MCKESSON CORP
Form 11-K
September 22, 2009

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

FORM 11-K

(Mark One)

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

For the fiscal year ended March 31, 2009

OR

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

For the transition period from__________to__________

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

McKesson Corporation Profit-Sharing Investment Plan

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

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

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

McKesson Corporation Profit-Sharing Investment Plan
San Francisco, CA

We have audited the accompanying statements of net assets available for benefits of the McKesson Corporation Profit-Sharing Investment Plan (the Plan) as of March 31, 2009 and 2008, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on the financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of March 31, 2009 and 2008, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan s management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2009 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ Deloitte & Touche LLP
San Francisco, CA
September 21, 2009

McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
MARCH 31, 2009 AND 2008 (IN THOUSANDS)

	2009			**2008**		
	Participant Directed	**Non-Participant Directed**	**Plan Total**	**Participant Directed**	**Non-Participant Directed**	**Plan Total**
ASSETS:						
Cash and cash equivalents:						
Allocated	$	$ 2,107	$ 2,107	$	$ 2,229	$ 2,229
Unallocated		14	14		25	25
Total cash & cash equivalents		2,121	2,121		2,254	2,254
Investments at Fair Value:						
Mutual funds and brokeragelink	555,801		555,801	792,874		792,874
Common/ collective trusts	181,344		181,344	263,945		263,945
Separately managed accounts	92,402		92,402	169,834		169,834
BNY Mellon Stable Value Portfolio	133,528		133,528	125,120		125,120
Participant loans	26,871		26,871	26,078		26,078
McKesson Corp. common stock:						
Allocated		270,485	270,485		383,445	383,445
Unallocated		2,328	2,328		7,746	7,746
Employee stock fund	37,027		37,027	47,683		47,683
Total Investments at Fair Value	1,026,973	272,813	1,299,786	1,425,534	391,191	1,816,725
Receivables:						
Dividends and interest on:						
Allocated		902	902		446	446
Unallocated		8	8		21	21
Due from broker for securities sold allocated					966	966
Total receivables		910	910		1,433	1,433
Total assets	1,026,973	275,844	1,302,817	1,425,534	394,878	1,820,412
LIABILITIES:						
Line of credit on unallocated stock					700	700
ESOP promissory notes payable on unallocated stock		869	869		2,503	2,503
Accrued interest unallocated stock		38	38		108	108
Accrued other		1,052	1,052		844	844
Total liabilities		1,959	1,959		4,155	4,155
	1,026,973	273,885	1,300,858	1,425,534	390,723	1,816,257

NET ASSETS Available for Benefits at Fair Value						
ADJUSTMENT from fair value to contract value for fully benefit-responsive investment contracts	6,469		6,469	303		303
NET ASSETS Available for Benefits	$ 1,033,442	$ 273,885	$ 1,307,327	$ 1,425,837	$ 390,723	$ 1,816,560

See notes to financial statements.

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McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEARS ENDED MARCH 31, 2009 AND 2008 (IN THOUSANDS)

	2009			2008		
	Participant Directed	Non-Participant Directed	Plan Total	Participant Directed	Non-Participant Directed	Plan Total
INVESTMENT INCOME (LOSS):						
Net (depreciation) in fair value of investments	$ (476,184)	$ (129,919)	$ (606,103)	$ (116,973)	$ (44,943)	$ (161,916)
Dividends and interest	34,504	3,653	38,157	75,644	2,587	78,231
Investment (loss)	(441,680)	(126,266)	(567,946)	(41,329)	(42,356)	(83,685)
CONTRIBUTIONS:						
Participants	123,628		123,628	125,573		125,573
Employer		53,812	53,812		11,952	11,952
Total contributions	123,628	53,812	177,440	125,573	11,952	137,525
DEDUCTIONS:						
Benefits paid to participants	98,451	21,092	119,543	134,980	30,475	165,455
Interest expense		111	111		463	463
Administrative fees	640	90	730	1,100	90	1,190
Total deductions	99,091	21,293	120,384	136,080	31,028	167,108
(DECREASE) IN NET ASSETS BEFORE TRANSFERS AND MERGERS	(417,143)	(93,747)	(510,890)	(51,836)	(61,432)	(113,268)
TRANSFERS TO PARTICIPANT DIRECTED INVESTMENTS	23,091	(23,091)		43,256	(43,256)	
MERGER OF NET ASSETS FROM OTHER PLANS	1,657		1,657	144,899		144,899
INCREASE (DECREASE) IN NET ASSETS	(392,395)	(116,838)	(509,233)	136,319	(104,688)	31,631
Net assets at beginning of year	1,425,837	390,723	1,816,560	1,289,518	495,411	1,784,929
Net assets at end of year	$ 1,033,442	$ 273,885	$ 1,307,327	$ 1,425,837	$ 390,723	$ 1,816,560

See notes to financial statements.

McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2009 AND 2008

1. PLAN DESCRIPTION

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

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

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

A Participant Directed Investments

Contributions The Plan qualifies as a safe harbor plan as described in Internal Revenue Code sections 401(k) (12) and 401(m) (11). Participants may make pretax contributions from 1% to 20% of eligible pay, limited to $16,500 for calendar year 2009 and $15,500 for calendar year 2008. Total contributions are limited to the lesser of $49,000 for calendar year 2009 and $46,000 for calendar year 2008 or 100% of taxable compensation per calendar year. Participants 50 years of age or older may also elect to make pretax catch-up contributions of up to 67% of pay, limited to $5,500 for calendar year 2009 and $5,000 for calendar year 2008. Participants may also contribute amounts representing distributions from other qualified plans.

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

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

Investment Options Upon enrollment in the PSIP, a participant may direct contributions in 1% increments to any of the investments within the Plan. The following are descriptions from each fund s prospectus or fund manager s report:

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

McKesson Corporation Employee Company Stock Fund (the Employee Stock Fund) represents shares invested in Company common stock with participant contributions and transfers from the Employer Company Stock Allocated Fund.

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

SSgA Balanced Fund is a custom mix of commingled pools that invests 60% in SSgA S&P 500 Index Fund and 40% in SSgA Bond Index Fund.

Wellington Management Small Cap Portfolio invests in stocks within the market capitalization range of the Russell 2000 Index. This is a separately managed account, not a mutual fund, which seeks long-term growth by investing in the stocks of small companies.

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

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McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN
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YEARS ENDED MARCH 31, 2009 AND 2008

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

Fidelity Diversified International Fund invests primarily in a diversified portfolio of equity securities of companies located outside of the United States.

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

Mutual Fund Window provides access to approximately 260 mutual fund options from more than 20 investment companies.

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

Loans Participants may apply for a loan from the Plan. The total amount owed to the Plan by an individual participant cannot exceed the lowest of: (i) 50% of such participant s vested account balance, (ii) $50,000 as adjusted for certain items specified in the Plan document, or (iii) the value of the participant s account attributable to basic, supplemental, catch-up and rollover contributions. Most loans bear interest at the then current prime rate of interest on the loan date plus 1%. Contractual interest rates ranged from 4% to 11% in fiscal 2009 and 2008. Loans may be repaid over a period not to exceed 5 years, except for residential loans, which must not exceed a term of 10 years. Principal repayments and interest are paid through payroll deductions. For participants who have been terminated or are on leave and are no longer receiving a paycheck, loan repayments may be made via electronic funds transfer or monthly coupon payments. Participant loans totaled $26,871,000 and $26,078,000 at March 31, 2009 and 2008.

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

Transfers from Other Qualified Plans In March 2009, the net assets from McQueary Brothers Drug Company 401(k) Profit Sharing Plan totaling $1,657,000 were merged into the Plan. In April 2007, the net assets from the Medcon Telemedicine Technology, Inc. 401(k) Profit Sharing Plan totaling $234,000 were merged into the Plan. The net assets including participant loans from the Per Se Technologies Employee Retirement Savings Plan and the NDC Health Corporation 401(k) Plan totaling $92,127,000 and $52,538,000 were merged into the Plan in July and June 2007.

B Non-Participant Directed Investments

General The McKesson Corporation Employer Company Stock Funds (Allocated and Unallocated) (the Employer Stock Funds) consist of a leveraged Employee Stock Ownership Plan (ESOP). Generally, the Allocated fund represents shares that have been allocated to participants through employer matching contributions and have not been directed to other investment options by the participants. This fund is classified as non-participant directed because only the Company can direct shares into this account. The Unallocated fund represents ESOP shares to be used for the future employer matching contributions. Participants can transfer employer matching contributions from the allocated fund to other participant directed investments, including the Employee Stock Fund, as soon as they are made. Total transfers to the participant directed investments for the years ended March 31, 2009 and 2008 were $23,091,000 and $43,256,000. In fiscal 2009, employer matching contributions were funded, in part, with 81,000 shares from the ESOP and 462,000 in share contributions directly from the Company. In fiscal 2008, employer matching contributions were funded with 876,000 shares from the ESOP and 3,000 share contributions from the Company.

Employer Matching Contributions to Participants Accounts Effective the last business day of each month throughout the fiscal year, or as soon as administratively feasible thereafter, participant accounts are credited with matching Company contributions, primarily in the form of the Company s common stock based on a percentage of the participants basic contributions. Effective April 1, 2005, the Plan provides for Company matching contributions to all participants who make elective deferrals in an amount equal to 100% of the employee s deferral for the first 3% of pay deferred and 50% of the employee s deferral for the next 2% of pay deferred. An additional annual matching contribution may be granted at the discretion of the Company to plan participants. The Plan was amended effective April 1, 2007 to provide for a true-up matching employer contribution, the amount equal to the difference between

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McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2009 AND 2008

(1) a participant s match determined based on the participant s compensation and eligible contributions for the entire Plan Year and (2) the amount of the participant s match contributed to the plan on a monthly basis for the Plan Year.

The Internal Revenue Code requires that shares be released for employer contributions according to a formula based on debt service payments under the leveraged ESOP component of the Plan. The Company contributed $55,539,000 which included $4,163,000 in ESOP contributions, $20,576,000 in share contributions directly from the Company and $30,800,000 in cash to fund the company match contribution in the year ended March 31, 2009. The Company contributed $52,512,000 which included $52,314,000 in ESOP contributions and $198,000 in share contributions to fund the company matching contribution in the year ended March 31, 2008.

Employer Contributions Dividends on unallocated shares of Company common stock are used to pay the obligations under the ESOP loans. Under the terms of the loan agreements, the Company is required to make cash contributions to the extent that the dividends are not sufficient to service the debt. To pay down such debt obligations, cash contributions amounted to $2,436,000 and $11,754,000 in the years ended March 31, 2009 and 2008.

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

Forfeitures A rehired employee who has met certain levels of service prior to termination may be entitled to have forfeited interests in the PSIP reinstated. Each fiscal year, forfeited interests are used to reinstate previously forfeited amounts of rehired employees and to pay other Plan expenses as appropriate. Forfeitures for the years ended March 31, 2009 and 2008 of employer contributions made before April 1, 2005 were $430,000 and $983,000.

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

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

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

	2009			2008		
	Number of Shares	**Cost Basis**	**Fair Value of Shares**	**Number of Shares**	**Cost Basis**	**Fair Value of Shares**
Allocated	7,719	$ 276,973	$ 270,485	7,322	$ 251,438	$ 383,445
Unallocated	67	1,252	2,328	148	2,787	7,746
Total	7,786	$ 278,225	$ 272,813	7,470	$ 254,225	$ 391,191

The per share fair value of McKesson Corporation common stock at March 31, 2009 and 2008 was $35.04 and $52.37.

McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2009 AND 2008

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

	2009			2008		
	Allocated	Unallocated	Total	Allocated	Unallocated	Total
Net Assets (beginning of year)	$ 386,242	$ 4,481	$ 390,723	$ 450,199	$ 45,212	$ 495,411
Net (depreciation) appreciation	(128,665)	(1,254)	(129,919)	(45,084)	141	(44,943)
Dividends and interest	3,599	54	3,653	2,436	151	2,587
Employer contributions	51,376	2,436	53,812	198	11,754	11,952
Benefits paid to participants	(21,092)		(21,092)	(30,475)		(30,475)
Interest expense		(111)	(111)		(463)	(463)
Administrative fees	(90)		(90)	(90)		(90)
Allocation of 81 shares, at market	4,163	(4,163)				
Allocation of 876 shares, at market				52,314	(52,314)	
Transfers to participant directed investments	(23,091)		(23,091)	(43,256)		(43,256)
Net Assets (end of year)	$ 272,442	$ 1,443	$ 273,885	$ 386,242	$ 4,481	$ 390,723

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

New Accounting Pronouncements In September 2006, the Financial Accounting Standards Board (FASB) issued the Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, which provides a consistent definition of fair value that focuses on exit price and prioritizes the use of market-based inputs over entity-specific inputs for measuring fair value. SFAS No. 157 requires expanded disclosures about fair value measurements and establishes a three-level hierarchy for fair value measurement. On April 1, 2008, the Plan adopted SFAS No. 157 for financial assets and financial liabilities. The provisions of SFAS No. 157 are applied prospectively. The adoption of the various provisions of SFAS No. 157 had no material impact on the Plan s financial statements.

In April 2009, the FASB issued Staff Position (FSP) 157-4, *Determining Fair Value When Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. FSP No. 157-4 provides additional guidance for estimating fair value in accordance with SFAS No. 157 when an asset or liability experienced a significant decrease in volume and activity in relation to their normal market activity. Additionally, the FSP provides guidance on identifying circumstances that may indicate if a transaction is not orderly. FSP 157-4 is effective for the Plan beginning in fiscal year 2010. The adoption of FSP 157-4 is not expected to have a significant impact on the Plan s financial statements.

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McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2009 AND 2008

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

Within the BNY Mellon Stable Value Portfolio (Stable Value Portfolio) (Standish Mellon Stable Value Portfolio for fiscal year 2008), traditional Guaranteed Investment Contracts (GICs) and Variable Synthetic (VS) GICs are stated at estimated fair value using discounted cash flows. Fixed Maturity Synthetic (FMS) GICs are stated at estimated fair value based on market values of publicly traded bonds that are held as the underlying assets within the FMS GICs. The valuation is provided by FT Interactive Data Corporation. Constant Duration Synthetic (CDS) GICs are also held in the Stable Value Portfolio and are stated at estimated fair value based on market values provided by Barclays Global Investors.

Participant loans are valued at their outstanding loan balances, which approximates fair value. Shares of McKesson Corporation common stock are valued at quoted market prices on March 31, 2009 and 2008. Certain administrative expenses are allocated to the individual investment options based upon daily balances invested in each option and are reflected as a reduction of net appreciation in fair market value of investments and are not separately reflected. Consequently, these management fees and operating expenses are reflected as a reduction of investment return for such investments. All other activity is recorded in the Plan based on the elections of the individual participants in the Plan. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan s gains and losses on investment bought and sold as well as held during the year.

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

Benefits Benefits are recorded when paid.

3. INVESTMENTS

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

	2009	**2008**
McKesson Corporation Employer Stock (Allocated and Unallocated) *	$272,813	$391,191
SSgA S&P 500 Index Fund	101,200	171,671
Dodge & Cox Large Cap Value Portfolio **		116,358
Stable Value Portfolio	133,528	125,120

* Non-Participant Directed

** Fair value did not exceed 5% of the Plan s net assets at March 31, 2009.

The Stable Value Portfolio contains investment contracts with insurance companies and financial institutions in order to provide participants with a stable return on investment and protection of principal from changes in market interest rates.

Traditional GICs are unsecured, general account obligations of insurance companies. The obligation is backed by the general account assets of the insurance company that writes the investment contract. Traditional GIC crediting rates are based upon the rate that is agreed to when the insurance company writes the contract and are generally fixed for the life of the contract.

Variable Synthetic GICs consist of an asset or collection of assets that are managed by the bank or insurance company and are held in a bankruptcy remote vehicle for the benefit of the fund (or plan). The contract is benefit responsive and provides next day liquidity at contract value. The VS GICs crediting rate is reset every quarter based on the then current market index rates and investment spread. The investment spread is established when the contract is issued and is guaranteed by the issuer for the life of the investment.

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McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MARCH 31, 2009 AND 2008

Fixed Maturity Synthetic GICs consist of an asset or collection of assets that are owned by the fund (or plan) and a benefit responsive, contract value wrap contract purchased for the portfolio. The wrap contract provides contract value accounting for the asset and assures that contract value, benefit responsive payments will be made for participant directed withdrawals.

Constant Duration Synthetic GICs consist of a portfolio of securities owned by the fund (or plan) and a benefit responsive contract value wrap contract purchased for the portfolio. The wrap contract amortizes gains and losses of the underlying securities over the portfolio duration and assures that contract value, benefit responsive payments will be made for participant directed withdrawals.

The FMS GICs and CDS GICs use wrap contracts in order to manage market risks and to alter the return characteristics of the underlying portfolio of securities owned by the Stable Value Portfolio to match certain fixed income fund objectives. There are no reserves against these contract values for credit risk of the contract issuer or otherwise. For both FMS and CDS GICs, the fair values of wraps provided by issuers are valued by BNY Mellon Stable Value Group at March 31, 2009 (Standish Mellon Asset Management at March 31, 2008) using the combination of a cost and income approach. The methodology uses the cost approach to determine a replacement value of