McKesson Corporation
Profit-Sharing Investment Plan

PROSPECTUS
and
SUMMARY PLAN DESCRIPTION

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This document is intended to serve as both a Summary Plan Description ("SPD") and a Prospectus.

As a Prospectus, this document relates to shares of common stock, par value $.01 (the "Common Stock"), of McKesson Corporation ("McKesson") which may be offered to certain employees of McKesson and its participating subsidiaries (collectively, the "Company") under the McKesson Corporation Profit-Sharing Investment Plan (the "PSIP" or the "Plan").

This document also provides a summary of the main features of the PSIP, as of April 1, 2010. As both a Prospectus and SPD, this document does not contain, nor is it intended to contain, all of the terms and conditions of the official Plan document that is available from the McKesson Corporation Service Center (the "McKesson Service Center"). Accordingly, if there is any difference between the terms and conditions of the PSIP as described in this Prospectus/SPD and the provisions of the Plan document, the official Plan document will govern. Please read this Prospectus/SPD carefully. For a complete statement of all provisions, please refer to the official Plan document.

April 1, 2010

This document constitutes part of the prospectus covering securities that have been registered under the Securities Act of 1933.

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Introduction

The purpose of the McKesson Corporation Profit-Sharing Investment Plan is to provide a convenient way for employees of the Company to save for retirement.

The PSIP is a 401(k) plan that offers you more than just a convenient way to save for your retirement; the PSIP offers you options and flexibility in how much to save and how to invest. With a Company matching contribution to supplement your own savings, the PSIP can help you achieve your individual financial goals more quickly.

These are just some of the reasons so many employees participate in the PSIP.

If you have questions about the PSIP after reviewing the information found here, contact the McKesson Service Center at 1-888-MCK-PSIP (1-888-625-7747) or log onto Fidelity *NetBenefits*^{sm} at www.netbenefits.fidelity.com.

PSIP Highlights

The PSIP is a long-term savings plan designed to provide savings for your retirement years, but there is more. Before enrolling, please read this Prospectus and SPD carefully.[1] Here's a look at what the PSIP has to offer:

Eligibility	Regular full- and part-time employees of the Company are eligible to participate in the PSIP on the first day of the month following completion of two months of service. Casual and temporary employees may participate in the PSIP after completion of one year of service, with at least 1,000 hours worked during that year. Employees who are members of a collective bargaining unit are not eligible to participate in the PSIP, unless the agreement between the employer and that unit provides for participation in the PSIP.
How to Enroll	Log onto Fidelity *NetBenefits*[sm] at www.netbenefits.fidelity.com to enroll. You will be asked to establish your Personal Identification Number (PIN), to set your payroll deduction percentage, and to choose your investment options. If you do not have access to the Internet, you may call the McKesson Service Center's toll-free number (1-888-MCK-PSIP or 1-888-625-7747) to enroll.
Your PSIP Contributions	You can contribute either pre-tax or Roth Elective Deferrals from 1% to 20% of your earnings, as defined in the PSIP (subject to IRS limits) plus, if you are 50 years of age or older, an additional amount as a Catch-Up Contribution but not in excess of 67% of your earnings (subject to additional IRS and PSIP limits). You have the flexibility of changing your contribution amounts at any time, by either logging onto Fidelity *NetBenefits*[sm] or by calling the McKesson Service Center's toll-free number. Any change that you make will be reflected in the next available pay period.
Rollover Contributions	You may be eligible to rollover all or a portion of an eligible distribution from another employer's qualified retirement plan.
The Company's Safe Harbor Matching Contributions	The Company makes a Safe Harbor Matching Contribution of up to 4% of your earnings. The match is $1.00 for each $1.00 you contribute up to 3% of your earnings and $0.50 for each $1.00 you contribute of the next 2% of your earnings.
The Company's Annual Additional Match (Discretionary)	The Company, in the sole discretion of the Board of Directors, may make an annual Additional Matching Contribution after the fiscal year-end.

[1] To request a copy of the Prospectus and SPD call the McKesson Service Center (1-888-MCK-PSIP/ 1-888-625-7747).

Vesting	You are always 100% vested in your own contributions, including Roth Elective Deferrals, and any associated investment earnings (or losses) and any portion of your Company contribution accounts that is attributable to the reinvestment of dividends on McKesson stock. You are always 100% vested in any Company Matching Contributions made on or after April 1, 2005. Company Matching Contributions (and any other Company contributions) made to your account prior to April 1, 2005 and any associated investment earnings (or losses), other than reinvested dividends from McKesson stock contributed to your account on and after January 1, 2003, become vested over five years at 20% per year of service, but can become 100% vested immediately following certain events, such as when you become eligible for "Retirement" under the terms of the Company's Retirement Plan or when you accumulate at least 65 "payment points."
Investment Options	You may invest your own employee contributions and Company Matching Contributions among the "Core Options" or Target Date Retirement Funds which are selected and periodically reviewed by the Company. In addition, you may use Fidelity BrokerageLink® for access to a wide array of other investment options.
Loans	As an active employee, you may borrow from your vested account balances. The minimum loan amount is $1,000 and the maximum is the lowest of $50,000 (less your highest outstanding principal balance of all loans from the previous 12 months); or 50% of your vested account balance; or the total value of all of your own employee contributions and related investment gains or losses. There is a $35 loan origination fee and a $15 annual loan maintenance fee. You may have only one loan outstanding at any time.
Withdrawals & Distributions	While you are an employee, withdrawals of your own employee contributions, including Roth Elective Deferrals, and related investment gains (or losses) from the PSIP are generally permitted if you have a financial hardship that creates an immediate and heavy financial need, as defined by the PSIP. If you contributed regular after-tax contributions to the PSIP in prior years, in-service withdrawal of those after-tax contributions (adjusted for investment losses) is available to you. If you are at least age 59½, you may take an in-service withdrawal of your own employee contributions, including Roth Elective Deferrals, and related investment gains (or losses). When your employment ends, your vested account is payable to you as a distribution. Withdrawals and distributions are subject to income taxes and possible early withdrawal penalties if you do not roll over to another employer's qualified retirement plan, an Individual Retirement Account ("IRA") or Roth IRA. If you do not take a distribution upon your separation from service, your account

	may be subject to a quarterly maintenance fee of $7.50.
ERISA 404(c) Plan	The PSIP is intended to be a participant-directed plan as described in Section 404(c) of the Employee Retirement Income Security Act of 1974 ("ERISA"), and Labor Department regulations governing Section 404(c) plans. This means that fiduciaries of the PSIP are ordinarily relieved of liability for any losses that are the direct and necessary result of investment instructions given by a participant or beneficiary under the participant-directed investment feature of the PSIP. This means that you are responsible for the investment decisions that you make regarding your investments in the PSIP.

Eligibility & Enrollment

As a regular, full-time or part-time employee of the Company, you are eligible to participate in the PSIP on the first day of the month following your completion of two months of service. If you are a casual or temporary employee of the Company, you are eligible to participate in the PSIP on the first day of the month following your completion of a year of service in which you complete at least 1,000 hours of service.

Employees who are members of a collective bargaining unit are not eligible to participate in the PSIP, unless the agreement between the employer and that unit provides for participation in the PSIP. Also, PSIP participation is not available to seasonal or leased employees, non-resident aliens with no U.S. source of income, individuals not paid through the Company's payroll system, and employees of certain business units of Zee Medical, Inc.

If you are eligible, you may begin PSIP participation with the first available paycheck coinciding with or next following the date you became eligible.

Enrolling

You will be sent an enrollment package approximately one month before becoming eligible for PSIP participation. (If you are a casual or temporary employee, you will be sent an enrollment package after your completion of a year of service in which you complete at least 1,000 hours of service.)

Your enrollment materials will include directions for enrolling. You can log onto Fidelity *NetBenefits*[sm] at www.netbenefits.fidelity.com or call the McKesson Service Center's toll-free number 1-888-MCK-PSIP (1-888-625-7747).

When you enroll for participation, you may elect to make Pre-Tax Deferrals or/and Roth Elective Deferrals, as described below, and, if you are eligible, Catch-Up Contributions beginning as of the payroll period coinciding with or next following the date you become eligible by authorizing a payroll deduction. To do so, you will designate the amount of pay to be contributed to the PSIP (see "Your PSIP Contributions" below) and name a beneficiary (see "Choosing Your Beneficiaries" below). Your enrollment must be submitted within the time and in the manner prescribed by the Company and described in your enrollment materials.

Choosing Your Beneficiaries

When you become a participant, you will need to designate a beneficiary to inform the Company who should receive payment of your PSIP account in the event of your death. If you are married and you die, federal law generally entitles your spouse to receive your account balance. You may name someone other than your spouse as your primary beneficiary, but only if your spouse gives a written, notarized consent to your designation.

If you are single, die before you retire, and have not named a beneficiary, your account will be paid to your estate.

You can designate a beneficiary by logging on to Fidelity *NetBenefits*[sm] at www.netbenefits.fidelity.com. If you have any questions, call the McKesson Service Center (1-

888-MCK-PSIP or 1-888-625-7747).

PSIP Employers

The employers under the PSIP are McKesson and those of its subsidiaries or affiliates designated by the Board of Directors of McKesson to participate in the PSIP.

Your PSIP Contributions

You can contribute from 1% to 20% of your pay to the PSIP. If you are at least 50 years of age, you may make additional Catch-Up Contributions up to a specified dollar limit and subject to the PSIP maximum Catch-Up Contributions limit of 67% of your pay. Generally, your pay for PSIP purposes includes salary, overtime, commissions and bonuses.

Unless you designate your contributions as Roth Elective Deferrals as described below, contributions are deducted from your pay before federal – and, in most cases, state – taxes are withheld. As a result, your taxable income, the amount on which you pay taxes, is reduced, saving you current tax dollars. Your before-tax contributions do not affect your Social Security and Medicare tax (FICA).

You can designate some or all of your contributions to the PSIP as Roth Elective Deferrals at the time you make your deferral election. Once made, this election will be irrevocable (that is, Roth Elective Deferrals cannot later be re-characterized as Pre-Tax Deferrals). If you elect to make Roth Elective Deferrals, the amount of your contribution will be included in your income for tax purposes, and the income tax withholding amounts will be deducted from the remainder of your pay, not from the Roth Elective Deferrals. Roth Elective Deferrals are subject to the same rules under the PSIP that apply to Pre-Tax Deferrals (including the applicable IRS limits) but are subject to additional rules at distribution if certain requirements are met (see below for a discussion of these rules). Your Roth Elective Deferrals will be treated as either Basic Contributions or Supplemental Contributions in the same manner as Pre-Tax Deferrals.

Your contributions to the PSIP can consist of Pre-Tax Deferrals, Roth Elective Deferrals or a combination of both. However, a single IRS limit ($16,500 for 2010 and as adjusted in later years by the IRS) applies to your combined Pre-Tax Deferrals and Roth Elective Deferrals. Your Catch-Up Contributions (if you are eligible to make them) also may be designated as Roth Elective Deferrals (subject to the same Catch-Up Contribution limit).

Your contributions are put into one of the four following accounts for you:

- Pre-Tax Deferral Account (holds both your Basic and Supplemental Contributions)
- Roth Elective Deferral Account (holds both your Basic and Supplemental Contributions)
- Pre-Tax Catch-Up Contribution Account
- Roth Elective Deferral Catch-Up Contribution Account

Any funds you roll over from your previous employer's savings plan will be placed in a Rollover Contribution Account. You can roll over Roth elective deferrals from another employer's qualified retirement plan into the PSIP. With the exception of the distribution rules applicable to Roth Elective Deferrals, these rolled over amounts will be treated in the same manner as other Rollover Contributions.

Following is more information about the various contributions that you can make under the PSIP.

Basic Contributions

You may elect to contribute from 1% through 5% of your pay as Basic Contributions. Your Basic Contributions will be made on either a pre-tax basis or an after-tax basis if you designate them as Roth Elective Deferrals, and are eligible for Company Matching Contributions.

Supplemental Contributions

If you have elected to contribute 5% of your pay as Basic Contributions, you may also elect to contribute an additional 1% to 15% as Supplemental Contributions. Your Supplemental Contributions will also be made on either a pre-tax basis or an after-tax basis if you designate them as Roth Elective Deferrals, but are not eligible for Company Matching Contributions. Your aggregate Basic and Supplemental Contributions may not exceed 20% of your pay.

Catch-Up Contributions

If you make Basic Contributions and are at least 50 years old, or will attain the age of 50 during a calendar year, you are eligible to make Catch-Up Contributions for that year of up to a specified dollar limit and subject to the PSIP maximum Catch-Up Contributions limit of 67% of your pay. These may be made on either a pre-tax basis or, if you designate them as Roth Elective Deferrals, on an after-tax basis. Catch-up Contributions generally not eligible for Company Matching Contributions except to the extent they have been reallocated as Basic Contributions as described in the section below titled "IRS Contribution Limits".

Changing Your Contribution Amounts

You may change, suspend or renew at any time the percentage of pay you are contributing by either logging onto Fidelity *NetBenefits*℠ at www.netbenefits.fidelity.com or by calling the McKesson Service Center's toll-free number (1-888-MCK-PSIP or 1-888-625-7747). Any change that you make will be reflected in the next available pay period.

IRS Contribution Limits

Under the Internal Revenue Code (the "Code"), a participant's Pre-Tax Deferrals and Roth Elective Deferrals (excluding Catch-Up Contributions) for any calendar year may not exceed a specified limit ($16,500 for 2010); this limit is adjusted annually to reflect changes in the cost of living. A participant's Catch-Up Contributions for any calendar year also may not exceed a specified limit ($5,500 for 2010); this limit may also be adjusted annually. In addition, the maximum amount of a participant's annual compensation for the period April 1 through March 31 each year that may be taken into account under the PSIP is $245,000; this limit may also be adjusted annually to reflect changes in the cost of living.

The Code places certain limits on pre-tax and Roth after-tax contributions (excluding Catch-Up Contributions) and on matching contributions made on behalf of a participant considered to be "highly compensated." Furthermore, the Code places limits on the amount of "annual additions" that may be added to a participant's account in any plan year. These IRS limits may require an additional limit upon, or a reduction in, the contributions elected by or provided to you as a PSIP participant.

The Company calculates all of these contribution limits annually and monitors them throughout the year. If you are found to have exceeded any of these limits, you will be contacted and appropriate action will be taken in accordance with the PSIP's provisions and applicable law. However, if you participate in more than one employer's plan during the year, it is your responsibility to make sure you stay within the legal limits described above.

If you elect to make both Basic Contributions and Catch-Up Contributions, and at the end of an applicable year your Basic Contributions are less than the IRS limit (or any PSIP limit) for that year, then a portion (or all) of your Catch-Up Contributions will be reallocated as Basic Contributions until the IRS limit (or any PSIP limit) is reached.

Company PSIP Contributions

To help you save, the PSIP provides for two types of Company Matching Contributions: Safe Harbor Matching Contributions and Additional Matching Contributions. For employees who participated in prior versions of the PSIP, the PSIP includes certain other Company contributions.

Following is more information about the various Company Matching Contributions under the PSIP.

Safe Harbor Matching Contributions

The Company makes a Safe Harbor Matching Contribution of up to 4% of pay to your account when you contribute to the PSIP. On your behalf, the Company will allocate to the PSIP an amount equal to 100% of the first 3% of your pay that you contribute as a Basic Contribution and 50% of the next 2% of your pay that you contribute as a Basic Contribution. This is the Safe Harbor Matching Contribution.

For example, if you contribute 5% of pay as a Basic Contribution, the Company will make a 4% of pay Safe Harbor Matching Contribution.

The Safe Harbor Matching Contribution will be allocated to your PSIP account as soon as administratively practicable following each pay period or such other period as determined by the Company. The Company may be required to make a Safe Harbor Matching Contribution after the end of the plan year in order for you to receive your full match based on the 4% annual limit (called a "true-up" contribution). The true-up contribution will be made to you if your Safe Harbor Matching Contribution determined on an annual basis exceeds the Safe Harbor Matching Contribution already made to you during the plan year. Any true-up contribution that you receive for a particular plan year will be credited to your Safe Harbor Matching Contribution sub-account.

For example, assume your pay for the year was $100,000. You elected to make Basic Contributions at a rate of 10% for the first half of the year and then elected to stop making Basic Contributions for the second half of the year. Therefore, during the first 6 months of the year, your Basic Contributions were $5,000 ($50,000 x 10%) with a Safe Harbor Matching Contribution of $2,000 ($50,000 x 4%). During the second 6 months of the year, your Basic Contributions were $0 with a Safe Harbor Matching contribution of $0. In this case, you made total Basic Contributions of $5,000 and received a total Safe Harbor Matching Contribution of $2,000. After the end of the calendar year, your Basic Contribution deferral rate for the year is determined to be 5% ($5,000/$100,000) and the Safe Harbor Matching Contribution determined on an annual basis for you is calculated to be $4,000 ($100,000 x 4%). The annual Safe Harbor Matching Contribution ($4,000) exceeds the Safe Harbor Matching Contribution already received by you during the year ($2,000). Therefore, the Company will contribute a true-up contribution of $2,000 so that you will receive the full Safe Harbor Matching Contribution for the year.

Safe Harbor Matching Contributions are made in cash that is invested in accordance with your investment instructions (see "Plan Investment Options").

The Company does not make any Safe Harbor Matching Contributions as a result of your Supplemental Contributions or Catch-Up Contributions (except to the extent that any Catch-Up Contributions are reallocated as Basic Contributions as described in the section above titled "IRS Contribution Limits").

Annual Additional Matching Contributions

Following the end of the fiscal year, an Additional Matching Contribution may be allocated to your PSIP account. The amount of this Additional Matching Contribution for any given Plan Year (April 1 through March 31) will be determined by the Board of Directors in its sole discretion. Any Additional Matching Contribution will be communicated and calculated as a percentage of your total Basic Contributions for that Plan Year.

Additional Matching Contributions are made in cash that is invested in accordance with your investment instructions (see "Plan Investment Options").

The Company does not make any Additional Matching Contributions as a result of your Supplemental Contributions or Catch-Up Contributions (except to the extent that any Catch-Up Contributions are reallocated as Basic Contributions as described in the section above titled "IRS Contribution Limits").

Inactive Company Contribution Accounts

No additional contributions will be made to the following Company contribution accounts, but they will be maintained for participants who previously received allocations.

- **NON-MATCHING EMPLOYER CONTRIBUTION**

  The Company contributed to the Non-Matching Employer Contribution account for all eligible participants effective January 1985. This account was frozen and no additional contributions were made as of December 31, 1996.

- **PAYSOP**

  The Company contributed McKesson Common Stock to a special PAYSOP account for all eligible participants from January 1983 to December 31, 1986.

- **ADDITIONAL ESOP MATCH**

  For eligible employees hired prior to January 1, 2000, the Company contributed to an Additional ESOP Match account. This account was frozen and no additional contributions were made as of April 1, 2004.

- **RETIREMENT SHARE PLAN**

  For eligible employees hired prior to January 1, 2000, the Company contributed to a Retirement Share Plan (RSP) Contribution account. This account was frozen and no additional contributions were made as of April 1, 2004.

Dividends

The dividends on the McKesson stock held in your McKesson Employer Stock Fund account will be automatically reinvested in shares of McKesson stock, unless you elect to have those dividends paid directly to you in cash, in accordance with procedures established by the Company.

The dividends on the McKesson stock held in your McKesson Employee Stock Fund accounts are automatically reinvested in shares of McKesson stock.

In the event of a capital adjustment resulting from a stock dividend, stock split, reorganization merger, consolidation or a combination or exchange of shares, shares of stock held in the McKesson Employer Stock Fund and McKesson Employee Stock Fund will be appropriately adjusted.

Plan Costs and Financing

The PSIP is funded by voluntary employee contributions and by Company contributions. Benefits are paid from a trust fund.

In no event shall a contribution by any company to the PSIP for any Plan Year exceed the amount deductible under the applicable provisions of the Code or be less than the amount necessary to service any ESOP debt after taking into consideration other amounts available for debt service under the PSIP.

Leveraged ESOP Stock Purchases

On four occasions, from 1984 through 1989, the Company arranged for the PSIP to borrow money in order to purchase McKesson stock. Under these arrangements, McKesson stock purchased with the borrowed funds was held in an unallocated account until it was paid for, at which time it was allocated to participants' accounts as Company contributions in accordance with the terms of the PSIP. The loans have been repaid by the Company in full and the related shares have been released and allocated to participant's accounts as Company contributions in accordance with the terms of the PSIP.

Vesting

Being "vested" in plan funds means you have a right to receive those funds at some time in the future.

You are always 100% vested in (have a right to receive all of) the portions of your PSIP accounts that are attributed to your own Basic and Supplemental Contributions, Catch-Up Contributions, rollover contributions and any portion of your Company contribution accounts that is attributable to the reinvestment of dividends on McKesson stock on and after January 1, 2003. (As applicable, you are also 100% vested in any Quarterly, Regular, Voluntary and PAYSOP contributions made to the PSIP in prior years.)

You are always 100% vested in amounts contributed on or after April 1, 2005 to your Company Matching Contribution accounts. (Effective April 1, 2005, Company Matching Contribution accounts include Safe Harbor Matching Contributions and annual Additional Matching Contributions.)

You become vested in amounts contributed to your Company contribution accounts prior to April 1, 2005 over time or following certain events. (Company contribution accounts include Monthly Matching Contributions and annual Additional Matching Contributions, as well as any Additional ESOP Matching Contributions, RSP Contributions and Non-Matching Employer Contributions).

Your Company contribution accounts referred to in the preceding paragraph become 20% vested after each year of service (as defined in the PSIP) until you are 100% vested after five years of service, as illustrated in the following table:

Vesting Schedule for Company Contributions Made Prior to April 1, 2005	
After First Year of Service	20%
After Second Year of Service	40%
After Third Year of Service	60%
After Fourth Year of Service	80%
After Fifth Year of Service	100%

You will also become 100% vested in the portion of your PSIP accounts attributable to such Company's contributions upon the occurrence of the earliest of the following events:

- You are eligible for "Retirement" under the terms of the Company's Retirement Plan;
- You suffer permanent and total disability as evidenced by receipt of Social Security disability benefits;
- You die while an employee of the Company;

- Your employment ends because you were either employed by a business unit specified by the Company that was sold or shut down or you were laid off in an event designated by the Employer as a reduction in force, which affect a significant number of employees; or

- You accumulate at least 65 "payment points." (A participant has one payment point for each year of service (as defined in the PSIP) he or she has completed plus a number of payment points equal to the participant's age).

Your years of service generally begin on your date of hire by the Company. If you were employed by an acquired company, certain special provisions may apply. For vesting purposes, your years of service generally include absence caused by sickness, accident or any other absence authorized by the Company, in accordance with the Family and Medical Leave Act. Contributions and service credits with respect to qualified military service will also be provided as required by the Uniformed Services Employment and Reemployment Rights Act of 1994.

Grandfathered Vesting Schedule

If you were employed by the Company on December 31, 1996, you are "grandfathered" into the PSIP's prior three-year vesting schedule. If this applies to you, amounts credited to your Matching Contribution Account and Additional ESOP Matching Contribution Account prior to April 1, 2005 shall be 100% vested and nonforfeitable upon the completion of three years of service (as defined in the PSIP).

Forfeitures

If you terminate employment before becoming fully vested in Company contribution accounts, you will forfeit the non-vested portion of your account after you have incurred five consecutive one-year breaks in service or, if earlier, after all vested amounts in your PSIP accounts have been distributed from the PSIP. A break in service is defined as a period of 12 consecutive months during which you do not perform any service for the Company. If your account contains both McKesson stock and cash, the cash component will be forfeited before the McKesson stock.

Forfeitures are used to pay the PSIP's administrative expenses.

Plan Investments

You may invest your own contributions and, effective April 1, 2010, Company contributions in a number of PSIP investment options. Therefore, you have considerable flexibility in selecting options that best suit your individual investment goals.

Historically, all Company contributions were invested in the McKesson Employer Stock Fund. You may continue to elect at any time and as often as you like to transfer any portion of your PSIP Company contribution accounts that was invested in the McKesson Employer Stock Fund to one or more of the PSIP investment options described below. The funds you elect to transfer will be invested in the PSIP investment options (as you elect) either in one percent increments or in whole dollars. In deciding whether to exercise this right, you will want to review the information below that describes the importance of diversification. To diversify out of the McKesson Employer Stock Fund, see the section below on changing your investment elections.

The Importance of Diversifying Your Retirement Savings

To help achieve long-term retirement security, you should give careful consideration to the benefits of a well-balanced and diversified investment portfolio. Spreading your assets among different types of investment options can help you achieve a favorable rate of return, while minimizing your overall risk of losing money. This is because market or other economic conditions that cause one category of assets, or one particular security, to perform very well often cause another asset category, or another particular security, to perform poorly. If you invest more than 20% of your retirement savings in any one category or industry, your savings may not be properly diversified. Although diversification is not a guarantee against loss, it is an effective strategy to help you manage investment risk.

In deciding how to invest your retirement savings, you should take into account all of your assets, including any retirement savings outside of the PSIP. No single approach is right for everyone because, among other factors, individuals have different financial goals, different time horizons for meeting their goals, and different tolerances for risk. Therefore, you should carefully consider the rights described herein and how these rights affect the amount of money that you keep invested in the McKesson Employer Stock Fund.

It is also important to periodically review your investment portfolio, your investment objectives, and the investment options under the PSIP to help ensure that your retirement savings will meet your retirement goals.

ERISA 404(c) Plan

The PSIP is intended to be a participant-directed plan as described in Section 404(c) of the ERISA, and Labor Department regulations governing Section 404(c) plans. This means that fiduciaries of the PSIP are ordinarily relieved of liability for any losses that are the direct and necessary result of investment instructions given by a participant or beneficiary under the participant-directed investment feature of the PSIP. This means that you are responsible for the investment decisions that you make regarding your investments in the PSIP.

Plan Investment Options

As a PSIP participant, you may elect to invest your employee contributions and Company contributions in a variety of investment options as described below.

- Core Options - The following nine options are selected and periodically reviewed by the Company, and are referred to collectively as the "Core Options":

    1. BNY Mellon Stable Value Portfolio;
    2. SSgA Bond Index Fund;
    3. Dodge & Cox Large Cap Value Portfolio;
    4. SSgA S&P 500 Index Fund;
    5. Rainier Large Cap Growth Portfolio;
    6. Fisher Investments Small Cap Value Portfolio;
    7. Cadence Small Cap Growth Portfolio;
    8. PSIP International Equity Portfolio;
    9. McKesson Employee Stock Fund.

- Target Retirement Date Funds - The following options are selected and periodically reviewed by the Company, and are referred to collectively as the "Target Retirement Date Funds":

    1 Vanguard® Target Retirement Income Fund-Investor Shares;
    2 Vanguard® Target Retirement 2005 Fund-Investor Shares;
    3 Vanguard® Target Retirement 2010 Fund-Investor Shares;
    4 Vanguard® Target Retirement 2015 Fund-Investor Shares;
    5 Vanguard® Target Retirement 2020 Fund-Investor Shares;
    6 Vanguard® Target Retirement 2025 Fund-Investor Shares;
    7 Vanguard® Target Retirement 2030 Fund-Investor Shares;
    8 Vanguard® Target Retirement 2035 Fund-Investor Shares;
    9 Vanguard® Target Retirement 2040 Fund-Investor Shares;
    10 Vanguard® Target Retirement 2045 Fund-Investor Shares;
    11 Vanguard® Target Retirement 2050 Fund-Investor Shares.

- Fidelity BrokerageLink®

The Company only provides management oversight with respect to the Core Options and the Target Retirement Date Funds. The Company does not provide any management oversight with respect to Fidelity BrokerageLink®.

See the section below titled "Additional Investment Information" for more details about the investment options described above. Additional information about the PSIP investment options including Fidelity BrokerageLink® may be obtained by calling the McKesson Service Center (1-888-MCK-PSIP or 1-888-625-7747) or through the Web at www.netbenefits.fidelity.com.

Investment Risk

To help you make the most of your retirement savings, the PSIP offers a wide range of investment options. This flexibility provides you with the opportunity to create a diversified investment portfolio that's right for you, given your investment objectives and tolerance for risk, your knowledge and experience with investments, and your time available to monitor your investments.

The investment options are designed to meet the needs of many different types of investors, from novice to experienced investors. You decide, based on your investment goals and risk tolerance, on which options to invest your employee and Company contributions. Regardless of which investment options you choose, it is always your responsibility to ensure that the investment options you choose continue to meet your investing objectives.

Generally, the more risky an investment is, the greater chance you have of losing your money. But by taking more risk, you potentially have the opportunity for greater returns over time.

The less risky an investment is, the less likely you are to experience losses. However, you can generally expect lower returns.

For a more complete description of the risks associated with the PSIP's Core Options and Target Retirement Date Funds see the section below titled "Additional Investment Information." For a more complete description of the risks associated with the mutual funds available through Fidelity BrokerageLink®, you should refer to the prospectuses for each fund.

You should carefully read the fund's prospectus before making your investment decision. You should also carefully review the Company's Annual Report on Form 10-K and other filings made with the Securities and Exchange Commission for additional information on the risks associated with the McKesson Employer Stock Fund and the McKesson Employee Stock Fund.

Initial Election Instructions

You can make your initial investment choices by logging onto Fidelity *NetBenefits*[sm] at www.netbenefits.fidelity.com or by calling the McKesson Service Center (1-888-MCK-PSIP or 1-888-625-7747).

You may invest your savings in any increment, as long as the combination adds up to 100%. For example, you may put 25% in one option, 33% in a second, and 42% in a third.

Changing Your Investment Elections

In addition to selecting options, you have a number of choices when you change your investments. You can specify whether your elections apply to:

- Current holdings only;
- Future contributions only; or
- Both current holdings and future contributions.

You can rebalance your entire PSIP account by electing to change your current holdings only. You can change how your account is invested by logging onto www.netbenefits.fidelity.com or by calling the McKesson Service Center (1-888-MCK-PSIP or 1-888-625-7747). Changes are generally effective on the day of the election or the following business day depending on the time of day that you make your election.

Default Investment

If you do not provide investment direction, your contributions will be invested in the age appropriate Vanguard Target Retirement Date Fund listed above. Your Vanguard Target Retirement Date Fund is based on the year closest to the year you obtain age 65. You can change your investment of these contributions at any time in accordance with the procedures described above. However, unless you provide alternative direction, your contributions will continue to be invested in this default investment option.

Keeping Track of Your Investments

You can log onto www.netbenefits.fidelity.com or call the McKesson Service Center (1-888-MCK-PSIP or 1-888-625-7747) to get current and year-to-date investment results for all options, including the McKesson Stock Fund.

You can obtain your PSIP statement on-line at any time at www.netbenefits.fidelity.com. In lieu of receiving your PSIP statement on-line, you can elect to receive your PSIP account statement in the mail by logging onto www.netbenefits.fidelity.com or calling the McKesson Service Center (1-888-MCK-PSIP or 1-888-625-7747). The statement shows the beginning and ending balance, your vested account balance and any other transactions affecting your account. It also shows the Company Safe Harbor Matching Contributions and Additional Matching Contributions along with the investment options' performance during the year. Your PSIP account statement also will explain the importance of a balanced and diversified portfolio.

Voting and Tender of Shares of McKesson Stock

Participants in the PSIP are entitled to instruct the Trustee on a confidential basis (i) how to vote all shares of McKesson stock allocated to their accounts under the PSIP, and (ii) the manner in which the Trustee is to respond to a tender or exchange offer with respect to any or all shares of McKesson stock allocated to their accounts under the PSIP. The Trustee votes the shares as instructed by participants. If no instructions are received with regard to shares of McKesson stock in a participant's PAYSOP account, such shares will not be voted. Any other shares of McKesson stock as to which the Trustee receives no voting instructions, together with McKesson stock held in the suspense account, if any, are voted by the Trustee in the same proportion as shares for which instructions are received. In the event of a tender or exchange offer, any shares of McKesson stock allocated to participants' accounts as to which the Trustee receives no instructions shall not be tendered or exchanged by the Trustee. McKesson stock held in the suspense account, if any, is tendered or exchanged by the Trustee in the same proportion as shares with respect to which participants have the right to instruct the Trustee.

Access to Plan Accounts While an Employee

Although the PSIP is intended primarily as a vehicle for long-term savings, under specified circumstances you can gain access to all or portions of certain of your accounts while an active Company employee. Access to PSIP accounts is available through loans and withdrawals.

Loans

You may borrow from your PSIP account for any reason and pay the principal, plus interest, back to your own PSIP account. The minimum you can borrow is $1,000. The maximum you can borrow is the lowest of:

- 50% of the total vested value of your accounts;
- $50,000 less your highest outstanding loan balance in the 12 months preceding your loan application; or
- The total value invested in your pre-tax accounts and rollover accounts (see "Plan Investment Options" above for list of these options).

There is a $35 loan origination fee and a $15 annual loan maintenance fee. The interest rate is the Prime rate, as published in The Wall Street Journal on the last day of the preceding month, plus 1%. The interest rate is fixed for the entire term of the loan. You are allowed only one loan at a time. You can choose a repayment term of from one to five years; in the case of a residential loan, you are permitted a 10-year repayment term.

Your loan and the interest are repaid to your PSIP account through easy, automatic payroll deductions. If you choose, you can repay the loan in full at any time.

If you leave the Company before your loan has been fully repaid, you can choose to repay your loan in full, continue to repay via automated clearing house (ACH) or have your outstanding loan balance deducted from your PSIP balance. Keep in mind that distributions are taxable, and if your loan is considered a distribution, you may be subject to an additional tax penalty.

Loans of Moneys From Predecessor Employers' Plans

Certain participants who had accounts in plans of predecessor employers which were merged into the PSIP may be subject to different rules with respect to loans from the portion of their PSIP accounts attributable to their interests in the prior plan.

Withdrawals

The special tax benefits allowed for plans like the PSIP are offered to encourage you to save for the future. To help ensure that money is there when you are ready to retire, current tax laws restrict withdrawals of this money during your working years.

Other than PSIP loans, your access to PSIP funds while you are an employee is limited to withdrawals that are permitted under certain circumstances. The types of withdrawals possible for employees are:

- Withdrawals of Prior After-Tax Contributions;
- Hardship withdrawals; and
- Withdrawals after age 59½.

To make a withdrawal, you may process it online through Fidelity *NetBenefits*[sm] at www.netbenefits.fidelity.com or by calling the McKesson Service Center (1-888-MCK-PSIP or 1-888-625-7747).

Withdrawal of Prior After-Tax Contributions

Prior to September 1, 1983, participant contributions to the PSIP were made on an after-tax basis. While you are an employee, you may withdraw all or any part of your PSIP account's Regular and Voluntary Contributions made before September 1, 1983. The amount available will be adjusted to account for any net losses. You may not withdraw earnings attributable to these Regular and Voluntary Contributions.

Hardship Withdrawals

Federal regulations allow you to withdraw your Basic, Supplemental, prior After-Tax, Catch-Up and Rollover Contributions while you are working if you have a financial hardship and the withdrawal is necessary in light of your own immediate and heavy financial needs. If you made contributions prior to January 1, 1987, you may also withdraw your pre-1987 earnings on those contributions.

You can withdraw only up to the amount you need to meet the financial hardship and only to the extent the money is not reasonably available from other sources. If you are under age 59½, you may be required to pay a 10% federal tax penalty, in addition to ordinary federal income taxes.

The IRS defines specific hardship situations as being:

- The purchase of your principal residence;
- Certain post-secondary educational expenses for you, your spouse, your dependents and your primary beneficiary;
- Medical expenses not covered by insurance for you, your spouse, your dependents and your primary beneficiary;
- Action to prevent eviction from or foreclosure on your principal residence;
- Burial or funeral expenses for your deceased parent, spouse, children, dependents or primary beneficiary;
- Expenses for the repair of damage to your principal residence that would qualify for the casualty deduction under Section 165 of the Code; or
- Other items listed by the IRS in documents provided under applicable Treasury Regulations.

For these purposes, your "primary beneficiary" is an individual named in your beneficiary designation form who has an unconditional right to all or a portion of your account after your death.

The Company's decision about your hardship withdrawal request will specify the amount that may be withdrawn and will be final and binding on all interested parties.

Withdrawals after Age 59½

When you reach age 59½, you may withdraw your Basic, Supplemental, Catch-Up, prior After-Tax and Rollover contributions, plus interest (or minus losses) on those funds, for any reason—even if you are still an active employee of the Company.

Withdrawals of Moneys From Predecessor Employers' Plans

Certain participants who had accounts in plans of predecessor employers which were merged into the PSIP may have special protected withdrawal rights with respect to the portion of their PSIP accounts attributable to their interests in the prior plan.

No Withdrawals From Certain Accounts

While you are an employee, you cannot, under any circumstances, withdraw from amounts attributable to your Company Matching Contributions, Non-Matching Employer Contributions, Additional ESOP Matching Contributions, RSP Contributions, PAYSOP Contributions, or the Special 1994 Allocation.

Distributions Following Employment

A distribution of the vested portion of your PSIP account is payable if you:

- Are eligible for "Retirement" under the terms of the Company's Retirement Plan;
- Accumulate at least 65 "payment points." (A participant has one payment point for each year of service (as defined in the PSIP) he or she has completed plus a number of payment points equal to the participant's age);
- Suffer permanent and total disability as evidenced by receipt of Social Security disability benefits;
- Die; or
- Terminate employment for any other reason.

You (or your beneficiaries, in the case of your death) may elect to receive your PSIP distribution as soon as practicable following your termination, or, if the value of your entire PSIP account balance is greater than $1,000, you may defer payment to a later date.

Account Maintenance Fees

A fee of $7.50 per quarter will be deducted from your PSIP account if you maintain your account after you terminate employment with the Company and you do not meet any of the following criteria as of the date of your termination:

- Are eligible for "Retirement" under the terms of the Company's Retirement Plan;
- Have accumulated at least 65 "payment points" (A participant has one payment point for each year of service (as defined in the PSIP) he or she has completed plus a number of payment points equal to the participant's age); or
- Are permanently and totally disabled as evidenced by receipt of Social Security disability benefits.

Small Accounts

If, at the time your employment terminates, your entire PSIP account balance is valued at $1,000 or less, your PSIP benefits will be distributed to you (or your beneficiaries, as applicable) in a lump sum as soon as practicable following your termination. If the value of your entire PSIP account exceeds $1,000, it will be distributed to you following your termination only with your consent. If the value of your entire PSIP account exceeds $5,000, the consent of your spouse, if any, is required to receive a distribution in a lump sum.

Immediate Distribution

After the Plan administrator receives notification of your termination, your PSIP account will be valued and, if a request has been received, distribution will be made as soon as practicable.

Deferred Distribution

If your entire PSIP account balance is valued at greater than $1,000, you may elect to defer receipt of your PSIP benefits beyond age 65. However, your PSIP benefits generally must begin to be paid to you no later than the end of the calendar year in which you reach age 70½.

Required Minimum Distributions

In accordance with Federal law, even if you do not request a PSIP distribution, your PSIP benefits generally must begin to be paid to you no later than the end of the calendar year in which you reach age 70½.

Distribution Upon Death

If you die before distribution of your PSIP benefits has begun, your vested benefits will be paid in a lump sum payment to your designated beneficiary as soon as practicable following your death. Alternatively, your designated beneficiary may elect to receive the distribution at a later date, provided that such distribution shall in no event be made later than five years after your death.

If you elect distribution of your PSIP benefits in installment payments, and die before you receive your full benefit, your beneficiary may choose to receive the remaining benefit either in installment payments, or in one lump sum payment. If your beneficiary chooses installment payments and the beneficiary is your spouse, the payments may be made over a period of time no longer than your spouse's remaining life expectancy (calculated at the time of your death). In all other cases, payments must be completed within five years after your death.

If you were married and your beneficiary designation does not provide for payment of death benefits to your spouse, that designation will be effective only if it includes the written and notarized consent of your spouse.

Payment Options

You may elect distribution of your PSIP benefits in the form of a single lump sum payment. Alternatively, you may elect to receive distribution of your PSIP benefits in the form of monthly, quarterly, semi-annual or annual installments over a period not to exceed your (or you and your spouse's, if applicable) expected remaining lifetime.

Payment in McKesson Stock

To the extent your PSIP account is invested in the McKesson Employer Stock Fund or the McKesson Employee Stock Fund, you may elect to receive distribution in the form of Common Stock.

Important Tax Considerations

When you receive a lump sum distribution from your PSIP account, the money becomes taxable immediately. Following are other important tax considerations:

- Subject to the rules applicable to Roth Elective Deferrals described below, if you choose to have your PSIP account paid to you in cash, you will receive only 80% of the total payment, except to the extent that you elect to receive your PSIP account that is invested in the McKesson Stock Fund in McKesson stock, you will receive 100% of the total paid to you in the form of McKesson stock. The federal government requires 20% to be withheld and sent to the IRS as income tax withholding to be credited against your taxes.

- If you are under age 59½, you may be required to pay a 10% federal tax penalty on the distribution, in addition to ordinary federal income taxes.

- You can elect to roll over your PSIP distribution (with the exception of the portion of your account attributable to Roth Elective Deferrals) into an IRA, Roth IRA or another qualified plan. The federal government does not require 20% to be withheld and sent to the IRS as income tax withholding if you roll over your PSIP distribution. If you elect to have your distribution paid directly to you, you can still roll it over to an IRA within 60 days after receiving the money.

- A distribution of your Roth Elective Deferrals is not subject to income tax. A distribution of the earnings on your Roth Elective Deferrals will be subject to income tax ***unless*** your distribution is a "qualifying distribution" as described in more detail below. You can elect to roll over the portion of your PSIP distribution attributable to Roth Elective Deferrals to a Roth IRA or another qualified retirement plan that provides for Roth elective deferrals.

More detailed information about PSIP withdrawal and distribution tax considerations can be found in the section below titled "Tax Consequences."

Special Averaging Rule

Under a special transition rule, a participant born before January 1, 1936, may be entitled to use 10-year averaging (using 1986 tax rates) at the time of distribution. A participant should consult with his or her tax adviser regarding the use of the 10-year averaging rule.

How to Request a Distribution

To request a distribution log onto Fidelity *NetBenefits*^{sm} at www.netbenefits.fidelity.com or call the McKesson Service Center (1-888-MCK-PSIP or 1-888-625-7747) and speak to a representative.

You must call the McKesson Service Center to request a distribution in installments, a hardship withdrawal, a required minimum distribution, or if you want to rollover your entire distribution to another plan or another institution.

Tax Consequences

The PSIP is intended to meet the qualification requirements of Sections 401(a) and 401(k) and related provisions of the Code. As long as the PSIP remains so qualified, the federal tax consequences of participation will be as described below, subject to any changes in applicable federal tax laws and regulations.

Pay deferred by a participant and contributed by the Company as Basic or Supplemental Contributions to the PSIP (with the exception of Roth Elective Deferrals), up to the 401(k) annual limits described above under the section titled "IRS Contribution Limits," are not taxable in the year earned. Pre-Tax Catch-Up Contributions also are not taxable in the year earned. Such nontaxable amounts will not be subject to tax until distributed to or withdrawn by the participant. The Company Matching Contributions, Non-Matching Employer Contributions, Additional ESOP Matching Contributions, RSP Contributions, PAYSOP Contributions and the Special 1994 Allocation are not taxable until they are distributed to the participant. Earnings from the investments made with any of the contributions under the PSIP are not taxable until distributed to the participant. Pay that is contributed by a participant as Roth Elective Deferrals is taxable in the year earned and therefore is not subject to tax when distributed or withdrawn by the participant. Earnings on Roth Elective Deferrals are not subject to tax when distributed or withdrawn ***if*** the distribution or withdrawal is a "qualifying distribution" as described in more detail below.

Regular or Voluntary Contributions under the PSIP attributable to periods before September 1, 1983 withdrawn by a participant are not taxable upon withdrawal. Earnings on such contributions may not be withdrawn while the participant is employed. In-service withdrawals (available on hardship or after attaining age 59½) which are attributable to after-tax Basic and Supplemental Contributions are treated by the tax laws as consisting of both after-tax contributions and earnings thereon. The portion of such withdrawal deemed to consist of after-tax contributions is the participant's basis in the withdrawal and is not taxable. The remainder of the withdrawal is subject to income tax and, if otherwise applicable, to the additional 10% early distribution tax, discussed below. When distributed upon termination of employment, a participant's Regular, Voluntary and after-tax Rollover Contributions will not be subject to tax, but the earnings attributable to such contributions will generally be taxable.

In some circumstances, in-service distributions may be required in order to satisfy the PSIP's deferral limits or anti-discrimination tests with respect to salary deferral and matching contributions. Such distributions are generally taxed in the same manner as other PSIP distributions but may not be subject to the early distribution rules described below.

Additional taxes may be imposed upon a participant if distributions commence prior to certain events or if distributions do not commence after the occurrence of other events. For example, a participant who does not receive a minimum distribution by April 1 following the year that he or she attains age 70½ may be required to pay a nondeductible excise tax of 50% of the amount required but not actually distributed. Similarly, distributions before a participant attains age 59½ may result in an additional 10% tax on the amount distributed. The rules regarding mandatory and early distributions are complex and subject to several exceptions. Consequently, participants should contact their tax advisers for a detailed explanation of these provisions.

Dividends received on Common Stock credited to a participant's Account and "passed through" (i.e., distributed) to the participant will be taxed as ordinary income.

Upon distribution to the participant following termination of his or her employment with the Company, if the distribution is in the form of installment payments, the following amounts will be taxed as ordinary income: pre-tax Basic and Supplemental Contributions, pre-tax Catch-Up Contributions, Company Matching Contributions, Non-Matching Employer Contributions, Additional ESOP Matching Contributions, RSP Contributions, Rollover Contributions, amounts attributable to the reinvestment of dividends on McKesson stock on and after January 1, 2003, the Special 1994 Allocation, PAYSOP contributions, the earnings on such contributions, the earnings on the participant's Regular, Voluntary, and after-tax Rollover Contributions and the earnings on Roth Elective Deferrals if the distribution is not a "qualifying distribution" as defined below.

Mandatory Withholding Tax

If any portion of a payment (including a withdrawal) from the PSIP to a participant would have been eligible for a rollover (excluding After-Tax Contributions and Roth Elective Deferrals and earnings thereon if the distribution is a qualifying distribution that are eligible for a rollover), then the Company is required by federal tax law to withhold 20% of the amount unless the participant arranges a direct rollover. Certain states also may require additional mandatory withholding. The amount withheld is applied to the participant's income tax liability for the year of the payment, like income taxes withheld from salary. The fact that the participant may make a regular rollover later has no bearing on mandatory withholding. Rollovers and direct rollovers are discussed below.

Lump Sum Distributions

If a participant receives a lump sum distribution in cash or a combination of cash and McKesson stock, he or she may report the distribution for federal income tax purposes in one of the following ways:

- As a rollover or partial rollover. No income tax is due on the part rolled over, but the 20% withholding tax applies to amounts other than prior After-Tax Contributions and Roth Elective Deferrals and earnings thereon if the distribution is a qualifying distribution, that are eligible for a rollover, unless the participant arranges a direct rollover.

- As ordinary income, along with the participant's other income. The 20% withholding tax applies to amounts other than prior After-Tax Contributions and Roth Elective Deferrals and earnings thereon if the distribution is a qualifying distribution.

- As ordinary income, but the tax is determined under a special averaging rule only applicable for certain individuals as described in the section above titled Special Averaging Rule. The 20% withholding tax applies.

Taxable Portion of a Lump-Sum Distribution

If a participant does not elect a rollover, he or she will be taxed, in the year of distribution, on any lump sum distribution. The taxable portion of a lump sum distribution generally is the total value of the distribution (including any unpaid loan balance that is deemed distributed following retirement or termination of employment), less the sum of:

- The amount of the participant's after-tax employee contributions and Roth Elective Deferrals, and earnings thereon if a qualifying distribution, not previously withdrawn; plus

- The net unrealized appreciation in McKesson stock received in the distribution. See the discussion of "Net Unrealized Appreciation" below.

The portion of your lump sum distribution attributable to Roth Elective Deferrals (excluding earnings) is not subject to income tax. The earnings on your Roth Elective Deferrals are not subject to income tax if the distribution is a "qualifying distribution." A "qualifying distribution" is one that occurs after the five taxable year period beginning with the first taxable year you made a Roth Elective Deferral to the Plan (or to a plan you previously participated in if amounts attributable to those previous Roth elective deferrals were directly rolled over to this Plan), provided the distribution is also made:

- On or after you attain age 59 ½; or

- To your beneficiary (or estate) on or after your death; or

- Pursuant to your being disabled.

For example, if you made your first Roth Elective Deferral under the Plan (or another qualified plan) during July, 2006, attained age 59-1/2 on January 1, 2011 and were eligible for a distribution on January 3, 2011, the portion of your distribution attributable to Roth Elective Deferrals, including the earnings, would not be subject to income tax upon distribution on January 3, 2011.

Please consult with your personal tax advisor in order to understand these rules before you elect your distribution.

Rollovers and Direct Rollovers

Subject to the special rules applicable to Roth Elective Deferrals described below, a participant may elect to roll over all or any portion of a PSIP benefit or a withdrawal (including after-tax employee contributions as permitted under Section 402(c)(2) of the Code) to an IRA described in Section 408 of the Code, a Roth IRA described in Section 408A of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, an annuity plan described in Section 403(b) of the Code, a governmental plan described in Section 457 of the Code, or to the plan of another employer that accepts rollovers. The amount rolled over will not be subject to income tax until it is distributed from the IRA, other retirement arrangement or other employer's plan. But the 20% withholding tax will still apply, unless the participant arranges a direct rollover as discussed below.

For example, assume that a participant is about to receive a taxable distribution of $10,000. If he or she does not arrange for a direct rollover, the Company must withhold $2,000. As a result, he or she will have to contribute $2,000 from other sources in order to make a rollover of the full $10,000. Otherwise, the participant can only roll over $8,000, which means that he or she will owe tax on the $2,000. To the extent that the amount withheld is greater than the tax actually owed on the distribution (for instance because a rollover was made), the amount withheld may be applied to other income tax liabilities or will be refunded by the IRS. However, the PSIP is not required to withhold any amount from the portion of a distribution that is made in McKesson stock.

A participant must make a rollover within 60 days after receipt of a distribution. Shares of McKesson stock may be rolled over in kind. Alternatively, the shares may be sold and the proceeds rolled over, in which event no gain or loss is recognized on the sale. If a participant makes a rollover but chooses to retain a part of the distribution that would have been eligible for inclusion in the rollover, then that part is taxed entirely as ordinary income and does not qualify for special averaging treatment.

In a direct rollover, all or part of a PSIP benefit or withdrawal is paid directly from the PSIP to an IRA described in Section 408 of the Code, a Roth IRA described in Section 408A of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, an annuity plan described in Section 403(b) of the Code, a governmental plan described in Section 457 of the Code, or another employer's qualified retirement plan that accepts rollovers. (The plans of other employers are not required to accept rollovers.) The participant must provide the Company with the information that it needs to arrange the direct rollover, and must comply with the other procedures adopted by the Company. A direct rollover is the only way to avoid 20% income tax withholding on any taxable withdrawal or distribution from the PSIP.

The portion of your account attributable to Roth Elective Deferrals can only be directly rolled over to a Roth IRA or to another employer's qualified retirement plan that provides for Roth elective deferrals.

In general, the tax treatment and rollover rules described above that apply to payments made to you as an employee also apply to payments to your surviving spouse upon your death or to your spouse or former spouse who is an "alternate payee" under a qualified domestic relations order.

A distribution made to a beneficiary other than your surviving or alternate payee spouse may also be rolled over, ***subject to the following rules***: This non-spouse beneficiary must make a direct rollover of death benefits received from the PSIP to an IRA or Roth IRA established to receive the distribution. Rollovers to another employer plan are not permitted. Also, the non-spouse beneficiary cannot receive payment and then roll over the payment him/herself to the IRA. The IRA will be treated as an inherited IRA and will be subject to the minimum distribution rules that apply to beneficiaries under the PSIP and to inherited IRA beneficiaries. Your non-spouse beneficiary should consult with a personal tax advisor in order to understand these rules before electing a rollover.

Net Unrealized Appreciation

That portion of a distribution which represents the difference between the fair market value of any McKesson stock distributed to a participant at the time it is distributed and the value of the stock at the time it was contributed to or otherwise acquired by the Trust is termed "net unrealized appreciation." If the distribution qualifies as a lump sum distribution, as defined above, the amount of any net unrealized appreciation with respect to any McKesson stock distributed to the participant will be excluded from his or her income and his or her cost basis for such stock will be the same as the cost basis to the Trust. Upon the subsequent disposition of the shares, the gain will be taxed as long-term capital gain to the extent of the net unrealized appreciation. Any additional appreciation realized from the disposition will be taxed as long-term or short-term capital gains depending on the period the stock is held after distribution from the PSIP. The minimum period for which the stock must be held to qualify for long-term capital gains treatment is not less than twelve months.

Trust Losses

Losses incurred by the Trust on Trust investments are not currently deductible by participants. In the event that a participant receives a lump sum distribution, and the amount of a participant's Regular, Voluntary or after-tax Basic or Supplemental Contributions to the PSIP which were not previously withdrawn exceeds the total amount of such lump sum distribution, the amount of such excess is deductible as an ordinary loss in the year of the distribution if the participant itemizes deductions, unless such distribution includes McKesson stock. If such lump sum distribution includes McKesson stock, gain or loss will be recognized only upon subsequent sale. Because of the variety of distribution options available under the PSIP and the complexity of the rules regarding loss deductions, a participant should consult his or her own tax adviser concerning the availability of a loss deduction under any particular distribution option.

State Taxes

The state tax rules applicable to qualified plan distributions vary from state to state. For instance, the California rules on lump sum distributions are different in some respects from the federal rules. Accordingly, a participant should consult his or her own tax adviser concerning the state tax consequences of a qualified plan distribution.

Excise Tax on Early Distributions or Withdrawals

A 10% additional income tax will apply to the taxable amount of withdrawals (including hardship withdrawals) or distributions made before age 59½ (including a distribution of earnings on Roth Elective Deferrals that is not a "qualified distribution" as defined above). The following withdrawals or distributions, however, are exempt from the additional tax.

- Distributions rolled over into an IRA or Roth IRA;
- Distributions made after death;
- Distributions or withdrawals attributable to the participant's disability;
- Distributions made after employment terminated after the participant attained age 55;
- Distributions which are part of a series of substantially equal periodic payments (not less frequently than annually) made for your life (or life expectancy) or the life (or life expectancy) of you and your spouse (or your designated beneficiary);
- Withdrawals or distributions used for payment of medical expenses, to the extent they are deductible;
- Payments to an alternate payee pursuant to a qualified domestic relations order; and
- Payments made on account of a levy under Section 6331 of the Code.

Federal Estate Tax Rules

A participant's entire interest in his or her accounts will be includable in his or her estate for federal estate tax purposes.

If a participant's spouse has a community property interest in the participant's interest in the PSIP, and the spouse dies before the participant, the spouse's interest in the participant's accounts will be included in the spouse's estate for federal estate tax purposes.

Any portion of a deceased participant's benefit, which is paid to the participant's spouse (as beneficiary), is deductible under the unlimited marital deduction and will not be subject to regular federal estate tax. This is true even if all or a portion of the benefit is includable in the participant's estate under the rules described above.

State inheritance tax laws are complicated and vary substantially from state to state. Consequently, the participant or his or her executor or administrator should consult a tax adviser regarding any state inheritance tax consequences of participation in the PSIP.

Changes in Tax Laws

The foregoing discussion is not intended to cover all tax aspects of participation in the PSIP. Congress may amend the Code at any time. In addition, the IRS may at times issue new regulations or rulings. Such developments could render all or any part of the foregoing tax discussion obsolete, and the Company assumes no responsibility for the continuing accuracy of the information provided above. Therefore, employees and beneficiaries may wish to consult a qualified tax adviser to obtain current information as well as advice that is tailored to their particular circumstances.

Additional Investment Information

Following is more information about the PSIP's Core Options.

BNY Mellon Stable Value Portfolio is not a mutual fund. It is a separately managed account, privately managed by BNY Mellon Stable Value. The fund seeks to preserve principal and provide a steady rate of return with low market risk. This portfolio invests in high-quality fixed-income investments issued by creditworthy life insurance companies and financial institutions. The investments are backed by insurance companies as well as by bonds, U.S. government securities, and other securities. The portfolio includes investments from a variety of issuers to provide diversification, with staggered maturity dates to allow strategic reinvesting. Stable value investments are similar to bonds, but they differ in one important respect: their asset prices do not immediately fluctuate with changes in interest rates. As a result, returns are more consistent; over time, the portfolio's return will gradually adjust to changes in market rates. Thus, the yield and return of the portfolio will track the general movement of interest rates, up or down, albeit with a lag in time. Unit price, yield and return will vary. The expense ratio for this option is 13 basis points as of 12/31/2009.

The SSgA Bond Index Fund is not a mutual fund. It is a commingled pool managed by State Street Global Advisors ("SSgA"). It seeks to provide investment results that correspond to the total return of the bonds in the Barclays Capital U.S. Aggregate Bond Index (an unmanaged market value-weighted index of investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of one year or more). The fund will attempt to invest in the securities comprising the index in the same proportions as in the index. If this is not possible, SSgA will select securities that it believes will track the characteristics of the index. Share price, yield, and return will vary. The expense ratio for this option is 18 basis points as of 12/31/2009.

The Dodge & Cox Large Cap Value Portfolio is not a mutual fund. It is a separately managed account, managed exclusively for the PSIP by Dodge & Cox. The goal of the Dodge & Cox Large Cap Value Fund is long-term growth of capital by investing in stocks. Dodge & Cox invests in well-established companies when it believes the long-term earnings prospects are not reflected in the current price. A long-term view, reliance on research, the application of a rigorous price discipline and diversification of the portfolio are key components of the strategy. Holdings generally have below-average valuations compared to stock market averages and to other similar investment opportunities. The portfolio usually holds the stocks of seventy to ninety different companies. The expense ratio for this option is 43 basis points as of 12/31/2009.

The SSgA S&P 500 Index Fund is not a mutual fund. It is a commingled pool managed by State Street Global Advisors. The SSgA S&P 500 Index Fund attempts to duplicate the investment results of the Standard & Poor's 500 Index. It seeks long-term growth of capital through investment in the stocks of mainly larger, well-established companies. To duplicate the returns of the S&P 500 Index, the fund proportionately holds all 500 stocks represented in the index. Investing in all 500 stocks greatly reduces the chances for the fund's performance to vary from index performance. The option provides investors with broad diversification and less company-specific risk than a more concentrated portfolio. The expense ratio for this option is 14 basis points as of 12/31/2009.

The Rainier Large Cap Growth Portfolio is not a mutual fund. It is a separately managed U.S.

growth equity portfolio that is managed by Rainier Investment Management, Inc. ("Rainier"). It seeks to outperform the S&P 500 Index over a complete market cycle and invests primarily in the common stocks of large-cap U.S. companies that Rainer believes have prospects of strong earnings growth and are selling at attractive values. Highly speculative or illiquid stocks are not candidates for the Portfolio. Risk management is an important element in the Portfolio's construction. To help manage risk, Rainier compares the Portfolio's economic sector weightings to a broad index, such as the S&P 500 Stock Index, and normally avoids extreme overweighting or underweighting relative to that index. Unit price and return will vary. The expense ratio for this option is 63 basis points as of 12/31/2009.

Fisher Investments Small Cap Value Portfolio is not a mutual fund. It is a separately managed account, privately managed by Fisher Investments. The fund seeks to identify strategic attributes in companies underappreciated by the marketplace. The strategy utilizes a fundamental stock selection process supported by macro-economic themes with the goal of providing returns that exceed the benchmark in a variety of market conditions. Primarily invests in stocks of companies that are part of the Russell 2000 Value Index, which is the benchmark for this portfolio. The investment process is based on a stock selection approach combining quantitative and fundamental techniques to discover securities most likely to generate the highest returns. The quantitative techniques employed seek to isolate small-cap companies with very low expectations but sufficient financial strength to compete. Investments in smaller companies may involve greater risks than those of larger, more well-known companies. Unit price and return will vary. The expense ratio for this option is 99 basis points as of 12/31/2009.

Cadence Small Cap Growth Portfolio is not a mutual fund. It is a separately managed account, privately managed by Cadence Capital Management. It seeks to provide long-term growth of capital. The fund primarily invests in small-cap companies with market values under $2.5 billion. The strategy seeks to invest in businesses with long-term earnings growth potential and reasonable valuations. The managers invest only in companies within the Russell 2000, using a disciplined screening process to pursue companies with strong fundamentals that are expected to have sustainable growth. The portfolio is diversified across many sectors and invests in approximately 100 holdings. Investments in smaller companies may involve greater risks than those of larger, more well-known companies. The benchmark for this portfolio is the Russell 2000 Growth Index. Unit price and return will vary. The expense ratio for this fund is 107 basis points as of 12/31/2009.

PSIP International Equity Portfolio is not a mutual fund. It is an international investment option that consists of a combination of two mutual funds: approximately 80% will be invested in units of the Fidelity Diversified International Fund (FDIVX) and 20% in units of the Eaton Vance Structured Emerging Markets Fund—Class I Shares (EIEMX). It seeks to provide long-term growth of capital. The fund primarily invests in the common stocks of foreign developed and emerging market companies. Investments will be allocated across different countries and regions. Emerging market countries include countries in Asia, Latin America, the Middle East, Southern Europe, Eastern Europe, Africa and the region formerly comprising the Soviet Union. Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than U.S. investments. This risk includes political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation. Unit price and return will vary. If you sell your shares after holding them for less than 30 days, the fund will deduct a short-term trading fee from your account equal to 0.80% of the value of the shares sold. The expense ratio for this fund is 111 basis points as of 12/31/2009.

The McKesson Employee Stock Fund is not a mutual fund, nor is it a diversified or managed investment option. It provides participants an opportunity to become stockholders of McKesson and to share in any growth in the value of its Common Stock. It seeks to provide a return that closely corresponds to the total return on the Common Stock, including price changes and dividends. The Trustee invests fund assets primarily in shares of Common Stock; a portion is invested in short-term investments to provide liquidity for daily activity. Normally, stock transactions require a three-day waiting period between the day shares are sold on one of the stock exchanges and the day the proceeds of the sale are available. The short-term investments of the fund provide immediate cash so that a trade can be completed on the day it is requested rather than three days later. The inclusion of short-term investments requires that the fund be valued in units instead of shares of stock. The Trustee will acquire shares of Common Stock required for the PSIP from various sources. McKesson may be one of the sources of the stock. There are no management fees on the McKesson Employee Stock Fund. Investing in a non-diversified single stock fund involves more risk than investing in a diversified fund.

The following is additional information on the Target Retirement Date Funds:

Vanguard® Target Retirement Income Fund-Investor Shares is a growth and income mutual fund. It seeks to provide current income and some capital appreciation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors currently in retirement. The fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term investment-grade, taxable U.S. government, U.S. agency, and corporate bonds; inflation-indexed bonds issued by the U.S. government; and mortgage-backed securities. The fund's indirect stock holdings consist substantially of large-capitalization U.S. stocks and, to a lesser extent, of mid- and small-cap U.S. stocks, as well as foreign stocks. The fund's indirect short-term investments consist of high-quality, short-term money market instruments. The fund is subject to the volatility of the financial markets in the U.S. and abroad and may be subject to the additional risks associated with investing in bonds, small-cap and foreign securities. Share price and return will vary. The expense ratio for this option is 18 basis points as of 12/31/2009.

Vanguard® Target Retirement 2005 Fund-Investor Shares is a growth and income mutual fund. It seeks to provide growth of capital and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2005. The fund's asset allocation will become more conservative over time. Within 5 to 10 years after 2005, the fund's asset allocation should become similar to that of the Target Retirement Income Fund. These funds are subject to the volatility of the financial markets in the U.S. and abroad and may be subject to the additional risks associated with investing in bonds, small-cap and foreign securities. Share price and return will vary. The expense ratio for this option is 18 basis points as of 12/31/2009.

Vanguard® Target Retirement 2010 Fund-Investor Shares is a growth and income mutual fund. It seeks to provide growth of capital and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2010. The fund's asset allocation will become more conservative over time. Within 5 to 10 years after 2010, the fund's asset allocation should become similar to that of the Target Retirement Income Fund. These funds are subject to the volatility of the financial markets in the U.S. and abroad and may be subject to the additional risks associated with investing in bonds, small-cap and foreign securities. Share price and return will vary. The expense ratio for this option is 17 basis points as of 12/31/2009.

Vanguard® Target Retirement 2015 Fund-Investor Shares is a growth and income mutual fund. It seeks to provide growth of capital and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2015. The fund's asset allocation will become more conservative over time. Within 5 to 10 years after 2015, the fund's asset allocation should become similar to that of the Target Retirement Income Fund. These funds are subject to the volatility of the financial markets in the U.S. and abroad and may be subject to the additional risks associated with investing in bonds, small-cap and foreign securities. Share price and return will vary. The expense ratio for this option is 17 basis points as of 12/31/2009.

Vanguard® Target Retirement 2020 Fund-Investor Shares is a growth and income mutual fund. It seeks to provide growth of capital and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2020. The fund's asset allocation will become more conservative over time. Within 5 to 10 years after 2020, the fund's asset allocation should become similar to that of the Target Retirement Income Fund. These funds are subject to the volatility of the financial markets in the U.S. and abroad and may be subject to the additional risks associated with investing in bonds, small-cap and foreign securities. Share price and return will vary. The expense ratio for this option is 18 basis points as of 12/31/2009.

Vanguard® Target Retirement 2025 Fund-Investor Shares is a growth and income mutual fund. It seeks to provide growth of capital and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2025. The fund's asset allocation will become more conservative over time. Within 5 to 10 years after 2025, the fund's asset allocation should become similar to that of the Target Retirement Income Fund. These funds are subject to the volatility of the financial markets in the U.S. and abroad and may be subject to the additional risks associated with investing in bonds, small-cap and foreign securities. Share price and return will vary. The expense ratio for this option is 19 basis points as of 12/31/2009.

Vanguard® Target Retirement 2030 Fund-Investor Shares is a growth and income mutual fund. It seeks to provide growth of capital and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2030. The fund's asset allocation will become more conservative over time. Within 5 to 10 years after 2030, the fund's asset allocation should become similar to that of the Target Retirement Income Fund. These funds are subject to the volatility of the financial markets in the U.S. and abroad and may be subject to the additional risks associated with investing in bonds, small-cap and foreign securities. Share price and return will vary. The expense ratio for this option is 19 basis points as of 12/31/2009.

Vanguard® Target Retirement 2035 Fund-Investor Shares is a growth and income mutual fund. It seeks to provide growth of capital and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2035. The fund's asset allocation will become more conservative over time. Within 5 to 10 years after 2035, the fund's asset allocation should become similar to that of the Target Retirement Income Fund. These funds are subject to the volatility of the financial markets in the U.S. and abroad and may be subject to the additional risks associated with investing in bonds, small-cap and foreign securities. Share price and return will vary. The expense ratio for this option is 20 basis points as of 12/31/2009.

Vanguard® Target Retirement 2040 Fund-Investor Shares is a growth and income mutual fund. It seeks to provide growth of capital and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2040. The fund's asset allocation will become more conservative over time. Within 5 to 10 years after 2040, the fund's asset allocation should become similar to that of the Target Retirement Income Fund. These funds are subject to the volatility of the financial markets in the U.S. and abroad and may be subject to the additional risks associated with investing in bonds, small-cap and foreign securities. Share price and return will vary. The expense ratio for this option is 20 basis points as of 12/31/2009.

Vanguard® Target Retirement 2045 Fund-Investor Shares is a growth and income mutual fund. It seeks to provide growth of capital and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2045. The fund's asset allocation will become more conservative over time. Within 5 to 10 years after 2045, the fund's asset allocation should become similar to that of the Target Retirement Income Fund. These funds are subject to the volatility of the financial markets in the U.S. and abroad and may be subject to the additional risks associated with investing in bonds, small-cap and foreign securities. Share price and return will vary. The expense ratio for this option is 20 basis points as of 12/31/2009.

Vanguard® Target Retirement 2050 Fund-Investor Shares is a growth and income mutual fund. It seeks to provide growth of capital and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2050. The fund's asset allocation will become more conservative over time. Within 5 to 10 years after 2050, the fund's asset allocation should become similar to that of the Target Retirement Income Fund. These funds are subject to the volatility of the financial markets in the U.S. and abroad and may be subject to the additional risks associated with investing in bonds, small-cap and foreign securities. Share price and return will vary. The expense ratio for this option is 20 basis points as of 12/31/2009.

Note that the expense ratios for the Core Options and Target Retirement Date Funds as described above may change from time to time. An expense ratio is the amount paid annually to a mutual fund, separately managed account, commingled fund, or service provider for operating expenses and management fees, expressed as a percentage of the net asset value of investment in the fund. A "basis point" is 1/100th of a percentage point. An expense ratio of 12 basis points means that the cost of that fund is 12/100th of one percent annually. For up-to-date information on the expense ratios for the Core Options and the Target Retirement Date Funds and for additional information about the Core Options, Target Retirement Date Funds and the Fidelity BrokerageLink®, please contact the McKesson Service Center at 1-888-MCK-PSIP .

Examples of Historical Fund Growth

Assuming that a participant had elected to contribute $100 a month to the PSIP and that the amount represented not more than 5% of the participant's current pay, the following table indicates the value of the participant's account on the dates shown had the participant elected to enter the Fund indicated.

All examples are hypothetical and intended for illustrative purposes only. Investment results do not represent the future performance of the Funds. Past performance does not guarantee future results. Investment return will fluctuate with market conditions and investors may have a gain or loss when shares are sold.

All years shown are as of March 31.

	Participant's Contribution	Value of Participant's Contribution	Value of Company Contributions	Total Value of Participant's Account
BNY Mellon Stable Value Portfolio				
2007	$1,200	$1,227	$1,097	$2,324
2008	$2,400	$2,512	$1,834	$4,346
2009	$3,600	$3,849	$1,977	$5,826
SSgA Bond Index Fund				
2007	$1,200	$1,242	$1,097	$2,339
2008	$2,400	$2,596	$1,834	$4,430
2009	$3,600	$3,912	$1,977	$5889
Dodge & Cox Large Cap Value Portfolio				
2007	$1,200	$1,288	$1,097	$2,385
2008	$2,400	$2,189	$1,834	$4,023
2009	$3,600	$2,121	$1,977	$4,098
SSgA S&P 500 Index Fund				
2007	$1,200	$1,282	$1,097	$2,379
2008	$2,400	$2,308	$1,834	$4,142
2009	$3,600	$2,343	$1,977	$4,320
Rainier Large Cap Growth Portfolio				
2007	$1,200	$1,278	$1,097	$2,375
2008	$2,400	$2,459	$1,834	$4,293
2009	$3,600	$2,351	$1,977	$4,328
Fisher Investments Small Cap Value Portfolio				
2007	$1,200	$1,309	$1,097	$2,406
2008	$2,400	$2,409	$1,834	$4,243
2009	$3,600	$2,310	$1,977	$4,287
Cadence Small Cap Growth Portfolio				
2007	$1,200	$1,292	$1,097	$2,389
2008	$2,400	$2,329	$1,834	$4,163
2009	$3,600	$2,246	$1,977	$4,223
PSIP International Equity Portfolio*				
2007	$900	$984	$813	$1,797
2008	$2,100	$2,179	$1,578	$3,757
2009	$3,300	$2,012	$1,803	$3,815

	Participant's Contribution	Value of Participant's Contribution	Value of Company Contributions	Total Value of Participant's Account
McKesson Employee Stock Fund				
2007	$1,200	$1,371	$1,097	$2,468
2008	$2,400	$2,292	$1,834	$4,126
2009	$3,600	$2,468	$1,977	$4,445
Vanguard® Target Retirement Income Fund – Investor Shares				
2007	$1,200	$1,257	$1,097	$2,354
2008	$2,400	$2,547	$1,834	$4,381
2009	$3,600	$3,362	$1,977	$5,339
Vanguard® Target Retirement 2005 Fund – Investor Shares				
2007	$1,200	$1,267	$1,097	$2,364
2008	$2,400	$2,507	$1,834	$4,341
2009	$3,600	$3,175	$1,977	$5,152
Vanguard® Target Retirement 2010 Fund – Investor Shares				
2007	$1,200	$1,274	$1,097	$2,371
2008	$2,400	$2,466	$1,834	$4,300
2009	$3,600	$2,977	$1,977	$4,954
Vanguard® Target Retirement 2015 Fund – Investor Shares				
2007	$1,200	$1,279	$1,097	$2,376
2008	$2,400	$2,438	$1,834	$4,272
2009	$3,600	$2,842	$1,977	$4,819
Vanguard® Target Retirement 2020 Fund – Investor Shares				
2007	$1,200	$1,283	$1,097	$2,380
2008	$2,400	$2,418	$1,834	$4,252
2009	$3,600	$2,730	$1,977	$4,707
Vanguard® Target Retirement 2025 Fund – Investor Shares				
2007	$1,200	$1,288	$1,097	$2,385
2008	$2,400	$2,399	$1,834	$4,233
2009	$3,600	$2,618	$1,977	$4,595
Vanguard® Target Retirement 2030 Fund – Investor Shares				
2007	$1,200	$1,291	$1,097	$2,388
2008	$2,400	$2,379	$1,834	$4,213
2009	$3,600	$2,515	$1,977	$4,492
Vanguard® Target Retirement 2035 Fund – Investor Shares				
2007	$1,200	$1,294	$1,097	$2,391
2008	$2,400	$2,369	$1,834	$4,203
2009	$3,600	$2,449	$1,977	$4,426
Vanguard® Target Retirement 2040 Fund – Investor Shares				
2007	$1,200	$1,292	$1,097	$2,389
2008	$2,400	$2,368	$1,834	$4,202
2009	$3,600	$2,455	$1,977	$4,432

	Participant's Contribution	Value of Participant's Contribution	Value of Company Contributions	Total Value of Participant's Account
Vanguard® Target Retirement 2045 Fund – Investor Shares				
2007..	$1,200	$1,294	$1,097	$2,391
2008..	$2,400	$2,369	$1,834	$4,203
2009..	$3,600	$2,451	$1,977	$4,428
Vanguard® Target Retirement 2050 Fund – Investor Shares				
2007..	$1,200	$1,293	$1,097	$2,390
2008..	$2,400	$2,368	$1,834	$4,202
2009..	$3,600	$2,452	$1,977	$4,429

* One of the two mutual funds that make up this portfolio was not in existence for the entire 12-month period of 2007.

Additional Information

Following is more important information that you should know about the PSIP.

Filing a Claim

If you or your beneficiary believe you are entitled to a benefit from the PSIP which you have not yet received, you may file a claim by writing to the Senior Vice President, Compensation and Benefits, McKesson Corporation, One Post Street, San Francisco, California 94104. You will receive written notice of the decision on your claim within 90 days of filing your request, unless special circumstances require an extension of up to an additional 90 days.

Appealing a Claim Denial

If your claim is denied in whole or in part, you will receive notice stating the reasons for the denial and specific PSIP provisions upon which the denial is based, and an explanation of the PSIP's appeal procedures and the time limits applicable to such procedures, including a statement of the your right to bring a civil action under section 502(a) of ERISA if your appeal is denied. If your claim is denied because you did not furnish complete information or documentation, the notice will also describe any additional information or material required to support your claim and an explanation of why such information is required.

You may then appeal the decision by filing a written notice of appeal with the Senior Vice President, Compensation and Benefits, McKesson Corporation, One Post Street, San Francisco, California 94104, within 60 days after receipt of the notice of denial. The Senior Vice President, if good cause is shown, may extend the period during which the appeal may be filed for another 60 days. You and/or your authorized representative would be permitted to submit written comments, documents, records and other information relating to the claim for benefits. Upon request and free of charge, you and/or your authorized representative may also receive reasonable access to, and copies of, all documents, records or other information relevant to your claim.

The Senior Vice President's review shall take into account all comments, documents, records and other information submitted by the appellant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination, and shall not be restricted to those provisions of the PSIP cited in the original denial of the claim.

The Senior Vice President will issue his written decision within 60 days after receipt of the appeal, unless special circumstances require an extension of time for processing, in which case the written decision shall be issued as soon as possible, but not later than 120 days after receipt of an appeal. If such an extension is required, written notice shall be furnished to you within the initial 60-day period. This notice will state the circumstances requiring the extension and the date by which the Senior Vice President expects to reach a decision on your appeal.

If the decision on the appeal denies the claim in whole or in part, you will be provided with a written notice. The notice shall state the reason(s) for the denial, including references to specific PSIP provisions upon which the denial was based. The notice will state that you and/or your authorized representative are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits, and will describe any voluntary appeal procedures, if any, offered by the PSIP and your right to obtain the information about such procedures. The notice will also include a statement of your right to bring a legal action under Section 502(a) of ERISA.

Losing Your Benefits

You may lose benefits under certain circumstances including:

- Termination of employment before completing vesting requirements; or

- A loss in value of your investments due to market fluctuations.

- Your benefit may be reduced by amounts that you are ordered or required to pay under a qualified domestic relations order. The PSIP's procedures for determining whether a domestic relations order is a qualified domestic relations order are available, without charge, from the Plan Administrator.

- Your benefits may be reduced by amounts that you are ordered or required to pay the PSIP, where such order or requirement: (i) arises under a judgment of conviction for a crime involving the PSIP or a civil judgment (including a consent order or decree) entered by a court in an action brought in connection with a violation of part 4 of subtitle B of Title I of ERISA; and (ii) the judgment, order, decree or settlement provides for the offset of all or part of the amount ordered or required to be paid to the PSIP against the your benefits provided under the PSIP.

Assignment or Pledge of Interest

Except pursuant to a qualified domestic relations order, your interest in the PSIP, whether before or after you retire, may not be assigned or hypothecated by you or your beneficiary.

No Employment Contract

Nothing in the PSIP or the PSIP description confers any right of continued employment on any employee or in any way prohibits changes in the terms of, or the termination of, employment of any employee covered by the PSIP.

No Pension Insurance

The PSIP is subject to the principal provisions of Titles I and II ERISA. The PSIP is not subject to the provisions of Title IV of ERISA, which relates to plan termination insurance to be provided by the Pension Benefit Guaranty Corporation, a government corporation. Protections under Title IV are applicable to defined benefit plans only, whereas the PSIP is a defined contribution plan.

Termination, Amendment and Suspension

McKesson intends to continue PSIP indefinitely, but McKesson reserves the right to amend, suspend or terminate the PSIP at any time by resolution of its Board of Directors. No such amendment, suspension or termination shall be made so as to permit any part of the Trust Fund to be used for any purpose except for the exclusive benefit of participants and their beneficiaries nor to affect adversely any right the participant or his or her beneficiary may then have with respect to contributions previously made except as may be necessary to obtain or retain qualification of the PSIP and Trust under the Code.

The PSIP is designed to qualify under Sections 401(a), 401(k), 409 and 4975(e) of the Code. If it is ever finally determined that the PSIP as adopted by any employer no longer satisfies these sections, such employer and its employees shall cease to participate in the PSIP at the date of such determination.

In the event that the PSIP is terminated or partially terminated, or if the contributions of any PSIP Employer are completely discontinued, the amounts credited to the accounts of all affected employees shall be vested and non-forfeitable. The Company shall determine the time and method of payment of such amounts on a uniform and nondiscriminatory basis. The Trust Fund shall continue until, at the direction of the Company, the entire value of the account of each participant has been distributed to or applied for the benefit of each participant or his or her beneficiary.

This summary is not intended to interpret, extend or change in any way the provisions expressed in the PSIP. McKesson reserves the legal right to amend, modify or discontinue all or part of this PSIP at any time. You will be notified of significant changes in this benefit.

Other Special PSIP Provisions

The PSIP contains several provisions that are not currently in effect, including Additional ESOP Matching Contributions, RSP Contributions, Non-Matching Employer Contributions, special provisions relating to the PCS Transaction, the special 1994 Allocation, PAYSOP contributions and Quarterly Contributions. Information about these obsolete provisions may be obtained from the Company.

Maintenance of PSIP Records

The McKesson Service Center maintains the records relating to the PSIP. A report summarizing the status of a participant's account is available to the participant upon request. Any such request should be directed as follows:

McKesson Corporation Service Center
PO Box 770003
Cincinnati, OH 45277-0065

Copies of the PSIP document can be requested by contacting the McKesson Service Center.

Number of Shares Available Under the PSIP

The aggregate number of shares of Common Stock authorized for issuance by McKesson pursuant to the PSIP is 24,219,400. Shares issued pursuant to the PSIP may consist of authorized but unissued shares, shares reacquired by the McKesson and held in Treasury, or shares purchased on the open market.

Resale Restrictions

A participant who is an "affiliate" of McKesson (within the meaning of Rule 405 under the Securities Act of 1933), may not resell under this Prospectus any shares of Common Stock distributed to such participant under the PSIP, unless such resale is in accordance with the requirements of Rule 144 under the 1933 Act or another exemption available under the 1933 Act.

Any other participant may sell, without restrictions, shares of Common Stock distributed to them from the PSIP.

PSIP Administration Information

The Company has full power, authority and discretion to administer the PSIP and to interpret its provisions. The Company will make such rules, regulations, computations, interpretations and decisions as necessary to administer the PSIP in a nondiscriminatory manner for the exclusive benefit of the participants and their beneficiaries. The conclusions and decisions of the Company on all such matters shall be final as to all interested parties.

The Company has appointed Fidelity Management Trust Company as Trustee under the PSIP. As frequently as weekly, the Company turns over to the Trustee, and the Trustee has custody of, the contributions made on behalf of each participant. The Trustee is responsible for the administration of these contributions in accordance with the provisions of the PSIP. From time to time, the Board of Directors of McKesson may appoint independent investment advisers to invest the Core Options under the PSIP. McKesson may from time to time give the Trustee such instructions and directions as may be necessary to administer the trust to carry out the provisions of the PSIP. Except for investment management fees for the participant-directed investment options, which are paid from the PSIP Trust, the Company has complete and unfettered discretion to determine whether an expense of the PSIP is paid by the Company or the PSIP Trust.

If shares of McKesson Common Stock must be acquired by the Trust, the Trustee may purchase them at the prevailing market price established on the New York Stock Exchange or otherwise in the open market. Shares may be purchased on the open market or from McKesson. In addition, McKesson may contribute shares of McKesson Common Stock to the PSIP from authorized, but unissued shares, or out of its treasury shares. If shares are contributed for the Matching Contributions, they are valued at the closing price on the New York Stock Exchange on the last trading day of the relevant Plan Year. Shares of McKesson Common Stock released from a suspense account for allocation as Matching Contributions will also be valued for purposes of allocation at the closing price on the New York Stock Exchange on the last trading day of the Plan Year for which they are allocated.

The PSIP participants exercise all voting rights pertaining to shares of McKesson Common Stock allocated to their accounts under the PSIP. The Trustee exercises certain rights to purchase additional Common Stock or sell such rights and apply the proceeds of the sale to the purchase of additional Common Stock.

The Company maintains accounts for each participant under the PSIP. The Company is required to provide to each a participant a quarterly statement with respect to the status of his or her account, setting forth the value of his or her account as of the end of the calendar quarter and the preceding calendar quarter, the amount of Basic and Supplemental Contributions, Catch-Up Contributions and any withdrawals made by the participant during the calendar quarter, and the amount of Company Matching Contributions allocable to the participant for the calendar quarter.

Your Rights as a PSIP Participant

As a participant in the PSIP, you are entitled to certain rights and protections under Title I of the ERISA.

Right to Information

You may examine without charge all official Plan documents during business hours in the McKesson Benefits Department. These documents include the legal texts of the Plan, insurance contracts, trust agreements, Plan descriptions and annual reports that McKesson files with the U.S. Department of Labor.

You may also obtain a copy of any of these documents by writing to the Plan Administrator. You may be charged a reasonable fee for copies.

You have the right to receive a summary of the PSIP's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

In addition to certain rights for Plan participants, ERISA imposes duties on people responsible for the operation of the Plan. These people, called fiduciaries, have a duty to operate the Plan prudently and in the interest of all Plan participants and beneficiaries.

No one, including your employer, your union or any other person, may fire you or otherwise discriminate against you in any way for obtaining benefits or exercising your ERISA rights.

Denied Claim

If your claim for a benefit under the PSIP is denied in whole or in part, you must receive a written explanation of the reason for denial, have the right to obtain copies of documents relating to the decision without charge, and have the right to appeal the denial, all within certain time schedules.

Enforcing Your Rights

Under ERISA, you can take steps to enforce these benefits rights. For instance, if you request materials from the Plan Administrator and do not receive them within 30 days, you may file suit in federal court. The court may require the Plan Administrator to provide the materials and pay up to $110 a day until you receive them, unless the materials could not be sent because of reasons beyond the Administrator's control.

If your claim for benefits is denied or ignored in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in federal court.

If the PSIP's fiduciaries misuse the PSIP's money, or if you are discriminated against for asserting your rights, you may seek assistance form the U.S. Department of Labor, or file suit in a federal court. The court decides who should pay court costs and legal fees. If you are successful, the court may order the person you sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees – for example, if it finds your claim is frivolous.

Questions

If you have questions about the Plan, call the McKesson Service Center (1-888-MCK-PSIP or 1-888-625-7747) or contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory, or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Administrative Facts

Name of Plan

McKesson Corporation Profit-Sharing Investment Plan

Type of Plan

Defined Contribution Plan

Plan Number

002

Employer Identification Number

94-3207296

Plan Sponsor

McKesson Corporation
One Post St.
San Francisco, CA 94104

Plan Administrator

McKesson Corporation
c/o Senior Vice President, Compensation and Benefits
McKesson Corporation
One Post St.
San Francisco, CA 94104
Telephone: (415) 983-8300

Plan Trustee

Fidelity Management Trust Co.
245 Summer Street
Boston, MA 02110

Investment Managers

BNY Mellon Stable Value
525 Market Street, 35th Floor
San Francisco, CA 94105

Cadence Capital Management LLC
265 Franklin Street, 11th Floor
Boston, MA 02110-3113

Dodge & Cox
555 California Street, 40th Floor
San Francisco, CA 94104

Eaton Vance Management
Two International Place, 10th Floor
Boston, MA 02110

Fidelity Management & Research Company
82 Devonshire St.
Boston, MA 02109

Fisher Investments
13100 Skyline Boulevard
Woodside, California 94062

Rainier Investment Management, Inc.
601 Union Street, Suite 2801
Seattle, WA 98101

State Street Global Advisors
One Lincoln Street
State Street Financial Center
Boston, MA 02111-2900

The Vanguard Group, Inc.
P.O. Box 2900
Valley Forge, PA 19482-2900

Type of Administration

The PSIP is administered by the sponsor. Certain administrative functions are outsourced to:

Fidelity Investments Institutional Operations Company, Inc.
82 Devonshire St.
Boston, MA 02109

Funding Medium

The PSIP is funded by employee and Company contributions. Benefits are paid from a Trust fund.

Plan Year

April 1 – March 31

Termination

If the PSIP is terminated in whole or in part, the rights of all affected participants to their accounts as of the date of termination will be 100% vested and non-forfeitable.

Service of Process

The PSIP's agent for service of legal process is the Company's Corporate Secretary at the following address:

Office of the Corporate Secretary
McKesson Corporation
One Post St.
San Francisco, CA 94104

Legal process may also be served on the Plan Administrator.

Information About This Prospectus

The documents incorporated by reference in the Company's Registration Statement on Form S-8 pursuant to which the securities covered hereby are registered are incorporated herein by reference. All documents subsequently filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 will be deemed to be incorporated by reference in this Prospectus and to be a part hereof from the date of the filing of such documents.

Participants may also obtain without charge, upon written or oral request to the Corporate Secretary's Office, the documents incorporated by reference in the Company's Registration Statement on Form S-8, which are also incorporated by reference in this Prospectus. Participants may obtain without charge, upon written or oral request to the Corporate Secretary's Office, documents required to be delivered to participants pursuant to Rule 428(b) under the Securities Act of 1933.

Office of the Corporate Secretary
McKesson Corporation
One Post Street
San Francisco, CA 94104
Telephone: (415) 983-8367
Web Site: www.mckesson.com

No person has been authorized to give any information or to make any representations in connection with the PSIP, other than those contained in this Prospectus, and if given or made, such information or representations must not be relied upon as having been authorized by the Company. Neither the delivery of this Prospectus nor any distribution of securities made under the PSIP will, under any circumstance, create an implication that there has been no change in the facts set forth in this Prospectus since the date hereof. This Prospectus does not constitute an offering in any state in which such offering may not lawfully be made.

* * *

The information in this Prospectus will be updated regularly by an appendix, a new prospectus or by including information in the most recent annual report to stockholders or the most recent proxy statement of the Company. If you refer to this Prospectus after the lapse of a significant period of time from the date of its initial publication, you should obtain and refer to all appendices. Any appendix received after the receipt of this Prospectus should be kept with this Prospectus and referred to whenever this Prospectus is referred to.