

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

In re McKESSON HBOC, INC. SECURITIES  
LITIGATION

Master File No. 99-CV-20743 RMW (PVT)  
And Related Cases

This Document Relates To:  
ALL ACTIONS.

CLASS ACTION

**NOTICE OF PROPOSED SETTLEMENT OF  
CONTINGENT PAYMENT CLAIM WITH ARTHUR ANDERSEN LLP**

**TO: All persons or entities who are members of the Settlement Class in the above-captioned Litigation.**

PLEASE READ THIS NOTICE CAREFULLY; YOUR RIGHTS WILL BE AFFECTED BY THE PROPOSED SETTLEMENT.

Lead Plaintiff, Thomas P. DiNapoli, Comptroller of the State of New York, as Administrative Head of the New York State and Local Retirement Systems and as Trustee of the New York State Common Retirement Fund, achieved recoveries from defendants in the McKesson HBOC securities class action litigation (the "Litigation") totaling in excess of \$1.04 billion plus interest for the benefit of the Settlement Class (defined in ¶¶ 12 and 13 below). Pursuant to Orders of the Court approving the settlements achieved, the Litigation was resolved.

One of the settlements achieved (in 2006) was with defendant Arthur Andersen LLP ("Andersen"), HBO & Company's outside auditor, for a cash payment of \$72.5 million, as well as the possibility of certain contingent payments described in paragraph 2 below (the "Contingent Payment Claim").<sup>1</sup>

This Notice is to apprise Class Members of a proposed settlement that, if approved, will settle and release the Contingent Payment Claim in return for the immediate payment by Andersen of an additional \$9.5 million in cash (the "Settlement").<sup>2</sup> The effectiveness of this Settlement is contingent on its approval by the Court and the approval of a parallel proposed settlement by the Court in *In re WorldCom, Inc. Securities Litig.*, Master File No. 02 Civ. 3288 (DLC), pending in the United States District Court for the Southern District of New York.

The Court has scheduled a Settlement Hearing to consider the fairness of the proposed Settlement and Lead Counsel's motion for an award of attorneys' fees in the amount of \$134,930 (1.42% of the Settlement Amount) and reimbursement of expenses in an amount not to exceed \$40,000, to be held on February 8, 2013, at 9:00 a.m., before the Honorable Ronald M. Whyte at the United States District Court for the Northern District of California, San Jose Division, San Jose Courthouse, Courtroom 6, Fourth Floor, 280 South First Street, San Jose, CA 95113.

You do not need to attend the Settlement Hearing or take any other action. If the Settlement and the proposed settlement in the WorldCom Action are approved, the Net Settlement Amount will be added to the remaining funds available for distribution to eligible claimants in the Litigation. As discussed below in paragraphs 19 - 22, if you wish to object to the Settlement, you must submit an objection in accordance with the instructions set forth below, so that it is *received* no later than January 18, 2013.

<sup>1</sup> All capitalized terms used in this Notice that are not otherwise defined herein have the meanings provided in the Agreement Between Lead Plaintiff and Arthur Andersen LLP Concerning Contingent Payment Claim dated November 6, 2012 (the "Agreement") or the Stipulation of Settlement between Plaintiffs and Andersen dated December 19, 2006 (the "McKesson Stipulation of Settlement"), both of which are available at [www.mckessonhboctesttlement.com](http://www.mckessonhboctesttlement.com).

<sup>2</sup> The \$9.5 million settlement amount (the "Settlement Amount") less any taxes, notice and administration costs and any attorneys' fees and expenses awarded by the Court (the "Net Settlement Amount") will be distributed to those Class Members who, pursuant to Orders of the Court, are eligible to receive further distributions from the proceeds recovered in settlement of the Litigation.

Lead Plaintiff and the Settlement Class are represented by Bernstein Litowitz Berger & Grossmann LLP and Barrack Rodos & Bacine (together, "Lead Counsel").<sup>3</sup>

## **BACKGROUND OF AND REASONS FOR THE PROPOSED SETTLEMENT**

1. This Litigation was resolved by settlements with the various defendants, which were approved by the Court in February 2006, April 2007, and January 2008 and which resulted in an aggregate settlement amount of over \$1.04 billion.
2. One of the settlements achieved in the Litigation was with Andersen. Under the Stipulation of Settlement between Plaintiffs and Andersen dated December 19, 2006 (the "McKesson Stipulation of Settlement"), Lead Plaintiff and the Settlement Class agreed to settle all claims in the Litigation against Andersen, in exchange for a cash payment of \$72.5 million plus the possibility of certain contingent payments. Specifically, under the terms of the McKesson Stipulation of Settlement, Andersen was obligated to make two contingent payments based on (i) an amount equivalent to 5% of the amounts, if any, actually paid by Andersen to its present or former partners, participating principals, national partners and national directors in repayment of any and all subordinated notes (the "Notes") issued in respect of paid in capital and/or subordinated loans (the "Contingent Loan Repayment Obligation") and (ii) an amount equal to the difference between any Net Cash Amount paid by Andersen in settlement of any other single legal action and the \$72.5 million Cash Payment. These two contingent payment obligations are referred to collectively as the "Contingent Payment Claim".
3. In the McKesson Stipulation of Settlement, the Parties specifically acknowledged that payment on the Notes was suspended at the time the stipulation was entered into and that repayment of the Notes was contingent on many factors. At the time the McKesson Stipulation of Settlement was entered into Andersen confronted substantial litigation claims and other contingencies which had caused it to suspend all payments on the Notes and rendered it highly uncertain whether, when or to what extent Andersen would be in a position to make any repayments with respect to the Notes.
4. While Andersen now anticipates making some repayments with respect to the Notes, the timing and amounts of any such repayments remains uncertain and subject to multiple contingencies. To the extent that Andersen makes repayments on the Notes in the future, such repayments would trigger the Contingent Loan Repayment Obligation under the terms of the McKesson Stipulation of Settlement. The ultimate amounts of any such repayments with respect to the Notes, the number of such repayments, and the time period over which any such repayments would be made, however, are still unknown and may not become known for years. Additionally, no other single legal action against Andersen has produced a settlement with a net cash payment exceeding \$72.5 million that would trigger the second contingent payment obligation.

## **WHAT DOES THE PROPOSED SETTLEMENT PROVIDE?**

5. The proposed Settlement, the terms of which are set forth in the Agreement Between Lead Plaintiff and Arthur Andersen LLP Concerning Contingent Payment Claim dated November 6, 2012 (the "Agreement"), will settle and release the Contingent Payment Claim in exchange for the payment of \$9.5 million in cash by Andersen.
6. As of the Effective Date of the Settlement, Lead Plaintiff, all members of the Settlement Class (defined in paragraphs 12 and 13 below) and their respective heirs, executors, administrators, successors and assigns, and any persons they represent, (a) agree to release, and by operation of the Judgment shall have released, the McKesson Settled Claim against The Andersen Released Persons and (b) will be forever barred and enjoined from commencing, instituting or prosecuting any action against The Andersen Released Persons with respect to, based on, or arising from the McKesson Settled Claim.
7. The "McKesson Settled Claim" means the claim of Lead Plaintiff and the Class set forth in Definition (z) of the McKesson Stipulation of Settlement including Unknown Claims as defined in the Agreement. Andersen's obligation under Definition (z) of the McKesson Stipulation of Settlement was to pay (i) the \$72.5 million in cash (which it did in 2006) and (ii) the Contingent Payment Claim described above in paragraph 2.
8. "The Andersen Released Persons" means Andersen, AWSC Société Cooperative, en liquidation ("AWSC"), an entity which coordinated a network of international accounting firms of which Andersen was a member (the "Andersen Network"), the Andersen Network, and all of their respective past, present and future members, member firms, partners, principals, participating principals, national directors, managing or other agents, management personnel, officers,

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<sup>3</sup> Lead Counsel may be contacted by mail at the addresses set forth in paragraph 19, by telephone at 800-380-8496 (Bernstein Litowitz Berger & Grossmann LLP) and 215-963-0600 (Barrack Rodos & Bacine), or by email at [blbg@blbglaw.com](mailto:blbg@blbglaw.com) or [info@barrack.com](mailto:info@barrack.com).

directors, shareholders, administrators, servants, employees, consultants, advisors, insurers, reinsurers, attorneys, accountants, representatives parent companies, subsidiaries, related entities, divisions, affiliates, predecessors, successors and assigns, along with the heirs, spouses, estates, executors, administrators, personal representatives, insurers, reinsurers, representatives, estates, successors, and assigns of any such Person.

9. As noted above, under the terms of the Agreement, the effectiveness of the Settlement is contingent not only on approval of the Settlement by this Court, but also on the approval of a parallel proposed settlement entered into between Lead Plaintiff and Andersen in the WorldCom Action. The proposed settlement in the WorldCom Action concerns contingent obligations with respect to the same Notes as well as a contingent obligation based on the net cash amount paid by Andersen in settlement of any other legal action.

#### **WHAT ARE THE REASONS FOR THE SETTLEMENT?**

10. Lead Plaintiff and Lead Counsel believe that the proposed Settlement is in the best interests of the Class in light of the continuing uncertainty as to the amount, if any, that could be recovered pursuant to the Contingent Payment Claim and the possibility that any such recovery might be delayed for years.
11. Lead Plaintiff and Lead Counsel have considered the contingencies and uncertainties that could affect the ultimate amount of the repayments made in respect of the Notes as well as the extended time period over which such repayments may be made. Based on their consideration of these factors, Lead Plaintiff and Lead Counsel have concluded that an immediate and certain payment of \$9.5 million in satisfaction of the contingent obligations is fair, reasonable and adequate to Lead Plaintiff and the other members of the Class, and in their best interests.

#### **WHO IS A MEMBER OF THE CLASS?**

12. The "Settlement Class" or "Class" means all persons and entities who purchased or otherwise acquired publicly traded securities of HBO & Company ("HBOC") during the period from January 20, 1997 through and including January 12, 1999 and all persons or entities who purchased or otherwise acquired call options or sold put options of HBOC during the period from January 20, 1997 through and including April 27, 1999, and who were injured thereby; all persons and entities who purchased or otherwise acquired publicly traded securities or call options, or who sold put options, of McKesson Corporation ("McKesson") or of McKesson HBOC, Inc. during the period from October 18, 1998 through and including April 27, 1999, and who were injured thereby; and all persons and entities who held McKesson common stock on November 27, 1998 and still held those shares on January 12, 1999 and who were injured thereby.
13. Excluded from the Class are: (i) all defendants in the Litigation; (ii) members of the immediate family of each individual defendant; (iii) any entity in which any defendant has a controlling interest; (iv) any person who was an officer or a director of HBOC or McKesson (or their subsidiaries or affiliates) during the Settlement Class Period; (v) any person who was an officer, director, employee or affiliate of Bear Stearns during the Settlement Class Period; (vi) any person who was a partner in Arthur Andersen during the Settlement Class Period; and (vii) the legal representatives, heirs, successors or assigns of any such excluded party. Also excluded from the Class are all persons who were excluded from the Class by the Court in response to a request for exclusion.

#### **WHAT PAYMENT ARE ATTORNEYS FOR THE CLASS SEEKING?**

14. The Court-approved Lead Counsel for the Class, Bernstein Litowitz Berger & Grossmann LLP and Barrack Rodos & Bacine, will apply to the Court for an award of attorneys' fees in amount of \$134,930 (1.42% of the Settlement Amount) and for reimbursement of expenses incurred in an amount not to exceed \$40,000. The Court will determine the amount of attorneys' fees and expenses to be awarded, which will be paid from the Settlement Amount. Class Members are not individually responsible for any of these attorneys' fees or expenses.

#### **WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE SETTLEMENT?**

15. A hearing will be held on February 8, 2013, at 9:00 a.m., before the Honorable Ronald M. Whyte in the United States District Court for the Northern District of California, San Jose Division, San Jose Courthouse, Courtroom 6, Fourth Floor, 280 South 1st Street, San Jose, CA 95113. At the Settlement Hearing, the Court will consider whether the proposed Settlement is fair, reasonable, and adequate and should be approved, and whether the motion by Lead Counsel for an award of attorneys' fees and reimbursement of expenses should be approved.

16. Class Members may appear at the Settlement Hearing and be heard on any of the foregoing matters, if they have satisfied the procedures identified in paragraphs 19-26, below. Class Members do not need to attend the Settlement Hearing. The Court will consider any submission made in accordance with the provisions below even if a Class Member does not attend the hearing.

### WHAT DO I NEED TO DO?

17. Nothing. Unless you wish to object to the Settlement and/or the motion for an award of attorneys' fees and reimbursement of expenses or be heard at the Settlement Hearing (discussed below), you do not need to take any action.

### HOW WILL THE SETTLEMENT AMOUNT BE DISTRIBUTED TO CLASS MEMBERS?

18. **You do not need to submit a claim form or take any other action.** If the Settlement and the parallel WorldCom Action settlement are approved by the respective courts, the Net Settlement Amount will be added to the balance remaining in the McKesson Net Settlement Funds for distribution to previously approved Authorized Claimants who, pursuant to the Order Approving Motion for Re-Distribution of Settlement Funds dated September 7, 2011 (the "Distribution Order") and the Order of the Court preliminarily approving the Settlement and providing for notice dated November 28, 2012 (the "Preliminary Approval Order"), are eligible to participate in the fourth distribution.<sup>4</sup> The Net Settlement Amount will be allocated in accordance with the Court-approved Plan of Allocation applicable to the previous Andersen settlement.<sup>5</sup>

### WHAT ARE THE PROCEDURES FOR OBJECTING TO THE SETTLEMENT?

19. Any Class Member may object to the proposed Settlement and/or the motion for an award of attorneys' fees and reimbursement of expenses. Objections must be in writing. Any objection, together with copies of all other papers and briefs supporting the objection, must be filed with the Clerk's Office at the United States District Court for the Northern District of California, San Jose Division on or before January 18, 2013. The papers must also be served on Lead Counsel and Andersen's Counsel at the addresses set forth below so that the papers are *received* on or before January 18, 2013.

#### Clerk's Office

Clerk of the Court  
United States District Court for the  
Northern District of California  
280 South First Street, Room 2112  
San Jose, CA 95113

#### Lead Counsel

John C. Browne, Esq.  
BERNSTEIN LITOWITZ BERGER  
& GROSSMANN LLP  
1285 Avenue of the Americas  
New York, NY 10019

Jeffrey W. Golan, Esq.  
BARRACK RODOS & BACINE  
3300 Two Commerce Square  
2001 Market Street  
Philadelphia, PA 19103

#### Andersen's Counsel

Scott Vick, Esq.  
VICK LAW GROUP, APC  
800 West 6th Street, Suite 1220  
Los Angeles, CA 90017

20. Any objection (a) must state the name, address and telephone number of the person or entity objecting and must be signed by the objector; and (b) must contain a statement of the Class Member's objection or objections, and the specific reasons for each objection, including any legal and evidentiary support the Class Member wishes to bring to the Court's attention. If you wish to object but you have not received a distribution payment in this Litigation, you must also include documents sufficient to show your membership in the Class with your objection.
21. You may not object to the Settlement or the motion for an award of attorneys' fees and reimbursement of expenses if you excluded yourself from the Class or if you are not a member of the Class.

<sup>4</sup> To date there have been three distributions from the McKesson Net Settlement Fund. Pursuant to the terms of the Distribution Order and the Preliminary Approval Order, only those Authorized Claimants who cashed their third distribution check and whose *pro rata* share of the next re-distribution would be at least \$10.00 will receive checks in the fourth distribution.

<sup>5</sup> The Plan of Allocation is set forth in the Notice of Pendency and Proposed Settlement of Class Action with Arthur Andersen LLP available at [www.mckessonhbocsettlement.com](http://www.mckessonhbocsettlement.com).

22. Unless otherwise ordered by the Court, any Class Member who does not make and serve his, her or its objection or opposition in the manner provided shall be deemed to have waived all objections and opposition to the issues described in this Notice.

### **HOW CAN I SPEAK AT THE SETTLEMENT HEARING?**

23. If you wish to be heard at the hearing in opposition to approval of the Settlement and/or Lead Counsel's motion for an award of attorneys' fees and reimbursement of expenses, and if you file and serve a timely written objection as described above, you must also file a notice of appearance with the Clerk's Office and serve it on Lead Counsel and Andersen's Counsel at the addresses set forth above so that it is *received* on or before January 18, 2013.
24. You may file an objection without having to appear at the Settlement Hearing. You may not, however, appear at the Settlement Hearing to present your objection unless you first file and serve a written objection in accordance with the procedures described above.
25. You do not need to hire an attorney in order to make a written objection to the Settlement and/or Lead Counsel's motion for an award of attorneys' fees and reimbursement of expenses or to appear at the Settlement Hearing. If you do decide to hire an attorney, which will be at your own expense, however, he or she must file a notice of appearance with the Court and serve it on Lead Counsel and Andersen's Counsel at the addresses set forth above so that the notice is *received* on or before January 18, 2013.
26. The Settlement Hearing may be adjourned by the Court without further notice to the Class. If you intend to attend the Settlement Hearing, you should confirm the date and time with Lead Counsel.

### **HOW CAN I GET MORE INFORMATION ABOUT THE SETTLEMENT?**

27. You may obtain a full copy of the Agreement Between Lead Plaintiff and Arthur Andersen LLP Concerning Contingent Payment Claim at [www.mckessonhbocttlement.com](http://www.mckessonhbocttlement.com), or by writing to the Court-approved Administrator, as follows:

In re McKesson HBOC Securities Litigation  
c/o BMC Group Class Action Services  
P.O. Box 2005  
Chanhassen, MN 55317-2005  
Tel: 1-866-217-3485 (toll free)  
[mckessonsettlement@bmcgroup.com](mailto:mckessonsettlement@bmcgroup.com)

You may also obtain additional copies of this Notice by calling, writing or emailing the Claims Administrator at the numbers or addresses above at any time prior to the Settlement Hearing. Additional information about the Litigation and the previous settlements is also available at [www.mckessonhbocttlement.com](http://www.mckessonhbocttlement.com). Lead Plaintiff's motion papers in support of approval of the Settlement, Lead Counsel's papers in support of their motion for an award of attorneys' fees and reimbursement of expenses and any related Orders of the Court will also be posted on [www.mckessonhbocttlement.com](http://www.mckessonhbocttlement.com).

For other inquiries, you may contact Lead Counsel at the addresses set out in paragraph 19 above, by telephone at 800-380-8496 (Bernstein Litowitz Berger & Grossmann LLP) and 215-963-0600 (Barrack Rodos & Bacine), or by email at [blbg@blbglaw.com](mailto:blbg@blbglaw.com) or [info@barrack.com](mailto:info@barrack.com).

### **PLEASE DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF THE CLERK OF COURT FOR INFORMATION OR ADVICE.**

Dated: December 12, 2012

By Order of the United States District Court  
for the Northern District of California  
HONORABLE RONALD M. WHYTE  
United States District Judge