

Risk Factors Comparison 2024-03-13 to 2023-03-08 Form: 10-K

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Our business is subject to many risks. Set forth below are the material risks we face. Risks are listed in the categories where they primarily apply, but other categories may also apply. Competitive and Reputational Risks If we are unable to positively differentiate ourselves from other retailers, our results of operations and financial condition could be adversely affected. We attempt to differentiate our guest experience through a careful combination of price, merchandise assortment, store environment, convenience, guest service, loyalty programs, and marketing. Our ability to successfully differentiate ourselves depends on many competitive factors, including guest perceptions regarding the safety and cleanliness of our stores, the value and exclusivity of our offerings, our in- stock levels, the effectiveness of our digital channels and fulfillment options, our ability to responsibly source merchandise, and our ability to create a personalized guest experience. If we fail to differentiate our guest experience from our competitors, our results of operations and financial condition could be adversely affected. TARGET CORPORATION2022-CORPORATION2023 Form 10- K7-K8 RISK FACTORSIndex to Financial Statements The retail industry's continuing migration to digital channels and multiple fulfillment options for consumers has affected the ways we differentiate from other retailers. Since consumers can quickly comparison shop using digital tools, they may make decisions based solely on price or convenience, which could limit our ability to differentiate from our competitors. In addition, providing multiple fulfillment options and implementing new technology is complex, costly, and may not meet our guests' expectations. If we are unable to offset the increased costs of new technology and expanded fulfillment options with improved performance or efficiencies, our results of operations could be adversely affected. To remain competitive, we must anticipate and adapt to developments and offerings by other retailers. Consumers may also use third- party channels ~~or~~, devices, **technologies, and capabilities (including artificial intelligence)** to initiate shopping searches and place orders, which could make us dependent on the capabilities and search algorithms of those third parties to reach those consumers. Any **failures or** difficulties in executing our differentiation efforts could adversely affect our results of operations and financial condition. If we do not anticipate and respond quickly to changing consumer preferences, our results of operations and financial condition could suffer. A large part of our business is dependent on our ability to make trend- right decisions in a broad range of merchandise categories. If we do not predict and quickly respond to changing consumer preferences and spending patterns, we may experience lower sales, spoilage, and increased inventory markdowns, which could adversely affect our results of operations. Our ability to predict and adapt to changing consumer preferences depends on many factors, including obtaining accurate and relevant data on guest preferences, **successfully implementing new technologies and capabilities** emphasizing relevant merchandise categories, effectively managing our inventory levels, and implementing competitive and effective pricing and promotion strategies. We have not always been able to predict rapid changes in consumer preferences and spending patterns, including those that were impacted by the COVID- 19 pandemic, which has previously resulted in insufficient or excess inventory, increased costs, and adverse impacts on our results of operations. If we are unable to effectively adapt to future changes in consumer preferences and spending patterns, our results of operations and financial condition could be adversely affected. Our continued success is dependent on positive perceptions of Target which, if eroded, could adversely affect our business and our relationships with our guests and team members. We believe that one of the reasons our shareholders, guests, team members, and vendors choose Target is the positive reputation we have built over many years for serving those constituencies and the communities in which we operate. To be successful in the future, we must continue to preserve Target' s reputation. Our reputation is largely based on perceptions. It may be difficult to address negative publicity across media channels, regardless of ~~whether it~~ **its accuracy or the reputability of its accurate source, including as a result of fictitious media content (such as content produced by generative artificial intelligence or bad actors)**. Negative incidents involving us, our workforce, or others with whom we do business could quickly erode trust and confidence and result in **changes in consumer behavior (including consumer boycotts)**, workforce unrest or walkouts, government investigations, and litigation. Negative reputational incidents or negative perceptions of us could adversely affect our business and results of operations, including through lower sales, the termination of business relationships, loss of new store and development opportunities, and team member retention and recruiting difficulties. **We have recently experienced negative perceptions of our business, which have adversely affected consumer behavior, and we could experience similar occurrences in the future.** In addition, stakeholder expectations regarding environmental, social, and governance matters continue to evolve and are not uniform. We have established, and may continue to establish, various goals and initiatives on these matters, including with respect to **sustainability and** diversity, equity, and inclusion topics. We cannot guarantee that we will achieve these goals and initiatives. Any failure, or perceived failure, by us to achieve these goals and initiatives **could adversely affect or our reputation and results of operations. Furthermore, our shareholders, guests, team members, and other stakeholders have evolving, varied, and sometimes conflicting expectations regarding many aspects of our business, including our operations, product and service offerings, and environmental, social, and governance matters. Recently, our inability to otherwise meet some of those evolving and varied stakeholder expectations has adversely affected our reputation, and the inability to meet all of those expectations in the future could adversely affect our reputation with some or all of our stakeholders. Any adverse perception of Target could negatively impact our results of operations and financial condition** and result in legal and regulatory proceedings against us. ~~TARGET CORPORATION2023 Form 10- K9 Any of these outcomes could negatively impact our results of operations and financial condition.~~ Reputational harm can also occur indirectly through companies **and others** with whom we do business. We have **consumer- facing** relationships with a variety of other companies,

including Apple, CVS, Disney, Levi's, Starbucks, and Ulta Beauty. **In addition, we have relationships with third-party companies that sell and ship items directly to guests through our digital channels. We also have relationships with designers, celebrities, influencers, and other individuals, including for advertising campaigns and marketing programs.** If our guests have negative experiences with , or view unfavorably , any of the companies **or individuals** with whom we have relationships, it could cause them to stop shopping with us **and negatively impact our results of operations.** **TARGET CORPORATION**2022 Form 10-K8-If we are unable to successfully develop, source, and market our owned and exclusive brand products, our results of operations could be adversely affected. Our owned and exclusive brand products represent approximately one third of our overall sales and generally carry higher margins than equivalent national brand products. If we are unable to successfully develop, source, and market our owned and exclusive brands, or if we are unable to successfully protect our related intellectual property rights, our results of operations could be adversely affected. In addition, our reliance on owned and exclusive brand products may also amplify other risks discussed in this Item 1A, Risk Factors, because many of these products are imported and we are more involved in the development and sourcing of those products. For example, owned brand products involve greater responsible sourcing risk in the selection of vendors, which can exacerbate reputational risk. In addition, owned brand products generally **require need** longer lead times between order placement and product delivery and require us to take ownership of those products earlier in the supply chain. This **requires longer- term forecasting of consumer demand, including for categories where consumer preferences may change rapidly, and** exposes us to enhanced risks of supply chain disruptions **and changing consumer preferences**, which could adversely affect our results of operations. If we are unable to protect against inventory shrink, our results of operations and financial condition could be adversely affected. Our business depends on our ability to effectively manage our inventory. We have historically experienced loss of inventory (also called shrink) due to damage, theft (including from organized retail crime), and other causes. We continue to experience elevated levels of inventory shrink relative to historical levels, which have adversely affected, and could continue to adversely affect, our results of operations and financial condition. To protect against rising inventory shrink, we have taken, and may continue to take, certain operational and strategic actions that could adversely affect our reputation, guest experience, and results of operations. In addition, sustained high rates of inventory shrink at certain stores **could impact the profitability of have contributed, and may continue to contribute, to those-- the closure of certain** stores and **result in** the impairment of long-term assets. **Investments-- Investment** and Infrastructure Risks If our capital investments do not achieve appropriate returns **or our efficiency efforts are not successful**, our competitive position, results of operations, and financial condition could be adversely affected. Our business depends, in part, on our ability to remodel existing stores and build new stores in a manner that achieves appropriate returns on our capital investment. When building new stores, we compete with other retailers and businesses for suitable locations for our stores. Pursuing the wrong remodel or new store opportunities and any delays, cost increases, or other difficulties related to those projects could adversely affect our results of operations and financial condition. **Furthermore, remodels and new store projects have previously been, and may in the future be, delayed or cancelled based on changes in macroeconomic conditions, changes in expected project benefits, and other factors, which could result in the inefficient deployment of our capital and adversely affect our results of operations and financial condition.** We **are making have made** and expect to continue to make, significant investments in technology and supply chain infrastructure. The effectiveness of these investments can be less predictable than remodeling or building new stores, and might not provide the anticipated benefits, which could adversely affect our results of operations and financial condition. For example, our stores- as- hubs strategy depends on adequate replenishment facilities to receive, store, and move inventory to stores on a timely basis. Underestimating our replenishment capacity needs could result in lower in- stock levels or increased costs for temporary storage. Conversely, overestimating replenishment capacity needs **, changes in macroeconomic conditions, changes in expected project benefits, and other factors have resulted, and could in the future result , in delays inefficient** deployment of capital. **Any of these outcomes could adversely affect our-- or results cancellations of supply chain infrastructure** operations and financial condition. **TARGET CORPORATION**2022 **CORPORATION**2023 Form 10- K9- **K10** **projects and the inefficient deployment of our capital. Any of these outcomes could adversely affect our results of operations and financial condition. In addition, we have undertaken an enterprise- wide initiative to simplify and gain efficiencies across our business, with a focus on reducing complexities and lowering costs. We cannot guarantee that we will realize all of the potential cost savings from this initiative and we may experience difficulties and delays in identifying and achieving such cost savings, which could adversely affect our results of operations and financial condition.** A significant disruption **in to** our **technology** computing and information systems and our **inability failure** to adequately maintain and update those systems could adversely affect our operations and negatively affect our guests. We rely extensively on **technology** computing and information systems throughout our business. We also rely on continued and uninterrupted access to the Internet to use our **technology** systems. **Our These** systems are subject to possible damage or interruption from many events, including power outages, telecommunications failures, **third- party failures**, malicious attacks, security breaches, and implementation errors. **If Any damage our- or disruption to our technology** systems **are damaged could severely interrupt or our disrupted business operations, including** we may incur substantial costs, experience data loss **or our ability** theft, and be unable to manage inventories **or process guest transactions and manage inventories**, which could adversely affect our reputation, results of operations, and financial condition. For example, in the past, we have experienced disruptions in our point- of- sale system that prevented our ability to process debit or credit transactions, which negatively impacted some guests' experiences and generated negative publicity. We continually invest to maintain and update our **technology** systems, but implementing significant changes increases the risk of system disruption. Problems and interruptions associated with implementing technology initiatives could adversely affect our operational efficiency and negatively impact our guests and their confidence in us. Information Security, Cybersecurity, and Data Privacy Risks If our efforts to maintain information security, cybersecurity, and data privacy are unsuccessful or if we are unable to meet increasingly demanding

regulatory requirements, our reputation, results of operations, and financial condition could be adversely affected. We regularly receive and store information about our guests, team members, vendors, and other third parties. We **also rely extensively on information systems throughout our business. We** have programs in place to detect, contain, and respond to **information security, cybersecurity, and data security-privacy** incidents. However, we may be unable to anticipate security incidents or implement adequate preventive measures **as cyber threats continue to evolve and cyberattacks become more sophisticated and frequent, including through the introduction of viruses and malware (such as ransomware) and the use of artificial intelligence by threat actors**. In addition, hardware or software that we develop or obtain from third parties may contain defects that could compromise information security, cybersecurity, or data privacy. Unauthorized parties may also attempt to gain access to our **information** systems or facilities, or those of third parties with whom we do business, through fraud, deception, **social engineering**, or other bad acts. **Although Errors or malicious actions by our team members or contractors, faulty password management, and other vulnerabilities or irregularities could also overcome our security measures or those of third parties with whom we do business and result in a compromise or breach of our or their information systems. Furthermore, the training** we conduct ~~regular training~~ as part of our information security, cybersecurity, and data privacy efforts, ~~that training~~ may not be completely effective in preventing **or limiting** successful attacks. Our only significant **information security, cybersecurity, or data security-privacy** incident was a data breach that occurred in 2013, **which** ~~and went undetected for several weeks. The 2013 data breach~~ adversely affected our reputation and results of operations. Both we and our vendors have experienced **additional information security, cybersecurity, and data security-privacy** incidents ~~since that data breach~~; however, to date, these other incidents have not been material to our **business strategy, results of operations, or financial condition**. Based on the prominence and notoriety of our prior significant data breach, additional **information security, cybersecurity, or data security-privacy** incidents could draw greater scrutiny. If we, our vendors, or other third parties with whom we do business experience additional significant **information security, cybersecurity, or data security-privacy** incidents or fail to detect and appropriately respond to significant incidents, **our business operations could be severely disrupted and** we could be exposed to costly government enforcement actions and private litigation. In addition, our guests could lose confidence in our ability to protect their information, stop using our ~~RedCards~~ **Target- branded payment cards** or loyalty programs, or stop shopping with us altogether, ~~which~~. **Any of these outcomes** could adversely affect our reputation, results of operations, and financial condition. **TARGET CORPORATION 2023 Form 10- K11** The legal and regulatory environment regarding information security, cybersecurity, and data privacy is dynamic and has strict requirements, **including for using the use and treating treatment of** personal data. Complying with current or contemplated **information security, cybersecurity, data protection, and data processing** laws and regulations **(including reporting and disclosure regimes)**, or any failure to comply, could cause us to incur substantial costs, require changes to our business practices, and expose us to litigation and regulatory risks, each of which could adversely affect our reputation, results of operations, and financial condition. **Supply Chain and Third- Party Risks** Changes in our relationships with our vendors **or other companies**, changes in tax or trade policy, interruptions in our operations or supply chain, and increased commodity or supply chain costs could adversely affect our reputation and results of operations. We are dependent on our vendors, **independent contractors, and other third parties** (including common carriers) to supply merchandise to our distribution centers, stores, and guests. If our replenishment and fulfillment network does not operate properly, if a vendor fails to deliver on its commitments, or if common carriers have difficulty providing capacity to meet demands for their services like they experienced ~~in recent years~~ **during the COVID- 19 pandemic**, we could experience merchandise out- of- stocks, delays in shipping and receiving merchandise, and increased costs, which could adversely affect our reputation and results of operations. **TARGET CORPORATION 2022 Form 10- In addition, we have consumer - K10** **fac**ing relationships with a variety of other companies, including Apple, CVS, Disney, Levi' s, Starbucks, and Ulta Beauty. Any termination of, or adverse change in, our relationship with any of these **companies could decrease our sales, increase our costs, and negatively impact our reputation and results of operations.** A large portion of the merchandise that we offer is sourced, directly or indirectly, from outside the U. S., with China as our single largest source **of merchandise we import**. Any major changes in tax or trade policy between the U. S. and countries from which we source merchandise, such as the imposition of additional tariffs or duties on imported products, could require us to take certain actions, including raising prices on products we sell and seeking alternative sources of supply from vendors in other countries. Any of these actions could adversely affect our reputation and results of operations. Political or financial instability, currency fluctuations, the outbreak of pandemics or other illnesses, labor shortages, labor unrest or strikes, transport capacity and costs, inflation, port security, weather conditions, natural disasters, **geopolitical conflicts, terrorist attacks,** armed conflicts, or other events that could affect foreign trade are beyond our control and could disrupt our supply of merchandise, increase our costs, and adversely affect our results of operations. For example, there have been periodic closings and ship diversions, **conflicts,** labor disputes, and congestion disrupting **U- S- railways, trucking, waterways, and ports around the world,** including ~~in at~~ **California ports** where we receive a significant portion of the products we source from outside the U. S. We have from time to time made alternative arrangements to continue the flow of inventory as a result of supply chain disruptions in the U. S. and other countries. If these types of events recur **and impact any of the locations or modes of transportation that we depend on**, it could increase our costs and adversely affect our supply of inventory. In addition, prices of fuel and other commodities ~~that on which~~ our supply chain depends ~~on~~ are historically volatile and subject to fluctuations based on a variety of international and domestic factors. Rapid and significant changes in commodity prices, as ~~has have~~ occurred in recent years, could further increase our costs and adversely affect our results of operations. If services we obtain from third parties are unavailable or fail to meet our standards, our reputation and results of operations could be adversely affected. We rely on third parties to support our business operations, including portions of our technology infrastructure, digital platforms, replenishment and fulfillment operations, store and supply chain infrastructure, delivery services **(including by independent contractors via our Shipt subsidiary)**, guest contact centers, payment processing, and extensions of credit for

our ~~RedCard~~ **Target- branded payment card** program. If we are unable to contract with third parties having the specialized skills needed to support our operations, **, if any third- party services are interrupted,** or if they fail to meet our performance standards, then our reputation and results of operations could be adversely affected. **TARGET CORPORATION2023 Form 10- K12** Legal, Regulatory, Global, and Other External Risks The **long- term** effects of the COVID- 19 pandemic, or **the effects of** other similar public health crises, may ~~continue to~~ amplify the risks and uncertainties facing our business. The long- term ~~impacts~~ **effects** of the social, economic, and financial disruptions caused by the COVID- 19 pandemic and the government responses to such disruptions are unknown. In addition, the impact on our ~~or~~ business of the long- term effects of the COVID- 19 pandemic, or other similar public health crises, will depend on numerous factors that we cannot accurately predict. The long- term effects of the COVID- 19 pandemic, or other similar public health crises, may also continue to amplify other risks discussed in this Item 1A, Risk Factors, including risks related to macroeconomic conditions and consumer confidence and spending, supply chain, information security, cybersecurity, and data privacy, and our workforce, any of which could have a material effect on us. For example, the **rise in continued utilization of** remote working arrangements by our team members, vendors, and other third parties that began during the COVID- 19 pandemic increases the risk of a data security compromise and has amplified our already extensive reliance on computing and information systems and unimpeded Internet access. ~~TARGET CORPORATION2022 Form 10- K11~~ Our earnings depend on the state of macroeconomic conditions and consumer confidence and spending in the U. S. Nearly all of our sales are in the U. S., making our results highly dependent on the health of the U. S. economy and U. S. consumer confidence and spending, which can be affected by a variety of factors, including inflation, interest rates, housing prices, unemployment rates, household debt and wage levels, and credit usage. In addition, the interconnected nature of the global economy means that international events such as **geopolitical conflicts, terrorist attacks,** armed ~~conflicts, geopolitical~~ conflicts, public health crises, energy availability, **, trade disputes**, and market volatility can all affect macroeconomic conditions in the U. S. A deterioration in U. S. macroeconomic conditions or consumer confidence or spending could adversely affect our business in many ways, including **slowing sales growth,** reducing overall sales, reducing gross margins, and lowering our credit card profit- sharing revenue, each of which could adversely affect our results of operations and financial condition. Uncharacteristic or significant weather conditions or natural disasters and the impacts of climate change could adversely affect our results of operations. Uncharacteristic or significant weather conditions, including the physical impacts of climate change, can affect consumer shopping patterns, particularly in apparel and seasonal items, which could lead to lower sales or greater than expected markdowns and adversely affect our results of operations. In addition, we have significant operations in certain states where natural disasters are more prevalent. Natural disasters in those states or in other areas where we operate could result in significant physical damage to, **, or closure of,** one or more of our stores, distribution centers, facilities, or key vendors. In addition, weather conditions, natural disasters, and other catastrophic events in areas where we or our vendors operate, or depend upon for continued operations, could adversely affect the availability and cost of certain products within our supply chain, affect consumer purchasing power, and reduce consumer demand. Any of these events could adversely affect our results of operations. The long- term effects of global climate change are expected to be widespread and unpredictable. The potential impacts of climate change present a variety of risks. The physical effects of climate change, such as extreme weather conditions, drought, and rising sea levels, could adversely affect our results of operations, including by increasing our energy costs, disrupting our supply chain, negatively impacting our workforce, damaging our stores, distribution centers, and inventory, and threatening the habitability of the locations in which we operate. In addition to physical risks, the potential impacts of climate change also present transition risks, including regulatory and reputational risks. For example, we use commodities and energy inputs in our operations that may face increased regulation due to climate change or other environmental concerns, which could increase our costs. Furthermore, any failure **, or perceived failure, by us** to achieve our **sustainability** goals with respect to reducing our ~~or~~ impact on **to otherwise meet evolving, varied, and sometimes conflicting stakeholder expectations regarding** the environment, **or perception of a failure to act responsibly with respect to the environment,** could adversely affect our reputation and results of operations. **TARGET CORPORATION2023 Form 10- K13** We rely on a large, global, and changing workforce of team members, contractors, and temporary staffing. If we do not effectively manage our workforce, our labor costs and results of operations could be adversely affected. With over 400, 000 team members, our workforce costs represent our largest operating expense, and our business is dependent on our ability to attract, train, and retain the appropriate mix of qualified team members, contractors, and temporary staffing. Many team members are in entry- level or part- time positions with high turnover rates historically. Our ability to meet our changing labor needs while controlling our costs is subject to external factors such as labor laws and regulations, unemployment levels, prevailing wage rates, benefit costs, changing demographics, and our reputation within the labor market. If we are unable to attract and retain a workforce meeting our needs, our operations, guest service levels, support functions, and competitiveness could suffer and our results of operations could be adversely affected. We are periodically subject to labor organizing efforts and activism, which could negatively impact how we are perceived by team members and our overall reputation. If we become subject to one or more collective bargaining agreements in the future, it could adversely affect our labor costs, how we operate our business, and our results of operations. In addition to our ~~United States~~ **U. S.** operations, we have support offices **and sourcing operations** in India **and,** China, **, and other countries**, and any extended disruption of our operations in our different locations, whether due to labor difficulties or otherwise, could adversely affect our results of operations. ~~TARGET CORPORATION2022 Form 10- K12~~ Failure to address product safety and sourcing concerns could adversely affect our results of operations. If any of our merchandise offerings do not meet applicable safety standards or Target ^{U.S.} or our guests' expectations regarding safety, supply chain transparency, and responsible sourcing, we could be exposed to legal and reputational risks and our results of operations could be adversely affected. Our vendors must comply with applicable product safety laws, and we are dependent on them to ensure that the products we buy comply with all safety standards. Events that give rise to actual or perceived product safety concerns, including food or drug contamination and product defects, could expose us to

government enforcement actions and private litigation and result in costly product recalls and other liabilities. Our sourcing vendors, including any third parties selling through our digital channels, must also meet our expectations **and comply with applicable laws and regulations** across multiple areas of social compliance, including supply chain transparency and responsible sourcing. We have a social compliance audit process that performs audits regularly, but we cannot continuously monitor every vendor, so we are also dependent on our vendors to ensure that the products we buy comply with applicable standards. If we need to seek alternative sources of supply from vendors with whom we have less familiarity, the risk of **our these** standards not being met may increase. Negative guest perceptions regarding the safety and sourcing of the products we sell could harm our reputation and adversely affect our results of operations. Our failure to comply with applicable laws, or changes in these laws, could adversely affect our results of operations and financial condition. Our business is subject to a wide variety of complex laws and regulations. Our expenses could increase and our operations could be adversely affected by changes in law or adverse judicial developments involving our workforce, including an employer's obligation to recognize collective bargaining units, minimum wage requirements, advance scheduling notice requirements, health care or other mandates, the classification of exempt and non-exempt employees, and the classification of workers as either employees or independent contractors. ~~Our Shipt subsidiary is a technology company that connects Shipt members through its online marketplace with a network of independent contractors who select, purchase, and deliver groceries and household essentials ordered from Target and other retailers.~~ The classification of workers as employees or independent contractors, in particular, is an area that is experiencing legal challenges and legislative changes. Our Shipt subsidiary has faced, and continues to face, legal challenges to its worker classification. If, as a result of judicial decisions or legislation, Shipt is required to treat its network of independent contractors as employees, we may experience higher digital fulfillment costs, which could adversely affect our results of operations and financial condition. Changes in the legal or regulatory environment affecting any other area **of related to** our business, including information security, cybersecurity, and data privacy, product safety, ~~or~~ payment methods, **or climate and emissions disclosure** could cause our expenses to increase and adversely affect our results of operations. In addition, if we fail to comply with other applicable laws and regulations, including the Foreign Corrupt Practices Act and other anti-bribery laws, **anti-money laundering laws, import restrictions, responsible sourcing laws, and sanctions programs**, we could be subject to legal and reputational risks, including government enforcement actions and class action civil litigation, which could adversely affect our results of operations and financial condition. **TARGET CORPORATION 2023 Form 10-K RISK FACTORS, UNRESOLVED STAFF COMMENTS, & CYBERSECURITY Index to Financial Statements** Financial Risks Increases in our effective income tax rate could adversely affect our results of operations. Several factors influence our effective income tax rate, including tax laws and regulations, the related interpretations, and our ability to sustain our reporting positions on examination. Changes in any of those factors could change our effective tax rate, which could adversely affect our net income. In addition, changes in our operations both in and outside of the U. S. may cause greater volatility in our effective tax rate. ~~TARGET CORPORATION 2022 Form 10-K RISK FACTORS & UNRESOLVED STAFF COMMENTS Index to Financial Statements~~ If we are unable to access the capital markets or obtain bank credit, our financial condition and results of operations could suffer. We are dependent on a stable, liquid, and well-functioning financial system to fund our operations and capital investments. Our continued access to financial markets depends on multiple factors including the condition of debt capital markets, **the condition of the banking sector**, our operating performance, and our credit ratings. If rating agencies lower our credit ratings, it could adversely affect our ability to access the debt markets, our cost of funds, and other terms for new debt issuances **and borrowings**. Each of the credit rating agencies reviews its rating periodically, and there is no guarantee that our current credit ratings will remain the same. In addition, we use a variety of derivative products to manage our exposure to market risk, principally interest rate fluctuations. Disruptions or turmoil in the financial markets could reduce our ability to fund our operations and capital investments and lead to losses on derivative positions from counterparty failures, which could adversely affect our financial condition and results of operations.