

October 18, 2005

McKesson Corporation
Attn: General Counsel's Office
One Post Street
San Francisco, CA 94104

Dear General Counsel of McKesson:

The Project On Government Oversight (POGO) is overhauling and renewing its Federal Contractor Misconduct Database (www.pogo.org/db/index.cfm), a compilation of information from public resources regarding government contractors, including McKesson. I have enclosed the findings relevant to McKesson and am requesting verification or refutation of the data from you by Friday, November 4, 2005.

Any response would be greatly appreciated, as the accuracy of this information is in the best interest of all parties. Out of fairness to McKesson, please be assured that any response received by POGO will be posted on the website along with the data.

Changes to the database include: the addition of more current instances, removal of Superfund cleanup costs, and removal of information that could not be verified with official documents. Additionally, pending cases will still be included, but this information will be kept separate from the resolved cases and will not be included in any totals.

If you have any questions, I can be reached at (202) 347-1122. Thank you for your time and consideration.

Sincerely,

Kevin L. Phelps
Project Director

Enclosure

Instances of Misconduct

1.

Case Name: In re McKesson HBOC Inc. ERISA Litigation

Date: 5/6/2005, Date of Settlement

Misconduct Type: Securities

Contracting Party: N/A

Court Type: Civil

Amount: \$18,200,000

Disposition: Settlement

Synopsis:

The case “involves [Employee Retirement Security Income Act] claims brought on behalf of the HBOC Profit Sharing and Savings Plan (the “HBOC Plan”) and the McKesson Profit Sharing and Investment Plan (the “McKesson Plan”), as well as participants in those plans. On May 6, 2005, a Stipulation and Agreement of Settlement was executed for that portion of the ERISA Action that involves HBOC Plan claims. The proposed settlement resolves all claims by the HBOC Plan and its participants in consideration of an \$18.2 million cash payment by the Company. The settlement is subject to various conditions, including, but not limited to, notice to the class and final approval by the Court. Judge Whyte has scheduled a hearing on final approval of the HBOC Plan settlement for September 9, 2005. The separate ERISA claims of the McKesson Plan and its participants are not resolved by this settlement. The Company’s motion to dismiss those claims remains pending before this Court.”

Documents:

SEC 10-K

<http://www.sec.gov/Archives/edgar/data/927653/000095013405009971/f08078e10vk.htm>

2.

Case Name: In re McKesson HBOC, Inc. Securities Litigation

Date: 1/12/2005, Date of Settlement

Misconduct Type: Securities

Contracting Party: N/A

Court Type: Civil

Amount: \$960,000,000

Disposition: Settlement

Synopsis:

“McKesson Corporation... reached an agreement to settle the consolidated securities class action arising out of a 1999 financial restatement (the "Restatement") pending against it and its subsidiary the former HBO & Co., Inc. (HBOC) in the U.S. District Court, Northern District of California, San Jose Division (Master File No. 99-CV-20743 RMW and related cases). Under the agreement, McKesson would pay the class members a total of \$960 million in cash.”

Documents:

http://home.businesswire.com/portal/site/mckesson/index.jsp?epi-content=GENERIC&newsId=20050112005737&ndmHsc=v2*A110458440000*B1129326817000*C4102491599000*DgroupByDate*J2*N1001142&newsLang=en&beanID=1976610493&viewID=news_view

3.

Case Name: N/A

Date: 6/4/2003, date of announcement

Misconduct Type: Securities

Contracting Party: N/A

Court Type: Criminal

Amount: N/A

Disposition: Pleaded Guilty; pending

Synopsis:

Former McKesson HBOC CEO Charles McCall and former General Counsel Jay Lapine allegedly “participated in a long-running fraudulent scheme with other top former officers to artificially inflate revenue and net income. When the fraud was discovered in April 1999, McKesson HBOC's stock tumbled from approximately \$65 to \$34 a share, a drop that slashed the company's market value by more than \$9 billion.” This case is still pending. However, “The new charges follow guilty pleas, also announced today by the U.S. Attorney's Office and FBI, by former HBOC chief financial officer Jay Gilbertson, former senior vice president for sales Dominick DeRosa, and former senior vice president for finance Timothy Heyerdahl. Mr. Gilbertson pled guilty to one count of conspiracy to commit securities fraud and one count of making false statements in a document filed with the SEC. Mr. DeRosa pled guilty to aiding and abetting securities fraud and Mr. Heyerdahl pled guilty to charges of insider trading.”

Documents

http://www.usdoj.gov/usao/can/press/html/2003_06_04_mckesson.html