BLB&G Bernstein Litowitz Berger & Grossmann LLP

In re McKesson HBOC, Inc. Securities Litigation

COURT:	United States District Court, Northern District of California
CASE NUMBER:	99-cv-20743
JUDGE:	Hon. Ronald M. Whyte
CLASS PERIOD:	10/18/1998 - 04/27/1999
CASE CONTACTS:	Max W. Berger

BLB&G is Co-Lead Counsel for Lead Plaintiff, the New York State Common Retirement Fund, in this securities fraud action on behalf of all persons and entities: (i) who purchased or otherwise acquired publicly traded securities of HBO & Company ("HBOC") during the period from January 20, 1997 through January 12, 1999, inclusive; (ii) who purchased or otherwise acquired publicly traded securities or call options, or who sold put options, of McKesson or of McKesson HBOC, Inc. (collectively the "Company") during the period from October 18, 1998 through and including April 27, 1999; and (iii) who held McKesson common stock on November 27, 1998 and still held those shares on January 12, 1999, who were injured thereby.

BLB&G RECOVERS MORE THAN $1.05 BILLION FOR MCKESSON INVESTORS

In a series of partial settlements with various defendants, BLB&G has successfully recovered over $1.05 billion for the class. The settlements include payouts of $960 million from McKesson, $10 million from Bear Stearns, and a total of $82 million from Arthur Andersen.

Background

The Complaint alleges that, during the Class Period, defendants issued materially false and misleading statements to the investing public concerning HBOC's and McKesson HBOC's financial results, which had the effect of artificially inflating the prices of HBOC's and the Company's securities. On April 28, 1999, the Company issued the first of several press releases which began to reveal the truth about the financial results and operations of HBOC and McKesson HBOC, i.e., that it had identified revenues improperly recognized during the fiscal year ended March 31, 1999, and that it was possible that additional improperly recognized revenues would be identified. On July 14, 1999, the Company announced that it was restating $327.8 million of revenue improperly recognized in the HBOC segment of its business during the fiscal years ending March 31, 1997, 1998 and 1999.

On January 8, 2002 and on January 6, 2003, the District Court, in separate orders, substantially upheld investors' claims against McKesson HBOC, HBOC, Arthur Andersen, Bear Stearns and certain top officers at McKesson and HBOC.

Separately, McKesson counter-sued the Common Retirement Fund and former HBOC shareholders, alleging that these investors were unjustly enriched when they received fully-valued McKesson shares in exchange for HBOC shares that were overvalued due to accounting improprieties at HBOC. The District Court, however, dismissed the counter-claim.

On August 13, 2003, the Ninth Circuit Court of Appeals affirmed the dismissal of McKesson's claims, essentially ending McKesson's attempts to hold shareholders individually liable for corporate acts which were neither known nor countenanced by them. According to the Ninth Circuit, McKesson has "potential legal claims against any number of parties who, unlike the former shareholders, actually played a substantial role in the decision" to merge with HBOC, including "the phalanx of investment bankers, lawyers, auditors, accountants and other advisors associated with the transaction." Moreover, "[t]he sanctity of the corporate entity, as well as the policies mitigating against subjecting individual shareholders of a public company to a liability for a merger gone bad, defeat McKesson's effort to turn corporate law inside out."

MCKESSON AGREES TO PAY $960 MILLION

On January 12, 2005, after more than five years of litigation, the New York State Comptroller and sole trustee of the Common Retirement Fund announced that McKesson had agreed to pay $960 million in cash to settle all claims asserted against it and its subsidiary, the former HBO & Company. This is one of the largest securities class action settlements in history and the largest settlement ever of any securities class action within the courts of the Ninth Circuit.

According to the Comptroller, "This settlement is an extraordinary result for investors, and will serve to deter future violations of the securities laws in the context of a merger or acquisition between two public companies—I'm pleased that the New York State Pension Fund can once again play a role in helping thousands of investors."

A final approval hearing was held on February 24, 2006 before the Honorable Ronald M. Whyte. On February 24, 2006, the Court granted final approval of Lead Plaintiff's $960 million settlement with McKesson and HBOC. However, non-settling defendant Bear Stearns & Co. Inc. appealed the order approving the settlement to the Ninth Circuit Court of Appeals.

ANDERSEN AGREES TO PAY $72.5 MILLION TO SETTLE ALL CLAIMS

On December 19, 2006, the New York State Common Retirement Fund entered into a settlement with Arthur Andersen wherein Andersen agreed to pay $72.5 million in cash, as well as a contingent payment based on certain future payments to Andersen, to settle all claims asserted against it. This settlement brought the total recovery to more than $1 billion for distribution to eligible Settlement Class Members. A final approval hearing was held on April 13, 2007 before the Honorable Ronald M. Whyte. On April 13, 2007, the Court granted final approval of Lead Plaintiff's $72.5 million settlement with Andersen.

SETTLEMENT WITH BEAR STEARNS BRINGS TOTAL RECOVERY TO OVER $1.04 BILLION

Trial on the claim remaining against Bear Stearns & Co. Inc. was scheduled to begin on October 10, 2007. On or about September 25, 2007, however, Bear Stearns, McKesson and Lead Plaintiff entered into a three-way settlement agreement that resolved the remaining claim against Bear Stearns for a payment to the class of $10 million. Pursuant to the agreement, Bear Stearns also agreed to withdraw its pending appeal of the prior $960 million settlement between Lead Plaintiff and McKesson.

On September 28, 2007, the Court entered an order vacating the trial date and granting preliminary approval of the settlement with Bear Stearns. On October 17, 2007, pursuant to Stipulation, the Ninth Circuit issued its mandate dismissing Bear Stearns' appeal with prejudice. On January 18, 2008, the Honorable Ronald M. Whyte granted final approval of the settlement with Bear Stearns.

Pursuant to the Court's Order dated February 14, 2008, an initial distribution of the Net Settlement Funds was made on May 16, 2008.

On January 23, 2009, Lead Plaintiff filed its motion for further distribution of the Net Settlement Funds, seeking Court approval to distribute all remaining funds to authorized claimants. On April 27, 2009, the Court granted Lead Plaintiff's motion and directed distribution of the remaining Net Settlement Funds to authorized claimants in accordance with the Order. On October 8, 2009, the Claims Administrator commenced mailing distribution checks to Authorized Claimants.

On October 11, 2011, Third Distribution checks were mailed to Authorized Claimants who previously cashed their distribution checks.

ANDERSEN PAYS AN ADDITIONAL $9.5 MILLION IN CASH TO CLASS MEMBERS

On February 8, 2013, the Court approved a supplemental settlement with Arthur Andersen LLP for $9.5 million to satisfy the contingent payment clause inserted in the initial $72.5 million settlement in 2006.

On October 21, 2013, Fourth Distribution checks, which included the proceeds of the supplemental settlement with Arthur Andersen LLP, were mailed to Authorized Claimants who cashed their previous distribution checks and whose *pro rata* share of the Fourth Distribution was at least $10.