

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION**

) Master File No. C-00-20030 RMW
)
) CLASS ACTION
)
) **NOTICE OF PROPOSED CLASS ACTION SETTLEMENT**

IN RE MCKESSON HBOC, INC. ERISA LITIGATION)

NOTICE OF PROPOSED CLASS ACTION SETTLEMENT

TO ALL PERSONS WHO WERE PARTICIPANTS IN THE MCKESSON PROFIT SHARING INVESTMENT PLAN (EXCLUDING EMPLOYEES OF HBOC WHO BECAME PARTICIPANTS IN THE MCKESSON PLAN BY VIRTUE OF THE MERGER OF THE HBOC PLAN INTO THE MCKESSON PLAN EFFECTIVE APRIL 1, 1999) WHOSE ACCOUNTS WERE INVESTED IN MCKESSON COMPANY STOCK AT ANY TIME, WHO MAINTAINED AN ACCOUNT BALANCE UNDER THE MCKESSON PLAN AS OF APRIL 27, 1999 THAT INCLUDED MCKESSON COMPANY STOCK, AND WHO HAD NOT RECEIVED A COMPLETE DISTRIBUTION FROM THE MCKESSON PLAN AS OF APRIL 27, 1999, EXCEPT FOR DEFENDANTS.”

**A FEDERAL COURT APPROVED THIS NOTICE. PLEASE READ IT CAREFULLY.
THIS IS NOT A SOLICITATION FROM A LAWYER. YOU ARE NOT BEING SUED.**

Purpose of this Notice

This Notice ("Notice") advises you of a proposed class action settlement (the "Settlement"). If you are one of the persons described above, you are a class member, and this settlement affects your rights. The settlement will provide a payment of \$18.5 million, less attorney fees, attorney costs and expenses, incentive payments to the named class representatives, taxes, administrative costs and any other costs (the "Distribution Amount"). The Distribution Amount is the net amount available to the Class, and will be distributed to the McKesson Profit-Sharing and Investment Plan (the "McKesson Plan") for allocation to the accounts of members of the class who held McKesson Company Stock in their accounts under the McKesson Plan on April 27, 1999. The settlement will resolve a lawsuit over whether the alleged fiduciaries of the McKesson Plan breached their fiduciary duties by allegedly violating the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

This Notice describes the Settlement and your options. Your rights will be affected whether you act or not, so please read this Notice carefully.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:

YOU NEED DO NOTHING NO ACTION IS NECESSARY TO RECEIVE A PAYMENT	You do not need to do anything to receive any payment you may be entitled to under the Terms of the Settlement. Under the Settlement, the Plan Administrator or its designee will calculate the portion, if any, of the Settlement you are entitled to receive. If you are a current participant in the McKesson Profit-Sharing and Investment Plan, the Plan Administrator or its designee will deposit your payment, if any, into your account. If you are a Class Member, but not a participant in the McKesson Plan, an account will be established for you in the McKesson Plan if you are entitled to receive payment, and your payment from the Settlement will be deposited into that account for distribution to you.
YOU CAN OBJECT TO THE SETTLEMENT	You can write to the Court about why you do not like the Settlement.
YOU CAN GO TO A HEARING	You can ask to speak in Court about the fairness of the Settlement.

These rights and options, **and the deadlines for acting** if you wish to object or re-join the class, are explained in this notice.

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BASIC INFORMATION

1. Why did I get this notice package?

You or someone in your family was a participant in, or beneficiary of, the McKesson Plan and held McKesson Company Stock in an account under the Plan, as of April 27, 1999.

You were sent this Notice because you have the right to know about a proposed settlement of a class action lawsuit and about your options, before the Court decides whether to approve the Settlement. If the Court approves the Settlement, and after objections and appeals, if any, are resolved, the Plan Administrator or its designee will distribute the benefits that are provided in the Settlement.

This package explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of this case is the United States District Court for the Northern District of California, and the case is known as *In re McKesson HBOC, Inc. ERISA Litigation*, Case No. 00-20030. The people who sued are called Plaintiffs and the people or entities they sued are called Defendants. The Plaintiffs who brought this suit are persons who participated in or were beneficiaries of the McKesson Plan as of April 27, 1999, and held McKesson Company Stock in an account under the Plan, and the Defendants are McKesson Corporation, McKesson Information Solutions LLC ("HBOC"), and certain present or former officers, directors and employees of those companies.

2. What is the lawsuit about?

In the Consolidated Amended Complaint filed by the Plaintiffs, Plaintiffs allege that the Defendants breached their fiduciary duties under ERISA by having the McKesson Plan invest in McKesson Stock at a time when, according to Plaintiffs, McKesson Stock was an unsuitable and imprudent investment for the McKesson Plan. Plaintiffs further allege that the Defendants violated ERISA by making the 1999 plan year contribution in McKesson Company Stock instead of in cash. Plaintiffs seek to recover from the Defendants the losses to the McKesson Plan caused by the Defendants' allegedly wrongful conduct.

The Defendants have denied and continue to deny that they engaged in any wrongful conduct or violated any laws, rules, or regulations, and believe they have factual and legal defenses to Plaintiffs' allegations. The Defendants filed motions to dismiss the Consolidated Amended Complaint. On September 9, 2005, the Court granted in part and denied in part the Defendants' motions to dismiss, dismissing all Counts of the Complaint except Count Ten against McKesson only. The Court has made no findings that the Defendants or any Plan fiduciary engaged in any wrongdoing or in any wrongful conduct or have otherwise acted improperly or in violation of any law or regulation in any respect.

3. Why is this a class action?

In a class action, one or more persons called Class Representatives sue on behalf of people who purportedly have similar claims. All of these people who have similar claims make up the Class and are Class members. One court resolves the issues for all Class members. Because the wrongful conduct alleged by Plaintiffs in this case allegedly affected a large group of people in a similar way, Plaintiffs filed this case as a class action.

Plaintiffs have also brought this action derivatively on behalf of the McKesson Plan, which invested in McKesson HBOC stock on behalf of Plan participants and their beneficiaries.

4. Why is there a Settlement?

The Court has not decided in favor of Plaintiffs or Defendants. Instead, both sides agreed to a Settlement. By agreeing to this Settlement, the settling parties avoid the costs and a risk of a trial, and the Class will get compensation. The Class Representatives and their attorneys believe that the Settlement is in the best interest of Class members.

WHO IS IN THE SETTLEMENT

5. How do I know if I am part of the Settlement?

The Court has conditionally certified this case as a class action, and the Class consists of persons who fit the following definition:

"All participants in the McKesson Plan (excluding employees of HBOC who became Participants in the McKesson Plan by virtue of the merger of the HBOC Plan into the McKesson Plan effective April 1, 1999) whose accounts were invested in McKesson Company Stock at any time, who maintained an account balance under the McKesson Plan as of April 27, 1999 that included McKesson Company Stock, and who had not received a complete distribution from the McKesson Plan as of April 27, 1999, except for Defendants."

Unless you are one of the Defendants, you are a member of the Class if the above definition describes you.

6. Do I need to do anything to join the case and share in the settlement? Can I exclude myself from the Settlement?

You do not need to take any action to join the case. If the Settlement is approved by the Court, and you are a member of the Class, you will be notified of the deposit of your share of the Settlement into your McKesson Plan account.

However, unlike in some class actions, you do not have the option to exclude yourself (or "opt out") of the class. This case was preliminarily certified as a non-opt out class because of the way ERISA operates. Breach of fiduciary duty claims under ERISA must be brought on behalf of an employee benefit plan as a whole. Therefore, it is not possible for some participants or beneficiaries to exclude themselves from the case.

Therefore, if the Court, at the Final Fairness Hearing certifies the Settlement Class as a class action, you will be bound by any judgments or orders that the Court enters in the case, and if the Settlement is approved, you will be deemed to have

released the Defendants (and the other Released Persons) from any and all claims that were or could have been asserted in this case, and will not be able to sue the Defendants on those bases, but you will be able to obtain any benefits and rights that you may be entitled to under the terms of the Settlement. Although you cannot exclude yourself from the case, you can object to the Settlement and ask the Court not to approve it.

7. How do I get more information?

You can call 1-800-820-9084 toll free for answers to common questions about the Settlement, plus other information to help you determine whether you are a Class Member. Please do not contact the Court. They cannot answer your questions.

THE SETTLEMENT BENEFITS--WHAT YOU GET

8. What does the Settlement provide?

McKesson and HBOC have agreed to pay \$18.5 million plus interest accruing from February 3, 2006, to resolve Plaintiffs' claims against them. This payment is called the "Settlement Fund." Certain fees and expenses, including those of Plaintiffs' Counsel that are approved by the Court, incentive fees to the Named Plaintiffs that are approved by the Court, and taxes and administrative expenses, will be deducted from the Settlement Fund. After these deductions, the remaining net settlement, called the Distribution Amount, will be available for the Class. For example, if the Court awards Plaintiffs' counsel 30% of the Settlement Fund as a fee, awards each named plaintiff an incentive fee of \$10,000, and authorizes the reimbursement and payment of fees, taxes and other administrative expenses, that would leave approximately \$12.5 million in the Settlement Fund for distribution. This Distribution Amount will then be distributed to the Class under the terms of the Plan of Allocation.

Please note that the ERISA claims resolved and released by the terms of this Settlement overlap with claims brought in connection with another lawsuit under the federal securities laws, *In re McKesson HBOC, Inc. Securities Litigation*, Master File No. C 99-20743 RMW (the "Securities Action"). This Settlement will not preclude the McKesson Plan from filing claims in the Securities Action based upon McKesson shares held by the Plan. Assuming the Plan's claim in the Securities Action is approved by the claims administrator, members of the McKesson Settlement Class will be entitled to a recovery in this ERISA Settlement **and** in the settlement of the Securities Action¹

9. What is my share of the Settlement?

Your share of the Distribution Amount under this ERISA Settlement, if any, will generally depend on the number of shares of McKesson Company Stock held in your McKesson Plan account on March 31, 1999, and the amount that you lost as a result of that investment after McKesson announced a restatement of its earnings in 1999. The more you lost, the larger your share of the Distribution Amount will be. Your share of the Settlement Fund, however, will be less than the amount you lost.

Your losses will be compared to the losses of the entire Class, and you will receive approximately the same percentage of the Distribution Amount as your percentage of total Class losses. Class Members will not receive a payment if their share of the Distribution Amount is less than \$10.00. A more detailed description of the distribution formulas to be used can be found in the Plan of Allocation that has been submitted to the Court and is available for your review upon request.

The Plan Administrator or its designee will calculate your share of the settlement. Your settlement amount (subject to the *de minimis* provision) will be calculated pursuant to the formula contained in the Plan of Allocation, which is summarized below:

a. First Step: Your Loss Calculation

The Plan Administrator or its designee will calculate your individual "Loss" based upon your holdings of McKesson Stock, as follows:

A. First, the Plan Administrator or its designee will determine the number of shares of McKesson common stock in your Plan account on March 31, 1999.

B. Next, the Plan Administrator or its designee will multiply the number of shares by a loss per share in McKesson Stock expressed as a dollar amount. The loss per share is determined based upon the date you received a distribution from the Plan and the price of McKesson Stock at that time. If you have not received a distribution from the Plan, the loss per share will be based upon the price of McKesson Stock on the date this settlement becomes effective. The Plan of Allocation has a more complete description of the loss per share.

C. Finally, the Plan Administrator or its designee will add the dollar value you would have received had the Company Matching Contributions for the plan year ended March 31, 1999 been made in cash instead of McKesson Stock, and such cash was not converted to McKesson Stock before July 31, 1999.

Thus, your individual Loss equals A multiplied by B plus C above.

b. Second Step: Your Net Loss Percentage Calculation

Your individual Loss Percentage will be determined by dividing your Loss by the total Loss of all Class members.

c. Third Step: Your Share of the Distribution Amount

Your Loss Percentage will determine your share, if any, of the Distribution Amount, by multiplying your Loss Percentage by the Distribution Amount (the total amount distributed to the McKesson Plan).

Even if you are a Class Member, there is one circumstance under which you will not receive any share of the Distribution Amount: if the share you would receive is less than \$10.00 ("De Minimis Claimants"). Not more than 15 business days prior to the expected allocation date, the Plan Administrator or its designee will reallocate the portion of the Net Settlement

¹ The Court has approved a settlement in the Securities Action in the amount of \$960 million. The McKesson Plan has filed a claim in the Securities Action that, if approved, will entitle members of the McKesson Settlement Class to share in the recovery in the Securities Action.

Amount the De Minimis Claimants would otherwise have been entitled to receive to all other Class Members. This will likely result in a slight increase in the Net Settlement Amount for all other Class Members.

Remember, the Plan Administrator or its designee will perform these calculations for you.

Do not worry if you did not maintain records of your Plan holdings; you are not responsible for calculating or documenting the amount you lost. Those calculations will be done by the Plan Administrator or its designee, using the records of the McKesson Plan.² You can review a copy of the complete Plan of Allocation by visiting the following website: www.McKesson.com.

10. How do I get my payment?

If you are a Class Member and still participate in the McKesson Plan, the Plan Administrator or its designee will deposit your payment, if any, into your account, and it will be invested in accordance with your existing instructions for investing your account. If you are a Class Member and no longer participate in the Plan, and if you are entitled to receive a payment, an account will be established for you in the McKesson Plan, and your payment from the Settlement will be deposited into that account for immediate distribution. You may then be able to “roll over” the funds held in that account to your current 401(k) or IRA account tax-free.

11. When will I get my share of the Distribution Amount?

The Court will hold a hearing at 9:00 A.M. on September 1, 2006 in Courtroom 6 to decide whether to approve the Settlement. It may take the Court several weeks or months after the hearing before it decides. If the Court approves the Settlement, there may be appeals. If appeals are filed, it is uncertain how long it will take to resolve them. Even if the Court approves the Settlement at the final hearing on September 1, 2006 and there are no appeals, it will likely take several more months until your share of the distribution amount is credited to your McKesson Plan account.

12. What am I giving up in the Settlement?

Under the Settlement, class members will give up, or “release” the right to sue the Defendants and other Released Persons over the same events and subject matter involved in the case, including whether the Defendants breached their duties to the McKesson Plan and its participants as a result of investments McKesson stock, and any similar claims under the state or federal law.

That means that even if you discover facts in the future that were not known at the time of the Settlement, which you think demonstrate further violations by the Defendants related to this case, you may not sue them. Each class member assumes the risk that he or she may discover new information. Even if new information is discovered, the Settlement will be binding.

In that regard, class members will waive any rights they may have under California Civil Code Section 1542, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER, MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

You will retain your rights to receive your share of the Settlement Fund and to enforce the Settlement.

THE LAWYERS REPRESENTING YOU

13. Do I have a lawyer in this case?

The Court has appointed the following lawyers to represent the class:

Ronald S. Kravitz
Kim Zeldin
LINER YANKELEVITZ
SUNSHINE & REGENSTREIF LLP
199 Fremont Street, 20th Floor
San Francisco, CA 94105-2255
Telephone: (415) 489-7700
Facsimile: (415) 489-7701

Steven J. Ross
LAW OFFICES OF STEVEN ROSS, P.A.
1015 Atlantic Boulevard, Suite 306
Atlantic Beach, FL 32233
Telephone: (904) 249-8799
Facsimile: (801) 812-8512

These lawyers are called Class Counsel. You will not be personally charged for these lawyers. They will seek to be paid from the funds provided by the Settlement. If you want to be represented by your own lawyer, you may hire one at your own expense.

14. How will the lawyers be paid?

² The Plan of Allocation is subject to final review by the Court and by U.S. Trust Company, an independent fiduciary retained by the parties to review the Settlement. If U.S. Trust determines that all or a portion of the Plan of Allocation would not be a “restorative payment” to the Plan under the guidelines of Revenue Ruling 2002-45, it may require the Plaintiffs to modify the Plan of Allocation until it is acceptable. Any such modifications may be made without further notification to the Class provided two features of the Plan of Allocation are preserved: (1) that each claimant receives a share of the Distribution Amount based approximately on the decline in the value of McKesson Stock held in comparison with the decline in the value of McKesson Stock held by all claimants, and (2) the subsequent distributions take place, if possible, through the McKesson Plan as an entity so as to maximize the tax advantages to claimants of investment in the McKesson Plan.

Class Counsel will ask the Court for attorney fees not to exceed 30% percent of the Settlement Fund. Class Counsel will also ask for reimbursement of expenses they advanced during the case of approximately \$ 95,000.00. The Court decides how much attorney fees and expenses to award to Class Counsel. The Court may award less than the amounts requested.

OBJECTING TO THE SETTLEMENT

You can tell the Court in writing, or at the Fairness Hearing, that you do not agree with the Settlement or some part of it.

15. What does it mean to object?

Objecting is simply telling the Court that you do not like something about the Settlement. It will not have any bearing on your right to Settlement proceeds if the Settlement is approved.

16. How do I tell the Court that I don't like the Settlement?

You can object to the Settlement if you dislike any part of it, including certification of the Settlement Class as a class action. You can give reasons why you think the Court should not approve it. To object, you must send a letter saying that you object to the Settlement in *In re McKesson HBOC, Inc. ERISA Litigation*, No. 00-20030 RMW. Be sure to include your name, address, telephone number, your signature, and reasons you object to the Settlement.

File the objection with the Court by August 2, 2006 and mail the objection to all of the addresses below postmarked no later than August 2, 2006. You must mail your objection by this date. If you fail to do so, the Court will not consider your objections.

COURT

Clerk of the Court
U. S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
280 South First Street, Room 2112
San Jose, CA 95113

CLASS COUNSEL

Ronald S. Kravitz
Kim Zeldin
LINER YANKELEVITZ
SUNSHINE & REGENSTREIF LLP
199 Fremont Street, 20th Floor
San Francisco, CA 94105-2255

Steven J. Ross
LAW OFFICES OF STEVEN ROSS. P.A.
1015 Atlantic Boulevard
Suite 306
Atlantic Beach, FL 32233

DEFENSE COUNSEL

James E. Lyons
Timothy A. Miller
SKADDEN ARPS SLATE MEAGHER & FLOM LLP
Four Embarcadero Center
San Francisco, CA 94111

Howard S. Caro
Michael A. Zwibelman
HELLER EHRMAN LLP
333 Bush Street
San Francisco, CA 94104

Moses Silverman
PAUL WEISS RIFKIND WHARTON & GARRISON LLP
1285 Avenue of the Americas
New York. NY 10019-6064

Samuel R. Miller
Raquel L. Sefton
FOLGER LEVIN & KAHN
Embarcadero Center West, 23rd Floor
275 Battery Street
San Francisco, CA 94111

Melvin Goldman
Paul Flum
MORRISON & FOERSTER LLP
425 Market Street
San Francisco. CA 94105

Eric A. Hirsch
David B. Hennes
FRIED FRANK HARRIS SHRIVER &
JACOBSON LLP
One New York Plaza
New York, NY 10004

James T. Fousekis
Rachel Matteo-Boehm
DLA PIPER RUDNICK GRAY CARY US
333 Market Street, 32nd Floor
San Francisco, CA 94105

Kristina Veaco, Corporate Secretary
c/o Richard Ardoin,
Associate General Counsel
MCKESSON CORPORATION
One Post Street, 34th Floor
San Francisco, CA 94104

Be sure to include the Case Number, "00-20030 RMW" on the first page of all documents.

THE COURT'S FAIRNESS HEARING

The Court will hold a hearing to decide whether to approve the Settlement. You may attend and you may ask to speak, but you are not required to.

17. When and where will the Court decide whether to approve the Settlement?

The Court will hold a Fairness Hearing at 9:00 A.M. on September 1, 2006, at the United States District Court for the Northern District of California, Courtroom 6, 280 South First Street, San Jose, California 95113. At this hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. Judge Whyte will determine whether and to what extent parties will be permitted to address the Court at the hearing. The Court will also decide what amount of Class Counsel fees and expenses will be paid from the Settlement Fund. After the hearing, the Court will decide whether to approve the Settlement. We do not know how long these decisions will take.

18. Do I have to go to the fairness hearing?

No, Class Counsel will answer questions the Court may have. You are, however, welcome to go at your own expense. If you send an objection, you do not have to go to Court to talk about it. As long as your objection is filed with the Court and mailed to all counsel by August 2, 2006 the Court will consider it. You also may pay your own lawyer to attend, but it is not necessary.

19. May I speak at the hearing?

You may ask the Court for permission to speak at the Fairness Hearing. To do so, you must send a letter saying that it is your "Notice of Intention to Appear". Be sure to include your name, address, telephone number, and your signature. Your Notice of Intention to Appear must be filed with the Court by August 2, 2006 and sent to Class Counsel and Defense Counsel, postmarked by August 2, 2006, at the addresses indicated above in question 16.

IF YOU DO NOTHING

20. What happens if I do nothing at all?

The Settlement does not require you to do anything and there is no penalty for doing nothing at all. If you are entitled to a Settlement payment, you will receive a payment as discussed in question 10.

GETTING MORE INFORMATION

21. Are there more details about the Settlement?

This Notice summarizes the proposed Settlement. More details are in the parties' Stipulation and Settlement Agreement. You can get a copy of the Agreement by visiting the following website: www.mckesson.com. You can also inspect any of the documents filed in the case, free of charge, by visiting the Clerk of Court, United States District Court for the Northern District of California, 280 South First St., Room 2112, San Jose, California 95113, during regular business hours. You can purchase copies of those documents from the Clerk of Court.

Remember, please do not contact the Court. They cannot help you with additional information.

Questions? Call 1-800-820-9084 for more information.

DATE: June 1, 2006

McKesson HBOC, Inc. ERISA Litigation
c/o Gilardi & Co. LLC
P.O. Box 990
Corte Madera, CA 94976-0990

Important Legal Document.

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