Page 19, first paragraph: “If it bought the preferred stock, its tax would be $7,000 × [0.30 × (0.21 + 0.09)] = $630, and its after-tax income would be $6,370.”

Page 54, last paragraph: “After all costs have been considered, BetterCare concludes that it can submit a bid of $161.18 PMPM.”

Page 161, exhibit 5.2: The Year 3 realized rate of return for portfolio AC is 12.5%, not 12.0%.

Page 297, first bullet: “At this point, we can discount the net (consolidated) cash flows shown in line 3 of exhibit 8.2 by 7 percent to obtain the NAL, $5,561.”

Page 297, third bullet: “By inputting the leasing-versus-owning cash flows listed in exhibit 8.2 into a spreadsheet and using the internal rate of return (IRR) function, we can find the cost rate inherent in the cash flow stream: 5.4 percent.”

Page 299, third paragraph: “Because four-year, AA-rated bonds are yielding 7.0 percent at the time of the analysis, Medicomp can earn an after-tax yield of 7.0% × (1 − T) = 7.0% × 0.7 = 4.9% on such investments.”

Page 322, first complete paragraph: “Because the firm’s federal-plus-state tax rate is 30 percent, its after-tax cost of debt estimate is lowered to 7 percent:

After-tax cost of debt = R(R_d) × (1 − T) = 0.10 × (1 − 0.3) = 0.10 × 0.70 = 7%.

By reducing Ann Arbor’s component cost of debt from 10 percent to 7 percent …

Page 324, fifth bullet: [R(R_m) – RF] …

Page 339, Key Equation 9.5: Corporate Cost of Capital: CCC= [w_d × R(R_d) × (1 - T)] + (w_e × R(R_e)]

Page 340, first and second paragraph: w_{ef} should be w_d


Page 403, second table, fourth column, last row: 11.61% should be 11.60%.

Page 427, line 13 under year 2: (185,150)

Page 431, exhibit 11.6, line 4: (768,113)

Page 432, line 14: 403,243

Page 466, exhibit 12.2, first line: ($814,035)

Page 604, Key Equation 15.1: Percent of customers who do not take discount
Page 638, exhibit 16.3 note should read: “The cost of debt (12.0%) is multiplied by 1 minus the tax rate (30.0%) because interest is a tax-deductible expense for investor-owned organizations. See chapter 9 for a discussion of the corporate cost of capital.”

Page 639, exhibit 16.4: The label should be “Doctor’s Hospital: Projected Free Operating Cash Flows (in millions of dollars)"

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