MCKESSON CORP
Form 11-K
September 22, 2010

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**File No. 001-13252**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**FORM 11-K**

*(Mark One)*

þ **ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended March 31, 2010**

**OR**

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from __________ to __________**

**A. Full title of the plan and address of the plan, if different from that of the issuer named below:**

**McKesson Corporation Profit-Sharing Investment Plan**

**B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:**

**McKesson Corporation**
**McKesson Plaza**
**One Post Street, San Francisco, CA 94104**
**Telephone (415) 983-8300**

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**McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN**
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All other schedules required by Section 2520.103-10 of the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

McKesson Corporation Profit-Sharing Investment Plan
San Francisco, California

We have audited the accompanying statements of net assets available for benefits of the McKesson Corporation Profit-Sharing Investment Plan (the Plan ) as of March 31, 2010 and 2009, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit for its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of March 31, 2010 and 2009, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan s management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2010 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ Deloitte & Touche LLP
San Francisco, California
September 21, 2010

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**McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN**
**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**
**(In thousands)**

| | March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | | 2009 | | |
| | Participant Directed | Non-Participant Directed | Plan Total | Participant Directed | Non-Participant Directed | Plan Total |
| **ASSETS** | | | | | | |
| Cash and cash equivalents | | | | | | |
| Allocated | $ | $ 2,886 | $ 2,886 | $ | $ 2,107 | $ 2,107 |
| Unallocated | | 76,949 | 76,949 | | 14 | 14 |
| Total cash & cash equivalents | | 79,835 | 79,835 | | 2,121 | 2,121 |
| Investments at Fair Value | | | | | | |
| Mutual funds and Fidelity BrokerageLink | 474,411 | | 474,411 | 555,801 | | 555,801 |
| Common/ collective trusts | 372,248 | | 372,248 | 181,344 | | 181,344 |
| Separately managed accounts | 361,326 | | 361,326 | 92,402 | | 92,402 |
| BNY Mellon Stable Value Portfolio | 216,040 | | 216,040 | 133,528 | | 133,528 |
| Participant loans | 30,244 | | 30,244 | 26,871 | | 26,871 |
| McKesson Corp. common stock | | | | | | |
| Allocated | | 443,996 | 443,996 | | 270,485 | 270,485 |
| Unallocated | | | | | 2,328 | 2,328 |
| Employee stock fund | 67,715 | | 67,715 | 37,027 | | 37,027 |
| Total Investments at Fair Value | 1,521,984 | 443,996 | 1,965,980 | 1,026,973 | 272,813 | 1,299,786 |
| Receivables | | | | | | |
| Dividends and interest on | | | | | | |
| Allocated | | 831 | 831 | | 902 | 902 |
| Unallocated | | | | | 8 | 8 |
| Due from broker for securities sold allocated | | 17 | 17 | | | |
| Total receivables | | 848 | 848 | | 910 | 910 |
| Total assets | 1,521,984 | 524,679 | 2,046,663 | 1,026,973 | 275,844 | 1,302,817 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | |
| ESOP promissory notes payable on unallocated stock | | | | | 869 | 869 |
| Accrued interest unallocated stock | | | | | 38 | 38 |
| Accrued other | | 927 | 927 | | 1,052 | 1,052 |
| Total liabilities | | 927 | 927 | | 1,959 | 1,959 |
| Net Assets Available for Benefits at Fair Value | 1,521,984 | 523,752 | 2,045,736 | 1,026,973 | 273,885 | 1,300,858 |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts | (3,134) | | (3,134) | 6,469 | | 6,469 |
| Net Assets Available for Benefits | $ 1,518,850 | $ 523,752 | $ 2,042,602 | $ 1,033,442 | $ 273,885 | $ 1,307,327 |

*See Financial Notes*

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**McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN**
**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**
**(In thousands)**

| | Years Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | | 2009 | | |
| | Participant Directed | Non-Participant Directed | Plan Total | Participant Directed | Non-Participant Directed | Plan Total |
| INVESTMENT INCOME (LOSS) | | | | | | |
| Net appreciation (depreciation) in fair value of investments | $ 392,793 | $ 227,300 | $ 620,093 | $ (476,184) | $ (129,919) | $ (606,103) |
| Dividends and interest | 22,714 | 3,504 | 26,218 | 34,504 | 3,653 | 38,157 |
| Total Investment income (loss) | 415,507 | 230,804 | 646,311 | (441,680) | (126,266) | (567,946) |
| SECURITIES LITIGATION SETTLEMENT PROCEEDS | 42,532 | 76,949 | 119,481 | | | |
| CONTRIBUTIONS | | | | | | |
| Participants | 120,089 | | 120,089 | 123,628 | | 123,628 |
| Employer | 58 | 899 | 957 | | 53,812 | 53,812 |
| Total contributions | 120,147 | 899 | 121,046 | 123,628 | 53,812 | 177,440 |
| DEDUCTIONS | | | | | | |
| Benefits paid to participants | 130,765 | 25,980 | 156,745 | 98,451 | 21,092 | 119,543 |
| Interest expense | | 14 | 14 | | 111 | 111 |
| Administrative fees | 604 | 103 | 707 | 640 | 90 | 730 |
| Total deductions | 131,369 | 26,097 | 157,466 | 99,091 | 21,293 | 120,384 |
| Increase (decrease) in Net Assets Before Transfers and Mergers | 446,817 | 282,555 | 729,372 | (417,143) | (93,747) | (510,890) |
| Transfers to participant directed investments | 32,688 | (32,688) | | 23,091 | (23,091) | |
| Merger of net assets from other plans | 5,903 | | 5,903 | 1,657 | | 1,657 |
| Increase (decrease) in Net Assets | 485,408 | 249,867 | 735,275 | (392,395) | (116,838) | (509,233) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net Assets at beginning of year | 1,033,442 | 273,885 | 1,307,327 | 1,425,837 | 390,723 | 1,816,560 |
| Net Assets at end of year | $ 1,518,850 | $ 523,752 | $ 2,042,602 | $ 1,033,442 | $ 273,885 | $ 1,307,327 |

*See Financial Notes*

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## McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN FINANCIAL NOTES

### 1. Plan Description

The following brief description of the McKesson Corporation Profit-Sharing Investment Plan (the PSIP or the Plan ) is provided for general information purposes only. Participants should refer to the Plan document for more complete information. The PSIP is a defined contribution plan covering all persons who have completed two months of service and are regular or part-time employees, or are casual employees who have completed a year of service in which they worked at least 1,000 hours in a year, at McKesson Corporation (the Company or McKesson ) or a participating subsidiary, except employees covered by a collectively bargained pension plan. The Plan s year is defined as April 1st to March 31st. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ( ERISA ).

Fidelity Management Trust Company ( Fidelity ) is the trustee of the Plan.

The Plan is comprised of Participant Directed and Non-Participant Directed Investments, as described below:

***A Participant Directed Investments***

*Contributions:* The Plan qualifies as a safe harbor plan as described in Internal Revenue Code sections 401(k)(12) and 401(m) (11). Participants may make pretax and/or Roth 401(k) contributions from 1% to 20% of eligible pay, limited to $16,500 for calendar year 2010 and calendar year 2009. Total contributions are limited to the lesser of $49,000 for calendar year 2010 and calendar year 2009 or 100% of taxable compensation per calendar year. Participants 50 years of age or older may also elect to make pretax and/or Roth 401(k) catch-up contributions of up to 67% of pay, limited to $5,500 for calendar year 2010 and calendar year 2009. Participants may also contribute amounts representing distributions from other qualified plans.

*Participant Accounts:* Individual accounts are maintained for each Plan participant. Each participant s account is credited with the participant s contribution and an allocation of earnings, and charged with withdrawals and an allocation of losses and administrative expenses. Allocations are based on participant earnings, or account balances, as defined in the Plan document. The participant is entitled to a benefit upon retirement or separation from employment based upon the vested portion of the participant s account.

*Vesting:* Participant contributions and earnings are 100% vested at all times.

*Investment Options:* Upon enrollment in the PSIP, a participant may direct contributions in 1% increments to any of the investments within the Plan. Effective August 2009, the mutual fund window was closed to new contributions and Vanguard target retirement funds were added as default investment funds; in addition, the Plan added Fisher Investments Small Cap Value Portfolio, Cadence Small Cap Growth Portfolio and PSIP International Equity Portfolio as its core funds. Effective March 15, 2010, the Plan closed the mutual fund window and the following core funds: SSgA Balanced Fund, Wellington Management Small Cap Portfolio and Fidelity Diversified International Fund. The following are descriptions from each fund s prospectus or fund manager s report:

*BNY Mellon Stable Value Portfolio* invests in fixed-income investments issued by life insurance companies and financial institutions. This is a separately managed account, not a mutual fund.

*McKesson Employee Stock Fund* (the Employee Stock Fund ) represents shares invested in Company common stock with participant contributions and transfers from the Allocated Employer Stock Fund. See description of Allocated Employer Stock Fund in Section B, Non-Participant Directed Investments.

*SSgA Bond Index Fund* is a commingled pool that seeks to provide investment results that correspond to the total return of the bonds in the Barclays Capital U.S. Aggregate Bond Index (formerly known as the Lehman Brothers Aggregate Bond Index).

*Fisher Investments Small Cap Value Portfolio* invests primarily in stocks of companies that are part of the Russell 2000 Value Index. This is a separately managed account, not a mutual fund.

*Cadence Small Cap Growth Portfolio* invests primarily in small-cap companies with market values under $2.5 billion that are a part of the Russell 2000. This is a separately managed account, not a mutual fund.

*SSgA S&P 500 Index Fund* is a commingled pool that invests in stocks in the benchmark S&P 500 Index and attempts to duplicate the investment results of that index.

**McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN**
**FINANCIAL NOTES (Continued)**

*Dodge & Cox Large Cap Value Portfolio* invests in the common stock of companies where the fund managers believe the long-term earnings prospects are not reflected in the current price. This is a separately managed account, not a mutual fund.

*PSIP International Equity Portfolio* is a mix of two mutual funds that invest 80% in units of Fidelity Diversified International Fund (FDIVX) and 20% in units of Eaton Vance Structured Emerging Market Fund Class I Shares (EIEMX).

*Rainier Large Cap Growth Portfolio* invests primarily in the common stock of large companies, with a goal of long-term capital growth. This is a separately managed account, not a mutual fund.

*Vanguard Target Retirement Funds* provide access to 11 mutual fund options designed for investors expecting to retire around the year indicated in each fund s name. The funds are managed to gradually become more conservative over time.

*Mutual Fund Window* provides access to approximately 260 mutual fund options from more than 20 investment companies. Effective August 2009, the Mutual Fund Window was closed to new contributions. Participants were given until March 15, 2010, to transfer their existing balances in the Mutual Fund Window to PSIP core options, Vanguard Target Retirement funds or Fidelity s BrokerageLink. Any remaining balances were automatically transferred to appropriate core options or Vanguard Target Retirement funds on March 15, 2010.

*Fidelity BrokerageLink* provides access to a discount brokerage account which allows participants to develop a self-directed brokerage option.

*Loans:* Participants may apply for a loan from the Plan. The total amount owed to the Plan by an individual participant cannot exceed the lowest of: (i) 50% of such participant s vested account balance, (ii) $50,000 as adjusted for certain items specified in the Plan document, or (iii) the value of the participant s account attributable to basic, supplemental, catch-up and rollover contributions. Most loans bear interest at the then current prime rate of interest on the loan date plus 1%. Contractual interest rates ranged from 4% to 11% in fiscal 2010 and 2009. Loans may be repaid over a period not to exceed 5 years, except for residential loans, which must not exceed a term of 10 years. Principal repayments and interest are paid through payroll deductions. For participants who have been terminated or are on leave and are no longer receiving a paycheck, loan repayments may be made via electronic fund transfers or monthly coupon payments. Participant loans totaled $30,244,000 and $26,871,000 at March 31, 2010 and 2009.

*Payment of Benefits:* Participants have the right to receive a total distribution of the value of their vested PSIP account at the time of retirement, death, disability or termination of employment. In general, benefit payments are made in a lump sum cash amount, but participants also may elect a distribution in-kind and/or in the form of installments. Former employees may remain participants in the Plan.

*Transfers from Other Qualified Plans:* In October 2009, the net assets from Edwards Medical Supply, Inc. Employee 401(k) Savings Plan and Trust totaling $5,903,000 were merged into the Plan. In March 2009, the net assets from McQueary Brothers Drug Company 401(k) Profit Sharing Plan totaling $1,657,000 were merged into the Plan.

***B Non-Participant Directed Investments***

*General:* The McKesson Employer Company Stock Funds (Allocated and Unallocated) (the Employer Stock Funds ) consist of a leveraged Employee Stock Ownership Plan ( ESOP ). Generally, the Allocated fund represents shares that have been allocated to participants through employer matching contributions and have not yet been directed to other investment options by the participants. This fund is classified as non-participant directed because only the Company can direct shares into this account. The Unallocated fund represents ESOP shares to be used for future employer matching contributions. Participants can transfer employer matching contributions from the allocated fund to other participant directed investments, including the Employee Stock Fund, as soon as they are made. Total transfers to the participant directed investments for the years ended March 31, 2010 and 2009 were $32,688,000 and $23,091,000.

On October 9, 2009, the Plan s ESOP received its share of the Consolidated Securities Litigation Action settlement proceeds as described in Note 8. Approximately $77 million of the proceeds were attributable to the unallocated shares (the Unallocated Proceeds ) of McKesson common stock held by the Plan in an ESOP suspense account. The receipt of the Unallocated Proceeds by the Plan was a reimbursement for the loss in value of the Company s common stock held by the Plan in its ESOP suspense account during the Consolidated Securities Litigation Action class-holding period and not a contribution made by the Company to the Plan or ESOP. In accordance with Plan terms, in April 2010, the entire $77 million of Unallocated Proceeds were allocated to all current Plan participants, to fulfill the Plan s obligation for the year. Of the $77 million in Unallocated Proceeds, the Plan allocated $51 million to the ESOP as a matching contribution and $26 million as a discretionary contribution. In addition, in accordance with the Plan s terms, the Plan contributed $4,399,000, in ESOP contributions for the Plan year ending March 31, 2010. The Internal Revenue Code requires that shares be released for employer contributions according to a formula based on debt service payments under the leveraged ESOP component of the Plan.

**McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN**
**FINANCIAL NOTES (Continued)**

In fiscal 2010, Plan matching contributions were funded with 66,444 in shares and $32,000 in cash from the ESOP, and $51,129,000 from the Unallocated Proceeds received from the Consolidated Securities Litigation Action, see Note 8. Fiscal year 2009 Plan matching contributions of $55,539,000 were funded with 81,000 in shares from the ESOP, 462,000 in share contributions and $30,800,000 in cash, both directly from the Company. Effective June 2009, the Plan was amended to allow employer cash contributions and income to be retained in cash or cash equivalent investments within the Plan. Following the amendment, the current year Plan s match contributions were allocated in April 2010 in cash and subsequently invested in the participant directed funds according to participants elections.

*Employer Matching Contributions to Participant Accounts:* Effective April 1, 2009, the timing of the employer matching contribution was changed from monthly to annually, and allocated to participants accounts as soon as administratively feasible following the last business day of the Plan year. Prior to April 2009, the employer matching contribution was made as of the last business day of each month throughout the fiscal year. Effective April 1, 2009, the Plan was amended to allow participants accounts to be credited with employer matching contributions in cash. Prior to April 2009, participant accounts were credited with matching Company contributions, primarily in the form of the Company s common stock. Effective April 1, 2005, the Plan provides for Company matching contributions to all participants who make elective deferrals in an amount equal to 100% of the employee s deferral for the first 3% of pay deferred and 50% of the employee s deferral for the next 2% of pay deferred. An additional annual matching contribution may be granted to Plan participants at the discretion of the Company. The Plan was amended effective April 1, 2007, to provide for a true-up matching employer contribution, the amount equal to the difference between (1) a participant s matching contribution determined based on the participant s compensation and eligible contributions for the entire Plan Year and (2) the amount of the participant s matching contribution contributed to the Plan on a monthly basis for the Plan Year.

*Employer Contributions:* Dividends on unallocated shares of Company common stock are used to pay the obligations under the ESOP loans. Under the terms of the loan agreements, the Company is required to make cash contributions to the extent that the dividends are not sufficient to service the debt. To pay down such debt obligations, cash contributions amounted to $899,000 and $2,436,000 in the years ended March 31, 2010 and 2009.

*Vesting:* Employer contributions made on or after April 1, 2005 are 100% vested immediately. Employer contributions made before April 1, 2005 vest ratably over five years of service (20% vests each year over five years). Generally, for employer contributions made before April 1, 2005, 100% vesting is provided upon retirement, disability, death, termination of the Plan, or a substantial reduction in work force initiated by the Company for affected participants. Dividends automatically reinvested in McKesson common stock on and after January 1, 2003 are also 100% vested at all times.

*Forfeitures:* A rehired employee who has met certain levels of service prior to termination may be entitled to have forfeited interests in the PSIP reinstated. Each fiscal year, forfeited interests are used to reinstate previously forfeited amounts of rehired employees and to pay other Plan expenses as appropriate. Forfeitures for the years ended March 31, 2010 and 2009 of employer contributions made before April 1, 2005 were $570,000 and $430,000.

*Diversification of Stock Fund:* Participants may transfer Company contributions to other investment funds as soon as they are made. In addition, participants may diversify past Company contributions without restrictions.

*Payment of Benefits:* Distributions are made only upon a participant s retirement, death (in which case, payment shall be made to the participant s beneficiary), or other termination of employment with the Company. Distributions are made in cash or, if a participant elects a distribution in-kind, in the form of Company common shares plus cash for any fractional share.

**McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN**
**FINANCIAL NOTES (Continued)**

*McKesson Employer Stock Funds (Allocated and Unallocated):* The following is information regarding the shares of McKesson common stock at fair value held as of March 31 (in thousands):

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Number of Shares | Cost Basis | Fair Value of Shares | Number of Shares | Cost Basis | Fair Value of Shares |
| Allocated | 6,756 | $ 241,272 | $ 443,996 | 7,719 | $ 276,973 | $ 270,485 |
| Unallocated | | | | 67 | 1,252 | 2,328 |
| Total | 6,756 | $ 241,272 | $ 443,996 | 7,786 | $ 278,225 | $ 272,813 |

The per share fair value of McKesson common stock at March 31, 2010 and 2009 was $65.72 and $35.04.

The following is a reconciliation of the allocated and unallocated net assets available for benefits for the Non-Participant Directed funds for the years ended March 31 (in thousands):

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Allocated | Unallocated | Total | Allocated | Unallocated | Total |
| Net Assets April 1 | $ 272,442 | $ 1,443 | $ 273,885 | $ 386,242 | $ 4,481 | $ 390,723 |
| Net (depreciation) appreciation | 225,261 | 2,039 | 227,300 | (128,665) | (1,254) | (129,919) |
| Dividends and interest | 3,472 | 32 | 3,504 | 3,599 | 54 | 3,653 |
| Securities litigation settlement proceeds | | 76,949 | 76,949 | | | |
| Employer contributions | | 899 | 899 | 51,376 | 2,436 | 53,812 |
| Benefits paid to participants | (25,980) | | (25,980) | (21,092) | | (21,092) |
| Interest expense | | (14) | (14) | | (111) | (111) |
| Administrative fees | (103) | | (103) | (90) | | (90) |
| Allocation of 67 shares, at market | 4,367 | (4,367) | | | | |
| Allocation of 81 shares, at market | | | | 4,163 | (4,163) | |
| Cash allocation | 32 | (32) | | | | |
| Transfers to participant directed investments | (32,688) | | (32,688) | (23,091) | | (23,091) |
| Net Assets March 31 | $ 446,803 | $ 76,949 | $ 523,752 | $ 272,442 | $ 1,443 | $ 273,885 |

## 2. Significant Accounting Policies

*Basis of Accounting:* The financial statements of the Plan are prepared in accordance with accounting principles generally accepted in the United States of America.

Investments held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit responsive investment contracts. The contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The statement of net assets available for benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit responsive investment contracts from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

*Cash Equivalents:* The Plan considers all highly liquid debt instruments with remaining maturities of less than three months at the date of purchase to be cash equivalents.

*Use of Estimates:* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Plan management to make estimates and assumptions that affect the reported amount of net assets available for benefits and changes therein. Actual results could differ from those estimates.

*Risk and Uncertainties:* The Plan utilizes various investment instruments including mutual funds, common collective trusts, separately managed accounts and guaranteed investment contracts. Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

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## McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN
## FINANCIAL NOTES (Continued)

*New Accounting Pronouncements:* In April 2009, new fair value guidance regarding *Disclosures Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* , was issued. The Plan adopted in the new guidance in April 2009, which required expanded disclosures and required that major categories for debt and equity securities in the fair value hierarchy table be determined on the basis of the nature and risks of the investments. The adoption of this new guidance did not have a material impact on the Plan s financial statements.

On April 1, 2009, the Plan adopted new guidance that permits entities to use a Net Asset Value ( NAV ) to estimate fair value, provided that the NAV is computed as of the date of the financial statements. The investments must be in an entity with all the attributes of an investment company and it cannot have a readily determinable fair value. The adoption of this new guidance did not have a material impact on the statements of net assets available for benefits and statements of changes in net assets available for benefits. See Note 4, Fair Value Measurement, for disclosures pursuant to this new guidance.

*Investment Valuation and Income Recognition:* The Plan s investments are stated at fair value. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in mutual funds are stated at quoted market prices, which represent the net asset value of shares held by the Plan at year-end. Investments in the Fidelity BrokerageLink are stated at quoted market prices. Investments in common collective trusts are stated at net asset value. Interests in separately managed funds are valued based on the underlying net assets.

Within the BNY Mellon Stable Value Portfolio ( Stable Value Portfolio or BNY ), traditional Guaranteed Investment Contracts ( GICs ) and Variable Synthetic GICs are stated at estimated fair value using discounted cash flows. Fixed Maturity Synthetic GICs are stated at estimated fair value based on market values of publicly traded bonds that are held as its underlying assets. Constant Duration Synthetic GICs are also held in the Stable Value Portfolio and are stated at estimated fair value based on market values.

Participant loans are valued at their outstanding loan balances, which approximates fair value. Shares of McKesson common stock are valued at quoted market prices on March 31, 2010 and 2009. Certain administrative expenses are allocated to the individual investment options based upon daily balances invested in each option and are reflected as a reduction of net appreciation in fair market value of investments. Consequently, these management fees and operating expenses are reflected as a reduction of investment return for such investments. All other activities are recorded in the Plan based on the elections of the individual participants in the Plan. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan s gains and losses on investments bought and sold as well as held during the year.

*Administrative Fees:* Administrative fees of the Plan are paid by either McKesson or the Plan, as provided by the Plan document.

*Benefits:* Benefits are recorded when paid.

### 3. Investments

The fair values of individual investments that represent 5% or more of the Plan s net assets at March 31 were as follows (in thousands):

| | **2010** | **2009** |
|---|---|---|
| McKesson Corporation Stock (Allocated, Unallocated and Employee Stock Fund) * | $ 511,711 | $ 309,840 |
| SSgA S&P 500 Index Fund | | |