Risk Factors Comparison 2024-02-13 to 2023-02-14 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Our operations and structure involve various risks that could adversely affect our business and financial condition, including but not limited to, our financial position, results of operations, cash flow, ability to make distributions and payments to security holders and the market value of our securities. These risks relate to Prologis as well as our investments in consolidated and unconsolidated entities and include among others, (i) risks related to our global operations (ii) risks related to our business; (iii) risks related to financing and capital; **and** (iv) risks related to income taxes ~~; and (v) general risks~~ . Risks Related to our Global Operations As a global company, we are subject to social, ~~political~~ **geopolitical** and economic risks of doing business in many countries **and our results of operations and financial condition may be materially and adversely affected** . We conduct a significant portion of our business and employ a substantial number of people outside of the U. S. During ~~2022~~ **2023** , we generated approximately $ **632** ~~1. 0 billion~~ **million** or ~~17~~ **7** . ~~3~~ **9** % of our consolidated revenues from operations outside the U. S. Circumstances and developments related to international operations that could negatively affect us include, but are not limited to, the following factors: • difficulties and costs of staffing and managing international operations in certain geographies, including differing employment practices and labor issues; • local businesses and cultural factors that differ from our domestic standards and practices; • volatility in currencies and currency restrictions, which may prevent the availability of capital or the transfer of profits to the U. S.; • challenges in establishing effective controls and procedures to regulate operations in different geographies and to monitor compliance with applicable regulations, such as the Foreign Corrupt Practices Act, the United Kingdom (" U. K. ") Bribery Act and other similar laws; • ~~unexpected~~ changes in regulatory and environmental requirements, taxes, tariffs, trade wars and laws within the countries in which we operate; • the responsibility of complying with multiple and potentially conflicting laws, e. g., with respect to corrupt practices, **human rights,** employment and licensing; • ~~the impact of~~ **changes in general economic conditions from inflation, elevated interest rates,** regional or country- specific business cycles, ~~military conflicts~~ **supply chain disruptions, economic downturns or recessions** and economic instability, including government shutdowns and withdrawals from the European Union or other international trade alliances or agreements; • political instability, uncertainty over property rights, **territorial disputes, military conflict, war or expansion of hostilities,** civil unrest, drug trafficking, political activism or the continuation or escalation of terrorist or gang activities **; • public health crises, such as outbreaks of global pandemics or contagious diseases** ; • foreign ownership restrictions in operations with the respective countries; and • access to capital may be more restricted, or unavailable on favorable terms or at all in certain locations. In addition, we may be impacted by the ability of our non- U. S. subsidiaries to dividend or otherwise transfer cash among our subsidiaries due to currency exchange control regulations, transfer pricing regulations and potentially adverse tax consequences, among other factors **. We cannot predict the extent to which these social, geopolitical and economic risks may impact our business and operating results and that of our co- investment ventures, but their impact may include the following: • existing customers and potential customers of our logistics facilities may be adversely affected by the decrease in economic activity, changes in regulation or disruptions in the supply chain, which in turn could disrupt their business and their ability to enter into new leasing transactions or satisfy rental payments; • government, labor or other restrictions may prevent us from completing the development or leasing of properties currently under development or making our properties ready for our customers to move in; • our ability to recover our investments in real estate assets may be impacted by current market conditions; • increases in material costs as a result of labor shortages and supply chain disruptions may make the development of properties more costly than we originally budgeted or impact transportation routes of our suppliers or our customers; and • our workforce, including our executives, may become ill or have difficulty working remotely, caring for our properties and / or customers creating inefficiencies, delays or disruptions in our business. Any prolonged economic downturn, disruption in the financial markets or public health crises may also impact our ability to access capital markets to issue debt or equity securities and to complete real estate transactions at attractive pricing or at all. These items may materially and adversely affect our financial condition, results of operations, cash flows and real estate values** . Compliance or failure to comply with regulatory requirements could result in substantial costs. We are required to comply with many regulations in different countries, including (but not limited to) the Foreign Corrupt Practices Act, the U. K. Bribery Act and similar laws and regulations. Our properties are also subject to various federal, state and local regulatory requirements, such as the Americans with Disabilities Act and state and local fire, life-safety, energy and greenhouse gas emissions requirements. Noncompliance could result in the imposition of governmental fines or the award of damages to private litigants. While we believe that we are currently in material compliance with these regulatory requirements, the requirements may change or new requirements may be imposed that could require significant unanticipated expenditures by us. Disruptions in the global capital and credit markets may adversely affect our operating results and financial condition. To the extent there is turmoil in the global financial markets, this turmoil has the potential to adversely affect (i) the value of our properties; (ii) the availability or the terms of financing that we have or may anticipate utilizing; (iii) our ability to make principal and interest payments on, or refinance any outstanding debt when due; and (iv) the ability of our customers to enter into new leasing transactions or satisfy rental payments under existing leases. Disruptions in the capital and credit markets may also adversely affect the market price of our securities and our ability to make distributions and payments to our security holders. The depreciation in the value of the foreign currency in countries where we have a significant investment may adversely affect our results of operations and financial position. We hold significant real estate investments in international markets where the U. S. dollar is not the functional currency. At December 31, ~~2022~~ **2023** , approximately $ 10. ~~2~~ **6** billion or

11. ~~6~~ **4** % of our total consolidated assets were invested in a currency other than the U. S. dollar, principally the British pound sterling, Canadian dollar, euro **,** and Japanese yen. For the year ended December 31, ~~2022~~ **2023** , $ ~~762~~ **303** . ~~4~~ **7** million or ~~17~~ **5** . ~~2~~ **1** % of our total consolidated segment NOI was denominated in a currency other than the U. S. dollar. See Note 17 to the Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data for more information on these amounts. As a result, we are subject to foreign currency risk due to potential fluctuations in exchange rates between foreign currencies and the U. S. dollar. ~~A~~ **While we endeavor to manage this risk through our hedging and financing activities, a** significant change in the value of the foreign currency of one or more countries where we have a significant investment may have a material adverse effect on our business and, specifically, our U. S. dollar reported financial position and results of operations. Our hedging of foreign currency and interest rate risk may not effectively limit our exposure to these risks. We attempt to mitigate our risk by borrowing in the currencies in which we have significant investments thereby providing a natural hedge. We may also enter into derivative financial instruments that we designate as net investment hedges, as these amounts offset the translation adjustments on the underlying net assets of our foreign investments. We enter into other foreign currency contracts, such as forwards, to reduce fluctuations in foreign currency cash flow associated with the translation of future earnings of our international subsidiaries. Although we attempt to mitigate the potential adverse effects of changes in foreign currency rates there can be no assurance that those attempts will be successful. In addition, we occasionally use interest rate ~~swap~~ contracts to manage interest rate risk and limit the impact of future interest rate changes on earnings and cash flows. Hedging arrangements involve risks, such as the risk of fluctuation in the relative value of the foreign currency or interest rates and the risk that counterparties may fail to honor their obligations under these arrangements. The funds required to settle such arrangements could be significant depending on the stability and movement of the hedged foreign currency or the size of the underlying financing and the applicable interest rates at the time of the breakage. The failure to hedge effectively against foreign exchange changes or interest rate changes may adversely affect our business. Risks Related to our Business General economic conditions and other events or occurrences that affect areas in which our properties are geographically concentrated, may impact financial results. We are exposed to the economic conditions and other events and occurrences in the local, regional, national and international geographies in which we own properties. Our operating performance is further impacted by the economic conditions of the specific markets in which we have concentrations of properties. At December 31, ~~2022~~ **2023** , 30. ~~3~~ **0** % of our consolidated operating properties or $ ~~21~~ **22** . ~~0~~ **7** billion (based on consolidated gross book value, or investment before depreciation) were located in California (Central Valley, San Francisco Bay Area and Southern California markets), which represented 23. ~~6~~ **2** % of the aggregate square footage of our operating properties and ~~33~~ **31** . ~~0~~ **7** % of our consolidated operating property NOI. Our revenues from, and the value of, our properties located in California may be affected by local real estate conditions (such as an oversupply of or reduced demand for logistics properties) and the local economic climate. Business layoffs, downsizing, industry slowdowns, changing demographics and other factors may adversely impact California' s economic climate. Because of the investment we have located in California, a downturn in California' s economy or real estate conditions, including state income tax and property tax laws, could adversely affect our business. In addition to California, we also have significant holdings (defined as more than 3 % of total consolidated investment before depreciation) in operating properties in certain markets located in Atlanta, Chicago, Dallas / Fort Worth, Houston, Lehigh Valley, New Jersey / New York City, Seattle and South Florida. Of these markets, no single market contributed more than 10 % of our total consolidated investment before depreciation in operating properties, with the exception of New Jersey / New York City **at 10. 6 %** . Our operating performance could be adversely affected if conditions become less favorable in any of the markets in which we have a concentration of properties. Conditions such as an oversupply of logistics space or a reduction in demand for logistics space, among other factors, may impact operating conditions. Any material oversupply of logistics space or material reduction in demand for logistics space could adversely affect our overall business. Our O & M portfolio, which includes our consolidated properties and properties owned by our unconsolidated co- investment ventures, has concentrations of properties in the same markets mentioned above, as well as in markets in Japan and the U. K., and are subject to the economic conditions in those markets. Real estate investments are not as liquid as certain other types of assets, which may reduce economic returns to investors. Real estate investments are not as liquid as certain other types of investments and this lack of liquidity may limit our ability to react promptly to changes in economic or other conditions. Significant expenditures associated with real estate investments, such as secured mortgage debt payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investments. As a REIT, under the IRC, we are only able to hold property for sale in the ordinary course of business through taxable REIT subsidiaries in order to not incur punitive taxation on any tax gain from the sale of such property. We may dispose of certain properties that have been held for investment to generate liquidity. If we do not satisfy certain safe harbors or we believe there is too much risk of incurring the punitive tax on any tax gain from the sale, we may not pursue such sales. We may decide to sell or contribute properties to certain of our co- investment ventures or sell properties to third parties to generate proceeds to fund our capital deployment activities. Our ability to sell or contribute properties on advantageous terms is affected by: (i) competition from other owners of properties that are trying to dispose of their properties; (ii) economic and market conditions, including the capitalization rates applicable to our properties; and (iii) other factors beyond our control. If our competitors sell assets similar to assets we intend to divest in the same markets or at valuations below our valuations for comparable assets, we may be unable to divest our assets at favorable pricing or at all. The co- investment ventures or third parties who might acquire our properties may need to have access to debt and equity capital, in the private and public markets, in order to acquire properties from us. Should they have limited or no access to capital on favorable terms, then dispositions and contributions could be delayed. If we do not have sufficient cash available to us through our operations, sales or contributions of properties or available credit facilities to continue operating our business as usual, we may need to find alternative ways to increase our liquidity. Such alternatives may include, without limitation, divesting properties at less than optimal terms, incurring debt, entering into leases with new customers at lower rental rates or

less than optimal terms or entering into lease renewals with our existing customers without an increase in rental rates. There can be no assurance, however, that such alternative ways to increase our liquidity will be available to us. Additionally, taking such measures to increase our liquidity may adversely affect our business, and in particular, our distributable cash flow and debt covenants. Our investments are concentrated in the logistics sector and our business would be adversely affected by an economic downturn in that sector. Our investments in real estate assets are concentrated in the logistics sector. This concentration may expose us to the risk of economic downturns in this sector to a greater extent than if our business activities were more diversified. Investments in real estate properties are subject to risks that could adversely affect our business. Investments in real estate properties are subject to varying degrees of risk. While we seek to minimize these risks through geographic diversification of our portfolio, market research and our asset management capabilities, these risks cannot be eliminated. Factors that may affect real estate values and cash flows include: • local conditions, such as oversupply or a reduction in demand; • technological changes, such as reconfiguration of supply chains, autonomous vehicles, robotics, 3D printing or other technologies; • the attractiveness of our properties to potential customers and competition from other available properties; • increasing costs of maintaining, insuring, renovating and making improvements to our properties; • our ability to reposition our properties due to changes in the business and logistics needs of our customers; • our ability to lease the properties at favorable rates and control variable operating costs; and • governmental and environmental regulations and the associated potential liability under, and changes in, environmental, zoning, usage, tax, tariffs and other laws. These factors may affect our ability to recover our investment in the properties and result in impairment charges. Our customers may be unable to meet their lease obligations ~~or~~ **,** we may be unable to lease vacant space or renew leases or re- lease space on favorable terms as leases expire. Our operating results and distributable cash flow would be adversely affected if a significant number of our customers were unable to meet their lease obligations. At December 31, ~~2022~~ **2023** , our top 10 customers accounted for ~~16~~ **15** . ~~4~~ **8** % of our consolidated NER and 14. ~~4~~ **5** % of our O & M NER. In the event of default by a significant number of customers, we may experience delays and incur substantial costs in enforcing our rights as landlord, and we may be unable to re- lease spaces. A customer may experience a downturn in its business, which may cause the loss of the customer or may weaken its financial condition, resulting in the customer' s failure to make rental payments when due or requiring a restructuring that might reduce cash flow from the lease. In addition, a customer may seek the protection of bankruptcy, insolvency or similar laws, which could result in the rejection and termination of such customer' s lease and thereby cause a reduction in our available cash flow. We are also subject to the risk that, upon the expiration of leases they may not be renewed by existing customers, the space may not be re- leased to new customers or the terms of renewal or re- leasing (including the cost of required renovations or concessions to customers) may be less favorable to us than current lease terms. Our competitors may offer space at rental rates below current market rates or below the rental rates we currently charge our customers and we may be pressured to reduce our rental rates below those we currently charge to retain customers when leases expire or we may lose potential customers **. Additionally, rising inflation or costs could negatively impact our net operating income on existing leases with contractual guaranteed base rent and fixed charges, inclusive of certain rental expenses** . We may acquire properties and companies that involve risks that could adversely affect our business and financial condition. We have acquired properties and will continue to acquire properties through the direct acquisition of real estate, the acquisition of entities that own real estate or through additional investments in co- investment ventures that acquire properties. The acquisition of properties involves risks, including the risk that the acquired property will not perform as anticipated and that any actual costs for rehabilitation, repositioning, renovation and improvements identified in the pre- acquisition due diligence process will exceed estimates. When we acquire properties, we may face risks associated with entering a new market such as a lack of market knowledge or understanding of the local economy, forging new business relationships in the area and unfamiliarity with local government and permitting procedures. Additionally, there is, and it is expected there will continue to be, significant competition for properties that meet our investment criteria as well as risks associated with obtaining financing for acquisition activities. The acquired properties or entities may be subject to liabilities, including tax liabilities, which may be without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if a liability were asserted against us based on our new ownership of any of these entities or properties, then we may have to pay substantial sums to settle it. We may be unable to integrate the operations of newly acquired companies and realize the anticipated synergies and other benefits or do so within the anticipated timeframe. Potential difficulties we may encounter in the integration process include: (i) the inability to dispose of non- industrial assets or operations that are outside of our area of expertise; (ii) potential unknown liabilities and unforeseen increased expenses, delays or regulatory conditions associated with these transactions; and (iii) performance shortfalls as a result of the diversion of management' s attention caused by completing these transactions and integrating the companies' operations. Our real estate development and redevelopment strategies may not be successful. Our real estate development and redevelopment strategy is focused on monetizing land and redevelopment sites in the future through development of logistics facilities to hold for long- term investment and for contribution or sale to a co- investment venture or third party, depending on market conditions, our liquidity needs and other factors. We may increase our investment in the development, renovation and redevelopment business and we expect to complete the build- out and leasing of our current development portfolio. We may also develop, renovate and redevelop properties within existing or newly formed co- investment ventures. The real estate development, renovation and redevelopment business includes the following significant risks: • we may not be able to obtain financing for development projects on favorable terms or at all; • we may explore development opportunities that may be abandoned and the related investment impaired; • we may not be able to obtain, or may experience delays in obtaining, all necessary zoning, land- use, building, occupancy and other governmental permits and authorizations; • we may incur higher construction costs, due primarily to this inflationary environment, or additional costs related to regulation that exceed our estimates and projects may not be completed, delivered or stabilized as planned due to defects or other issues; • we may not be able to attract third- party investment in new development co- investment ventures or sufficient customer demand for our product; • we may have properties that perform below anticipated levels, producing cash flows below budgeted amounts; • we may seek to sell certain land parcels and not be able to find a third party to acquire such land or the sales price will not allow us to recover our investment, resulting in impairment charges; • we may not be able to lease properties we develop on favorable terms or at all; • we may not be able to capture the anticipated enhanced value created by our value- added properties on expected timetables or at all; • we may experience delays (temporary or permanent) if there is public or government opposition to our activities; and • we may have substantial renovation, new development and redevelopment activities, regardless of their ultimate success, that require a significant amount of management' s time and attention, diverting their attention from our day- to- day operations. We are subject to risks and liabilities in connection with forming and attracting third- party investment in co- investment ventures, investing in new or existing co- investment ventures, and managing properties through co- investment ventures. At December 31, ~~2022~~ **2023** , we had investments in co- investment ventures, both public and private, that owned real estate with a gross book value of approximately $ ~~59~~ **62** . ~~6~~ **9** billion. Our organizational documents do not limit the amount of available funds that we may invest in these ventures, and we may and currently intend to develop and acquire properties through co- investment ventures and investments in other entities when warranted by the circumstances. However, there can be no assurance that we will be able to form new co- investment ventures, or attract third- party investment or that additional investments in new or existing ventures to develop or acquire properties will be successful. Further, there can be no assurance that we are able to realize value from our existing or future investments. The same factors that impact the valuation of our consolidated portfolio, as discussed above, also impact the portfolios held by the co- investment ventures and could result in other than temporary impairment of our investment and a reduction in fee revenues. Our co- investment ventures involve certain additional risks that we do not otherwise face, including: • our partners may share certain approval rights over major decisions made on behalf of the ventures; • our partners may seek to redeem their investment, and may do so simultaneously, causing the venture to seek capital to satisfy these requests on less than optimal terms; • if our partners fail to fund their share of any required capital contributions, then we may choose to contribute such capital; • our partners might have economic or other business interests or goals that are inconsistent with our business interests or goals that would affect our ability to operate the venture; • the venture or other governing agreements often restrict the transfer of an interest in the co- investment venture or may otherwise restrict our ability to sell the interest when we desire or on advantageous terms; • our relationships with our partners are generally contractual in nature and may be terminated or dissolved under the terms of the agreements, and in such event, we may not continue to invest in or manage the assets underlying such relationships resulting in a decrease in our assets under management and a reduction in fee revenues. This may also require us to acquire the properties in order to maintain an investment in the portfolio; and • disputes between us and our partners may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business and result in subjecting the properties owned by the applicable co- investment venture to additional risk. We generally seek to maintain sufficient influence over our co- investment ventures to permit us to achieve our business objectives; however, we may not be able to continue to do so indefinitely. We have formed publicly traded investment vehicles, such as NPR and FIBRA Prologis, for which we serve as sponsor or manager. These entities bear their own risks related to trading markets, foreign currency exchange rates and market demand. We have contributed, and may continue to contribute, assets into such vehicles. There is a risk that our managerial relationship may be terminated. We have also made investments in early and growth- stage companies that are focused on emerging technology. These companies may not be successful at raising additional capital or generating cash flows to sustain operations, which could result in the impairment of our investment. In addition, through Prologis Essentials we are investing in the development of new business lines that are complementary to our core business. These business lines may not be successful and may include risks that are different than investing in our core real estate business. We are exposed to various environmental risks, which may result in unanticipated losses that could affect our business and financial condition. Under various federal, state and local laws, ordinances and regulations, a current or previous owner, developer or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances. The costs of removal or remediation of such substances could be substantial. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such hazardous substances. In addition, third parties may sue the owner or operator of a site for damages based on personal injury, property damage or other costs, including investigation and clean- up costs, resulting from the environmental contamination. Environmental laws in some countries, including the U. S., also require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos, adequately inform or train those who may come into contact with asbestos and undertake special precautions, including removal or other abatement, in the event that asbestos is disturbed during building renovation or demolition. These laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos. Some of our properties are known to contain asbestos- containing building materials. In addition, some of our properties are leased or have been leased, in part, to owners and operators of businesses that use, store or otherwise handle petroleum products or other hazardous or toxic substances, creating a potential for the release of such hazardous or toxic substances. Furthermore, certain of our properties are on, adjacent to or near other properties that have contained or currently contain petroleum products or other hazardous or toxic substances, or upon which others have engaged, are engaged or may engage in activities that may release such hazardous or toxic substances. From time to time, we may acquire properties, or interests in properties, with known adverse environmental conditions for which we believe that the environmental liabilities associated with these conditions are quantifiable and that the acquisition will yield a superior risk- adjusted return. In connection with certain divested properties, we have agreed to remain responsible for, and to bear the cost of, remediating or monitoring certain environmental conditions on the properties. **We are exposed to the impacts of climate change and could be required to comply with new or stricter regulations, which may result in unanticipated losses that could affect our business and financial condition. We are also exposed to physical risks from changes in climate. Our logistics facilities and the global**

supply chain are and may continue to be exposed to catastrophic weather events, such as severe storms, fires or floods. If the frequency of extreme weather events increases, our exposure to these events could increase. We may also be adversely impacted by transition risks, such as potential impacts to the supply chain as a real estate developer or changes in laws and regulations, such as stricter energy efficiency standards or greenhouse gas regulations for the commercial building sectors. We cannot give any assurance that other such conditions do not exist or may not arise in the future. The impacts of climate change on our real estate properties could adversely affect our ability to lease, develop or sell such properties or to borrow using such properties as collateral. Our business and operations could suffer in the event of system failures or cybersecurity attacks. Despite system redundancy, the implementation of security measures and the existence of a disaster recovery plan for our internal and hosted information technology systems, our systems are vulnerable to damages from any number of sources, including energy blackouts, natural disasters, terrorism, war, telecommunication failures and cybersecurity attacks, such as malware, ransomware, or unauthorized access. Any system failure or accident that causes interruptions in our operations could result in a material disruption to our business. We may incur additional costs to remedy damages caused by such disruptions. Third- party security events at vendors, sub- processors, and service providers could also impact our data and operations via unauthorized access to information or disruption of services which may ultimately result in losses. Despite training, detection systems and response procedures, an increase in email attacks (phishing and business email compromise) may create disruption to our business, financial and reputational risk. Although security incidents have had an insignificant financial impact on our operating results, the growing frequency of attempts may lead to increased costs to protect the company and respond to any events, including additional personnel, consultants and protection technologies. Any compromise of our security could result in a violation of applicable privacy and other laws, unauthorized access to information of ours and others, significant legal and financial exposure, damage to our reputation, loss or misuse of the information and a loss of confidence in our security measures, which could harm our business. Additionally, remediation costs for security events may not be covered by our insurance. Our insurance coverage does not cover all potential losses. We and our unconsolidated co- investment ventures carry insurance coverage including property damage and rental loss insurance resulting from certain perils such as fire and additional perils as covered under an extended coverage policy, namely windstorm, flood, earthquake and terrorism; commercial general liability insurance; and environmental insurance, as appropriate for the markets where each of our properties and business operations are located. The insurance coverage contains policy specifications and insured limits customarily carried for similar properties, business activities and markets. We believe our properties and the properties of our co- investment ventures are adequately insured. Certain losses, however, including losses from floods, earthquakes, acts of war, acts of terrorism or riots and pandemics, generally are not insured against or not fully insured against because it is not deemed economically feasible or prudent to do so. If an uninsured loss or a loss in excess of insured limits occurs with respect to one or more of our properties, we could experience a significant loss of capital invested and future revenues in these properties and could potentially remain obligated under any recourse debt associated with the property. Furthermore, we cannot be sure that the insurance companies will be able to continue to offer products with sufficient coverage at commercially reasonable rates. If we experience a loss that is uninsured or that exceeds insured limits with respect to one or more of our properties or if the insurance companies fail to meet their coverage commitments to us in the event of an insured loss, then we could lose the capital invested in the damaged properties, as well as the anticipated future revenues from those properties and, if there is recourse debt, then we would remain obligated for any mortgage debt or other financial obligations related to the properties. Any such losses or higher insurance costs could adversely affect our business.