

In re McKesson Corporation Derivative Litigation

COURT: United States District Court for the Northern District of California
CASE NUMBER: 4:17-cv-01850-CW
CASE LEADERS: Mark Lebovitch
CASE TEAM: Alla Zayenchik

This derivative action was brought by several stockholders of McKesson in the United States District Court, Northern District of California, Oakland Division, against current and former officers and directors of McKesson Corporation (“McKesson” or the “Company”). BLB&G represented both the Police & Fire Retirement System City of Detroit and Amalgamated Bank, as Trustee for Longview Largecap 500 Index Fund and Longview Largecap 500 Index VEBA Fund. As set forth below, the parties reached a settlement of \$175 million plus substantial corporate governance reforms.

The Complaint alleged breaches of fiduciary duties by the Company’s board of directors and senior executive officers for failure to exercise oversight of McKesson’s compliance with the Controlled Substances Act and related regulations (collectively “the CSA”), as well as a 2008 settlement with the Drug Enforcement Administration (“DEA”). The relevant provisions of the CSA and the 2008 DEA settlement were specifically designed to prevent the diversion of controlled substances, including by requiring McKesson to have a monitoring system for suspicious orders of controlled substances and also to report the suspicious orders to the DEA. The Complaint alleged that McKesson failed to comply with the CSA or the 2008 DEA settlement, and as a result, entered into a 2017 settlement with the DEA and the United States Department of Justice (“DOJ”). McKesson paid \$150 million as part of the 2017 settlement with the DEA and DOJ and its licenses to distribute controlled substances were temporarily suspended at certain of its distribution facilities. In addition, McKesson was sued in the National Opioid MDL, for contributing to the national opioid crisis by failing to comply with the CSA and failing to report suspicious orders. As a result, Plaintiffs sought to hold Defendants liable for their breaches of fiduciary duty, which have already caused substantial damages to the Company, injury to its reputation, and subjected it to numerous investigations and lawsuits.

On May 14, 2018, the Court entered an order denying the defendants’ motion to stay, and denying in part and granting in part the defendants’ motion to dismiss. Click [here](#) for a copy of the decision. The Defendants moved for partial reconsideration of the decision denying the motion to dismiss. On June 21, 2018, the Court denied that motion. On September 12, 2018, the plaintiffs filed a second amended complaint. Click [here](#) for a copy of the Complaint.

McKesson set up a Special Litigation Committee (“SLC”), and on September 17, 2018, the SLC moved to stay the Action. After briefing and oral argument, on November 13, 2018, the Court denied the SLC’s motion to stay, except for delaying the start of depositions. Click [here](#) for a copy of the decision. Following this decision, the parties commenced discovery.

On December 27, 2019, the Plaintiffs submitted a motion for preliminary approval of a proposed settlement of \$175 million, plus substantial corporate governance reforms. Click [here](#) for a copy of the stipulation of settlement. The Court granted preliminary approval of the proposed settlement on January 31, 2020, and scheduled the final approval hearing for April 21, 2020. Click [here](#) for the preliminary approval order, [here](#) for the revised short form

notice, and [here](#) for the revised long form notice. On April 21, 2020, the Court conducted the final approval hearing by telephone and granted final approval of the settlement. Click [here](#) for a copy of the final judgement.

Case Documents

- April 22, 2020 - Final Judgement and Order Approving Settlement
- April 10, 2020: Order Regarding Hearing On Motion For Final Approval Of Settlement And Motion For Attorneys' Fees
- January 31, 2020: Preliminary Approval of Settlement
- January 31, 2020: Notice of Proposed Settlement
- January 31, 2020: Summary Notice
- December 27, 2019: Notice of Motion and Motion for Preliminary Approval of Settlement
- November 13, 2018: Order Granting in Part and Denying in Part Motion to Stay
- September 12, 2018: Verified Shareholder Derivative Second Consolidated Amended Complaint
- May 14, 2018: Order Denying Motion to Stay and Denying in Part and Granting in Part Motions to Dismiss