenants, and limitations on the incurrence of liens and indebtedness, investments, fundamental organizational changes, dispositions, changes in the nature of business, transactions with affiliates, use of proceeds, stock repurchases, and dividends we can declare. The senior secured revolving credit agreement also includes customary events of default and remedies.

As of September 30, 2024, we had no balance outstanding on the senior secured revolving credit agreement, and we had availability under the revolving credit agreement of \$22 million based on the pledged collateral. We had approximately \$1 million in unamortized financing costs associated with the senior secured revolving credit agreement, which are included in other assets.

8. Long-term Debt

Non-recourse debt

We have outstanding the following asset-backed non-recourse debt:

	Outstanding Balance as of		Interest Rate	Maturity Date	Anticipated Balance at Maturity	Carrying Value of Assets Pledged as of		Description of Assets Pledged
	September 30, 2024	December 31, 2023				September 30, 2024	December 31, 2023	
	<i>(dollars in millions)</i>							
HASI Sustainable Yield Bond 2015-1A ⁽¹⁾	\$ —	\$ 68	4.28%	October 2034	\$ —	\$ —	\$ 136	Receivables, real estate, real estate intangibles, and restricted cash
HASI SYB Trust 2016-2 ⁽²⁾	—	51	4.35%	April 2037	—	—	57	Receivables and restricted cash
HASI Harmony Issuer	95	—	6.78%	July 2043	—	261	—	Equity method investments
Other non-recourse debt ⁽³⁾	40	43	3.15% - 7.23%	2024 to 2032	17	41	46	Receivables
Unamortized financing costs	(4)	(2)						
Non-recourse debt ⁽⁴⁾	<u>\$ 131</u>	<u>\$ 160</u>						

(1) We prepaid this obligation in the first quarter of 2024.

(2) In the first quarter of 2024, contractual terms of this agreement were modified, which caused us to deconsolidate the entities holding such debt and its related pledged collateral.

(3) Other non-recourse debt consists of various debt agreements used to finance certain of our receivables. Scheduled debt service payment requirements are equal to or less than the cash flows received from the underlying receivables.

(4) The total collateral pledged against our non-recourse debt was \$ 302 million and \$ 239 million as of September 30, 2024 and December 31, 2023, respectively. These amounts include \$ 13 million and \$ 11 million of restricted cash pledged for debt service payments as of September 30, 2024 and December 31, 2023, respectively.

We have pledged the financed assets, and typically our interests in one or more parents or subsidiaries of the borrower that are legally separate bankruptcy remote special purpose entities as security for the non-recourse debt. There is no recourse for repayment of these obligations other than to the applicable borrower and any collateral pledged as security for the obligations. Generally, the assets and credit of these entities are not available to satisfy any of our other debts and obligations. The creditors can only look to the borrower, the cash flows of the pledged assets and any other collateral pledged, to satisfy the debt and we are not otherwise liable for nonpayment of such cash flows. The debt agreements contain terms, conditions, covenants and representations and warranties that are customary and typical for transactions of this nature, including limitations on the incurrence of liens and indebtedness, investments, fundamental organizational changes, dispositions, changes in the nature of business, transactions with affiliates, use of proceeds and stock repurchases. The agreements also include customary events of default, the occurrence of which may result in termination of the agreements, acceleration of amounts due and accrual of default interest. We typically act as servicer for the debt transactions. We were in compliance with all covenants as of September 30, 2024 and December 31, 2023.

We have guaranteed the accuracy of certain of the representations and warranties and other obligations of certain of our subsidiaries under certain of the debt agreements and provided an indemnity against certain losses from "bad acts" of such subsidiaries including fraud, failure to disclose a material fact, theft, misappropriation, voluntary bankruptcy or unauthorized transfers.

The stated minimum maturities of non-recourse debt as of September 30, 2024, were as follows:

	Future minimum maturities	
	<i>(in millions)</i>	
October 1, 2024 to December 31, 2024	\$	3
2025		11
2026		7
2027		14
2028		6
2029		10
Thereafter		84
Total minimum maturities	\$	135
Unamortized financing costs		(4)
Total non-recourse debt	\$	131

The stated minimum maturities of non-recourse debt above include only the mandatory minimum principal payments. To the extent there are additional cash flows received from our investments serving as collateral for certain of our non-recourse debt facilities, these additional cash flows may be required to be used to make additional principal payments against the respective debt. Any additional principal payments made due to these provisions may impact the anticipated balance at maturity of these financings. To the extent there are not sufficient cash flows received from those investments pledged as collateral, the investor has no recourse against other corporate assets to recover any shortfalls.

Senior Unsecured Notes

We have outstanding senior unsecured notes issued by us or jointly by certain of our subsidiaries which are guaranteed by the Company and certain other subsidiaries (the "Senior Unsecured Notes"). The Senior Unsecured Notes were subject to covenants that limited our ability to incur additional indebtedness and required us to maintain unencumbered assets of not less than 120% of our unsecured debt. These covenants terminated during the second quarter of 2024 as a result of us being rated an investment grade issuer by two of the three major credit rating agencies and no event of default having occurred. We are in compliance with all of our remaining covenants as of September 30, 2024 and December 31, 2023. The Senior Unsecured Notes impose certain requirements in the event that we merge with or sell substantially all of our assets to another entity. We allocate an amount equal to the net proceeds of our Senior Unsecured Notes to the acquisition or refinance of, in whole or in part, eligible green projects, including assets that are neutral to negative on incremental carbon emissions.

The following are summarized terms of the Senior Unsecured Notes as of September 30, 2024:

	Outstanding Principal Amount		Maturity Date	Stated Interest Rate		Interest Payment Dates	Redemption Terms Modification Date	
	<i>(in millions)</i>							
2025 Notes	\$	—	(1)	April 15, 2025	6.00	%	April 15 and October 15th	N/A
2026 Notes		1,000		June 15, 2026	3.38	%	June 15 and December 15	March 15, 2026 ⁽²⁾
2027 Notes		750	(4)	June 15, 2027	8.00	%	June 15 and December 15	March 15, 2027 ⁽³⁾
2030 Notes		375	(5)	September 15, 2030	3.75	%	February 15th and August 15th	N/A
2034 Notes		700	(1)	July 1, 2034	6.38	%	July 1st and January 1st	N/A

- (1) In the third quarter of 2024, we issued \$ 700 million principal amount of Senior Unsecured Notes due in July 2034 ("2034 Notes"), which bear interest at a rate of 6.375%. The notes were issued for gross proceeds of \$ 695 million, resulting in a yield to maturity of 6.476%. We used a portion of the proceeds from this issuance to redeem the outstanding principal amount of the 2025 notes. There was no premium paid upon redemption.

- (2) Prior to this date, we may redeem, at our option, some or all of the 2026 Notes for the outstanding principal amount plus the applicable “make-whole” premium as defined in the indenture governing the 2026 Notes plus accrued and unpaid interest through the redemption date. In addition, prior to this date, we may redeem up to 40% of the Senior Unsecured Notes using the proceeds of certain equity offerings at a price equal to par plus the coupon percentage of the principal amount thereof, plus accrued but unpaid interest, if any, to, but excluding, the applicable redemption date. On, or subsequent to, this date we may redeem the 2026 Notes in whole or in part at redemption prices defined in the indenture governing the 2026 Notes, plus accrued and unpaid interest through the redemption date.
- (3) Prior to this date, we may redeem, at our option, some or all of the 2027 Notes for the outstanding principal amount plus the applicable “make-whole” premium as defined in the indenture governing the 2027 Notes plus accrued and unpaid interest through the redemption date. In addition, prior to this date, we may redeem up to 40% of the Senior Unsecured Notes using the proceeds of certain equity offerings at a price equal to par plus the coupon percentage of the principal amount thereof, plus accrued but unpaid interest, if any, to, but excluding, the applicable redemption date. On, or subsequent to, this date we may redeem the 2027 Notes in whole or in part at a price equal to 100% of the principal amount, plus accrued and unpaid interest through the redemption date.
- (4) In January 2024 in a follow-on offering we issued \$ 200 million principal amount of 2027 Notes for net proceeds of \$ 204 million, equivalent to a yield to maturity of 7.08% for the new issuance.
- (5) We issued the \$375 million aggregate principal amount of the 2030 Notes for total proceeds of \$ 371 million (\$367 million net of issuance costs) at an effective interest rate of 3.87%. We may redeem the 2030 Notes in whole or in part at redemption prices defined in the indenture governing the 2030 Notes plus accrued and unpaid interest through the redemption date.

The following table presents a summary of the components of the Senior Unsecured Notes:

	September 30, 2024	December 31, 2023
	<i>(in millions)</i>	
Principal	\$ 2,825	\$ 2,325
Accrued interest	40	15
Unamortized premium (discount)	(3)	(3)
Less: Unamortized financing costs	(22)	(18)
Carrying value of Senior Unsecured Notes	<u>\$ 2,840</u>	<u>\$ 2,319</u>

We recorded approximately \$40 million and \$108 million in interest expense related to the Senior Unsecured Notes in the three and nine months ended September 30, 2024, respectively, compared to approximately \$19 million and \$57 million in the three and nine months ended September 30, 2023, respectively.

Convertible Notes

We have outstanding exchangeable senior notes, and have previously issued convertible senior notes, together “Convertible Notes”. Holders may convert or exchange any of their Convertible Notes into shares of our common stock at the applicable conversion or exchange ratio at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date, unless the Convertible Notes have been previously redeemed or repurchased by us.

The following are summarized terms of the Convertible Notes as of September 30, 2024:

	Outstanding Principal Amount	Maturity Date	Stated Interest Rate	Interest Payment Dates	Conversion/Exchange Ratio	Conversion/Exchange Price	Issuable Shares	Dividend Threshold Amount ⁽¹⁾
	<i>(in millions)</i>						<i>(in millions)</i>	
2025 Exchangeable Senior Notes	200 ⁽²⁾	May 1, 2025	0.000 %	N/A	17.7969	\$56.19	3.6	\$0.375
2028 Exchangeable Senior Notes	403	August 15, 2028	3.750 %	February 15 and August 15	36.9028	\$27.10	14.9	\$0.395

(1) The conversion or exchange ratio is subject to adjustment for dividends declared above these amounts per share per quarter and certain other events that may be dilutive to the holder.

(2) The 2025 Exchangeable Senior Notes accrete to a premium at maturity equal to 3.25% per annum. The current balance including accreted premium is \$ 217 million.

For the exchangeable senior notes, following the occurrence of a make-whole fundamental change, we will, in certain circumstances, increase the exchange rate for a holder that converts its exchangeable notes in connection with such make-whole fundamental change. There are no cash settlement provisions for the 2025 Exchangeable Senior Notes and the exchange option can only be settled through physical delivery of our common stock. Upon exchange of the 2028 Exchangeable Senior Notes, exchange may be settled through cash, shares of our common stock or a combination of cash and shares of our common stock, at our election (as described in the indenture related to the 2028 Exchangeable Senior Notes). Additionally, upon the occurrence of certain fundamental changes involving us, holders of the 2025 Exchangeable Senior Notes or the 2028 Exchangeable Senior Notes may require us to redeem all or a portion of their notes for cash at a price of 100% of the principal amount outstanding, plus accrued and unpaid interest. We may redeem the 2028 Exchangeable Senior Notes in whole or in part, at our option, on or after August 20, 2026 and prior to the 62nd scheduled trading day immediately preceding the maturity date for such notes, if certain conditions are met including our common stock trading above 130% of the exchange price for at least 20 trading days, as set forth in the indenture relating to the 2028 Exchangeable Senior Notes. Any shares of our common stock issuable upon exchange of the 2025 Exchangeable Senior Notes or 2028 Exchangeable Senior Notes will have certain registration rights.

We have issued \$200 million of 0.00% Exchangeable Senior Notes due 2025 which are guaranteed by us and certain of our subsidiaries and may, under certain conditions, be exchangeable for our common stock. The notes accrete to a premium at maturity at an effective rate of 3.25% annually.

Upon any exchange of these Notes, holders will receive a number of shares of our common stock equal to the product of (i) the aggregate initial principal amount of the notes to be exchanged, divided by \$1,000 and (ii) the applicable exchange rate, plus cash in lieu of fractional shares. We have allocated or intend to allocate an amount equal to the net proceeds of this offering to the acquisition or refinancing of, in whole or in part, new and/or existing eligible green projects, which include assets that are neutral to negative on incremental carbon emissions.

The following table presents a summary of the components of our Convertible Notes:

	September 30, 2024	December 31, 2023
	<i>(in millions)</i>	
Principal	\$ 603	\$ 603
Accrued interest	2	6
Premium	16	11
Less: Unamortized financing costs	(8)	(10)
Carrying value of Convertible Notes	<u>\$ 613</u>	<u>\$ 610</u>

We recorded approximately \$6 million and \$19 million in interest expense related to our Convertible Notes in the three and nine months ended September 30, 2024 compared to \$ million and \$9 million for the three and nine months ended September 30, 2023, respectively.

In order to mitigate the potential dilution to our common stock upon exchange of the 2028 Exchangeable Senior Notes, we entered into privately-negotiated capped call transactions (“Capped Calls”) with certain counterparties. The Capped Calls are separate transactions and are not part of the terms of the 2028 Exchangeable Senior Notes. The total premium for the Capped Calls was recorded as a reduction of additional paid-in capital. The Company used a portion of the proceeds from the 2028 Exchangeable Senior Notes to pay for the cost of the Capped Call premium. The material terms of the Capped Calls are as follows:

	<i>(in millions except per share data)</i>	
Aggregate cost of capped calls	\$	38
Initial strike price per share	\$	27.14
Initial cap price per share	\$	43.42
Shares of our common stock covered by the capped calls		14.8
Expiration date		August 15, 2028

CarbonCount Term Loan Facility

We have entered into a CarbonCount Term Loan Facility (“the unsecured term loan facility”) with a syndicate of banks which has an outstanding principal and accrued interest amount of \$251 million. Principal amounts under the term loan facility will bear interest at a rate of Term SOFR plus applicable margins based on our current credit rating, which may be adjusted downward up to 0.10% to the extent our Portfolio achieves certain targeted levels of carbon emissions avoidance, as measured by our CarbonCount[®] metric. As of September 30, 2024, the applicable margin is 1.875% plus 0.10%, and the current interest rate is 7.02%. The coupon on any drawn amounts will be reset at monthly, quarterly, or semi-annual intervals at our election. Interest is due and payable quarterly. Payments of 1.25% of the outstanding principal balance are due quarterly. We intend to allocate an amount equal to the net proceeds of this offering to the acquisition or refinancing of, in whole or in part, new and/or existing eligible green projects, which include assets that are neutral to negative on incremental carbon emissions. Loans under the unsecured term loan facility can be prepaid without penalty. In the second quarter of 2024, we extended the maturity date to 2027, with no changes to the pricing terms, and used proceeds from our unsecured revolving credit facility to make a partial prepayment of \$275 million on the unsecured term loan facility to reduce the outstanding principal balance.

Amounts which were due under the term loan facility as of September 30, 2024 are as follows:

	Future maturities	
	<i>(in millions)</i>	
October 1, 2024 to December 31, 2024	\$	7
2025		12
2026		11
2027		221
Total		251
Less: Unamortized Financing Costs		(5)
Carrying Value	\$	246

The unsecured term loan facility contains terms, conditions, covenants, and representations and warranties that are customary and typical for a transaction of this nature, including various affirmative and negative covenants, and limitations on the incurrence of liens and indebtedness, investments, fundamental organizational changes, dispositions, changes in the nature of business, transactions with affiliates, use of proceeds, stock repurchases and dividends we declare. The term loan facility also includes customary events of default and remedies.

Secured Term Loan

We have a term loan ("Secured Term Loan") with a maturity date of January 2028, under which principal amounts bear interest at a rate of Daily Term SOFR plus a credit spread of 2.25%, plus 0.10%. We are required to hold interest rate swaps with notional values equal to 85% of the outstanding principal amount of the loan. The facility is subject to mandatory principal amortization of 5% per annum, with principal and interest payments due quarterly. The secured term loan contains terms, conditions, covenants, and representations and warranties that are customary and typical for a transaction of this nature, including various affirmative and negative covenants, and limitations on the incurrence of liens and indebtedness, investments, fundamental organizational changes, dispositions, changes in the nature of business, transactions with affiliates, use of proceeds, stock repurchases and dividends we declare. The secured term loan also includes customary events of default and remedies.

As of September 30, 2024, the outstanding principal and accrued interest balance is \$169 million, the interest rate is 7.68%, and we have financing receivables pledged with a carrying value of \$409 million. In the first quarter of 2024, we removed \$45 million of pledged assets as collateral, and made a principal payment of \$28 million. We have \$3 million of remaining unamortized financing costs associated with the Secured Term Loan that have been netted against the loan on our balance sheet and are being amortized on a straight-line basis over the term of the Secured Term Loan Facility. Amounts which were due under the Secured Term Loan Facility as of September 30, 2024 are as follows:

	Future maturities	
	<i>(in millions)</i>	
October 1, 2024 to December 31, 2024	\$	2
2025		10
2026		12
2027		11
2028		134
Total		169
Less: Unamortized Financing Costs		(3)
Carrying Value	\$	166

Interest Rate Swaps

In connection with several of our long-term borrowings, including floating-rate loans from our Term Loan Facility, unsecured revolving credit facility, Secured Term Loan and the anticipated refinancings of certain of our Senior Unsecured Notes we have entered into the following derivative transactions that are designated as cash flow hedges as of September 30, 2024:

Fair Value as of

Instrument type	Index	Hedged Rate	Notional Value	September 30, 2024	December 31, 2023	Term of derivative and forecasted transactions
<i>\$ in millions</i>						
Interest rate swap	1 month SOFR	3.79%	\$ 400	\$ (16)	\$ (12)	March 2023 to March 2033
Interest rate swap	Overnight SOFR	2.98%	400	6	7	June 2026 to June 2033
Interest rate swap	Overnight SOFR	3.09%	600	5	7	June 2026 to June 2033
Interest rate swap	Overnight SOFR	3.08%	400	— ⁽¹⁾	8	April 2025 to April 2035
Interest rate collar	1 month SOFR	3.70% - 4.00% ⁽²⁾	250	(1)	—	May 2023 to May 2026
Interest rate swaps	Overnight SOFR	4.39% to 4.42% ⁽³⁾	170	(9)	(8)	September 2023 to June 2033
Interest rate swap	Overnight SOFR	3.72 %	375	(10)	—	June 2027 to June 2037
			<u>\$ 2,595</u>	<u>\$ (25)</u>	<u>2</u>	

(1) This swap was financially settled in June 2024, for a benefit of \$19 million. The \$19 million is in AOCI as of September 30, 2024 and will be amortized into interest expense over the term of the 2034 Notes.

(2) Interest rate collar consists of a purchased interest rate cap of 4.00% and a written interest rate floor of 3.70%.

(3) Consists of three interest rate swaps with identical maturities and effective dates.

The fair values of our interest rate derivatives designated and qualifying as effective cash flow hedges are reflected in our consolidated balance sheets as a component of other assets (if in an unrealized gain position) or accounts payable, accrued expenses and other (if in an unrealized loss position) and in net unrealized gains and losses in AOCI. As of September 30, 2024, all of our derivatives were designated as hedging instruments which were deemed to be effective. As of September 30, 2024, we have posted \$19 million of collateral. We have netted \$17 million of our posted collateral against the derivative liability which is included in accounts payable, accrued expenses, and other on our balance sheet. The remaining \$2 million of our collateral is included in other assets.

The below table shows the changes in our AOCI balance related to our interest rate derivatives designated and qualifying as effective cash flow hedges:

	<i>(Amounts in millions)</i>
Beginning Balance - January 1, 2023	\$ —
Changes in fair value	7
Amounts released into interest expense	(6)
Ending Balance - December 31, 2023	\$ 1
Changes in fair value	(18)
Amounts released into interest expense	8
Ending Balance - September 30, 2024	<u>\$ (9)</u>

The below table shows the benefit (expense) included in interest expense as a result of our hedging activities for the three and nine months ended September 30, 2024 and 2023, respectively. We expect an expense of \$2 million to be released out of AOCI into interest expense over the 12 months following September 30, 2024.

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	<i>(in thousands)</i>			
Interest expense	\$ 59,401	\$ 43,295	\$ 180,804	\$ 120,413
Benefit (expense) included in interest expense due to hedging activities	2,817	2,278	8,432	3,725

Certain of the projects in which we have equity method investments also have interest rate swaps which are designated as cash flow hedges, and we recognize the portion of the gain or loss allocated to us related to those instruments through other comprehensive income.

9. Commitments and Contingencies

Litigation

The nature of our operations exposes us to the risk of claims and litigation in the normal course of our business. We are not currently subject to any legal proceedings that are probable of having a material adverse effect on our financial position, results of operations or cash flows.

Guarantees and other commitments

In connection with some of our transactions, we have provided certain limited representations, warranties, covenants and/or provided an indemnity against certain losses resulting from our own actions, including related to certain investment tax credits. As of September 30, 2024, there have been no such actions resulting in claims against the Company.

As a part of broader project restructuring in order to increase our expected cash flows from the investment, we alongside the project sponsor, made guarantees to support the working capital needs of two of the project companies owned by Jupiter, an equity method investee. The guarantees are in effect until the tax equity investors in those project companies achieve their target preferred returns, and our contractual maximum under these guarantees is \$53 million, and is limited to \$20 million in any particular calendar year. As of September 30, 2024, we have no liability recorded as a result of these guarantees as we believe it is not probable we will be required to perform under them. As of September 30, 2024, we have not been asked to perform under them.

We have made a guarantee related to the financing of four of our joint venture entities that owns debt securities of energy efficiency projects. We received \$3 million of the proceeds of this financing arrangement, and in turn have guaranteed the obligations of the entity related to this financing, which includes collateral posting requirements as well as repayment of the financing at maturity in February 2025. As of September 30, 2024, our maximum obligation under this guarantee is approximately \$87 million. We believe the likelihood of having to perform under the guarantee is remote, have recorded no liability associated with this guarantee, and presently have not been required to post collateral as the assets of the joint venture entities are enough to support the financing obligation. We have executed a separate agreement with our joint venture partner pursuant to which it is liable for 15% of this obligation repayable to us.

10. Income Tax

We recorded an income tax (expense) benefit of approximately \$7 million and \$(49) million for the three and nine months ended September 30, 2024, compared to a \$ million and \$5 million income tax (expense) benefit in the three and nine months ended September 30, 2023. For the three and nine months ended September 30, 2024 and 2023, our income tax (expense) benefit was determined using the federal tax rate of 21%, and combined state tax rates, net of federal benefit, of approximately 4% for 2024 and 3% for 2023.

11. Equity

Dividends and Distributions

Our board of directors declared the following dividends in 2023 and 2024:

Announced Date	Record Date	Pay Date	Amount per share
2/16/2023	4/3/2023	4/10/2023	\$ 0.395
5/4/2023	7/5/2023	7/12/2023	\$ 0.395
8/3/2023	10/4/2023	10/11/2023	\$ 0.395
11/2/2023	12/29/2023 ⁽¹⁾	01/12/2024	\$ 0.395
2/15/2024	4/5/2024	04/19/2024	\$ 0.415
5/7/2024	7/3/2024	7/12/2024	\$ 0.415
8/1/2024	10/4/2024	10/18/2024	\$ 0.415
11/7/2024	12/30/2024	01/10/2025	\$ 0.415

(1) This dividend is treated as a distribution in the year following the record date for tax purposes.

Equity Offerings

We have an effective universal shelf registration statement registering the potential offer and sale, from time to time and in one or more offerings, of any combination of our common stock, preferred stock, depository shares, debt securities, warrants and rights (collectively referred to as the "securities"). We may offer the securities directly, through agents, or to or through underwriters by means of ordinary brokers' transactions on the NYSE or otherwise at market prices prevailing at the time of sale or at negotiated prices and may include "at the market" ("ATM") offerings to or through a market maker or into an existing trading market on an exchange or otherwise. We have a dividend reinvestment and stock purchase plan, allowing stockholders and holders of OP Units (including LTIP Units) to purchase shares of our common stock by reinvesting cash dividends or distributions received. We completed the following public offerings (including ATM issuances) of our common stock during 2024 and 2023:

Date/Period	Common Stock Offerings	Shares Issued ⁽²⁾	Price Per Share	Net Proceeds ⁽¹⁾
			(amounts in millions, except per share amounts)	
Q1 2023	ATM	0.763	\$ 31.31 ⁽³⁾	\$ 24
5/30/2023	Public Offering	15.000	22.23 ⁽⁴⁾	333
Q2 2023	ATM	0.053	26.07 ⁽³⁾	1
Q3 2023	ATM	4.394	24.71 ⁽³⁾	107
Q4 2023	ATM	1.006	28.81 ⁽³⁾	29
Q1 2024	ATM	1.193	25.89 ⁽³⁾	31
Q2 2024	ATM	1.662	31.42 ⁽³⁾	52
Q3 2024	ATM	3.040	32.55 ⁽³⁾	98

(1) Net proceeds from the offerings are shown after deducting underwriting discounts and commissions.

(2) Includes shares issued in connection with the exercise of the underwriters' option to purchase additional shares.

(3) Represents the average price per share at which investors in our ATM offerings purchased our shares.

(4) Represents the price per share at which the underwriters in our public offering purchased our shares.

Equity-based Compensation Awards

We have issued equity awards that vest from 2024 to 2028 subject to service, performance and market conditions. During the nine months ended September 30, 2024, our board of directors awarded employees and directors 798,160 shares of restricted stock, restricted stock units and LTIP Units that vest from 2025 to 2028. Refer to Note 4 to our financial statements in this Form 10-Q for background on the LTIP Units.

For the three and nine months ended September 30, 2024 we recorded \$4 million and \$19 million of stock based compensation, respectively, compared to \$3 million and \$15 million during the three and nine months ended September 30, 2023, respectively. We have a retirement policy which provides for full vesting at retirement of any time-based awards that were granted prior to the date of retirement and permits the vesting of market-based or performance-based awards that were granted prior to the date of retirement according to the original vesting schedule of the award, subject to the achievement of the applicable market or performance measures. Employees are eligible for the retirement policy upon meeting age and years of service criteria. The total unrecognized compensation expense related to awards of shares of restricted stock and restricted stock units was approximately \$24 million as of September 30, 2024. We expect to recognize compensation expense related to our equity awards over a weighted-average term of approximately 2 years. A summary of the unvested shares of restricted common stock that have been issued is as follows:

	Restricted Shares of Common Stock	Weighted Average Grant Date Fair Value <i>(per share)</i>	Value <i>(in millions)</i>
Ending Balance — December 31, 2022	168,452	\$ 33.59	\$ 5.7
Granted	77,938	30.03	2.3
Vested	(98,367)	29.18	(2.9)
Forfeited	(12,356)	42.74	(0.5)
Ending Balance — December 31, 2023	135,667	\$ 33.90	\$ 4.6
Granted	222,049	26.94	6.0
Vested	(41,165)	38.16	(1.6)
Forfeited	(3,399)	27.55	(0.1)
Ending Balance — September 30, 2024	313,152	\$ 28.48	\$ 8.9

A summary of the unvested shares of restricted stock units that have market-based vesting conditions that have been issued is as follows:

	Restricted Stock Units ⁽¹⁾	Weighted Average Grant Date Fair Value <i>(per share)</i>	Value <i>(in millions)</i>
Ending Balance — December 31, 2022	58,404	\$ 51.03	\$ 3.0
Granted	63,446	39.29	2.4
Incremental performance shares granted	7,305	34.63	0.3
Vested	(18,041)	35.17	(0.6)
Forfeited	(16,460)	30.90	(0.5)
Ending Balance — December 31, 2023	94,654	\$ 48.42	\$ 4.6
Granted	—	—	—
Incremental performance shares granted	—	—	—
Vested	—	—	—
Forfeited	(15,480)	68.81	(1.1)
Ending Balance — September 30, 2024	79,174	\$ 44.43	\$ 3.5

(1) As discussed in Note 2, restricted stock units with market-based vesting conditions can vest between 0% and 200% subject to both the absolute performance of the Company's common stock as well as relative performance compared to a group of peers. The incremental performance shares granted relate to the vesting of awards at the achieved performance level.

A summary of the unvested LTIP Units that have time-based vesting conditions that have been issued is as follows:

	LTIP Units ⁽¹⁾	Weighted Average Grant Date Fair Value <i>(per share)</i>	Value <i>(in millions)</i>
Ending Balance — December 31, 2022	276,766	\$ 42.21	\$ 11.7
Granted	342,349	30.08	10.3
Vested	(142,041)	39.21	(5.5)
Forfeited	—	—	—
Ending Balance — December 31, 2023	477,074	\$ 34.4	\$ 16.5
Granted	320,063	26.96	8.6
Vested	(236,166)	34.79	(8.2)
Forfeited	—	—	—
Ending Balance — September 30, 2024	560,971	\$ 29.99	\$ 16.9

(1) See Note 4 for information on the vesting of LTIP Units.

A summary of the unvested LTIP Units that have market-based vesting conditions that have been issued is as follows:

	LTIP Units ⁽¹⁾	Weighted Average Grant Date Fair Value <i>(per share)</i>	Value <i>(in millions)</i>
Ending Balance — December 31, 2022	324,028	\$ 42.84	\$ 13.9
Granted	282,034	39.29	11.1
Incremental performance shares granted	40,394	19.94	0.8
Vested	(96,496)	19.94	(1.9)
Forfeited	(56,102)	4.56	(0.3)
Ending Balance — December 31, 2023	493,858	\$ 47.76	\$ 23.6
Granted	128,024	39.11	5.0
Incremental performance shares granted	—	—	—
Vested	—	—	—
Forfeited	(86,274)	65.28	(5.6)
Ending Balance — September 30, 2024	535,608	\$ 42.87	\$ 23.0

(1) See Note 4 for information on the vesting of LTIP Units. LTIP Units with market-based vesting conditions can vest between 0% and 200% subject to both the absolute performance of our common stock as well as relative performance compared to a group of peers. The incremental performance shares granted relate to the vesting of awards at the achieved performance level.

A summary of the unvested LTIP Units that have performance-based vesting conditions that have been issued is as follows:

	LTIP Units ⁽¹⁾	Weighted Average Grant Date Fair Value <i>(per share)</i>	Value <i>(in millions)</i>
Ending Balance — December 31, 2023	—	\$ —	\$ —
Granted	128,024	25.96	3.3
Incremental performance shares granted	—	—	—
Vested	—	—	—
Forfeited	—	—	—
Ending Balance — September 30, 2024	<u>128,024</u>	<u>\$ 25.96</u>	<u>\$ 3.3</u>

(1) See Note 4 for information on the vesting of LTIP Units. LTIP Units with performance-based vesting conditions can vest between 0% and 200% subject to the achievement of certain adjusted earnings per share. The incremental performance shares granted relate to the vesting of awards at the achieved performance level.

NOL Stockholder Rights Plan

In 2023, we established a Tax Benefits Preservation Plan (“the Plan”), which was designed to protect our tax benefits in connection with any “ownership change” within the meaning of Section 382 of the Internal Revenue Code of 1986. Under the Plan, we declared a dividend distribution of one right (a “Right”) for each outstanding share of our common stock to be paid to all record holders of our common stock at the close of business on November 21, 2023. The Plan was intended to reduce the risk that our ability to use net operating losses (“NOLs”) and certain other Tax Benefits would have become substantially limited as the result of an “ownership change”. As of December 31, 2023, we had approximately \$666 million of NOLs and \$31 million of tax credits available that may be used to offset future taxable income. On July 1, 2024, we entered into an amendment which caused the Rights under the Plan to expire on July 1, 2024, effectively terminating the Plan at that time in anticipation of the effectiveness of the Company’s reincorporation as a Delaware corporation on July 2, 2024. The Company’s Delaware Certificate of Incorporation includes Charter Tax Benefit Provisions which are intended to replace the Tax Benefits Preservation Plan.

Pursuant to the Plan, during the period in which it existed, if a stockholder (or group) became a 5% stockholder without meeting certain exceptions, the Rights became exercisable upon board approval and entitled stockholders (other than the 5% stockholder or group causing the Rights to become exercisable) to purchase additional of our common shares at a significant discount, resulting in significant dilution in the economic interest and voting power of the 5% stockholder or group causing the Rights to become exercisable. Stockholders owning 5% or more of our outstanding shares at the time the Plan was adopted were grandfathered and would have only caused the Rights to distribute and become exercisable if they acquire any additional HASI shares. Under the Plan, the Board had the ability to determine in its sole discretion that any person shall not be deemed an acquiring person and therefore that the Rights shall not become exercisable if such person becomes a 5% stockholder. The adoption and termination of the Plan and the dividend distribution did not have an impact on our consolidated financial statements.

12. Earnings per Share of Common Stock

The net income or loss attributable to the non-controlling OP units have been excluded from the basic earnings per share and the diluted earnings per share calculations attributable to common stockholders. Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are excluded from net income available to common stockholders in the computation of earnings per share pursuant to the two-class method. Certain share-based awards are included in the diluted share count to the extent they are dilutive as discussed in Note 2. To the extent our Convertible Notes are dilutive under the if-converted method, we add back the interest expense to the numerator and include the weighted average shares of potential common stock over the period issuable upon conversion or exchange of the note in the denominator in calculating dilutive EPS as described in Note 2.

The computation of basic and diluted earnings per common share of our common stock is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<i>(in millions, except share and per share data)</i>				
Numerator:				
Net income (loss) attributable to controlling stockholders and participating securities	\$ (19.6)	\$ 21.4	\$ 129.9	\$ 59.1
Less: Dividends and distributions on participating securities	(0.4)	(0.2)	(1.1)	(0.8)
Less: Undistributed earnings attributable to participating securities	—	—	—	—
Net income (loss) attributable to controlling stockholders — basic	<u>(20.0)</u>	<u>21.2</u>	<u>128.8</u>	<u>58.3</u>
Add: Interest expense related to Convertible Notes under the if-converted method	—	0.2	12.6	0.9
Add: Undistributed earnings attributable to participating securities	—	—	—	—
Net income (loss) attributable to controlling stockholders — dilutive	<u>\$ (20.0)</u>	<u>\$ 21.4</u>	<u>\$ 141.4</u>	<u>\$ 59.2</u>
Denominator:				
Weighted-average number of common shares — basic	116,584,392	107,715,057	114,518,199	98,665,598
Weighted-average number of common shares — diluted	116,584,392	109,145,088	129,562,463	101,142,782
Basic earnings per common share	<u>\$ (0.17)</u>	<u>\$ 0.20</u>	<u>\$ 1.12</u>	<u>\$ 0.59</u>
Diluted earnings per common share	<u>\$ (0.17)</u>	<u>\$ 0.20</u>	<u>\$ 1.09</u>	<u>\$ 0.59</u>
Securities being allocated a portion of earnings:				
Weighted-average number of OP units	1,608,735	1,365,040	1,510,634	1,294,511
As of September 30,				
Participating securities:				
Unvested restricted common stock and unvested LTIP Units with time-based vesting conditions outstanding at period end	874,124	613,373		
Three Months Ended September 30,				
Potentially dilutive securities as of period end that were not dilutive for the presented periods:				
Unvested restricted common stock and unvested LTIP Units with time-based vesting conditions	874,124	613,373	874,124	613,373
Restricted stock units	79,174	97,890	—	97,890
LTIP Units with market-based vesting conditions	663,632	493,858	128,024	493,858
Potential shares of common stock related to Convertible Notes	18,412,761	18,374,760	3,559,376	18,374,760

13. Equity Method Investments

We recognized income from our equity method investments of approximately \$23 million and \$162 million during the three and nine months ended September 30, 2024, respectively, compared to \$3 million and \$27 million during the three and nine months ended September 30, 2023, respectively. We describe our accounting for non-controlling equity investments in Note 2. As of September 30, 2024 and December 31, 2023, we had 47 and 46 investments, respectively, which we accounted for under the equity method. The majority of these investees are limited liability companies taxed as partnerships wherein we participate in cash distributions and tax attributes according to pre-negotiated profit-sharing arrangements. The limited liability company agreements do not define a fixed percentage of our ownership of these entities, and our claims on the net assets of each investment changes over time as preferred investors achieve their pre-negotiated preferred returns.

The following is a summary of the consolidated balance sheets and income statements of the entities in which we have a significant equity method investment. These amounts are presented on the underlying investees' accounting basis. In certain instances, adjustment to these equity values may be necessary in order to reflect our basis in these investments. As described in Note 2, any difference between the amount of our investment and the amount of our share of underlying equity is generally amortized over the life of the assets and liabilities to which the differences relate. Certain of our equity method investments have the unrealized mark-to-market losses on energy hedges at the project level that do not qualify for hedge accounting. These unrealized mark-to-market losses, which resulted from rising energy prices, are recorded in the revenue line of the projects' statements of operations. As these swaps are settled, the projects will sell power at the higher market price, offsetting the loss recognized on the energy hedges.

	Jupiter Equity Holdings LLC	Daggett Renewable Holdco LLC	Other Investments ⁽¹⁾	Total
	<i>(in millions)</i>			
Balance Sheet				
<i>As of June 30, 2024</i>				
Current assets	\$ 59	\$ 68	\$ 1,036	\$ 1,163
Total assets	2,906	1,141	16,540	20,587
Current liabilities	316	13	907	1,236
Total liabilities	546	454	8,718	9,718
Members' equity	2,360	687	7,822	10,869
<i>As of December 31, 2023</i>				
Current assets	52	35	898	985
Total assets	2,950	677	14,965	18,592
Current liabilities	205	10	715	930
Total liabilities	500	262	7,898	8,660
Members' equity	2,450	415	7,067	9,932
Income Statement				
<i>For the six months ended June 30, 2024</i>				
Revenue	6	31	489	526
Income (loss) from continuing operations	(95)	1	(102)	(196)
Net income (loss)	(95)	1	(102)	(196)
<i>For the six months ended June 30, 2023</i>				
Revenue	59	2	386	447
Income (loss) from continuing operations	(27)	2	(61)	(86)
Net income (loss)	(27)	2	(61)	(86)

(1) Represents aggregated financial statement information for investments not separately presented.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In this Form 10-Q, unless specifically stated otherwise or the context otherwise indicates, references to "we," "our," "us," and the "Company" refer to HA Sustainable Infrastructure Capital, Inc., a Delaware corporation formerly known as Hannon Armstrong Sustainable Infrastructure Capital, Inc. prior to July 2, 2024, Hannon Armstrong Sustainable Infrastructure, L.P., and any of our other subsidiaries. Hannon Armstrong Sustainable Infrastructure, L.P. is a Delaware limited partnership of which we are the sole general partner and to which we refer in this Form 10-Q as our "Operating Partnership." We invest in projects which, among other things, are focused on reducing the impact of greenhouse gases that have been scientifically linked to climate change. We refer to these gases, which are often for consistency expressed as carbon dioxide equivalents, as carbon emissions.

The following discussion is a supplement to and should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and related notes and with our Annual Report on Form 10-K for the year ended December 31, 2023, as amended by our Amendment No. 1 to our Annual Report on Form 10-K for the year ended December 31, 2023 (collectively, our "2023 Form 10-K"), that was filed with the SEC.

Our Business

We are a climate positive investment firm that actively partners with clients to deploy real assets that facilitate the energy transition. With more than \$13 billion in managed assets, our vision is that every investment improves our climate future. Our investments take many forms, including equity, joint ventures, real estate, receivables or securities, and other financing transactions. In addition to Net Investment Income from our portfolio, we also generate ongoing fees through gain-on-sale securitization transactions, asset management, and other services.

We are internally managed, and our management team has extensive relevant industry knowledge and experience. We have long-standing relationships with some of the leading clean energy project developers, owners and operators, utilities, and energy service companies ("ESCOs"), that provide recurring, programmatic investment and fee-generating opportunities.

Our investments are focused on three markets:

- *Behind-the-Meter ("BTM")*: distributed energy projects which reduce energy usage or cost through solar power generation, electric storage, or energy efficiency improvements such as heating, ventilation, and air conditioning systems (HVAC), lighting, energy controls, roofs, windows, building shells, and/or combined heat and power systems;
- *Grid-Connected ("GC")*: renewable energy projects that deploy cleaner energy sources, such as solar, solar-plus-storage, and wind, to generate power production where the off-taker or counterparty may be part of the wholesale electric power markets; and
- *Fuels, Transport, and Nature ("FTN")*: a range of real assets spanning high-emitting economic sectors other than the power grid such as transportation and fuels in the United States, including renewable natural gas (RNG) plants, transportation fleet enhancements, and ecological restoration projects, among others.

We prefer investments in which the assets use proven technology and have long-term, creditworthy off-takers or counterparties. For BTM assets, the off-taker or counterparty may be the building owner or occupant, and our investment may be secured by the installed improvements or other real estate rights. For GC assets, the off-takers or counterparties may be utility or electric users who have entered into contractual commitments, such as power purchase agreements ("PPAs"), to purchase power produced by a renewable energy project at a specified price with potential price escalators for a portion of the project's estimated life.

We completed approximately \$396 million and \$1.2 billion of transactions during the three and nine months ended September 30, 2024, respectively, compared to approximately \$973 million and \$1.8 billion during the same period in 2023, respectively. As of September 30, 2024, pursuant to our strategy of holding transactions on our balance sheet, we held approximately \$6.3 billion of transactions on our balance sheet, which we refer to as our "Portfolio." As of September 30, 2024, our Portfolio consisted of approximately 520 assets and we seek to manage the diversity of our Portfolio by, among other factors, project type, project operator, type of investment, type of technology, transaction size, geography, obligor and maturity. For those transactions that we choose not to hold on our balance sheet, we transfer all or a portion of the economics of the transaction, typically using securitization trusts, to institutional investors in exchange for cash and/or residual interests in the assets and in some cases, ongoing fees. As of September 30, 2024, we managed approximately \$6.8 billion in assets in these securitization trusts or vehicles that are not consolidated on our balance sheet. When combined with our Portfolio, as of September 30, 2024, we manage approximately \$13 billion of assets which we refer to as our "Managed Assets".

Our equity investments in climate solutions projects are operated by various renewable energy companies or by joint ventures in which we participate. These transactions allow us to participate in the cash flows associated with these projects,

typically on a priority basis. Our debt investments in various renewable energy or other sustainable infrastructure projects or portfolios of projects are generally secured by the installed improvements, or other real estate rights. Our energy efficiency debt investments are usually assigned the payment stream from the project savings and other contractual rights, often using our pre-existing master purchase agreements with the ESCOs.

We often make investments where we hold a preferred or mezzanine position in a project company where we are subordinated to project debt and/or preferred forms of equity. Investing greater than 10% of our assets in any single investment requires the approval of a majority of our independent directors. We may adjust the mix and duration of our assets over time in order to allow us to manage various aspects of our Portfolio, including expected risk-adjusted returns, macroeconomic conditions, liquidity, availability of adequate financing for our assets, and our exemption from registration as an investment company under the 1940 Act.

We believe we have available a broad range of financing sources as part of our strategy to fund our investments. We finance our business through cash on hand, recourse and non-recourse debt, convertible securities, or equity issuances and may also decide to finance such transactions through the use of off-balance sheet securitization, syndication, or co-investment structures. When issuing debt, we generally provide the estimated carbon emission savings using CarbonCount. In addition, certain of our debt issuances meet the environmental eligibility criteria for green bonds as defined by the International Capital Markets Association's Green Bond Principles, which we believe makes our debt more attractive for certain investors compared to such offerings that do not qualify under these principles. We may also consider the use of special purpose entities or funds in which outside investors participate to facilitate the expansion of the investments that we make or to manage our Portfolio diversification. In May 2024, we entered into a strategic partnership with KKR, where we have each committed to invest \$1 billion into climate solutions projects.

We have a large and active pipeline of potential new opportunities that are in various stages of our underwriting process. We believe the Inflation Reduction Act signed into law on August 16, 2022, incentivizes the construction of and investment in climate solutions and will result in additional investment opportunities in the markets in which we invest over the next several years, which may result in increases in our pipeline in the future. We refer to potential opportunities as being part of our pipeline if we have determined that the project fits within our investment strategy and exhibits the appropriate risk and reward characteristics through an initial credit analysis, including a quantitative and qualitative assessment of the opportunity, as well as research on the relevant market and sponsor. Our pipeline of transactions that could potentially close in the next 12 months consists of opportunities in which we will be the lead originator as well as opportunities in which we may participate with other institutional investors. As of September 30, 2024, our pipeline consisted of more than \$5.5 billion in new equity, debt and real estate opportunities. Of our pipeline, approximately 46% is related to BTM assets and 30% is related to GC assets, with the remainder related to FTN. There can, however, be no assurance with regard to any specific terms of such pipeline transactions or that any or all of the transactions in our pipeline will be completed.

As part of our investment process, we calculate the ratio of the estimated first year of metric tons of carbon emissions avoided by our investments divided by the capital invested to quantify the carbon impact of our investments. In this calculation, which we refer to as CarbonCount, we use emissions factor data, expressed on a CO₂ equivalent basis, representing the locational marginal emissions associated with a project to determine an estimate of a project's energy production or savings to compute an estimate of metric tons of carbon emissions avoided. Refer to "MD&A — Environmental Metrics" below for a discussion of the carbon emissions avoided as a result of our investments. In addition to carbon emission avoidance, we also consider other environmental attributes, such as water use reduction, stormwater remediation benefits and stream restoration benefits.

We elected and qualified to be taxed as a REIT for U.S. federal income tax purposes, commencing with our taxable year ended December 31, 2013 through our taxable year ended December 31, 2023. In December 2023, our board of directors approved our revocation of our REIT status effective January 1, 2024, and are now taxed as a C Corporation beginning with tax year 2024. We operate our business in a manner that permits us to maintain our exemption from registration as an investment company under the 1940 Act.

Factors Impacting our Operating Results

We expect that our results of operations will be affected by a number of factors and will primarily depend on the size and transaction mix of our Portfolio, the income we receive from securitizations, syndications and other services, our Portfolio's credit risk profile, changes in market interest rates, commodity prices, federal, state and/or municipal governmental policies, general market conditions in local, regional and national economies, our ability to maintain our exemption from registration as an investment company under the 1940 Act, and the impact of climate change. We provide a summary of the factors impacting our operating results in our 2023 Form 10-K under MD&A – Factors Impacting our Operating Results.

Critical Accounting Policies and Use of Estimates

Our financial statements are prepared in accordance with GAAP, which requires the use of estimates and assumptions that involve the exercise of judgment and use of assumptions as to future uncertainties. Understanding our accounting policies and the extent to which we make judgments and estimates in applying these policies is integral to understanding our financial statements. We believe the estimates and assumptions used in preparing our financial statements and related footnotes are reasonable and supportable based on the best information available to us as of September 30, 2024. Various uncertainties may materially impact the accuracy of the estimates and assumptions used in the financial statements and related footnotes and, as a result, actual results may vary significantly from estimates.

We have identified the following accounting policies as critical because they require significant judgments and assumptions about highly complex and inherently uncertain matters and the use of reasonably different estimates and assumptions could have a material impact on our reported results of operations or financial condition. These critical accounting policies govern Consolidation, Equity Method Investments, Impairment or the establishment of an allowance under Topic 326 for our Portfolio and Securitization of Financial Assets. We evaluate our critical accounting estimates and judgments on an ongoing basis and update them, as necessary, based on changing conditions. We provide additional information on our critical accounting policies and use of estimates under Item 7. MD&A—Critical Accounting Policies and Use of Estimates in our 2023 Form 10-K and under Note 2 to our financial statements in this Form 10-Q.

Financial Condition and Results of Operations

Our Portfolio

Our Portfolio totaled approximately \$6.3 billion as of September 30, 2024 and included approximately \$3.0 billion of BTM assets and approximately \$2.4 billion of GC assets, and approximately \$0.9 billion of FTN assets. Approximately 51% of our Portfolio consisted of unconsolidated equity investments in renewable energy related projects. Approximately 42% consisted of fixed-rate receivables and debt securities, which are classified as investments on our balance sheet, approximately 5% consisted of floating-rate receivables, and 2% of our Portfolio was real estate leased to renewable energy projects under lease agreements. Our Portfolio consisted of over 520 transactions with an average size of \$12 million and the weighted average remaining life of our Portfolio (excluding match-funded transactions) of approximately 17 years as of September 30, 2024.

The table below provides details on the interest rate and maturity of our receivables and debt securities as of September 30, 2024:

	<u>Balance</u>	<u>Maturity</u>
	<i>(in millions)</i>	
Floating rate receivable, interest rate of 9.73% per annum	\$ 293	2026
Fixed-rate receivables, interest rates less than 5.00% per annum	47	2029 to 2047
Fixed-rate receivables, interest rates from 5.00% to 6.49% per annum	259	2024 to 2061
Fixed-rate receivables, interest rates from 6.50% to 7.99% per annum	814	2025 to 2069
Fixed-rate receivables, interest rates from 8.00% to 9.49% per annum	1,069	2025 to 2039
Fixed-rate receivables, interest rates 9.50% or greater per annum	467	2025 to 2050
Receivables	<u>2,949</u> ⁽¹⁾	
Allowance for loss on receivables	<u>(49)</u>	
Receivables, net of allowance	2,900	
Fixed-rate investments, interest rates less than 5.00% per annum	7	2033 to 2047
Fixed-rate investments, interest rates 9.50% or greater per annum	11	2044
Total receivables and investments	<u>\$ 2,918</u>	

(1) Excludes receivables held for sale of \$22 million.

The table below presents, for the debt investments and real estate related holdings of our Portfolio and our interest-bearing liabilities inclusive of our short-term commercial paper issuances and revolving credit facilities, the average outstanding balances, income earned, the interest expense incurred, and average yield or cost. Our earnings from our equity method investments are not included in this table.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<i>(dollars in millions)</i>				
Portfolio, excluding equity method investments				
Interest income, receivables	\$ 63	\$ 53	\$ 193	\$ 141
Average balance of receivables	\$ 2,948	\$ 2,431	\$ 3,067	\$ 2,231
Average interest rate of receivables	8.6 %	8.7 %	8.4 %	8.4 %
Interest income, investments	\$ —	\$ —	\$ 1	\$ —
Average balance of investments	\$ 16	\$ 12	\$ 11	\$ 12
Average interest rate of investments	6.7 %	4.4 %	7.0 %	4.6 %
Rental income	\$ —	\$ 6	\$ 2	\$ 19
Average balance of real estate	\$ 3	\$ 330	\$ 32	\$ 345
Average yield on real estate	11.1 %	7.3 %	8.4 %	7.4 %
Average balance of receivables, investments, and real estate	\$ 2,967	\$ 2,773	\$ 3,110	\$ 2,588
Average yield from receivables, investments, and real estate	8.6 %	8.5 %	8.4 %	8.3 %
Debt				
Interest expense ⁽¹⁾	\$ 58	\$ 43	\$ 180	\$ 120
Average balance of debt	\$ 4,159	\$ 3,527	\$ 4,252	\$ 3,320
Average cost of debt	5.6 %	4.9 %	5.7 %	4.8 %

(1) Excludes any loss on debt modification or extinguishment included in interest expense in our income statement.

The following table provides a summary of our anticipated principal repayments for our receivables and investments as of September 30, 2024:

	Principal payment due by Period				
	Total	Less than 1 year	1-5 years	5-10 years	More than 10 years
<i>(in millions)</i>					
Receivables (excluding allowance)	\$ 2,949	\$ 129	\$ 1,311	\$ 1,047	\$ 462
Investments	18	1	2	4	11

See Note 6 to our financial statements in this Form 10-Q for information on:

- the anticipated maturity dates of our receivables and investments and the weighted average yield for each range of maturities as of September 30, 2024,
- the term of our leases and a schedule of our future minimum rental income under our land lease agreements as of September 30, 2024,
- the Performance Ratings of our Portfolio, and
- the receivables on non-accrual status.

For information on our securitization assets relating to our securitization trusts, see Note 5 to our financial statements in this Form 10-Q. The securitization assets do not have a contractual maturity date and the underlying securitized assets have contractual maturity dates until 2059.

Results of Operations

Comparison of the Three Months Ended September 30, 2024 vs. Three Months Ended September 30, 2023

	Three months ended September 30,		\$ Change	% Change
	2024	2023		
<i>(dollars in thousands)</i>				
Revenue				
Interest income	\$ 64,068	\$ 54,295	\$ 9,773	18 %
Rental income	83	6,039	(5,956)	(99)%
Gain on sale of assets	7,678	22,405	(14,727)	(66)%
Securitization asset income	9,082	5,620	3,462	62 %
Other Income	1,054	1,492	(438)	(29)%
Total Revenue	81,965	89,851	(7,886)	(9)%
Expenses				
Interest expense	59,401	43,295	16,106	37 %
Provision for loss on receivables and securitization assets	1,233	9,792	(8,559)	(87)%
Compensation and benefits	17,221	16,296	925	6 %
General and administrative	6,993	6,708	285	4 %
Total expenses	84,848	76,091	8,757	12 %
Income (loss) before equity method investments	(2,883)	13,760	(16,643)	(121)%
Income (loss) from equity method investments	(23,405)	2,759	(26,164)	(948)%
Income (loss) before income taxes	(26,288)	16,519	(42,807)	(259)%
Income tax (expense) benefit	7,112	5,128	1,984	39 %
Net income (loss)	\$ (19,176)	\$ 21,647	\$ (40,823)	(189)%

- Net income decreased by \$41 million due to a decrease in revenue of \$8 million, a decrease in income from equity method investments of \$26 million and an increase in total expenses of \$9 million, partially offset by a \$2 million increase in income tax benefit.
- Total revenue decreased by \$8 million due to a \$15 million decrease in gain on sale income, the result of a change in the mix and volume of assets being securitized. Interest and securitization asset income increased \$13 million, driven by a higher average receivables and securitization assets balance. Rental income decreased by \$6 million due to the sale of real estate assets in 2023 and 2024.
- Interest expense increased by \$16 million primarily due to a larger average outstanding debt balance and a higher average interest rate. We recorded a \$1 million provision for loss on receivables and securitization assets, driven primarily by new loans and loan commitments made during the quarter.
- Compensation and benefits and general and administrative expenses increased by \$1 million primarily due to growth of the company.
- Income (loss) from equity method investments using HLBV allocations decreased by \$26 million primarily due to allocations of mark-to-market losses related to power purchase agreements held by certain of the projects in which we have invested.
- Income tax benefit increased by \$2 million primarily due to lower pre-tax book income (loss).

Comparison of the Nine Months Ended September 30, 2024 vs. Nine Months Ended September 30, 2023

	Nine Months Ended September 30,		\$ Change	% Change
	2024	2023		
	(dollars in thousands)			
Revenue				
Interest income	\$ 195,539	\$ 145,624	\$ 49,915	34 %
Rental income	2,012	19,013	(17,001)	(89)%
Gain on sale of assets	62,084	52,915	9,169	17 %
Securitization asset income	19,197	13,381	5,816	43 %
Other Income	3,466	2,353	1,113	47 %
Total Revenue	282,298	233,286	49,012	21 %
Expenses				
Interest expense	180,804	120,413	60,391	50 %
Provision for loss on receivables	(944)	12,481	(13,425)	(108)%
Compensation and benefits	58,711	48,527	10,184	21 %
General and administrative	24,001	24,826	(825)	(3)%
Total expenses	262,572	206,247	56,325	27 %
Income (loss) before equity method investments	19,726	27,039	(7,313)	(27)%
Income (loss) from equity method investments	162,019	27,429	134,590	491 %
Income (loss) before income taxes	181,745	54,468	127,277	234 %
Income tax (expense) benefit	(49,429)	5,299	(54,728)	(1,033)%
Net income (loss)	\$ 132,316	\$ 59,767	\$ 72,549	121 %

- Net income increased by \$73 million due to an increase in income from equity method investments of \$135 million and an increase in total revenue of \$49 million, offset by an increase in total expenses of \$56 million and an increase in income tax expense of \$55 million.
- Total revenue increased by \$49 million due to a \$56 million increase in interest income and securitization income driven by higher receivables and securitization assets balances. Rental income decreased by \$17 million due to the sale of real estate assets in 2023 and 2024. Gain on sale and other income increased by \$10 million, driven by a change in the mix and volume of assets being securitized, which included the balance sheet rotation of certain land and government receivable assets.
- Interest expense increased by \$60 million primarily due to a larger average outstanding debt balance and a higher average interest rate. We recorded a benefit for loss on receivables of \$1 million driven primarily by a reduction in our reserve related to the contribution of assets into a co-investment vehicle, partially offset by loans and loan commitments made during the period.
- Compensation and benefits and general and administrative expense increased by \$9 million primarily due to growth of the company.
- Income from equity method investments increased by \$135 million primarily due to allocations of income related to tax credits allocated to other investors in a grid-connected utility-scale solar project, as those tax credits reduced the tax equity investors ongoing claim on the net assets of the project.
- Income tax expense increased by \$55 million primarily due to larger income before income taxes driven primarily by income from equity method investments discussed above.

Non-GAAP Financial Measures

We consider the following non-GAAP financial measures useful to investors as key supplemental measures of our performance: (1) adjusted earnings, (2) adjusted net investment income, (3) managed assets, and (4) adjusted cash from operations plus other portfolio collections. These non-GAAP financial measures should be considered along with, but not as alternatives to, net income or loss as measures of our operating performance. These non-GAAP financial measures, as

calculated by us, may not be comparable to similarly named financial measures as reported by other companies that do not define such terms exactly as we define such terms.

Adjusted Earnings

We calculate adjusted earnings as GAAP net income (loss) excluding non-cash equity compensation expense, provisions for loss on receivables, amortization of intangibles, non-cash provision (benefit) for taxes, losses or (gains) from modification or extinguishment of debt facilities, any one-time acquisition related costs or non-cash tax charges and the earnings attributable to our non-controlling interest of our Operating Partnership. We also make an adjustment to eliminate our portion of fees we earn from related-party co-investment structures, and for our equity method investments in the renewable energy projects as described below. We will use judgment in determining when we will reflect the losses on receivables in our adjusted earnings, and will consider certain circumstances such as the time period in default, sufficiency of collateral as well as the outcomes of any related litigation. In the future, adjusted earnings may also exclude one-time events pursuant to changes in GAAP and certain other adjustments as approved by a majority of our independent directors. Prior to 2024, we referred to this metric as distributable earnings.

We believe a non-GAAP measure, such as adjusted earnings, that adjusts for the items discussed above is and has been a meaningful indicator of our economic performance in any one period and is useful to our investors as well as management in evaluating our performance as it relates to expected dividend payments over time. Additionally, we believe that our investors also use adjusted earnings, or a comparable supplemental performance measure, to evaluate and compare our performance to that of our peers, and as such, we believe that the disclosure of adjusted earnings is useful to our investors.

Certain of our equity method investments in renewable energy and energy efficiency projects are structured using typical partnership “flip” structures where the investors with cash distribution preferences receive a pre-negotiated return consisting of priority distributions from the project cash flows, in many cases, along with tax attributes. Once this preferred return is achieved, the partnership “flips” and the common equity investor, often the operator or sponsor of the project, receives more of the cash flows through its equity interests while the previously preferred investors retain an ongoing residual interest. We have made investments in both the preferred and common equity of these structures. Regardless of the nature of our equity interest, we typically negotiate the purchase prices of our equity investments, which have a finite expected life, based on our underwritten project cash flows discounted back to the net present value, based on a target investment rate, with the cash flows to be received in the future reflecting both a return on the capital (at the investment rate) and a return of the capital we have committed to the project. We use a similar approach in the underwriting of our receivables.

Under GAAP, we account for these equity method investments utilizing the HLBV method. Under this method, we recognize income or loss based on the change in the amount each partner would receive, typically based on the negotiated profit and loss allocation, if the assets were liquidated at book value, after adjusting for any distributions or contributions made during such quarter. The HLBV allocations of income or loss may be impacted by the receipt of tax attributes, as tax equity investors are allocated losses in proportion to the tax benefits received, while the sponsors of the project are allocated gains of a similar amount. The investment tax credit available for election in solar projects is a one-time credit realized in the quarter when the project is considered operational for tax purposes and is fully allocated under HLBV in that quarter (subject to an impairment test), while the production tax credit required for wind projects and electable for solar projects is a ten year credit and thus is allocated under HLBV over a ten year period. In addition, the agreed upon allocations of the project’s cash flows may differ materially from the profit and loss allocation used for the HLBV calculations in a given period. We also consider the impact of any OTTI in determining our income from equity method investments.

The cash distributions for those equity method investments where we apply HLBV are segregated into a return on and return of capital on our cash flow statement based on the cumulative income (loss) that has been allocated using the HLBV method. However, as a result of the application of the HLBV method, including the impact of tax allocations, the high levels of depreciation and other non-cash expenses that are common to renewable energy projects and the differences between the agreed upon profit and loss and the cash flow allocations, the distributions and thus the economic returns (i.e. return on capital) achieved from the investment are often significantly different from the income or loss that is allocated to us under the HLBV method in any one period. Thus, in calculating adjusted earnings, for certain of these investments where there are characteristics as described above, we further adjust GAAP net income (loss) to take into account our calculation of the return on capital (based upon the underwritten investment rate), as adjusted to reflect the performance of the project and the cash distributed. We believe this equity method investment adjustment to our GAAP net income (loss) in calculating our adjusted earnings measure is an important supplement to the income (loss) from equity method investments as determined under GAAP for an investor to understand the economic performance of these investments where HLBV income can differ substantially from the economic returns in any one period.

We have acquired equity investments in portfolios of projects which have the majority of the distributions payable to more senior investors in the first few years of the project. The following table provides results related to our equity method investments for the three and nine months ended September 30, 2024 and 2023.

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in millions)			
Income (loss) under GAAP	\$ (23)	\$ 3	\$ 162	\$ 27
Collections of Adjusted earnings	\$ 26	\$ 12	\$ 57	\$ 30
Return of Capital	6	12	10	17
Cash collected	\$ 32	\$ 24	\$ 67	\$ 47

Adjusted earnings does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP), or an indication of our cash flow from operating activities (determined in accordance with GAAP), or a measure of our liquidity, or an indication of funds available to fund our cash needs, including our ability to make cash distributions. In addition, our methodology for calculating adjusted earnings may differ from the methodologies employed by other companies to calculate the same or similar supplemental performance measures, and accordingly, our reported adjusted earnings may not be comparable to similar metrics reported by other companies.

The table below provides a reconciliation of our GAAP net income (loss) to adjusted earnings for the three and nine months ended September 30, 2024 and 2023.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
	\$	Per Share	\$	Per Share	\$	Per Share	\$	Per Share
	(dollars in thousands, except per share amounts)							
Net income (loss) attributable to controlling stockholders ⁽¹⁾	\$ (19,616)	\$ (0.17)	\$ 21,446	\$ 0.20	\$ 129,949	\$ 1.09	\$ 59,075	\$ 0.59
Adjustments:								
Reverse GAAP (income) loss from equity method investments	23,405		(2,759)		(162,019)		(27,429)	
Equity method investments earnings adjustment ⁽²⁾	59,436		41,034		174,189		113,453	
Elimination of proportionate share of fees earned from co-investment structures ⁽³⁾	(236)		—		(347)		—	
Equity-based expenses	4,118		3,499		21,459		16,372	
Provision for loss on receivables ⁽⁴⁾	1,233		9,792		(944)		12,481	
Loss (gain) on debt modification or extinguishment	953		—		953		—	
Amortization of intangibles	3		716		177		2,260	
Non-cash provision (benefit) for income taxes	(7,112)		(5,128)		49,429		(5,299)	
Current year earnings attributable to non-controlling interest	440		201		2,367		692	
Adjusted earnings	\$ 62,624	\$ 0.52	\$ 68,801	\$ 0.62	\$ 215,213	\$ 1.83	\$ 171,605	\$ 1.70
Shares for adjusted earnings per share ⁽⁵⁾		119,799,985		110,290,640		117,568,734		101,046,485

(1) The per share data reflects the GAAP diluted earnings per share and is the most comparable GAAP measure to our adjusted earnings per share.

(2) This is a non-GAAP adjustment to reflect the return on capital of our equity method investments as described above.

(3) This adjustment is to eliminate the intercompany portion of fees received from co-investment structures that for GAAP net income is included in the Equity method income line item. Since we remove GAAP Equity method income for purposes of our Adjusted Earnings metric, we add back the elimination through this adjustment.

(4) In addition to these provisions, in the nine months ended September 30, 2024, we concluded that an equity method investment, along with certain loans we had made to this investee, were not recoverable. The equity method investment and loans had a carrying value of \$0 due to the losses already recognized through GAAP income from equity method investments as a result of operating losses sustained by the investee. We have excluded this write-off from Adjusted earnings, as this investment was an investment in a corporate entity which is not a part of our current

investment strategy and is immaterial to our Portfolio. The loss associated with this investment is included in our Average Annual Realized Loss on Managed Assets metric disclosed below.

- (5) Shares used to calculate adjusted earnings per share represents the weighted average number of shares outstanding including our issued unrestricted common shares, restricted stock awards, restricted stock units, long-term incentive plan units, and the non-controlling interest in our Operating Partnership. We include any potential common stock issuances related to share based compensation units in the amount we believe is reasonably certain to vest. As it relates to Convertible Notes, we will assess the market characteristics around the instrument to determine if it is more akin to debt or equity based on the value of the underlying shares compared to the conversion price. If the instrument is more debt-like then we will include any related interest expense and exclude the underlying shares issuable upon conversion of the instrument. If the instrument is more equity-like and is more dilutive when treated as equity then we will exclude any related interest expense and include the weighted average shares underlying the instrument. We will consider the impact of any capped calls in assessing whether an instrument is equity-like or debt like.

Adjusted Net Investment Income

We have a portfolio of investments, which we finance using a combination of debt and equity. We calculate adjusted net investment income as shown in the table below by adjusting GAAP-based net investment income for those earnings adjustments that are applicable to adjusted net investment income. We believe that this measure is useful to investors as it shows the recurring income generated by our Portfolio after the associated interest cost of debt financing. Our management also uses adjusted net investment income in this way. Our non-GAAP adjusted net investment income measure may not be comparable to similarly titled measures used by other companies. For further information on the adjustments between GAAP-based net investment income and adjusted net investment income, see the discussion above related to Adjusted Earnings. Prior to 2024, we referred to this measure as distributable net investment income.

The following is a reconciliation of our GAAP-based net investment income to our adjusted net investment income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	<i>(in thousands)</i>			
Interest income	\$ 64,068	\$ 54,295	\$ 195,539	\$ 145,624
Rental income	83	6,039	2,012	19,013
GAAP-based investment revenue	64,151	60,334	197,551	164,637
Interest expense	59,401	43,295	180,804	120,413
GAAP-based net investment income	4,750	17,039	16,747	44,224
Equity method earnings adjustment	59,436	41,034	174,189	113,453
Loss (gain) on debt modification or extinguishment	953	—	953	—
Amortization of real estate intangibles	3	716	177	2,260
Adjusted net investment income	\$ 65,142	\$ 58,789	\$ 192,066	\$ 159,937

Managed Assets

As we consolidate assets on our balance sheet, securitize assets off-balance sheet, and manage assets in which we coinvest with other parties, certain of our receivables and other assets are not reflected on our balance sheet where we may have a residual interest in the performance of the investment, such as a retained interest in cash flows. Thus, we present our investments on a non-GAAP "Managed Assets" basis. We believe that our Managed Asset information is useful to investors because it portrays the amount of both on- and off-balance sheet assets that we manage, which enables investors to understand and evaluate the credit performance associated with our portfolio of loans, equity investments and residual assets in off-balance sheet assets. Our management also uses Managed Assets in this way. Our non-GAAP Managed Assets measure may not be comparable to similarly titled measures used by other companies.

The following is a reconciliation of our GAAP-based Portfolio to our Managed Assets:

	As of	
	September 30, 2024	December 31, 2023
	<i>(in millions)</i>	
Equity method investments	\$ 3,353	\$ 2,966
Receivables, net of allowance	2,900	3,074
Receivables held-for sale	22	35
Real estate	3	111
Investments	18	7
GAAP-based Portfolio	6,296	6,193
Assets held in securitization trusts	6,747	6,060
Assets held in co-investment structures	74	—
Managed Assets	\$ 13,117	\$ 12,253

Adjusted Cash from Operations Plus Other Portfolio Collections

We operate our business in a manner that considers total cash collected from our portfolio and making necessary operating and debt service payments to assess the amount of cash we have available to fund dividends and investments. We believe that the aggregate of these items, which combine as a non-GAAP financial measure titled Adjusted Cash Flow from Operations plus Other Portfolio Collections, is a useful measure of the liquidity we have available from our assets to fund both new investments and our regular quarterly dividends. This non-GAAP financial measure may not be comparable to similarly titled or other similar measures used by other companies. Although there is also not a directly comparable GAAP measure that demonstrates how we consider cash available for dividend payment, below is a reconciliation of this measure to Net cash provided by operating activities.

Also, Adjusted Cash Flow from Operations plus Other Portfolio Collections differs from Net cash provided by (used in) investing activities in that it excludes many of the uses of cash used in our investing activities such as in Equity method investments, Purchases of and investments in receivables, Purchases of real estate, Purchases of investments, Funding of escrow accounts, and excludes Withdrawal from escrow accounts, and Other. In addition, Adjusted Cash Flow from Operations plus Other Portfolio Collections is not comparable to Net cash provided by (used in) financing activities in that it excludes many of our financing activities such as proceeds from common stock issuances and borrowings and repayments of unsecured debt. We evaluate Adjusted Cash Flow from Operations plus Other Portfolio Collections on a trailing twelve month (“TTM”) basis, as cash collections during any one quarter may not be comparable to other single quarters due to, among other reasons, the seasonality of projects operations and the timing of disbursement and payment dates.

Cash available for reinvestment is a non-GAAP measure which is calculated as adjusted cash flow from operations plus other portfolio collections less dividend and distribution payments made during the period. We believe Cash available for reinvestment is useful as a measure of our ability to make incremental investments from reinvested capital after factoring in all necessary cash outflows to operate the business. Management uses Cash available for reinvestment in this way, and we believe that our investors use it in a similar fashion.

	For the year ended,		Plus:		Less:		For the TTM ended,	
	December 31, 2022	December 31, 2023	For the nine months ended, September 30, 2024	For the nine months ended, September 30, 2023	For the nine months ended, September 30, 2023	For the nine months ended, September 30, 2023	For the TTM ended, September 30, 2024	For the TTM ended, September 30, 2024
	<i>(in thousands)</i>							
Net cash provided by operating activities	\$ 230	\$ 99,689	\$ 18,055	\$ 92,340	\$ 25,404			
Changes in receivables held-for-sale	62,953	(51,538)	16,763	(40,183)	5,408			
Equity method investment distributions received	110,064	30,140	26,705	20,259	36,586			
Proceeds from sales of equity method investments	1,700	—	2,107	—	2,107			
Principal collections from receivables	125,976	197,784	508,704	167,406	539,082			
Proceeds from sales of receivables	5,047	7,634	124,150	7,634	124,150			
Proceeds from sales of land	4,550	—	115,767	—	115,767			
Principal collection from investments ⁽¹⁾	170	3,805	266	313	3,758			
Proceeds from sales of investments and securitization assets	7,020	—	—	—	—			
Principal payments on non-recourse debt	(30,581)	(21,606)	(72,302)	(14,714)	(79,194)			
Adjusted cash flow from operations plus other portfolio collections	287,129	265,908	740,215	233,055	773,068			
Less: Dividends	(132,198)	(159,786)	(142,178)	(115,087)	(186,877)			
Cash Available for Reinvestment	\$ 154,931	\$ 106,122	\$ 598,037	\$ 117,968	\$ 586,191			

(1) Included in Other in the cash provided (used in) investing activities section of our statement of cash flows.

	For the year ended,		Plus:		Less:		For the TTM ended,	
	December 31, 2022	December 31, 2023	For the nine months ended, September 30, 2024	For the nine months ended, September 30, 2023	For the nine months ended, September 30, 2023	For the nine months ended, September 30, 2023	For the TTM ended, September 30, 2024	For the TTM ended, September 30, 2024
	<i>(in thousands)</i>							
Components of adjusted cash flow from operations plus portfolio collections:								
Cash collected from our Portfolio	424,301	442,322	718,588	346,321	814,589			
Cash collected from sale of assets ⁽¹⁾	46,673	34,034	252,847	27,773	259,108			
Cash used for compensation and benefit expenses and general and administrative expenses	(64,187)	(78,681)	(62,516)	(62,222)	(78,975)			
Interest paid ⁽²⁾	(98,704)	(138,418)	(123,548)	(91,988)	(169,978)			
Securitization asset and other income	18,897	28,189	22,223	20,797	29,615			
Principal payments on non-recourse debt	(30,581)	(21,606)	(72,302)	(14,714)	(79,194)			
Other	(9,270)	68	4,923	7,087	(2,096)			
Adjusted cash from operations plus other portfolio collections	\$ 287,129	\$ 265,908	\$ 740,215	\$ 233,055	\$ 773,068			

(1) Includes cash from the sale of assets on our balance sheet as well as securitization transactions.

(2) For the nine months and TTM ended September 30, 2024, interest paid includes a \$19 million benefit from the settlement of a derivative which was designated as a cash flow hedge.

Other Metrics

Portfolio Yield

We calculate portfolio yield as the weighted average underwritten yield of the investments in our Portfolio as of the end of the period. Underwritten yield is the rate at which we discount the expected cash flows from the assets in our Portfolio to determine our purchase price. In calculating underwritten yield, we make certain assumptions, including the timing and amounts of cash flows generated by our investments, which may differ from actual results, and may update this yield to reflect our most current estimates of project performance. We believe that portfolio yield provides an additional metric to understand certain characteristics of our Portfolio as of a point in time. Our management uses portfolio yield this way and we believe that our investors use it in a similar fashion to evaluate certain characteristics of our Portfolio compared to our peers, and as such, we believe that the disclosure of portfolio yield is useful to our investors.

Our Portfolio totaled approximately \$6.3 billion as of September 30, 2024. Unlevered portfolio yield was 8.1% as of September 30, 2024 and 7.9% as of December 31, 2023. See Note 6 to our financial statements and MD&A - Our Business in this Form 10-Q for additional discussion of the characteristics of our portfolio as of September 30, 2024.

Average Annual Realized Loss on Managed Assets

Average Annual Realized Loss on Managed Assets represents the average annual rate of our incurred losses, calculated as the amount of realized losses incurred in each year as a percentage of each year's average annual Managed Assets. This metric is calculated on the ten year period ending September 30, 2024. Incurred losses include both realized losses on equity method investments and realized credit losses on receivables and investments. Although there is not a direct comparable GAAP measure, we have presented average annual recognized loss on Managed Assets as calculated under GAAP for comparison. Average Annual Realized Loss on Managed Assets differs from average annual recognized loss on Managed Assets as calculated under GAAP as the timing is based on realization of loss rather than GAAP recognition. We believe that Average Annual Realized Loss on Managed Assets provides an additional metric to our underwriting quality over our history of investing in climate solutions. Our management uses it in this way and we believe that our investors use it in a similar fashion to evaluate our investment performance, and as such, we believe that its disclosure is useful to our investors. The table below shows these metrics as of September 30, 2024 is:

Average Annual Recognized Loss on Managed Assets (GAAP)	0.12 %
Average Annual Realized Loss on Managed Assets	0.07 %

Environmental Metrics

As a part of our investment process, we calculate the estimated metric tons of carbon emissions avoided by our investments by applying emissions factor data representing the locational marginal emissions associated with a project's location to an estimate of a project's energy production or savings to compute an estimate of metric tons of carbon emissions avoided. We then determine the metric tons of carbon emissions avoided per thousand dollars of investments, in a calculation we refer to as CarbonCount, which enables us to measure the impact our investments have on avoiding carbon emissions. We estimate that our investments originated during the quarter ended September 30, 2024, will avoid annual carbon emissions by approximately 70,000 metric tons, equating to a CarbonCount® of 0.18. We estimate that our investments made since 2013 have cumulatively avoided annual carbon emissions by over 7 million metric tons.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential short term (within one year) and long term cash requirements. We carefully manage and forecast our liquidity sources and uses on a frequent basis. Our sources of liquidity typically include collections from our Portfolio, cash proceeds from asset sales and securitizations, fee revenue, proceeds from debt transactions, and proceeds from equity transactions. Our uses of liquidity typically include funding investments, operating expenses (including cash compensation), interest and principal payments on our debt, stockholder dividends and limited partner distributions, and funding investments.

We typically pay our operating expenses, our debt service, and dividends from collections on our Portfolio and proceeds from sales of Portfolio investments. We use borrowings as part of our financing strategy to increase potential returns to our stockholders and have available to us a broad range of financing sources. We finance our investments primarily with non-recourse or recourse debt, equity and off-balance sheet securitization or co-investment structures.

We maintain sufficiently available liquidity in the form of unrestricted cash and immediately available capacity on our credit facilities to manage our net cash flow. Below is a summary of our available liquidity by source:

	As of September 30, 2024	
	<i>(in millions)</i>	
Unrestricted cash	\$	44
Unused capacity under our unsecured revolving credit facility		1,126
Unused capacity under our commercial paper program		107
Unused capacity under our senior secured credit facility		22
Total liquidity	\$	1,299

Capital markets activity during the nine months ended September 30, 2024

During the nine months ended September 30, 2024, we increased the available capacity available under our unsecured revolving credit facility to \$1.25 billion, and extended the maturity of the facility to April 2028. We also extended the maturity of our unsecured term loan facility to April 2027, and used proceeds from the unsecured revolving credit facility to partially prepay our unsecured term loan facility by \$275 million. We also increased the available capacity under our green commercial paper program to \$125 million, and extended the term of the facility to April 2026. Also in June 2024, we established a senior secured credit facility, designed to warehouse climate solutions assets until they achieve key technical milestones, at which point we may consider them for sale to large institutional investors under our established securitization programs. During the nine months ended September 30, 2024, we issued \$181 million in equity, issued an additional \$200 million principal amount of 2027 Senior Unsecured Notes for proceeds of \$204 million, and issued \$94 million of non-recourse debt secured by equity method investments. In the quarter ended September 30, 2024, we issued \$700 million of senior unsecured notes due 2034 at a yield to maturity of 6.476% and used \$400m of the net proceeds from such offering to redeem our 6.00% Senior Notes due 2025, and the remainder to temporarily repay a portion of the outstanding borrowings under our unsecured revolving credit facility.

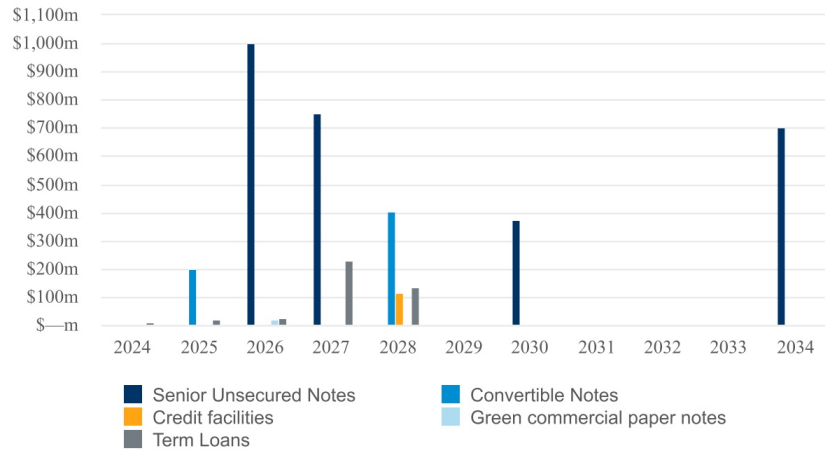
As discussed in Note 8 to our financial statements in this Form 10-Q, we entered into a strategic partnership with KKR called CarbonCount Holdings 1, LLC (“CCH1”), under which we each have committed to invest \$1 billion in climate solutions projects over an 18 month period.

Maturities of recourse debt obligations

In addition to general operational obligations, which are typically paid as incurred, and dividends and distributions, which are declared by our board of directors quarterly, we have future cash needs related to the payments due at maturity of our Senior Unsecured Notes, and our term loan facilities, and the balances of our short-term commercial paper program, and our revolving credit facilities. We also have maturities related to our non-recourse debt and Convertible Notes. However, as it relates to the non-recourse debt, to the extent there are not sufficient cash flows received from investments pledged as collateral for such debt, the investor has no recourse against other corporate assets to recover any shortfalls and corporate cash contributions would not be required. As it relates to the Convertible Notes, those obligations may be settled at maturity with cash, or with the issuance of shares to the extent that the market price of our common stock exceeds the strike price on our Convertible Notes. For further information on our long-term debt, see Note 8 to our financial statements of this Form 10-Q.

As of September 30, 2024, the maturity profile of our recourse debt obligations was as follows:

Maturities of Recourse Debt in Millions as of September 30, 2024



Additional borrowings and financial leverage management

As a means of financing our business, we plan to continue to issue debt which may be either recourse or non-recourse and either fixed-rate or floating-rate and may issue additional equity. We also expect to use both on-balance sheet and off-balance sheet securitizations. We also use separately funded special purpose entities or funds to allow us to expand the investments that we make or to manage Portfolio diversification.

The decision as to how we finance specific assets or groups of assets is largely driven by risk and portfolio and financial management considerations, including the potential for gain on sale or fee income, as well as the overall interest rate environment, prevailing credit spreads, the terms of available financing, and financial market conditions. During periods of market disruptions, certain sources of financing may be more readily accessible than others which may impact our financing decisions. Over time, as market conditions change, we may use other forms of debt and equity in addition to these financing arrangements.

The amount of financial leverage we may deploy for particular assets will depend upon our target capital structure and the availability of particular types of financing and our assessment of the credit, liquidity, price volatility and other risks of such assets, and the interest rate environment. As shown in the table below, our debt to equity ratio was approximately 1.8 to 1 as of September 30, 2024, below our current board-approved leverage limit of up to 2.5 to 1. Our percentage of fixed rate debt including the impact of our interest rate derivatives was approximately 100% as of September 30, 2024, which is at the top of our targeted fixed rate debt percentage range of 75% to 100%. Our targeted fixed rate debt range allows for percentages as low as 70% on a short term basis if we intend to repay or swap floating rate borrowings in the near term.

The calculation of our fixed-rate debt and financial leverage is shown in the chart below:

	September 30, 2024	% of Total		December 31, 2023	% of Total	
	<i>(dollars in millions)</i>			<i>(dollars in millions)</i>		
Floating-rate borrowings ⁽¹⁾	\$ —	—	%	\$ 338	8	%
Fixed-rate debt ⁽²⁾	4,131	100	%	3,909	92	%
Total debt	\$ 4,131	100	%	\$ 4,247	100	%
Equity	\$ 2,323			\$ 2,142		
Leverage		1.8 to 1			2.0 to 1	

(1) Floating-rate borrowings include borrowings under our floating-rate credit facilities and commercial paper issuances with less than six months original maturity, to the extent such borrowings are not hedged using interest rate swaps.

(2) Fixed-rate debt includes the impact of our interest rate swaps and collars on debt that is otherwise floating. Debt excludes securitizations that are not consolidated on our balance sheet.

We intend to use financial leverage for the primary purpose of financing our Portfolio and business activities and not for the purpose of speculating on changes in interest rates. While we may temporarily exceed the leverage limit, if our board of directors approves a material change to this limit, we anticipate advising our stockholders of this change through disclosure in our periodic reports and other filings under the Exchange Act.

While we generally intend to hold our target assets that we do not securitize upon acquisition as long term investments, certain of our investments may be sold in order to manage our interest rate risk and liquidity needs, to meet other operating objectives and to adapt to market conditions. The timing and impact of future sales of receivables and investments, if any, cannot be predicted with any certainty.

We or our affiliates may, at any time and from time to time, seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity or debt, in open-market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will be upon such terms and at such prices as we may determine, and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

We believe our identified sources of liquidity will be adequate for purposes of meeting our short-term and long-term liquidity needs, which include funding future investments, debt service, operating costs and distributions to our stockholders.

Sources and Uses of Cash

We had approximately \$59 million and \$75 million of unrestricted cash, cash equivalents, and restricted cash as of September 30, 2024 and December 31, 2023, respectively. The following table summarizes our cash flows for the nine months ended September 30, 2024 and 2023. See our statements of cash flows for full details on the components of each category of cash flows. As discussed above, Adjusted cash from operations plus other portfolio collections was \$740 million for the nine months ended September 30, 2024.

	For the nine months ended,	
	September 30, 2024	September 30, 2023
	<i>(in millions)</i>	
Cash provided by (used in) operating activities	\$ 18	\$ 92
Cash provided by (used in) investing activities	54	(1,419)
Cash provided by (used in) financing activities	(89)	1,320
Increase (decrease) in cash and cash equivalents	\$ (17)	\$ (7)

Discussion of changes in cash provided by (used in) operating activities

Cash provided by (used in) operating activities for the nine months ended September 30, 2024 was \$74 million lower than the same period ended September 30, 2023. Net income was \$73 million higher in the current period, which was offset by higher net negative adjustments to net income of \$147 million when compared to the prior period.

Discussion of changes in cash provided by (used in) investing activities

Cash provided by (used in) investing activities for the nine months ended September 30, 2024 was \$1.4 billion higher than the same period ended September 30, 2023. This was driven by \$341 million higher principal collections from receivables in the current period, \$209 million of which was driven by a large, one-time prepayment. We received \$117 million more from the sales of receivables in the period ended September 30, 2024 than the same period in the prior year. We invested \$383 million less in equity method investments and \$519 million less in receivables and investments in the period ended September 30, 2024 than the same period in the prior year.

Discussion of changes in cash provided by (used in) financing activities

Cash provided by (used in) financing activities for the nine months ended September 30, 2024 was \$1.4 billion lower than the same period ended September 30, 2023, primarily driven by lower borrowings net of principal repayments of approximately \$1 billion than in the prior period, and lower equity issuances of \$285 million.

Off-Balance Sheet Arrangements

We have relationships with non-consolidated entities or financial partnerships, such as entities often referred to as structured investment vehicles, or special purpose or variable interest entities, established to facilitate the sale of securitized assets. Other than our securitization assets (including any outstanding servicer advances) of approximately \$258 million as of September 30, 2024, that may be at risk in the event of defaults or prepayments in our securitization trusts and as discussed below, and except as disclosed in Note 9 to our financial statements in this Form 10-Q, we have not guaranteed any obligations of non-consolidated entities or entered into any commitment or intent to provide additional funding to any such entities. A more detailed description of our relations with non-consolidated entities can be found in Note 2 to our financial statements in this Form 10-Q.

In connection with some of our transactions, we have provided certain limited guarantees to other transaction participants covering the accuracy of certain limited representations, warranties or covenants and provided an indemnity against certain losses from “bad acts” including fraud, failure to disclose a material fact, theft, misappropriation, voluntary bankruptcy or unauthorized transfers. In some transactions, we have also guaranteed our compliance with certain tax matters, such as negatively impacting the investment tax credit and certain other obligations in the event of a change in ownership or our exercising certain protective rights.

Dividends

Any distributions we make will be at the discretion of our board of directors and will depend upon, among other things, our actual results of operations. These results and our ability to pay distributions will be affected by various factors, including the net interest and other income from our assets, our operating expenses and any other expenditures. In the event that our Board determines to make distributions in excess of the income or cash flow generated from our assets, we may make such distributions from the proceeds of future offerings of equity or debt securities or other forms of debt financing or the sale of assets.

Our board of directors had approved of our revocation of our REIT status effective for tax year 2024. We elected to be taxed as a REIT during tax years 2023 and previous. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pays tax at regular corporate rates to the extent that it annually distributes less than 100% of its REIT taxable income. As a REIT, we paid quarterly distributions, which on an annual basis equaled or exceeded substantially all of our REIT taxable income. The taxable income of the REIT would vary from our GAAP earnings due to a number of different factors including the book to tax timing differences of income and expense recognition from our transactions as well as the amount of taxable income of our TRS distributed to the REIT. See Note 10 to our financial statements in our Form 10-K regarding the amount of our distributions that were treated as ordinary taxable income to our stockholders.

The dividends declared in 2023 and 2024 are described in Note 11 to our financial statements in this Form 10-Q.

Book Value Considerations

As of September 30, 2024, we carried only our investments, residual assets in securitized financial assets, and derivatives at fair value on our balance sheet. As a result, in reviewing our book value, there are a number of important factors and limitations to consider. Other than our investments, residual assets in securitized financial assets, and derivatives that are carried on our balance sheet at fair value as of September 30, 2024, the carrying value of our remaining assets and liabilities are calculated as of a particular point in time, which is largely determined at the time such assets and liabilities were added to our balance sheet using a cost basis in accordance with GAAP, adjusted for income or loss recognized on such assets. Other than the allowance for current expected credit losses applied to our receivables, our remaining assets and liabilities do not incorporate other factors that may have a significant impact on their value, most notably any impact of business activities, changes in estimates, or changes in general economic conditions, interest rates or commodity prices since the dates the assets or liabilities were initially recorded. Accordingly, our book value does not necessarily represent an estimate of our net realizable value, liquidation value or our fair market value.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We anticipate that our primary market risks will be related to the credit quality of our counterparties and project companies, market interest rates, the liquidity of our assets, commodity prices and environmental factors. We will seek to manage these risks while, at the same time, seeking to provide an opportunity to stockholders to realize attractive returns through ownership of our common stock.

Credit Risks

We source and identify quality opportunities within our broad areas of expertise and apply our rigorous underwriting processes to our transactions, which, we believe, will generally enable us to minimize our credit losses and maintain access to attractive financing. Through our investments in various projects, we will be exposed to the credit risk of the obligor of the project's PPA or other long-term contractual revenue commitments, as well as to the credit risk of certain suppliers and project operators. While we do not anticipate facing significant credit risk in our assets related to government energy efficiency projects, we are subject to varying degrees of credit risk in these projects in relation to guarantees provided by ESCOs where payments under energy savings performance contracts are contingent upon achieving pre-determined levels of energy savings. We are exposed to credit risk in our other projects that do not benefit from governments as the obligor such as on balance sheet financing of projects undertaken by universities, schools and hospitals, as well as privately owned commercial projects. We have invested in mezzanine loans and, as a result, we are exposed to additional credit risk. We seek to manage credit risk through thorough due diligence and underwriting processes, strong structural protections in our transaction agreements with customers and continual, active asset management and portfolio monitoring. Nevertheless, unanticipated credit losses could occur and during periods of economic downturn in the global economy, our exposure to credit risks from obligors increases, and our efforts to monitor and mitigate the associated risks may not be effective in reducing our credit risks.

We use a risk rating system to evaluate projects that we target. We first evaluate the credit rating of the obligors involved in the project using an average of the external credit ratings for an obligor, if available, or an estimated internal rating based on a third-party credit scoring system. We then estimate the probability of default and estimated recovery rate based on the obligors' credit ratings and the terms of the contract. We also review the performance of each investment, including through, as appropriate, a review of project performance, monthly payment activity and active compliance monitoring, regular communications with project management and, as applicable, its obligors, sponsors and owners, monitoring the financial performance of the collateral, periodic property visits and monitoring cash management and reserve accounts. The results of our reviews are used to update the project's risk rating as necessary. Additional detail of the credit risks surrounding our Portfolio can be found in Note 6 to our financial statements in this Form 10-Q.

Interest Rate and Borrowing Risks

Interest rate risk is highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control.

We are subject to interest rate risk in connection with new asset originations and our floating-rate borrowings, and in the future, any new floating rate assets, credit facilities or other borrowings. Because short-term borrowings are generally short-term commitments of capital, lenders may respond to market conditions, making it more difficult for us to secure continued financing. If we are not able to renew our then existing borrowings or arrange for new financing on terms acceptable to us, or if we default on our covenants or are otherwise unable to access funds under any of these borrowings, we may have to curtail our origination of new assets and/or dispose of assets. We face particular risk in this regard given that we expect many of our borrowings will have a shorter duration than the assets they finance. Increasing interest rates may reduce the demand for our investments while declining interest rates may increase the demand. Both our current and future revolving credit facilities and other borrowings may be of limited duration and are periodically refinanced at then current market rates. We attempt to reduce

interest rate risks and to minimize exposure to interest rate fluctuations through the use of fixed rate financing structures, when appropriate, whereby we seek to (1) match the maturities of our debt obligations with the maturities of our assets, (2) borrow at fixed rates for a period of time or (3) match the interest rates on our assets with like-kind debt (i.e., we may finance floating rate assets with floating rate debt and fixed-rate assets with fixed-rate debt), directly or through the use of interest rate swap agreements, interest rate cap agreements or other financial instruments, or through a combination of these strategies. We expect these instruments will allow us to minimize, but not eliminate, the risk that we must refinance our liabilities before the maturities of our assets and to reduce the impact of changing interest rates on our earnings. In addition to the use of traditional derivative instruments, we also seek to mitigate interest rate risk by using securitizations, syndications and other techniques to construct a portfolio with a staggered maturity profile. We monitor the impact of interest rate changes on the market for new originations and often have the flexibility to negotiate the term of our investments to offset interest rate increases.

Typically, our long-term debt, or that of the projects in which we invest if applicable, is at fixed rates or may at times be fixed using interest rate hedges that convert most of the floating rate debt to fixed rate debt. If interest rates rise, and our fixed rate debt balance remains constant, we expect the fair value of our fixed rate debt to decrease and the value of our hedges, if any, on floating rate debt to increase. See Note 3 to our financial statements in this Form 10-Q for the estimated fair value of our fixed rate long-term debt, which is based on having the same debt service requirements that could have been borrowed at the date presented, at prevailing current market interest rates.

We have \$4.1 billion of debt with either fixed rates or which we have hedged pursuant to strategies described above to hedge floating rate debt. We have \$0 million of debt with variable interest rates outstanding as of September 30, 2024, including any unhedged portions of loans under our term loan facility, revolving credit facilities and borrowings under our commercial paper program. Future increases in interest rates would result in higher interest expense while future decreases in interest rates would result in lower interest expense. A 50 basis point increase in benchmark interest rates would increase the quarterly interest expense related to the \$0 million in floating-rate borrowings by \$0 thousand. Such hypothetical impact of interest rates on our floating-rate borrowings does not consider the effect of any change in overall economic activity that could occur in a rising interest rate environment. Further, in the event of such a change in interest rates, we may take actions to further mitigate our exposure to such a change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the analysis assumes no changes in our financial structure.

We record certain of our assets at fair value in our financial statements and any changes in the discount rate would impact the value of these assets. See Note 3 to our financial statements in this Form 10-Q.

Liquidity and Concentration Risk

The assets that comprise our Portfolio are not and are not expected to be publicly traded. A portion of these assets may be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly-traded securities. The illiquidity of our assets may make it difficult for us to sell such assets if the need or desire arises, including in response to changes in economic and other conditions. Certain of the projects in which we invest have one obligor and thus we are subject to concentration risk for these investments and could incur significant losses if any of these projects perform poorly or if we are required to write down the value of any of these projects. Many of our assets, or the collateral supporting those assets, are concentrated in certain geographic areas, which may make those assets or the related collateral more susceptible to natural disasters or other regional events. See also "Credit Risks" discussed above.

Commodity and Environmental Attribute Price Risk

When we make equity or debt investments for a renewable energy project that acts as a substitute for an underlying commodity, we may be exposed to volatility in prices for that commodity. The performance of renewable energy projects that produce electricity can be impacted by volatility in the market prices of various forms of energy, including electricity, coal and natural gas. This is especially true for GC utility scale projects that sell power on a wholesale basis as opposed to BTM projects which compete against the retail or delivered costs of electricity which includes the cost of transmitting and distributing the electricity to the end user. Projects in which we invest, or in which we may plan to invest, may also be exposed to volatility in the prices of environmental attributes, such as renewable energy credits or other similar credits which the project may produce.

Although we generally focus on renewable energy projects that have the majority of their operating cash flow supported by long-term PPAs or leases, many of the projects in which we invest have shorter term contracts (which may have the potential of producing higher current returns) or sell their power or environmental attributes in the open market on a merchant basis. The cash flows of certain projects, and thus the repayment of, or the returns available for, our assets, are subject to risk if energy or environmental attribute prices change. We also attempt to mitigate our exposure through structural protections. These structural protections, which are typically in the form of a preferred return mechanism, are designed to allow recovery of our capital and an acceptable return over time. When structuring and underwriting these transactions, we evaluate these transactions using a variety of scenarios, including natural gas prices remaining low for an extended period of time. Despite these protections, as natural gas or renewable fuel credit price volatility continues or PPAs expire, the cash flows from certain of the projects in which we have invested are exposed to these market conditions and we work with the projects sponsors to minimize any impact

as part of our on-going active asset management and portfolio monitoring. We often invest in utility scale solar projects by owning the land under the project where our rent is paid out of project operational costs before the debt or equity in the project receives any payments. Certain of the projects in which we invest may also be obligated to physically deliver energy under PPAs or related agreements, and to the extent they are unable to do so may be negatively impacted. Certain PPAs or related agreements may also price power at a different location than the location where power is delivered to the grid, and the projects may be negatively impacted to the extent to which these prices differ. To the extent transmission and distribution infrastructure in geographies in which we invest is not able to accommodate additional power, additional renewable penetration from other new projects in certain geographic areas could decrease the revenues of our projects.

We seek to structure our energy efficiency investments so that we typically avoid exposure to commodity price risk. However, volatility in energy prices may cause building owners and other parties to be reluctant to commit to projects for which repayment is based upon a fixed monetary value for energy savings that would not decline if the price of energy declines.

Environmental Risks

Our business is impacted by the effects of climate change and various related regulatory responses. We discuss the risks and opportunities associated with the impacts of climate change in our Form 10-K Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Impact of climate change on our future operations. This discussion outlines potential qualitative impacts to our business, quantitative illustrations of sensitivity as well as our strategy and resilience to these risks and opportunities.

Risk Management

Our ongoing active asset management and portfolio monitoring processes provide investment oversight and valuable insight into our origination, underwriting and structuring processes. These processes create value through active monitoring of the state of our markets, enforcement of existing contracts and asset management. As described above, we engage in a variety of interest rate management techniques that seek to mitigate the economic effect of interest rate changes on the values of, and returns on, some of our assets. We seek to manage credit risk using thorough due diligence and underwriting processes, strong structural protections in our loan agreements with customers and continual, active asset management and portfolio monitoring. Additionally, we have a Finance and Risk Committee of our board of directors which discusses and reviews policies and guidelines with respect to our risk assessment and risk management for various risks, including, but not limited to, our interest rate, counter party, credit, capital availability, refinancing, and cybersecurity risks. As it relates to environmental risks, when we underwrite and structure our investments the environmental risks and opportunities are an integral consideration to our investment parameters. While we cannot fully protect our investments, we seek to mitigate these risks by using third-party experts to conduct engineering and weather analysis and insurance reviews as appropriate. Weather related risks are at times managed in cooperation with our clients where they buy offsetting power positions to mitigate power market disruptions or operational impacts. Once a transaction has closed we continue to monitor the environmental risks to the portfolio. We further discuss our strategy to managing these risks in our Form 10-K, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Impact of climate change on our future operations.

Item 4. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer, based on their evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) required by paragraph (b) of Rule 13a-15 or Rule 15d-15, have concluded that as of September 30, 2024, the Company's disclosure controls and procedures were effective to give reasonable assurances to the timely collection, evaluation and disclosure of information relating to the Company that would potentially be subject to disclosure under the Exchange Act and the rules and regulations promulgated thereunder.

Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in our periodic reports.

Changes in Internal Controls over Financial Reporting

There have been no changes in the Company's "internal control over financial reporting" (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the three-month period ended September 30, 2024, that have materially affected, or were reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be involved in various claims and legal actions in the ordinary course of business. As of September 30, 2024, we are not currently subject to any legal proceedings that are likely to have a material adverse effect on our financial position, results of operations or cash flows.

Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, see the information in Item 1A. "Risk Factors" of our 2023 Form 10-K, filed with the SEC, which is accessible on the SEC's website at www.sec.gov.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During the nine months ended September 30, 2024, certain of our employees surrendered common stock owned by them to satisfy their federal and state tax obligations associated with the vesting of their restricted stock awards.

The table below summarizes our repurchases of common stock during 2024. These repurchases are related to the surrender of common stock by certain of our employees to satisfy their tax and other compensation related withholdings associated with the vesting of restricted stock. The price paid per share is based on the closing price of our common stock as of the date of the withholding.

Period	Total number of shares purchased	Average price per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
3/5/2024	6,198	\$ 25.36	N/A	N/A
5/15/2024	9,563	32.28	N/A	N/A
8/15/2024	1,160	31.06	N/A	N/A

There were no OP units held by our non-controlling interest holders exchanged for shares of our common stock during the nine months ended September 30, 2024.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

The Company and each of Hannon Armstrong Sustainable Infrastructure, L.P., Hannon Armstrong Capital, LLC, HAC Holdings I LLC, HAC Holdings II LLC, HAT Holdings I LLC and HAT Holdings II LLC (the "Subsidiary Guarantors") have filed a shelf registration statement on Form S-3 with the SEC pursuant to which the Company may offer and sell debt securities from time to time and such securities may be guaranteed by the Subsidiary Guarantors. The Subsidiary Guarantors are consolidated in the Company's Consolidated Financial Statements and separate Consolidated Financial Statements of the Subsidiary Guarantors have not been presented in accordance with Rule 3-10 of Regulation S-X. Furthermore, as permitted under Rule 13-01(a)(4)(vi), the Company has excluded the summarized financial information for the Subsidiary Guarantors as the assets, liabilities and results of operations of the Company and the Subsidiary Guarantors are not materially different than the corresponding amounts presented in the Consolidated Financial Statements of the Company, and management believes such summarized financial information would be repetitive and not provide incremental value to investors.

Item 6. Exhibits

<u>Exhibit number</u>	<u>Exhibit description</u>
3.1	<u>Certificate of Incorporation of HA Sustainable Infrastructure Capital, Inc., filed with the Secretary of Delaware on July 1, 2024 and effective, July 2, 2024 (incorporated by reference to Exhibit 3.1 on the Registrant's Form 8-K (No. 001-35877) filed on July 3, 2024).</u>
3.2	<u>Bylaws of HA Sustainable Infrastructure Capital, Inc. effective July 2, 2024 (incorporated by reference to Exhibit 3.2 on the Registrant's Form 8-K (No. 001-35877) filed on July 3, 2024).</u>
4.1	<u>Specimen Common Stock Certificate of HA Sustainable Infrastructure Capital, Inc. (incorporated by reference to Exhibit 99.3 on the Registrant's Form 8-K (No. 001-35877) filed on July 3, 2024).</u>
4.2	<u>Indenture, dated as of April 21, 2020, between HAT Holdings I LLC and HAT Holdings II LLC, as issuers, and Hannon Armstrong Sustainable Infrastructure Capital, Inc., Hannon Armstrong Sustainable Infrastructure, L.P., and Hannon Armstrong Capital, LLC, as guarantors, and U.S. Bank National Association, as trustee (including the form of HAT Holdings I LLC and HAT Holdings II LLC's 6.00% Senior Notes due 2025.) (incorporated by reference to Exhibit 4.1 on the Registrant's Form 8-K (No. 001-35877) filed on April 21, 2020)</u>
4.3	<u>Indenture, dated as of August 25, 2020, between HAT Holdings I LLC and HAT Holdings II LLC, as issuers, and Hannon Armstrong Sustainable Infrastructure Capital, Inc., Hannon Armstrong Sustainable Infrastructure, L.P., and Hannon Armstrong Capital, LLC, as guarantors, and U.S. Bank National Association, as trustee (including the form of HAT Holdings I LLC and HAT Holdings II LLC's 3.750% Senior Notes due 2030) (incorporated by reference to Exhibit 4.1 on the Registrant's Form 8-K (No. 011-35877), filed on August 25, 2020.)</u>
4.4	<u>Indenture, dated as of June 28, 2021, between HAT Holdings I LLC and HAT Holdings II LLC, as issuers, and Hannon Armstrong Sustainable Infrastructure Capital, Inc., Hannon Armstrong Sustainable Infrastructure, L.P., and Hannon Armstrong Capital, LLC, as guarantors, and U.S. Bank National Association, as trustee (including the form of HAT Holdings I LLC and HAT Holdings II LLC's 3.375% Senior Notes due 2026) (incorporated by reference to Exhibit 4.1 on the Registrant's Form 8-K (No. 011-35877), filed on June 28, 2021.)</u>
4.5	<u>Indenture, dated as of April 13, 2022 by and among HAT Holdings I LLC and HAT Holdings II LLC, as issuers, and Hannon Armstrong Sustainable Infrastructure Capital, Inc., Hannon Armstrong Sustainable Infrastructure, L.P., and Hannon Armstrong Capital, LLC, as guarantors, and U.S. Bank Trust Company, National Association, as trustee. (incorporated by reference to Exhibit 4.1 on the Registrant's Form 8-K (No. 011-35877) filed on April 15, 2022.)</u>
4.6	<u>First Supplemental Indenture, dated as of April 13, 2022 by and among HAT Holdings I LLC and HAT Holdings II LLC, as issuers, and Hannon Armstrong Sustainable Infrastructure Capital, Inc., Hannon Armstrong Sustainable Infrastructure, L.P., and Hannon Armstrong Capital, LLC, as guarantors, and U.S. Bank Trust Company, National Association, as trustee (including the form of HAT Holdings I LLC's and HAT Holdings II LLC's 0.00% Green Exchangeable Senior Note due 2025).(incorporated by reference to Exhibit 4.2 on the Registrant's Form 8-K (No. 011-35877) filed on April 15, 2022)</u>
4.7	<u>Indenture, dated as of August 11, 2023 by and among HAT Holdings I LLC and HAT Holdings II LLC, as issuers, and Hannon Armstrong Sustainable Infrastructure Capital, Inc., Hannon Armstrong Sustainable Infrastructure, L.P., and Hannon Armstrong Capital, LLC, as guarantors, and U.S. Bank Trust Company, National Association, as trustee. (incorporated by reference to Exhibit 4.1 on the Registrant's Form 8-K (No. 011-35877) filed on August 11, 2023)</u>
4.8	<u>Indenture, dated as of December 7, 2023 by and among HAT Holdings I LLC and HAT Holdings II LLC, as issuers, the guarantors party thereto and U.S. Bank Trust Company, National Association, as trustee (including the form of HAT Holdings I LLC and HAT Holdings II LLC's 8.00% Green Senior Unsecured Note due 2027) (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K (No. 001-35877), filed on December 7, 2023)</u>
4.9	<u>Indenture, dated as of July 1, 2024 by and among Hannon Armstrong Sustainable Infrastructure Capital, Inc., as issuer, the guarantors party thereto and U.S. Bank Trust Company, National Association, as trustee (including the form of Hannon Armstrong Sustainable Infrastructure Capital, Inc.'s 6.375% Green Senior Unsecured Note due 2034) (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K (No. 001-35877), filed on July 1, 2024)</u>
31.1*	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>

31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Chief Executive Officer pursuant to section 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes—Oxley Act of 2002
32.2**	Certification of Chief Financial Officer pursuant to section 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes—Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File Included as Exhibit 101 (embedded within the Inline XBRL document)

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**HA SUSTAINABLE
INFRASTRUCTURE CAPITAL, INC.**
(Registrant)

Date: November 8, 2024

/s/ Jeffrey A. Lipson

Jeffrey A. Lipson

Chief Executive Officer and President

Date: November 8, 2024

/s/ Marc T. Pangburn

Marc T. Pangburn

Chief Financial Officer and Executive Vice President

Date: November 8, 2024

/s/ Charles W. Melko

Charles W. Melko

Chief Accounting Officer, Treasurer and Senior Vice President

**EXHIBIT 31.1
CERTIFICATIONS**

I, Jeffrey A. Lipson, certify that:

I have reviewed this Quarterly Report on Form 10-Q of HA Sustainable Infrastructure Capital, Inc. (the “registrant”);

1. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
2. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
3. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
4. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the Audit Committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 8, 2024

By: /s/ Jeffrey A. Lipson
Name: Jeffrey A. Lipson
Title: Chief Executive Officer and President

EXHIBIT 31.2
CERTIFICATIONS

I, Marc T. Pangburn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of HA Sustainable Infrastructure Capital, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the Audit Committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 8, 2024

By: /s/ Marc T. Pangburn
Name: Marc T. Pangburn
Title: Chief Financial Officer and Executive Vice President

EXHIBIT 32.1

CERTIFICATION PURSUANT TO SECTION 906

OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q of HA Sustainable Infrastructure Capital, Inc. (the "Company") for the period ended September 30, 2024, to be filed with the Securities and Exchange Commission on or about the date hereof (the "report"), I, Jeffrey A. Lipson, Chief Executive Officer and President of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

Date: November 8, 2024

By: /s/ Jeffrey A. Lipson
Name: Jeffrey A. Lipson
Title: Chief Executive Officer and President

