

RETENTION AGREEMENT

WHEREAS, the Attorney General has determined that claims should be made against McKesson Corporation (“McKesson”) and potentially other entities for either causing fraudulent overcharges to the State of Mississippi, through Medicaid expenditures, or benefiting from these overcharges, on account of the artificial inflation of the difference between the published Wholesale Acquisition Cost (“WAC”) and Average Wholesale Price (“AWP”) of over 400 brand-name prescription drugs and

WHEREAS, the civil claims of private entities were settled on favorable terms in December of 2009, governmental entities such as the State of Mississippi were specifically excluded from the 2009 settlement and the Attorney General’s attempts to resolve these claims without filing suit have been unsuccessful; and

WHEREAS, the Attorney General has the authority to bring this action on its own behalf to recover state revenues improperly expended due to the unlawful overcharges related to prescription drugs pursuant to Miss. Code Ann. §7-5-39. Further, as a constitutional officer possessing all the power and authority inherited from the common law as well as that specially conferred upon it by statute, the Attorney General has the right to institute, conduct and maintain this suit in order to enforce the laws of the State of Mississippi, preserve order and protect the public’s rights. Finally, the Attorney General has the right to maintain this suit in a *parens patriae* capacity due to the State’s quasi-sovereign interest in the economic well-being of its residents who have been overcharged for affected prescription drugs; and

WHEREAS, the Attorney General has determined that the claims may include, among others, fraud, antitrust, racketeering, suppression, breach of agreement, unjust

enrichment, prejudgment interest, statutory interest, penalties, fines and attorneys' fees for intentionally violating the statutes of the State of Mississippi and/or the United States for funds which should have been paid to the State of Mississippi or its citizens; and

WHEREAS, the Attorney General has determined that the investigation, research, and litigation of the Claims will require the expenditure of large sums of money and require work of numerous lawyers, paralegals, accountants, and secretaries who are familiar with pharmaceutical and health care litigation, and related issues for an extended period of time; and

WHEREAS, the below listed Law Firm is experienced in complex litigation involving the healthcare industry and has consented to represent the State of Mississippi, in association with the Attorney General, respecting the Claims and pursuant to the terms and conditions hereof;

IT IS, ACCORDINGLY, AGREED as follows:

1. The Office of the Attorney General hereby retains the Law Firm of McCulley McCluer PLLC, ("Law Firm") and its attorneys are hereby designated as Special Assistant Attorneys General to investigate, research, and file the Claims in any appropriate Court or Courts or before any appropriate governmental agency, either individually or as part of a class action.

2. The Attorney General does not relinquish his constitutional or statutory authority or responsibility through this Retention Agreement. The Attorney General has the sole authority to settle this litigation on behalf of the State of Mississippi and its citizens. The Law Firm shall consult with the Attorney General and obtain his approval on all material matters pertinent to these Claims and any litigation arising therefrom, and

the Attorney General shall cooperate with the Law Firm and use his best efforts secure the cooperation of other State agencies. Prior to initiating inquiries or demands to any persons or entities, the Attorney General and the Law Firm will agree upon entities to be contacted and/or claims to be pursued; the Law Firm will thereafter be entitled to its reasonable fees and expenses, as provided below, on any recovery from such agree-upon entity or claims, discovered as a consequence of the Law Firm's inquiry/demand. The Attorney General is not required, however, to assign any members of his staff to pursue the Claims, but may from time to time afford staff and other support services as the Attorney General deems appropriate. The Attorney General shall designate a member(s) of his staff to monitor these Claims, and the Law Firm shall keep the Attorney General and his designated staff member(s) fully informed on all matters pertaining to the Claims.

3. The Attorney General and the Law Firm both recognize that the claims present numerous factual and legal obstacles, and that no assurance of success on the Claims has or can be made.

4. The Attorney General shall maintain responsibility for the public distribution of information concerning the matter. All press inquiries shall be referred to the Attorney General for comment and response.

5. Notwithstanding the potential difficulties, the Law Firm has agreed to represent the State, and the Attorney General hereby agrees that the Law Firm will be compensated for its efforts on the following basis:

A. Fee Agreements:

Exhibit A – Retention Agreement: Matter Settled Prior to Initiation of Litigation

Exhibit B – Retention Agreement: Matter Resolved After Initiation of Litigation

B. All reasonable and necessary costs of litigation including, but not limited to, court costs, travel, witness fees, consultants, accounting, and expert fees and expenses, as shall be approved by the Attorney General, shall initially be borne entirely by the Law Firm, but shall be reimbursed from any gross recoveries from the pursuit of such claims on a case-by-case basis.

C. The Law Firm shall receive no compensation or reimbursement other than set out above. In the event that no recovery is realized, the Law Firm shall receive no compensation or reimbursement.

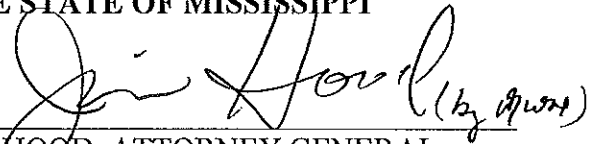
6. With the approval of the Attorney General, the Law Firm may associate other attorneys at its own expense and at no cost to the State of Mississippi.

Notwithstanding such association of other attorneys, this Retention Agreement is non-assignable and non-transferable, nor are the Law Firm's commitments delegable without the express, written approval of the Attorney General.

DATED this 8th day of October, 2010.

**ATTORNEY GENERAL OF
THE STATE OF MISSISSIPPI**

By:


JIM HOOD, ATTORNEY GENERAL

MCCULLEY MCCLUER PLLC

By:

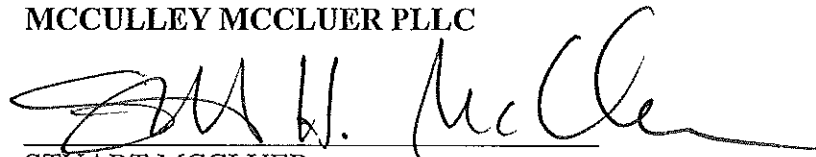

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Exhibit "A"
(Counsel Retention Agreement)
(Matter Settled Prior to Initiation of Litigation)

For any "Matter Settled Prior to Initiation of Litigation," the following structured contingent fee schedule shall apply and govern compensation of the Attorneys:

For Recovery by the State of Mississippi Up to \$25,000,000.00:

15%

For Recovery by the State of Mississippi between \$25,000,000.00 and \$75,000,000.00:

13%

For Recovery by the State of Mississippi between \$75,000,000.00 to \$200,000,000.00:

7%

For Recovery by the State of Mississippi between \$200,000,000.00 to \$500,000,000.00:

4%

For Recovery by the State of Mississippi between \$500,000,000.00 to \$1,000,000,000.00

2%

For Recovery by the State of Mississippi greater than \$1,000,000,000.00:

1%

Explanatory Note & Illustration of Fee Computation

The structured contingent fee schedule set forth herein is intended to, and shall, operate cumulatively so that, in relation to each successive category or level of Recovery by the State of Mississippi (e.g., "For Recovery by the State of Mississippi Up to \$25,000,000.00," *etc.*), there shall be a specified percentage or percentages governing the amount or valuation of the aggregate contingent fee in each such category, so that the Attorneys shall be entitled to receive, and shall be paid, an aggregate sum or value equivalent computed by multiplying the percentage applicable to each such successive category or level of Recovery by the State of Mississippi by the incremental dollar amount falling within each such category and the separate products so derived by multiplying these factors in each category shall be added together to compute the aggregate fee to be paid to the Attorneys. By way of

illustration only, the cumulative contingent fee structure shown on this Exhibit "A" shall be computed, utilizing the following method:

Assume Recovery by the State of Mississippi of a monetary sum, benefit, or value equal to \$600,000,000.00.

The Attorneys' contingent fee will be computed by adding together the specified, applicable percentage of each category or level, as follows:

- 15% of the first \$25,000,000.00 (*i.e.*, 15% of any sums or values between 0 and \$25,000,000.00)

PLUS

- 13% of the next \$50,000,000.00 (*i.e.*, 13% of all sums or values between \$25,000,000.00 and \$75,000,000.00)

PLUS

- 7% of the next \$125,000,000.00 (*i.e.*, 7% of all sums or values between \$75,000,000.00 and \$200,000,000.00)

PLUS

- 4% of the next \$300,000,000.00 (*i.e.*, 4% of all sums or values between \$200,000,000.00 and \$500,000,000.00)

PLUS

- 2% of the next \$100,000,000.00 (*i.e.*, 2% of the difference between \$500,000,000.00 and the amount of the award greater than that sum or value, or in this example, \$600,000,000.00)

Exhibit "B"
(Counsel Retention Agreement)
(Matter Resolved After Initiation of Litigation)

For any "Matter Resolved After Initiation of Litigation", the following structured contingent fee schedule shall apply and govern compensation of the Attorneys:

For Recovery by the State of Mississippi Up to \$25,000,000.00:

After filing complaint before discovery completed:	17%
After filing complaint after discovery complete awaiting trial:	20%
After commencement of trial:	25%

For Recovery by the State of Mississippi between \$25,000,000.00 and \$75,000,000.00:

After filing complaint before discovery completed:	15%
After filing complaint after discovery complete awaiting trial:	18%
After commencement of trial:	21%

For Recovery by the State of Mississippi between \$75,000,000.00 to \$200,000,000.00:

After filing complaint before discovery completed:	10%
After filing complaint after discovery complete awaiting trial:	14%
After commencement of trial:	18%

For Recovery by the State of Mississippi between \$200,000,000.00 to \$500,000,000.00:

After filing complaint before discovery completed:	6%
After filing complaint after discovery complete awaiting trial:	8%
After commencement of trial:	10%

For Recovery by the State of Mississippi between \$500,000,000.00 to \$1,000,000,000.00:

After filing complaint before discovery completed:	3%
After filing complaint after discovery complete awaiting trial:	4%
After commencement of trial:	5%

For Recovery by the State of Mississippi over \$1,000,000,000.00:

After filing complaint before discovery completed:	2%
After filing complaint after discovery complete awaiting trial:	3%
After commencement of trial:	4%

Explanatory Note & Illustration of Fee Computation

The structured contingent fee schedule set forth herein is intended to, and shall, operate cumulatively so that, in relation to each successive category or level of Recovery by the State of Mississippi (e.g., "For Recovery by the State of Mississippi Up to \$25,000,000.00," *etc.*), there shall be a specified percentage or percentages governing the amount or valuation of the aggregate contingent fee in each such category, so that the Attorneys shall be entitled to receive, and shall be paid, an aggregate sum or value equivalent computed by multiplying the percentage applicable to each such successive category or level of Recovery by the State of Mississippi by the incremental dollar amount falling within each such category and the separate products so derived by multiplying these factors in each category shall be added together to compute the aggregate fee to be paid to the Attorneys. By way of illustration only, the cumulative contingent fee structure shown on this Exhibit "B" shall be computed, utilizing the following method:

Assume Recovery by the State of Mississippi of a monetary sum, benefit, or value equal to \$600,000,000.00, and assume further that the sum or value was derived "[a]fter filing complaint after discovery complete awaiting trial."

The Attorneys' contingent fee will be computed by adding together the specified, applicable percentage of each category or level, as follows:

- 20% of the first \$25,000,000.00 (*i.e.*, all sums or values between 0 and \$25,000,000.00)

PLUS

- 18% of the next \$50,000,000.00 (*i.e.*, all sums or values between \$25,000,000.00 and \$75,000,000.00)

PLUS

- 14% of the next \$125,000,000.00 (*i.e.*, all sums or values between \$75,000,000.00 and \$200,000,000.00)

PLUS

- 8% of the next \$300,000,000.00 (*i.e.*, all sums or values between \$200,000,000.00 and \$500,000,000.00)

PLUS

- 4% of the next \$100,000,000.00 (*i.e.*, 4% of the next sum or value greater than \$500,000,000.00 which, in this example, is \$600,000,000.00)