

**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
	:	
	:	
	:	<u>CLASS ACTION</u>
This Document Relates To:	:	
ALL ACTIONS.	:	

**NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF
CLASS ACTION AGAINST McKESSON HBOC, INC. AND HBO & COMPANY**

- TO: (1) 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;
- (2) ALL PERSONS AND ENTITIES WHO PURCHASED OR OTHERWISE ACQUIRED PUBLICLY TRADED SECURITIES OR CALL OPTIONS, OR WHO SOLD PUT OPTIONS, OF McKESSON OR OF McKESSON HBOC, INC. DURING THE PERIOD FROM OCTOBER 18, 1998 THROUGH AND INCLUDING APRIL 27, 1999; AND
- (3) 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.

A Federal Court Authorized this Notice. This is not a solicitation from a lawyer.

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. THIS NOTICE RELATES TO A PROPOSED PARTIAL SETTLEMENT OF THIS CLASS ACTION AND, IF YOU ARE A MEMBER OF THE SETTLEMENT CLASS, CONTAINS IMPORTANT INFORMATION AS TO YOUR RIGHTS CONCERNING THE SETTLEMENT.

The purpose of this Notice is to inform you of the pendency of this class action (the “Litigation”), the proposed partial settlement of the Litigation for \$960 million in cash plus interest, and the hearing to be held by the Court to consider the fairness, reasonableness and adequacy of the Settlement. This Notice describes important rights you may have and what steps you must take if you wish to participate in the Settlement or wish to be excluded from the Settlement Class. Your legal rights are affected whether you do or do not act. This Notice contains defined terms (which are indicated by initial capital letters), and the definitions for such terms appear at the end of this Notice.

Statement of Plaintiff Recovery: Lead Plaintiff, the New York State Common Retirement Fund (“Lead Plaintiff”), has entered into a proposed Settlement of the Litigation with defendants McKesson HBOC, Inc. (now known as McKesson Corporation) (“McKesson”) and HBO & Company (now known as McKesson Information Solutions LLC) (“HBOC”). This Settlement, however, is only a partial settlement of the Litigation, and Lead Plaintiff will continue to pursue claims against Non-Settling Defendants, namely, Bear Stearns & Co. (“Bear Stearns”) and Arthur Andersen LLP (“Arthur Andersen”). The Settlement with McKesson and HBOC will create a settlement fund of \$960 million in cash, plus accrued interest (the “Settlement Fund”). Based on the estimated number of damaged shares, as determined by Lead Plaintiff’s damages consultant, and assuming all owners of the affected shares elect to participate, the average recovery is \$4.34 per share of McKesson, McKesson HBOC, and HBOC common stock (in McKesson stock equivalents). Settlement Class Members may recover more or less than this amount and may even recover nothing depending on, among other factors, when their shares were purchased or sold, the number of Settlement Class Members who timely file Claims, and the allocation of the Settlement Fund (the “Plan of Allocation”), as more fully described below in this Notice. In addition, the aggregate per share calculation may be further reduced by amounts that, under the Plan of Allocation, may be claimed by purchasers of certain call options, sellers of put options, or purchasers of publicly-traded McKesson debentures and preferred securities. The actual recovery of Settlement Class Members may be further reduced by the payment of fees and costs from the Settlement Fund.

Statement of Potential Outcome: McKesson and HBOC deny all liability and strongly dispute the maximum amount of damages recoverable and the average amount of damages per security that could be recovered if Lead Plaintiff were to prevail on each claim. The amount of damages could increase or decrease significantly using different assumptions and methodologies. The issues on which the parties disagree include, for example:

- (a) whether the statements made or facts allegedly omitted were materially false or misleading or otherwise actionable under the federal securities laws;
- (b) the appropriate economic models for determining the amounts by which HBOC and McKesson securities were artificially inflated (if at all) during the Settlement Class Period;
- (c) the amounts by which HBOC and McKesson securities were artificially inflated (if at all) during the Settlement Class Period;
- (d) the effect of various market forces influencing the trading prices of HBOC and McKesson securities at various times during the Settlement Class Period;
- (e) whether McKesson's officers and directors acted recklessly, negligently or properly when issuing the Proxy Statement in connection with obtaining shareholder approval for the merger;
- (f) whether McKesson itself was a victim of the alleged fraud perpetrated by HBOC personnel prior to the merger;
- (g) whether McKesson or HBOC violated the federal securities laws; and
- (h) the extent to which other parties and non-parties are at fault for the alleged losses.

Reasons for the Settlement: A full statement of the reasons for the Settlement is set forth below in this Notice. In summary, Lead Plaintiff believes the Settlement is fair, reasonable and in the best interests of the Settlement Class. Lead Plaintiff believes that \$960 million in cash, plus interest, confers a substantial benefit to the Settlement Class after almost six years of litigation. Lead Plaintiff considered, among other factors, the immediacy of the recovery to the Settlement Class in lieu of protracted litigation through trial and appeals; the defenses asserted in the Litigation; the inherent uncertainty and risk associated with a complex action, such as this one; and the claims against remaining Non-Settling Defendants. There is also a risk that Settlement Class Members may not have recovered the maximum amount of damages in light of defenses to liability, the possibility of dismissal of claims, challenges to Lead Plaintiff's damages calculation, and HBOC's inability to satisfy a potential award of maximum damages.

Statement of Attorneys' Fees and Costs Sought: Lead Counsel have received no payment for their services in conducting the Litigation on behalf of the Lead Plaintiff and the Settlement Class, nor have they been reimbursed for their out-of-pocket expenditures. If the Settlement is approved by the Court, Lead Counsel with approval of Lead Plaintiff will make an application to the Court for an award of attorneys' fees in connection with this Settlement. That application shall not exceed 7.8% of the Settlement Fund in accordance with the written retainer agreement between Lead Plaintiff and Lead Counsel, dated October 20, 2003. If the amount is authorized by Lead Plaintiff and approved by the Court, the average cost per damaged share would be approximately \$.34, but this cost per share could vary depending on various factors, including the number of shares for which claims are filed. Lead Counsel with the approval of Lead Plaintiff also will apply for payment of out-of-pocket costs and expenses incurred in prosecution of the Settlement Class's claims, including fees of Lead Plaintiff's consultants and experts in a total amount not to exceed \$6 million. In addition, Lead Counsel with approval of Lead Plaintiff will apply for the costs of administering the Settlement, providing notice to the Settlement Class and evaluating Proofs of Claim. These expenses cannot be estimated at this time.

Identification of Attorneys' Representatives: Lead Counsel are available to answer questions from members of the Settlement Class concerning any matter contained in this Notice:

BERNSTEIN LITOWITZ BERGER & GROSSMANN LLP

Alan Schulman
David Stickney
12544 High Bluff Drive, Suite 150
San Diego, CA 92130
Tel: (858) 793-0070
Fax: (858) 793-0323

BARRACK, RODOS & BACINE

Leonard Barrack
M. Richard Komins
3300 Two Commerce Square
2001 Market Street
Philadelphia, PA 19103
Tel: (215) 963-0600
Fax: (215) 963-0838

Further information is also available through the internet websites of Lead Counsel:

www.blbglaw.com/settlements/mckesson_securities.html and www.barrack.com.

Notice of Hearing on Proposed Settlement: A settlement hearing (the "Fairness Hearing") will be held on January 27, 2006 at 9:00 a.m. before the Honorable Ronald M. Whyte in the United States Courthouse, Courtroom 6, 4th Floor, 280 South First Street, San Jose, California 95113, for the purpose of determining: (1) whether a judgment should be entered approving the proposed settlement of the claims against McKesson, HBOC and the Individual Defendants in the Litigation for the sum of \$960 million in cash plus accrued interest as fair, reasonable and adequate to the Settlement Class, and dismissing on the merits and with prejudice the claims that are, or ever have been, asserted in the Litigation by or on behalf of Lead Plaintiff and the Settlement Class against McKesson, HBOC and Defendants' Released Persons (as defined below) who are or have been named as defendants in the Litigation, and barring and enjoining the institution and prosecution by all Settlement Class Members of any action against the Defendants' Released Persons in any court asserting any Released Claim; (2) whether an order should be entered approving the

Plan of Allocation as fair and equitable; and (3) whether an order should be entered approving the application of Lead Counsel for the payment of attorneys' fees, reimbursement of expenses and interest thereon. The Court may adjourn or continue the Fairness Hearing without further Notice to the Settlement Class.

The Litigation and Background of the Settlement: On April 28, 1999 and thereafter, 54 class actions were filed in the United States District Court for the Northern District of California by and on behalf of persons who purchased or otherwise acquired publicly-traded securities of McKesson or HBOC or who held McKesson shares on November 27, 1998 and continued to hold shares through January 12, 1999. The case numbers are as follows:

C-99-20547-RMW; C-99-20555-RMW; C-99-20601-RMW; C-99-20628-RMW; C-99-20743-RMW; C-99-20744-RMW; C-99-20745-RMW; C-99-20746-RMW; C-99-20747-RMW; C-99-20748-RMW; C-99-20749-RMW; C-99-20750-RMW; C-99-20751-RMW; C-99-20752-RMW; C-99-20753-RMW; C-99-20754-RMW; C-99-20755-RMW; C-99-20756-RMW; C-99-20757-RMW; C-99-20758-RMW; C-99-20759-RMW; C-99-20760-RMW; C-99-20761-RMW; C-99-20762-RMW; C-99-20763-RMW; C-99-20764-RMW; C-99-20765-RMW; C-99-20766-RMW; C-99-20767-RMW; C-99-20768-RMW; C-99-20769-RMW; C-99-20770-RMW; C-99-20771-RMW; C-99-20772-RMW; C-99-20773-RMW; C-99-20774-RMW; C-99-20775-RMW; C-99-20776-RMW; C-99-20777-RMW; C-99-20778-RMW; C-99-20779-RMW; C-99-20780-RMW; C-99-20781-RMW; C-99-20782-RMW; C-99-20912-RMW; C-99-20913-RMW; C-99-20914-RMW; C-99-20915-RMW; C-99-20968-RMW; C-99-20969-RMW; C-99-21033-RMW; C-99-21034-RMW; C-99-21063-RMW.

On November 2, 1999, the Court consolidated these actions pursuant to Fed. R. Civ. P. 42(a), and on December 22, 1999, the Court consolidated Civil Action 99-21192-RMW with the above-consolidated actions.

On December 22, 1999, the Court appointed the New York State Common Retirement Fund as the lead plaintiff for the consolidated action under Master File No. 99-CV-20743 RMW (PVT). The Court appointed the law firms of Bernstein Litowitz Berger & Grossmann LLP and Barrack, Rodos & Bacine as Lead Counsel for Lead Plaintiff and the putative class. Lead Plaintiff and Lead Counsel thereafter prosecuted this Litigation on behalf of the putative class, including defeating various motions to dismiss, pursuing extensive discovery and preparing the case for trial.

On February 25, 2000, Lead Plaintiff filed its Amended and Consolidated Class Action Complaint (the "ACCAC"), which alleged various claims under the Securities Exchange Act of 1934 and the Securities Act of 1933 against multiple defendants. Following motions to dismiss the ACCAC and subsequently filed complaints, the Court, among other rulings, (i) dismissed with prejudice claims under Section 11 of the Securities Act of 1933 against HBOC brought on behalf of members of the Settlement Class who acquired HBOC shares prior to the merger in exchange for shares of other companies in share exchange acquisitions by HBOC; (ii) dismissed with prejudice claims under Section 14(a) of the Securities Exchange Act of 1934 against HBOC; and (iii) dismissed with prejudice all claims against the pre-merger outside directors of McKesson; (iv) dismissed with prejudice claims under Section 10(b) of the Securities Exchange Act of 1934 against McKesson with respect to alleged conduct prior to the merger.

On February 15, 2002, Lead Plaintiff filed the operative complaint, the Third Amended and Consolidated Class Action Complaint (the "Complaint"). The Complaint charges McKesson, HBOC, Bear Stearns, Arthur Andersen and certain individual officers and directors of McKesson or HBOC (the "Individual Defendants," defined below) with violations of §§ 10(b), 14(a), and 20(a) of the Securities Exchange Act of 1934 and Rules 10b-5 and 14a-9 promulgated thereunder by the Securities and Exchange Commission.

On April 5, 2002, certain defendants moved to dismiss the Complaint. Lead Plaintiff opposed all such motions and filed memoranda supporting its opposition. As to McKesson, the Court denied motions to dismiss claims against McKesson for alleged violations of § 14(a) and Rule 14a-9 promulgated thereunder and for alleged violations of §§ 10(b) and 20(a) and Rule 10b-5 for the post-merger period. The Court denied motions to dismiss claims against HBOC for alleged violations of § 10(b) and Rule 10b-5. The Court also denied motions to dismiss certain of the claims against Bear Stearns, Arthur Andersen, and the Individual Defendants for alleged violations of the federal securities laws.

Since January 2003, Lead Plaintiff, through Lead Counsel, has conducted extensive pretrial discovery and thoroughly analyzed the facts and claims against McKesson, HBOC and the Individual Defendants, including the following:

- (a) Prior to the start of formal discovery, Lead Counsel located and interviewed witnesses about the facts leading to this Litigation and obtained internal company documents authored by Bear Stearns with which, among other things, Lead Plaintiff alleged defendants' violations of the federal securities laws.
- (b) After formal discovery began, Lead Plaintiff, through Lead Counsel, served document requests on the named defendants and served subpoenas for production of documents to relevant non-parties.
- (c) McKesson, HBOC and the other named defendants produced more than two million pages of documents to Lead Plaintiff, who, through counsel, reviewed such documents for their impact on the Litigation.
- (d) Over several months of thorough review by teams of attorneys, these documents were logged, organized in an electronic database according to their relevance to the various components of the case, and analyzed.

- (e) Lead Plaintiff, through Lead Counsel, also conducted numerous depositions by the time the Settlement with McKesson and HBOC was reached, including depositions of current and former McKesson and HBOC representatives.
- (f) Settlement discussions were extensive and protracted. Lead Plaintiff retained a damages consultant in connection with settlement discussions to provide an estimate of damages to the Settlement Class. Lead Plaintiff's consultant performed research and analysis concerning HBOC and McKesson securities, including public statements made by or about McKesson and HBOC during the Settlement Class Period, as well as the market's reaction to such statements and to other revelations about the Company. Lead Plaintiff further engaged the services of an investment banking expert concerning issues related to potential settlement of the case against McKesson and HBOC.
- (g) The settlement discussions included arms-length mediation supervised by the Mediator, the Honorable Edward A. Infante (Ret.), commencing with a two-day session in San Francisco on October 9 and 10, 2003, and continuing telephonically thereafter until the parties reached an impasse. The mediation was suspended while litigation continued. Ultimately, the mediation resumed on July 9 and 10, 2004. Over the course of several months, Lead Counsel and counsel for McKesson and HBOC continued settlement discussions under the supervision of the Mediator while active litigation continued. On January 12, 2005, the parties agreed to all material terms of the Settlement.

Reasons for the Settlement: Lead Plaintiff decided to accept the Settlement after consultation with Lead Counsel and experts retained to assist them. When negotiating and deciding to accept the Settlement and recommend it to the Court, Lead Plaintiff considered a variety of factors. These include:

- (a) \$960 million in cash confers an immediate and substantial benefit to the Settlement Class. The Settlement is, by itself, the third largest securities class action settlement in United States history, and the largest in the history of securities class action settlements for courts within the Ninth Circuit.
- (b) The Settlement is all cash and includes interest earned on the Settlement Amount beginning 15 days after District Court Approval until McKesson pays the entire Settlement Amount into the Escrow Account. The risks of succeeding at trial against McKesson, and of recovering completely against HBOC, are significant, particularly given limitations on HBOC's ability to satisfy a potential award of damages. The proportionate liability requirements of the Private Securities Litigation Reform Act of 1995 (the "PSLRA"), under which a defendant may be obligated to pay only for the portion of damages for which the defendant is held responsible, may have placed a high proportion of liability on certain Individual Defendants, who would not have been able to shoulder a substantial amount of the damages, and a correspondingly small proportion of liability on McKesson and HBOC.
- (c) The lengthy settlement negotiations were conducted under the supervision of the Mediator, who ultimately recommended the settlement amount of \$960 million based on his participation in settlement discussions and the information made available to him.
- (d) Prosecution through trial and appeals will substantially delay distribution of any recovery to the Settlement Class Members. Lead Plaintiff recognizes the uncertain outcome and the risk of any litigation, especially complex class actions such as the Litigation. Even if Lead Plaintiff prevailed at trial, there exists a possibility that the Settlement Class could receive nothing or less than the Settlement Amount.

Based on their evaluation, Lead Plaintiff and Lead Counsel believe that the \$960 million Settlement as set forth in the Stipulation confers substantial benefits upon the Settlement Class and is in the best interest of the Settlement Class.

Defendants' Statement and Denials of Wrongdoing and Liability: At all times, McKesson and HBOC have denied and continue to deny that they have committed, or have threatened or attempted to commit, any wrongful act or violation of law or duty of any nature, and contend that they have acted properly under the circumstances. Nevertheless, McKesson and HBOC desire to settle and terminate the claims of the Lead Plaintiff and the Settlement Class Members so as to avoid the substantial expense, inconvenience and distraction of continued litigation. McKesson and HBOC, therefore, have determined that it is desirable and beneficial to them that the Litigation be settled in the manner and upon the terms and conditions set forth in the Stipulation.

Terms of the Proposed Settlement: McKesson will pay into an escrow account, pursuant to the terms of the Stipulation, cash in the amount of \$960,000,000.00 which will earn interest for the benefit of the Settlement Class Members. In exchange for the payment described above, Lead Plaintiff and the Settlement Class Members are releasing the Released Claims against McKesson, HBOC and Defendants' Released Persons, as explained below, and dismissing on the merits and with prejudice all claims that are or ever have been asserted against McKesson, HBOC, and the Defendants' Released Persons who are or ever have been defendants in the Litigation.

A portion of the settlement proceeds will be used for certain administrative expenses including costs of printing and mailing the Notice, the cost of publishing a summary of the notice, payment of any taxes assessed against the Settlement Fund and costs associated with the processing of claims submitted, and to pay for attorney fees, expenses and interest thereon awarded to Lead Counsel. Also, as explained below, the Escrow Agent shall retain in the Escrow Account \$10 million for potential reimbursement of amounts McKesson, HBOC or any of Defendants' Released Persons are required to pay to Bear Stearns for Bear Stearns' attorney's fees or costs. Any amount so retained and not so expended will be distributed to the Settlement Class Members.

The balance of the Settlement Fund (the "Net Settlement Fund") will be distributed according to the Plan of Allocation (described below) to Settlement Class Members who submit valid and timely Proof of Claim forms.

Releases and Dismissal of the Action: If the Settlement is approved, in consideration for the Settlement Amount to be paid by McKesson, the Court will enter a Judgment that will dismiss on the merits and with prejudice all of the Settlement Class Members' claims against McKesson, HBOC and Defendants' Released Persons who are, or were, named as defendants in the Litigation. The Court will bar and permanently enjoin the Lead Plaintiff and each Settlement Class Member, whether or not such Settlement Class Member has submitted a Proof of Claim, from prosecuting any Released Claims against Defendants' Released Persons and any such Settlement Class Member shall be conclusively deemed to have fully, finally and forever released, relinquished and discharged any and all such Released Claims.

Plan of Allocation: The Stipulation provides for an allocation of the Settlement Fund among Settlement Class Members who submit valid and timely Proof of Claim forms in accordance with the Plan of Allocation. Along with this Settlement, Lead Plaintiff seeks Court approval for the Plan of Allocation described in this Notice, but approval of the Settlement is independent from approval of the Plan of Allocation. In other words, any determination with respect to the Plan of Allocation will not affect the Settlement. Neither McKesson, HBOC nor any of Defendants' Released Persons have any role in, or responsibility for, or liability whatsoever for the Plan of Allocation.

Under the Plan of Allocation, for each valid Proof of Claim received by the Claims Administrator, the Claims Administrator will calculate a "Claim Amount" for each type of security transaction during the Settlement Class Period that may result in the Settlement Class Member being eligible to receive a share of the Net Settlement Fund. A Claim Amount for a particular type of security transaction that is less than zero is considered a gain and is used to offset any losses on other types of securities. A Settlement Class Member's Claim Amount shall be calculated by multiplying the claim per security (to be calculated as explained below) for that type of security, as determined from Tables A-G attached hereto, by the number of units (e.g., shares of common stock, notes, preferred securities, option contracts, etc.) purchased, sold (in the case of put options) or held (in the case of McKesson common stock held as of the close of business on November 27, 1998 and continuously thereafter through the close of business on April 27, 1999). Each Authorized Claimant shall receive a *pro rata* share of the Net Settlement Fund, which shall be the Authorized Claimant's net Claim Amount divided by the total of all net Claim Amounts, multiplied by the total amount of the Net Settlement Fund. Please note that any recovery from the Net Settlement Fund may be less, and likely will be less, than the Claim Amount derived from Tables A-G depending on the number and amount of timely and valid claims.

Under the Plan of Allocation, there is no recovery for the same security that is both purchased and sold during the Settlement Class Period. Rather, purchasing and selling the same security during the Settlement Class Period will result in either a claim of zero or a gain that will be used to offset any claim for losses incurred from other transactions in the same type of security or from transactions in another type of Settlement Class Security. You will be eligible to participate in the distribution of the Net Settlement Fund only if you have a positive net claim on all transactions in HBOC, McKesson and McKesson HBOC securities.

Each Authorized Claimant's net Claim Amount shall be calculated as follows:

- 1. For shares of HBOC common stock purchased or acquired (including share exchange acquisitions) from January 21, 1997 through January 12, 1999 and exchanged for shares of McKesson HBOC common stock and held through at least the close of business on April 27, 1999, and**
 - a. **that were still held as of the close of business on May 24, 1999:** the amount of the claim per share for the date such share was purchased or acquired is the amount set forth in Table A;
 - b. **that were sold between April 28, 1999 and May 24, 1999:** the claim per share amount is the amount set forth in Table A for the date of purchase or acquisition, minus \$1.70.
- 2. For shares of McKesson or McKesson HBOC Common Stock purchased or acquired from October 19, 1998 through April 27, 1999, and**
 - a. **that were still held as of the close of business on May 24, 1999:** the amount of the Claim Per Share for the date such share was purchased or acquired is the amount set forth in Table B;
 - b. **that were sold between April 28 and May 24, 1999:** the Claim Per Share is the amount as set forth in Table B for the date of purchase or acquisition, minus \$4.59.
- 3. For shares of McKesson common stock held as of the close of business on November 27, 1998 and continuously thereafter through April 27, 1999, and**
 - a. **that were still held as of the close of business on May 24, 1999:** the claim per share is \$25.62;
 - b. **that were sold between April 28 and May 24, 1999:** the claim per share is \$21.03.

Note: For McKesson shares purchased between October 18, 1998 and November 26, 1998, the Claim Amount shall be the greater of the amount calculated under this paragraph 3 for those shares or the Claim Amount calculated under paragraph 2

above for those shares. The lesser of those two amounts shall not be included in the calculation of the claimant's Net Claim Amount.

4. **For purchases of HBOC call options or sales of HBOC put options from January 21, 1997 through January 12, 1999, only those Settlement Class Members qualify as having a Claim who did not close out (through sale, exercise or expiration) such call option contracts or such put option contracts before April 28, 1999, as follows:**
 - a. **HBOC call option contracts purchased or acquired from January 21, 1997 through January 12, 1999, and**
 - 1) **that were not closed out before May 25, 1999:** the claim per call option is the amount set forth in Table C for the date the option contract was purchased or acquired;
 - 2) **that were closed out during the period between April 28, 1999 and May 24, 1999:** the amount of the claim per call option is the difference between the amount set forth in Table C for the date of purchase or acquisition and the amount set forth in Table C for the date on which the contract was closed.
 - b. **HBOC put option contracts sold from January 21, 1997 through January 12, 1999, and**
 - 1) **that were not closed out before May 25, 1999:** the claim per put option is the amount set forth in Table D for the date the option contract was sold;
 - 2) **that were closed out during the period from April 28, 1999 to May 24, 1999:** the amount of the claim per put option is the difference between the amount set forth in Table D for the date of sale and the amount set forth in Table D for the date on which the contract was closed.
5. **For purchases of McKesson or McKesson HBOC call option contracts or sales of McKesson or McKesson HBOC put option contracts from October 19, 1998 through April 27, 1999, only those Settlement Class Members qualify as having a Claim who did not close out (through sale, exercise or expiration) such call option contracts or such put option contracts before April 28, 1999, as follows:**
 - a. **McKesson or McKesson HBOC call option contracts purchased or acquired from October 19, 1998 through April 27, 1999:**
 - 1) **that were not closed out before May 25, 1999:** the claim per call option is the amount set forth in Table E for the date the option contract was purchased or acquired;
 - 2) **that were closed out during the period from April 28, 1999 and May 24, 1999:** the amount of the claim per call option is the difference between the amount set forth in Table E for the date of purchase or acquisition and the amount set forth in Table E for the date on which the contract was closed.
 - b. **McKesson or McKesson HBOC put option contracts sold from October 19, 1998 through April 27, 1999:**
 - 1) **that were not closed out before May 25, 1999:** the claim per put option is the amount set forth in Table F for the date the option contract was sold;
 - 2) **that were closed out during the period from April 28, 1999 to May 24, 1999:** the amount of the claim per put option is the difference between the amount set forth in Table F for the date of sale and the amount set forth in Table F for the date on which the contract was closed.
6. **For purchases or acquisitions of: (i) McKesson 6.60% Exchange Notes due 2000; (ii) McKesson 6-7/8% Exchange Notes due 2002; (iii) McKesson 7.65% Exchange Debentures due 2027; (iv) McKesson 6.60% Notes due 2000; (v) McKesson 6.875% Notes due 2002; (vi) McKesson 7.65% Debentures due 2027; (vii) McKesson 6.30% Exchange Notes due 2005; (viii) McKesson 6.40% Exchange Notes due 2008; (ix) McKesson 6.30% Notes due 2005; (x) McKesson 6.40% Notes due 2008; (xi) McKesson Financing Company of Canada 6.55% Senior Notes due 2002; and (xii) McKesson 4-1/2% Exchangeable Subordinated Debentures due 2004 from October 19, 1998 through April 27, 1999, and**
 - a. **that were still held as of the close of business on May 24, 1999:** Claim Per Note, Debenture or Preferred Securities is the amount set forth in Table G for the date such note, debenture or preferred securities was purchased or acquired;
 - b. **that were sold between April 28 and May 24, 1999:** the amount of the Claim Per Note, Debenture or Preferred Securities is the difference between the amount set forth in Table G for the date of purchase or acquisition and the amount set forth in Table G for the date of sale.

For Settlement Class Members who made more than one purchase, acquisition or sale of securities during the Settlement Class Period, the Claim Amount will be calculated by matching sales against earlier purchases, acquisitions or holdings of the same type of securities (except for sales of McKesson HBOC common stock, which are discussed in the next paragraph) using the first-in, first-out ("FIFO") method. Under this method, the first sale of a particular type of security during the Settlement class period will be matched against the same number of units (i.e., shares of stock, debentures, option contracts etc.) held by the claimant as of the close of business on a particular date (referred to as the claimant's "opening balance"). That date is January 19, 1997 for all HBOC securities (including HBOC options) and McKesson common stock, October 17, 1998 for all other McKesson securities. If the number of shares or other units sold exceeds the opening balance (or the claimant had no opening balance), any

unmatched shares will be matched against purchases or acquisitions made after the above dates, beginning with the earliest first. Then, each subsequent sale will be matched, first, against any remaining, unmatched opening balance and then against purchases or acquisitions after the relevant date, as set forth above in this paragraph.

Sales of McKesson HBOC common stock between January 13, 1999 and May 24, 1999 (including shares that had been McKesson shares before the Merger, shares that were received by the claimant in exchange for HBOC shares, and shares purchased after the Merger) will be matched as follows:

- (i) first, they will be matched against the remaining, unmatched shares in the combined opening balance of McKesson common stock and HBOC common stock (adjusted for the Merger exchange ratio of .37 McKesson HBOC shares for every share of HBOC common stock) as of the close of business on January 19, 1997;
- (ii) second, any remaining, unmatched sales will be matched against McKesson shares purchased or acquired on or before January 12, 1999, HBOC shares purchased or acquired on or before January 12, 1999, adjusted for the Merger exchange ratio, and purchases or acquisitions of McKesson HBOC shares after January 12, 1999 but prior to the sale, beginning with the earliest first, regardless of type of shares.

For claimants who had opening balances of both McKesson and HBOC common stock on January 19, 1997 that were not matched against sales before January 13, 1999 and who sold shares of McKesson HBOC stock between January 13, 1999 and May 24, 1999, it will be assumed that the proportions of the shares sold from the unmatched McKesson opening balance and the shares sold from the unmatched HBOC opening balance (adjusted for the merger exchange ratio) were the same as the proportions of the respective unmatched opening balances. In matching sales of McKesson HBOC shares held by claimants whose earliest unmatched purchases of both McKesson and HBOC stock were on the same date on or before January 12, 1999, it will be assumed that the proportions of McKesson and HBOC shares that were sold were the same as the respective proportions of each type of stock purchased on the date in question (the HBOC shares being adjusted for the merger exchange ratio).

In applying the FIFO method in the calculation of the Claim Amount on HBOC common stock purchased between January 20, 1997 and January 12, 1999 and exchanged for McKesson HBOC shares in connection with the January 12, 1999 merger, the purchase date will be deemed to be the date on which the HBOC shares were originally purchased. In addition, HBOC common shares received by claimants in exchange for the stock of companies acquired by HBOC between January 20, 1997 and January 12, 1999 will be deemed to have been purchased on the date the acquisitions were consummated.

A Settlement Class Member had a gain on a security purchased or acquired during the Settlement Class Period (or sold in the case of put options) and sold (or purchased in the case of put options) before May 24, 1999 if the claim per security for the date such security was sold (or purchased in the case of put options), as set forth in Tables A through G, is greater than the claim per security for the date the security was purchased or acquired (or sold in the case of put options), as set forth in Tables A through G. The amount of a Settlement Class Member's gain on any security purchase or acquisition (or sale in the case of put options) is the difference between the claim per security for the date the security was sold (or purchased in the case of put options), as set forth in Tables A through G, and the claim per security for the date the security was purchased (or sold in the case of put options), as set forth in Tables A through G, multiplied by the number of units of that security. A Settlement Class Member had a gain on McKesson common stock held as of the close of business on November 27, 1998 and sold after January 12, 1999 if the claim per share for the date of sale on Table B is greater than \$25.62. The amount of a Settlement Class Member's gain on McKesson common stock held as of the close of business on October 16, 1998 and sold after January 12, 1999 is the difference between the claim per share for the date of sale, as set forth in Table B and \$25.62 multiplied by the number of shares held.

The amount of each Settlement Class Member's net claim is calculated by:

- (1) adding the claim amounts for each security transaction (purchases or acquisitions of HBOC, McKesson or McKesson HBOC securities during the Settlement Class Period and sales of HBOC, McKesson or McKesson HBOC put option contracts during the Settlement Class Period); and
- (2) subtracting all gains for each security transaction (sales of HBOC, McKesson or McKesson HBOC security during the Settlement Class Period and purchases of HBOC, McKesson or McKesson HBOC put option contracts during the Settlement Class Period).

If a Claimant acquired Settlement Class Securities during the Settlement Class Period by means of a gift, inheritance or operation of law, such Claimants' Claim will be computed by using the price of such HBOC or McKesson securities on the original date of purchase and not the date of transfer, unless the transfer resulted in a taxable event or other change in the cost basis of the securities. To the extent that those HBOC or McKesson securities were originally purchased prior to commencement of the Settlement Class Period, and there was no such taxable event or change in cost basis at the time of transfer, such Claimant's Claim for that acquisition shall be zero.

After Court approval of the Settlement and upon satisfaction of other conditions to the Settlement, the Settlement Fund shall be distributed as follows:

1. To pay all costs and expenses incurred in connection with providing notice to the Settlement Class, locating members of the Settlement Class, soliciting claims, assisting with the filing of claims, administering and distributing the Settlement Fund to the Settlement Class Members, processing proofs of claim, processing requests for exclusion, escrow fees and costs.
2. To pay Lead Counsel the amount approved by Lead Plaintiff and awarded by the Court as attorneys' fees, plus interest, and to pay Lead Counsel the amount approved by Lead Plaintiff and awarded as costs and expenses, including fees of experts and consultants, plus interest at the same rate as earned by the Settlement Fund. Lead Counsel may make payments of fees and expenses to counsel for other plaintiffs, as Lead Plaintiff and Lead Counsel deem appropriate based on their relative contribution to the prosecution and resolution of the Litigation.
3. To pay tax and expenses owed by the Settlement Fund.
4. To retain \$10 million in the Escrow Account for potential reimbursement of amounts McKesson, HBOC or any of Defendants' Released Persons are required to pay to Bear Stearns for Bear Stearns' attorney's fees or costs, as explained below.
5. To distribute the balance of Net Settlement Fund to Authorized Claimants as provided in the Plan of Allocation or as otherwise ordered by the Court.

There will be no return to McKesson of any settlement payment if the Settlement is finally approved, except that McKesson may become entitled to reimbursement of no more than \$10 million from the Escrow Account as provided below.

McKesson, HBOC and their counsel shall have no responsibility for, interest in, or liability whatsoever with respect to:

- (a) Any act, omission or determination of Lead Plaintiff, Lead Counsel or their designees or agents in connection with the administration of the Settlement;
- (b) The management, investment, or distribution of the Settlement Fund or the Net Settlement Fund;
- (c) The determination, administration, calculation, or payment of any claims asserted against the Settlement Fund or Net Settlement Fund; or
- (d) The Plan of Allocation

Order Certifying a Settlement Class for Purposes of Settlement: On September 28, 2005 the Court certified a class for settlement purposes only. The Settlement Class is defined above.

Participation in the Settlement; Proofs of Claims: If you fall within the definition of the Settlement Class, you will remain a Settlement Class Member unless you elect to be excluded from the Settlement Class. If you do not request to be excluded from the Settlement Class, you will be bound by any judgment entered with respect to the settlement in the Litigation whether or not you file a Proof of Claim.

If you wish to remain a Settlement Class member, you do not need to do anything (other than timely file a valid Proof of Claim and Release if you wish to participate in the distribution of the Net Settlement Fund). Your interests will be represented by Lead Counsel. If you choose, you may enter an appearance individually or through your own counsel at your own expense.

To participate in the Distribution of the Net Settlement Fund, you must timely complete and return the valid Proof of Claim and Release Form that accompanies this Notice. The Proof of Claim and Release must be postmarked on or before February 21, 2006 and delivered to the Claims Administrator at the address below. Unless the Court orders otherwise, if you do not timely submit a valid Proof of Claim, you will be barred from receiving any payments from the Net Settlement Fund, but will in all other respects be bound by the provisions of the Stipulation and the Judgment.

Exclusion from the Class: You may request to be excluded from the Class. To do so, you must mail a written request stating that you wish to be excluded from the Class to:

In re McKesson HBOC, Inc. Securities Litigation
 c/o Analytics Incorporated, Claims Administrator
 PO Box 2005
 Chanhassen, MN 55317-2005

The request for exclusion must state:

- (a) your name, address, and telephone number;
- (b) all purchases, acquisitions and sales of McKesson, HBOC or McKesson HBOC securities, including the dates of purchase, acquisition or sale, the number of securities purchased, acquired or sold and the price paid or received per security; and
- (c) that you wish to be excluded from the Class. **YOUR EXCLUSION REQUEST MUST BE POSTMARKED ON OR BEFORE DECEMBER 23, 2005.** If you submit a valid and timely request for exclusion, you shall have no rights under the Settlement, shall not share in the distribution of the Net Settlement Fund, and shall not be bound by the Stipulation or

the Judgment. McKesson shall have the option to terminate the Settlement in the event that members of the Settlement Class representing more than a certain number of shares request exclusion from the Settlement Class.

Conditions of the Settlement: The settlement is conditioned upon the occurrence of certain events described in the Stipulation. Those events include, among other things, entry of the Judgment by the Court, as provided for in the Stipulation. If, for any reason, any one of the conditions described in the Stipulation is not met, the Stipulation might terminate and, if terminated, will become null and void, and the parties to the Stipulation will be restored to their respective positions as of January 12, 2005.

The Right to be Heard at the Hearing: Any Settlement Class Member who has not validly and timely requested to be excluded from the Settlement Class, and who objects to any aspect of the Settlement, the Plan of Allocation, or the application for attorneys' fees, costs and expenses, may appear and be heard at the Fairness Hearing. Any such person must submit a written notice of objection, and such papers must be received on or before December 23, 2005 by each of the following:

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

LEAD COUNSEL FOR LEAD PLAINTIFF AND THE SETTLEMENT CLASS

BERNSTEIN LITOWITZ BERGER & GROSSMANN LLP

Alan Schulman
David Stickney
12544 High Bluff Drive, Suite 150
San Diego, CA 92130

BARRACK, RODOS & BACINE

Leonard Barrack
M. Richard Komins
3300 Two Commerce Square
2001 Market Street
Philadelphia, PA 19103

COUNSEL FOR DEFENDANTS McKESSON AND HBOC

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

James E. Lyons
Timothy A. Miller
Four Embarcadero Center, Suite 3800
San Francisco, CA 94111

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

Jonathan J. Lerner
Four Times Square
New York, NY 10036

The notice of objection must demonstrate the objecting Person's membership in the Settlement Class, including the number of subject securities purchased and sold during the Settlement Class Period, and contain a statement of the reasons for objection. Unless otherwise ordered by the Court, any Settlement Class Member that does not timely file and serve a written objection will have waived his, her or its objection. Only Settlement Class Members who have submitted written notices of objections in this manner will be entitled to be heard at the Fairness Hearing, unless the Court orders otherwise.

Attorneys' Fees, Costs and Expenses of Lead Counsel: At the conclusion of the Fairness Hearing described above, Lead Counsel with the approval of Lead Plaintiff will apply to the Court for an award of attorneys' fees and payment of costs and expenses. The fee application shall be submitted by Lead Counsel with the prior approval of Lead Plaintiff and shall otherwise be in accordance with the retainer agreement between Lead Plaintiff and Lead Counsel, dated October 20, 2003.

Under the retainer agreement, Lead Counsel agreed to undertake this litigation on an entirely contingent basis, meaning that Lead Counsel would not be compensated at all, or reimbursed for any expenses they incur on behalf of the Class, unless there is a recovery achieved for the Class. Lead Counsel further agreed that they will not file a fee application without the prior approval of the Lead Plaintiff, as set forth within the terms and conditions of the retainer agreement, and that any such fee application will be bound by the fee grid and other provisions of the retainer agreement.

Consistent with the retainer agreement, Lead Counsel, with the approval of Lead Plaintiff, shall apply for fees not to exceed 7.8% of the Settlement Fund, together with interest at the same rate as earned by the Settlement Fund.

The application for reimbursement of expenses, which also will be made with the approval of Lead Plaintiff at the conclusion of the Fairness Hearing, shall not exceed \$6 million, together with interest earned on said sums at the same rate as earned by the Settlement Fund. This amount includes fees and expenses of the experts and consultants retained by Lead Counsel, with the approval of Lead Plaintiff, on behalf of the Settlement Class.

Approval of the Settlement is independent from approval of Lead Counsel's application for an award of attorneys' fees and payment of costs and expenses. Any determination with respect to Lead Counsel's application for an award of attorneys' fees and payment of costs and expenses will not affect the Settlement, if approved.

Special Notice to Nominees: Banks, brokerage firms, institutions, and other persons who are nominees or who purchased or acquired McKesson or HBOC securities during the Settlement Class Period are required within ten (10) days of receipt of this Notice to: (1) provide the Administrator with the names and addresses of such beneficial purchasers; or (2) forward a copy of this Notice to each such beneficial purchaser and provide the Administrator with written confirmation that the Notice has been so

forwarded. Upon request, Lead Counsel will pay your reasonable costs and expenses of complying with this provision upon submission of appropriate documents. Additional postage pre-paid copies of this notice may be obtained for forwarding to such beneficial owners. All such correspondence should be addressed as follows:

In re McKesson HBOC, Inc. Securities Litigation
c/o Analytics Incorporated, Claims Administrator
PO Box 2005
Chanhassen, MN 55317-2005

Settlement Class Members' Claims Against Bear Stearns and Arthur Andersen: Lead Plaintiff will continue to litigate its claims on behalf of the Settlement Class against Bear Stearns and Arthur Andersen. As a condition of the \$960 million cash Settlement with McKesson and HBOC, however, the Judgment shall also provide that Lead Plaintiff, on its own behalf and on behalf of the Settlement Class Members, will release any claim it or the Settlement Class Members have against Bear Stearns as to which Bear Stearns is determined, by the final judgment of a court of competent jurisdiction, to have any right against McKesson, HBOC or any of Defendants' Released Persons for indemnity or contribution, or to be otherwise defended, protected or reimbursed by McKesson, HBOC or any of Defendants' Released Persons pursuant to:

- (a) any statutory or decisional law, or
- (b) Bear Stearns retention by, or services to, McKesson or any of Defendants' Released Persons in connection with any of the acts, events or occurrences alleged in the Litigation, including any right based on any provision of the October 14, 1998 retention letter between Bear Stearns and McKesson or the Indemnification Provisions attached thereto. Lead Plaintiff shall have the right to assume, at its expense, the defense of McKesson, HBOC or any of Defendants' Released Persons with respect to the assertion by Bear Stearns of any claim covered by this paragraph. Nothing in this provision, however, shall limit the right of Lead Plaintiff and the Settlement Class Members to pursue any claim against Bear Stearns other than those released pursuant to this paragraph.

Lead Plaintiff on behalf of itself and the Settlement Class Members agreed to require, as a condition of any future settlement of any claim they may have against Bear Stearns, that Bear Stearns and any other persons released by Lead Plaintiff and the Settlement Class Members in connection with such settlement (collectively "the Bear Stearns Released Persons") fully, finally and forever, release, relinquish and discharge any claim that the Bear Stearns Released Persons may have or may ever have had against McKesson, HBOC, or any of Defendants' Released Persons relating in any way to any of the acts, events or occurrences alleged in the Litigation, including any claim for attorneys fees or costs. In the event that Lead Plaintiff secures such a release, McKesson and HBOC will execute a similar release in favor of the Bear Stearns Released Persons.

From the Settlement Amount that McKesson pays into the Escrow Account, the Escrow Agent shall retain in the Escrow Account the sum of \$10 million from which it will reimburse McKesson, HBOC and any of Defendants' Released Persons for any amounts McKesson, HBOC or any of Defendants' Released Persons is required to pay to Bear Stearns for attorney's fees or costs that Bear Stearns incurred or incurs in any forum, as a result of the Lead Plaintiff's claims against Bear Stearns in the Litigation (including the settlement thereof). Any portion of the amount so retained that is not so expended shall, after resolution of all claims for such fees and costs by Bear Stearns (including, by way of example but not limitation, a final judicial determination that Bear Stearns is not entitled to reimbursement from McKesson, HBOC or Defendants' Released Persons with respect to such fees or costs) be distributed to the Authorized Claimants. The obligation of the Settlement Class Members, Lead Plaintiff and Lead Counsel to McKesson and HBOC with respect to Bear Stearns' attorneys' fees and costs is capped absolutely at the amount retained in the Escrow Account pursuant to the Stipulation.

In the event the Lead Plaintiff or anyone authorized to act on behalf of the Settlement Class Members recovers or receives any sum from Bear Stearns (or from any of its officers, agents, employees, attorneys or insurers) with respect to any of the acts, events, or occurrences alleged in the Litigation, they shall deposit that sum in the Escrow Account. Each sum so deposited and the accumulated interest earned thereon shall be retained until the final determination of any claim of any kind with respect to that sum asserted by Bear Stearns (or any of its officers, agents, employees, attorneys or insurers) against McKesson, HBOC or any of Defendants Released Persons relating in any way to:

- (i) any of Lead Plaintiff's claims alleged against Bear Stearns in the Litigation or
- (ii) any claims asserted in any other litigation by Lead Plaintiff or anyone authorized to act on behalf of the Settlement Class Members with respect to any of the acts, events or occurrence alleged in the Litigation. In the event that any such claim by Bear Stearns or any of its officers, agents, employees or insurers is ultimately upheld, the Escrow Agent shall satisfy it from the amount deposited in the Escrow Account pursuant to this subparagraph after which any remaining balance shall be distributed to the Authorized Claimants.

Examination of Papers: This Notice is a summary and does not describe all of the details of the Stipulation. For full details of the matters discussed in this Notice, you may review the Stipulation filed with the Court, which may be inspected during normal business hours, at the Office of the Clerk of the Court at the United States District Courthouse, 280 South First Street, Room 2112, San Jose, California 95113.

If you have any questions about the settlement of the Litigation, you may contact Lead Counsel by writing:

Definitions Used In This Notice

1. The terms used herein have the following meaning:

- (a) “Authorized Claimant” means any Settlement Class Member or duly authorized representative who submits a Claim that is allowed pursuant to the terms of this Stipulation.
- (b) “Claim” means the submission to be made by or on behalf of Settlement Class Members on the Proof of Claim and Release.
- (c) “Court” means the United States District Court for the Northern District of California.
- (d) “District Court Approval” means the entry of the Judgment.
- (e) “Effective Date” or “Final Approval” means the first day following the date on which the Order granting District Court Approval is finally affirmed on appeal or is no longer subject to appeal or certiorari, and the time for any petition for reargument, appeal, or review, by certiorari or otherwise, has expired, subject to, and as modified by, the last sentence in subparagraph 4(h) and the third sentence in paragraph 20 of the Stipulation.
- (f) “HBOC” means McKesson Information Solutions LLC, its subsidiaries and predecessors.
- (g) “Individual Defendants” means Mark Pulido, Richard Hawkins, Heidi Yodowitz, Charles McCall, Jay Gilbertson, Albert Bergonzi, Michael Smeraski, and Jay Lapine.
- (h) “Judgment” means the judgment to be entered in the Litigation pursuant to paragraph 4 of the Stipulation.
- (i) “Lead Counsel” means the law firms of Bernstein Litowitz Berger & Grossmann LLP and Barrack, Rodos & Bacine.
- (j) “Lead Plaintiff” means the New York State Common Retirement Fund.
- (k) “Litigation” means the class actions (other than the ERISA class action captioned *In re McKesson HBOC, Inc. ERISA Litigation*) filed in or transferred to the Court on and after April 28, 1999 that have been consolidated within Master File No. 99-CV-20743 RMW (PVT).
- (l) “McKesson” means McKesson Corporation, and its subsidiaries and predecessors.
- (m) “Net Settlement Fund” means the Settlement Fund less the costs associated with notice to the Settlement Class and administration of the Settlement, any taxes, attorneys' fees, expert fees, costs and expenses approved by the Court, including the amount reserved for the continued prosecution of the Litigation against Non-Settling Defendants.
- (n) “Non-Settling Defendants” means Arthur Andersen LLP and Bear Stearns & Co.
- (o) “Notice and Administration Fund” means the fund consisting of \$1.75 million advanced by McKesson to Lead Plaintiff to be used by Lead Counsel to pay the costs of notifying Settlement Class Members, soliciting the filing of claims by Settlement Class Members, assisting them in making their claims, and otherwise administering, on behalf of the Settlement Class Members, the Settlement. The monies in this Fund are part of, and not in addition to, the Settlement Amount to be paid by McKesson.
- (p) “Officer of HBOC or McKesson,” as reflected in the definition of Settlement Class, means any person employed by HBOC or McKesson who held a position at or above the level of assistant vice president.
- (q) “Person” means any individual, corporation, partnership, association, affiliate, joint stock company, estate, trust, unincorporated association, entity, government and any political subdivision thereof, or any other type of business or legal entity.
- (r) “Plan of Allocation” means the plan or formula for allocating the Net Settlement Fund whereby the Net Settlement Fund shall, with Court approval, be distributed to Authorized Claimants.
- (s) “Released Persons” means and includes the “Defendants' Released Persons” and the “Lead Plaintiff's Released Persons” as follows:

“Defendants' Released Persons” shall mean and include McKesson, HBOC, the Individual Defendants, McKesson's and HBOC's parent entities, affiliates, subsidiaries, predecessors, successors, or assigns, and each of McKesson's and HBOC's past, present or future officers, directors, including specifically but not limited to Alan Seelenfreund, Mary G.F. Bitterman, Tully M. Friedman, John M. Pietruski, David S. Pottruck, Carl E. Reichardt, Jane E. Shaw, Robert H. Waterman, Alfred C. Eckert, Alton F. Irby, Gerald E. Mayo, and James V. Napier, and the past, present and future associates, stockholders, controlling persons, representatives, employees, attorneys, auditors and accountants (other than Arthur Andersen), underwriters, insurers, financial or investment advisors (other than Bear Stearns) or agents, assigns, heirs, executors, trustees, general or limited partners or partnerships, personal representatives, estates or administrators of each.

“Lead Plaintiff’s Released Persons” shall mean and include the Lead Plaintiff, and all other Settlement Class Members, Alan G. Hevesi, Comptroller of the State of New York, the New York State and Local Retirement Systems and the past, present, or future officers and employees of any of the foregoing and their predecessors, successors and assigns, and the heirs, administrators, executors and personal representatives of each, their respective present and former parents, subsidiaries, divisions and affiliates, the present and former employees, officers and directors of each of them, the present and former attorneys, accountants, insurers, and agents of each of them, and the predecessors, heirs, successors and assigns of each and any person or entity in which the Lead Plaintiff and all other Settlement Class Members has or had a controlling interest or which is or was related to or affiliated with the Lead Plaintiff and all other Settlement Class Members.

The term Released Persons does not include Arthur Andersen or Bear Stearns.

(i) “Released Claims” means and includes:

1. any and all claims, causes of action, demands, rights, or liabilities (including but not limited to claims for violation of the federal securities laws, negligence, gross negligence, professional negligence, breach of duty of care, breach of duty of loyalty, breach of the duty of candor, fraud, breach of fiduciary duty, mismanagement, corporate waste, malpractice, breach of contract, negligent misrepresentation, violations of the statutes of any state including, without limitation, the California Corporations Code and California Business & Professions Code and its Delaware and Georgia equivalents and the RICO statutes of any state, or federal statutes, rules or regulations, and any “Unknown Claims” as defined below) that have been or that could have been asserted in this or any other forum by or on behalf of the Lead Plaintiff or Settlement Class Members based on, arising out of, in connection with, or related in any way to their holding, voting, purchase or other acquisition of McKesson’s or HBOC’s securities during the Settlement Class Period, including by way of example and not limitation any claims that have been acquired or may in the future be acquired by the Lead Plaintiff or any member of the Settlement Class by subrogation, assignment or in any other manner from Arthur Andersen or Bear Stearns arising from or related to the subject matter of the Litigation. By way of example and not limitation, Released Claims shall include claims, causes of action, demands, rights, or liabilities based on, arising out of, in connection with, or relating in any way to Settlement Class Members’ holding, voting, purchase or other acquisition of McKesson’s or HBOC’s securities during the Settlement Class Period, such as:
 - a. any of the facts, circumstances, allegations, representations, statements, reports, disclosures, transactions, events, occurrences, acts, omissions or failure to act, of whatever kind or character, irrespective of the state of mind of the actor performing or omitting to perform, that have been or could have been alleged in any pleading, amended pleading, argument, complaint, amended complaint, brief, motion, report, discovery response or filing in the Litigation;
 - b. any matter, cause or thing whatsoever, including but not limited to, any action, omission or failure to act of whatever kind or character, irrespective of the state of mind of the actor performing or omitting to perform the same, arising out of or relating to the adequacy, accuracy or completeness of any disclosure or statement made in any filings, proxy statements, prospectus, reports, press releases, statements, representations, analyst reports or announcements concerning McKesson’s or HBOC’s operations, subsidiaries, services, sales, revenues, income, costs, financial condition or prospects or in any filing with the United States Securities and Exchange Commission (“SEC”) or any other federal or state governmental agency or regulatory board (collectively referred to as “public statements”), or in the preparation or dissemination of, or failure to disseminate, any such public statements, at any time during or concerning January 20, 1997 through and including April 27, 1999; or
 - c. any of the facts, circumstances, representations, statements, reports, disclosures, transactions, events, occurrences, acts or omissions of whatever kind or character, regardless of the state of mind of the actor performing or omitting to perform the same encompassed by subparagraphs (a) and (b), above, that have been or that could have been alleged, or made the subject of any claim or action in state court or otherwise under the law of any state, common law or in equity, in any pleading, amended pleading, demand, complaint, amended complaint, motion, discovery response or filing.
 - d. Released Claims do not include existing derivative claims brought on behalf of McKesson and HBOC or claims that have been brought under the Employees Retirement Income Security Act (“ERISA”) in the action captioned, *In re McKesson HBOC, Inc. ERISA Litigation*, Case No. C-00-20030-RMW (N.D. Cal.).
 2. all claims whether known or Unknown Claims, asserted or unasserted by or on behalf of McKesson or HBOC against Lead Plaintiff; Alan G. Hevesi, Comptroller of the State of New York; the New York State and Local Retirement Systems and the past, present, or future officers and employees of any of the foregoing and their predecessors, successors and assigns, and the heirs, administrators, executors and personal representatives of each, Lead Counsel, Settlement Class Members, and all of their past, present or future officers, directors, associates, stockholders, controlling persons, representatives, employees, attorneys, underwriters, financial or investment advisors or agents, heirs, executors, trustees, general or limited partners or partnerships, personal representatives, estates or administrators, which have been or could have been asserted, whether under state, federal, common or administrative law, relating to the subject matter of the Litigation, including the institution or prosecution of the Litigation.
- (u) “Settlement” means the settlement of the Litigation between and among Lead Plaintiff, on behalf of itself and the Settlement Class, and McKesson and HBOC as set forth in the Stipulation.
- (v) “Settlement Amount” or “Settlement Fund” means \$960 million, plus interest earned as set forth in paragraph 9 of the Stipulation.

- (w) "Settlement Class" means all persons and entities who purchased or otherwise acquired publicly traded securities of HBO & Company 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 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. Excluded from the Settlement Class are: (i) defendants; (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.
- (x) "Settlement Class Member" means a member of the Settlement Class who does not submit a timely, signed request for exclusion.
- (y) "Settlement Class Period" means the period beginning January 20, 1997 through April 27, 1999, inclusive.
- (z) "Settlement Class Securities" means all publicly traded securities of McKesson or HBOC during the Settlement Class Period, including: (i) McKesson common stock and common stock options; (ii) HBOC common stock and common stock options; (iii) McKesson 6.60% Exchange Notes due 2000; (iv) McKesson 6-7/8% Exchange Notes due 2002; (v) McKesson 7.65% Exchange Debentures due 2027; (vi) McKesson 6.60% Notes due 2000; (vii) McKesson 6.875% Notes due 2002; (viii) McKesson 7.65% Debentures due 2027; (ix) McKesson 6.30% Exchange Notes due 2005; (x) McKesson 6.30% Notes due 2005; (xi) McKesson 6.40% Notes due 2008; (xii) McKesson Financing Company of Canada 6.55% Senior Notes due 2002; and (xiii) McKesson 4-1/2% Exchangeable Subordinated Debentures due 2004.
- (aa) "Settling Parties" or "Parties" means the Lead Plaintiff, McKesson and HBOC.
- (bb) "Stipulation" means the Stipulation and Agreement of Settlement Between Lead Plaintiff and Defendants McKesson HBOC, Inc. and HBO & Co., dated February 11, 2005.
- (cc) "Unknown Claims" means any Released Claims that McKesson, HBOC, Lead Plaintiff or any Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Persons, or might have affected his, her or its decision to enter into or not to object to this Settlement. With respect to any and all Released Claims, the parties hereto agree that, upon the Effective Date, McKesson, HBOC, and Lead Plaintiff shall expressly and each of the Settlement Class Members shall be deemed to have, and by operations of the Judgment shall have, expressly waived, the provisions, rights and benefits of California Civil Code §1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

McKesson and HBOC and Lead Plaintiff shall expressly and each of the Settlement Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code §1542. McKesson and HBOC and Lead Plaintiff and the Settlement Class Members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but Lead Plaintiff shall expressly and each Settlement Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law, or rule, without regard to subsequent discovery or existence of such different or additional facts. McKesson and HBOC and Lead Plaintiff acknowledge, and Settlement Class Members shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the Settlement of which this subparagraph is a part.

- 2. Any term not defined herein shall have the same definition as set forth in the Stipulation.

DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE

BY ORDER OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA.

Table A
HBO & Co. Common Stock

From	To	Purchases Per Share Amount	Sales Per Share Amount¹
1/21/1997	4/8/1997	0.57	0.57
4/9/1997	7/11/1997	1.14	1.14
7/14/1997	10/13/1997	1.60	1.60
10/14/1997	1/12/1998	2.07	2.07
1/13/1998	4/13/1998	2.53	2.53
4/14/1998	7/10/1998	5.83	5.83
7/13/1998	10/12/1998	5.83	5.83
10/13/1998	1/12/1999	9.48	9.48
1/13/1999	1/25/1999	9.48	9.48
1/26/1999	4/21/1999	12.25	12.25
4/22/1999	4/27/1999	12.30	12.30
4/28/1999	5/24/1999	1.70	1.70

¹ Amount per share for sales of HBO & Co. Common Stock from January 21, 1997 through January 12, 1999 and for sales of McKesson HBOC common stock (adjusted for exchange ratio) between January 12, 1999 and May 24, 1999.

Table B
McKesson or McKesson HBOC Stock

From	To	Per Share Amount
10/19/1998	1/25/1999	25.62
1/26/1999	4/21/1999	33.12
4/22/1999	4/27/1999	33.24
4/28/1999	5/24/1999	4.59

Table C
HBO & Co. Call Options

Expiration Date	Exercise Price	7/13/98		10/13/98		1/26/99		4/22/99		4/28/99	
		to	to	to	to	to	to	to	to	to	to
		10/12/98	1/25/99	4/21/99	4/27/99	4/21/99	4/27/99	4/27/99	4/27/99	5/24/99	5/24/99
May-99	20.00	343.50	412.31	412.31	412.31	412.31	412.31	412.31	412.31	na	na
May-99	22.50	na	219.36	219.36	219.36	219.36	219.36	219.36	219.36	na	na
May-99	25.00	73.11	73.11	73.11	73.11	73.11	73.11	73.11	73.11	na	na
May-99	27.50	na	3.26	3.26	3.26	3.26	3.26	3.26	3.26	na	na
May-99	30.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	na	na
May-99	32.50	na	0.00	0.00	0.00	0.00	0.00	0.00	0.00	na	na
May-99	35.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	na	na
Aug-99	22.50	na	na	na	310.20	310.20	310.20	310.20	310.20	11.09	11.09
Aug-99	25.00	na	203.34	203.34	203.34	203.34	203.34	203.34	203.34	10.81	10.81
Aug-99	27.50	na	97.18	97.18	97.18	97.18	97.18	97.18	97.18	3.69	3.69
Aug-99	30.00	na	37.98	37.98	37.98	37.98	37.98	37.98	37.98	0.00	0.00
Jan-00	25.00	259.19	293.60	293.60	293.60	293.60	293.60	293.60	293.60	18.69	18.69
Jan-00	30.00	155.54	155.54	155.54	155.54	155.54	155.54	155.54	155.54	3.13	3.13
Jan-00	35.00	41.48	41.48	41.48	41.48	41.48	41.48	41.48	41.48	0.32	0.32
Jan-01	25.00	320.65	378.44	378.44	378.44	378.44	378.44	378.44	378.44	43.32	43.32
Jan-01	30.00	231.86	231.86	231.86	231.86	231.86	231.86	231.86	231.86	11.83	11.83
Jan-01	35.00	115.00	115.00	115.00	115.00	115.00	115.00	115.00	115.00	12.36	12.36

Table E
McKesson or McKesson HBOC Call Options

Expiration Date	Exercise Price	10/19/98		1/26/99		4/22/99		4/28/99	
		to	1/25/99	to	4/21/99	to	4/27/99	to	5/24/99
May-99	55.00	na	1,055.35	na	1,055.35	1,055.35	na	na	
May-99	60.00	na	641.50	na	641.50	641.50	na	na	
May-99	65.00	274.61	274.61	274.61	274.61	274.61	na	na	
May-99	70.00	90.80	90.80	90.80	90.80	90.80	na	na	
May-99	75.00	29.95	29.95	29.95	29.95	29.95	na	na	
May-99	80.00	15.05	15.05	15.05	15.05	15.05	na	na	
May-99	85.00	3.75	3.75	3.75	3.75	3.75	na	na	
May-99	90.00	0.78	0.78	0.78	0.78	0.78	na	na	
May-99	95.00	0.13	0.13	0.13	0.13	0.13	na	na	
May-99	100.00	0.01	0.01	0.01	0.01	0.01	na	na	
Jun-99	60.00	na	730.44	730.44	730.44	730.44	0.00	0.00	
Jun-99	65.00	na	422.23	422.23	422.23	422.23	0.00	0.00	
Jun-99	70.00	na	228.75	228.75	228.75	228.75	0.00	0.00	
Aug-99	50.00	na	1,575.22	1,575.22	1,575.22	1,575.22	14.33	14.33	
Aug-99	55.00	na	1,257.42	1,257.42	1,257.42	1,257.42	24.02	24.02	
Aug-99	60.00	na	881.56	881.56	881.56	881.56	11.79	11.79	
Aug-99	65.00	584.81	584.81	584.81	584.81	584.81	0.00	0.00	
Aug-99	70.00	397.42	397.42	397.42	397.42	397.42	0.00	0.00	
Aug-99	75.00	256.47	256.47	256.47	256.47	256.47	3.05	3.05	
Aug-99	80.00	160.82	160.82	160.82	160.82	160.82	1.51	1.51	
Aug-99	85.00	105.30	105.30	105.30	105.30	105.30	0.06	0.06	
Aug-99	90.00	6.52	6.52	6.52	6.52	6.52	0.39	0.39	
Nov-99	55.00	na	na	na	na	1,272.44	24.04	24.04	
Nov-99	60.00	na	1,051.77	1,051.77	1,051.77	1,051.77	23.69	23.69	
Nov-99	65.00	na	798.64	798.64	798.64	798.64	11.46	11.46	
Nov-99	70.00	na	604.11	604.11	604.11	604.11	12.17	12.17	
Nov-99	75.00	na	452.14	452.14	452.14	452.14	5.53	5.53	
Jan-00	60.00	na	1,107.17	1,107.17	1,107.17	1,107.17	49.14	49.14	
Jan-00	65.00	na	920.00	920.00	920.00	920.00	36.48	36.48	
Jan-00	70.00	na	723.19	723.19	723.19	723.19	24.13	24.13	
Jan-00	75.00	na	600.46	600.46	600.46	600.46	18.53	18.53	
Jan-00	80.00	na	387.54	387.54	387.54	387.54	11.89	11.89	
Jan-01	60.00	na	1,391.39	1,391.39	1,391.39	1,391.39	97.05	97.05	
Jan-01	65.00	na	1,204.30	1,204.30	1,204.30	1,204.30	72.50	72.50	
Jan-01	70.00	na	1,018.59	1,018.59	1,018.59	1,018.59	78.84	78.84	
Jan-01	75.00	na	859.38	859.38	859.38	859.38	60.34	60.34	
Jan-01	80.00	na	593.17	593.17	593.17	593.17	54.85	54.85	

Table D
Sales of HBO & Co. Put Options
from July 13, 1998 through April 27, 1999

Expiration Date	Exercise Price	7/13/98		10/13/98		1/26/99		4/22/99		4/28/99	
		to	10/12/98	to	1/25/99	to	4/21/99	to	4/27/99	to	5/24/99
May-99	20.00	na	na	211.34	211.34	647.64	647.64	647.64	647.64	na	na
May-99	22.50	266.02	266.02	289.19	289.19	862.81	862.81	862.81	862.81	na	na
May-99	25.00	294.21	294.21	367.97	367.97	1,024.81	1,024.81	1,024.81	1,024.81	na	na
May-99	27.50	na	na	443.82	443.82	1,066.82	1,066.82	1,066.82	1,066.82	na	na
May-99	30.00	350.45	350.45	514.24	514.24	1,050.88	1,050.88	1,050.88	1,050.88	na	na
May-99	35.00	na	na	634.17	634.17	1,057.83	1,057.83	1,057.83	1,057.83	na	na
Aug-99	22.50	na	na	na	na	729.44	729.44	729.69	729.69	147.23	147.23
Aug-99	25.00	na	na	340.38	340.38	825.14	825.14	827.98	827.98	155.55	155.55
Aug-99	30.00	na	na	449.47	449.47	969.51	969.51	975.78	975.78	164.26	164.26
Jan-00	25.00	153.79	153.79	304.87	304.87	663.69	663.69	662.75	662.75	123.24	123.24
Jan-00	30.00	180.97	180.97	385.01	385.01	782.70	782.70	783.61	783.61	137.56	137.56
Jan-00	35.00	191.36	191.36	456.35	456.35	875.74	875.74	878.11	878.11	147.28	147.28
Jan-01	25.00	262.18	262.18	246.44	246.44	486.15	486.15	484.18	484.18	66.00	66.00
Jan-01	30.00	210.92	210.92	298.02	298.02	566.96	566.96	565.56	565.56	98.82	98.82
Jan-01	35.00	227.75	227.75	344.91	344.91	636.38	636.38	635.55	635.55	108.49	108.49

Table F
Sales of McKesson or McKesson HBOC Put Options

Expiration Date	Exercise Price	10/19/98 to 1/25/99	1/26/99 to 4/21/99	4/22/99 to 4/27/99	4/28/99 to 5/24/99
May-99	50.00	na	1,340.32	1,340.32	na
May-99	55.00	na	1,776.75	1,776.75	na
May-99	60.00	na	2,229.84	2,229.84	na
May-99	65.00	914.06	2,554.72	2,554.72	na
May-99	70.00	1,069.66	2,724.64	2,724.64	na
May-99	75.00	1,219.30	2,809.11	2,809.11	na
May-99	80.00	1,360.56	2,794.49	2,794.49	na
May-99	85.00	1,491.94	2,792.78	2,792.78	na
May-99	90.00	1,612.65	2,778.75	2,778.75	na
May-99	95.00	1,722.46	2,777.30	2,777.30	na
May-99	100.00	1,821.56	2,788.39	2,788.39	na
Jun-99	55.00	na	1,938.36	1,938.38	445.51
Jun-99	60.00	na	na	2,235.81	453.58
Jun-99	65.00	na	na	2,485.50	453.56
Aug-99	50.00	na	1,465.63	1,453.09	335.84
Aug-99	55.00	na	1,712.87	1,706.57	369.34
Aug-99	60.00	na	1,937.36	1,937.11	394.51
Aug-99	65.00	860.40	2,137.16	2,142.34	413.00
Aug-99	70.00	na	2,312.32	2,322.12	426.38
Aug-99	75.00	1,086.50	2,464.16	2,477.70	435.95
Aug-99	80.00	1,192.56	2,594.66	2,611.09	442.75
Aug-99	85.00	1,293.08	2,706.10	2,724.64	447.56
Aug-99	90.00	1,387.77	2,800.78	2,820.79	450.96
Nov-99	60.00	na	1,695.67	1,690.95	332.70
Nov-99	65.00	na	na	1,856.60	353.48
Nov-99	70.00	na	2,006.47	2,007.39	370.88
Nov-99	75.00	na	na	2,143.78	385.40
Jan-00	60.00	na	1,578.48	1,572.82	303.97
Jan-00	70.00	na	1,857.43	1,855.86	341.20
Jan-00	75.00	na	1,980.16	1,980.49	356.21
Jan-00	80.00	na	2,092.43	2,094.53	369.22
Jan-01	60.00	na	1,176.34	1,170.22	214.20
Jan-01	70.00	na	1,355.73	1,350.67	241.39
Jan-01	75.00	na	1,438.15	1,433.66	253.51
Jan-01	80.00	na	1,516.05	1,512.14	264.75

Table G
McKesson or McKesson HBOC Debt and Preferred Securities

Security	10/19/98 to 1/25/99	1/26/99 to 4/21/99	4/22/99 to 4/27/99	4/28/99 to 5/24/99
McKesson 4.5% Exchangeable Subordinated Debentures Due 2004	16.81	21.74	21.81	21.06
McKesson 6.30% Notes and Exchange Notes Due 2005	9.47	12.24	12.28	10.46
McKesson 6.40% Notes and Exchange Notes Due 2008	38.81	50.17	50.35	45.59
McKesson Financing Company of Canada 6.55% Senior Notes Due 2002	8.21	10.61	10.65	3.79
McKesson 6.60% Notes and Exchange Notes Due 2000	-	-	-	-
McKesson 6.875% Notes and Exchange Notes Due 2002	8.75	11.31	11.35	7.69
McKesson 7.65% Notes and Exchange Debentures Due 2027	5.85	7.57	7.60	1.45
McKesson Financing Trust 5% Convertible Preferred Securities Due 2027	23.86	30.85	30.96	2.96