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## **U.S. Securities and Exchange Commission**

### **LITIGATION RELEASE NO. 21444 / March 10, 2010**

#### **ACCOUNTING AND AUDITING ENFORCEMENT RELEASE NO. 3119 / March 10, 2010**

#### ***Securities and Exchange Commission v. Jay Lapine Case No. C-01-3650 WHA (N.D. Cal.)***

#### **SEC Settles Civil Fraud Injunctive Action Against Former McKesson Corporation Attorney**

On March 1, 2010, a consent and final judgment against Jay Lapine was entered by the United States District Court for the Northern District of California. Lapine was charged in a previously-filed action with securities fraud in connection with a financial reporting fraud at McKesson HBOC, Inc. (now, McKesson Corporation), a Fortune 100 company headquartered in San Francisco, California. Lapine consented to the entry of judgment without admitting or denying the allegations of the Commission's complaint except as to jurisdiction.

#### **The Commission's Complaint**

The Complaint, filed September 27, 2001, alleged that Lapine, together with other senior executives, participated in a long-running fraudulent scheme to inflate the revenue and net income of HBO & Company (HBOC), an Atlanta, Georgia-based vendor of health care technology that merged with McKesson in 1999. As part of this scheme, Lapine, the General Counsel of HBOC and later, of the health care technology unit of McKesson HBOC, took part in negotiating two large backdated transactions with side agreements containing cancellation contingencies that enabled the companies to recognize revenue in earlier reporting periods. Both of these practices failed to comply with Generally Accepted Accounting Principles. The fraud enabled HBOC and McKesson HBOC to report falsely in press releases and in periodic reports HBOC filed with the Commission that the companies were having an unbroken run of financial success and had continually exceeded analysts' expectations. However, when McKesson HBOC announced in April 1999 that the company was conducting an internal investigation into financial reporting irregularities, its shares tumbled from approximately \$65 to \$34, a drop that slashed its market value by more than \$9 billion. The Commission also alleged that Lapine failed in his gatekeeper role during the multi-year long scheme.

#### **The Settlement**

The final judgment against Lapine permanently enjoins him from violating Section 17(a) of the Securities Act of 1933 and Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(5) of the Securities Exchange Act of 1934 ("Exchange Act") and Rules 10b-5, 12b-20, 13a-13 and 13b2-1 thereunder. In addition, Lapine was barred him from acting as an officer or director of a public company for a period of five years and was ordered to pay a civil penalty of \$60,000. Lapine was acquitted on November 19, 2009 of criminal charges related to the fraud at HBOC and McKesson HBOC.

<http://www.sec.gov/litigation/litreleases/2010/lr21444.htm>