MCKESSON CORP
Form 424B5
February 09, 2018
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-215763

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered (1)	Maximum Offering Price per Note	Maximum Aggregate Offering Price (1)	Amount of Registration Fee (2)
Floating Rate Notes due 2020	$311,150,000	100.400%	$312,394,600	$38,894
1.625% Notes due 2026	$622,300,000	99.898%	$621,665,254	$77,398

(1) 250,000,000 aggregate principal amount of the Floating Rate Notes due 2020 will be issued and 500,000,000 aggregate principal amount of the 1.625% Notes due 2026 will be issued. The amount to be registered and maximum aggregate offering price are based on a euro/U.S. dollar exchange rate of 1.00 = U.S. $1.2446 as of February 2, 2018, as published by the U.S. Federal Reserve Board.

(2) Calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended. The total registration fee due for this offering is $116,292.

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PROSPECTUS SUPPLEMENT

(To Prospectus dated January 27, 2017)

McKesson Corporation

250,000,000 Floating Rate Notes due 2020

500,000,000 1.625% Notes due 2026

The floating rate notes due 2020, which we refer to as the 2020 floating rate notes, will mature on February 12 , 2020. The 1.625% fixed rate notes due 2026, which we refer to as the 2026 fixed rate notes, will mature on October 30, 2026. We refer to the 2020 floating rate notes and the 2026 fixed rate notes collectively as the notes.

The 2020 floating rate notes will bear interest at a floating rate equal to three-month EURIBOR plus 0.15%. We will pay interest on the 2020 floating rate notes on February 12, May 12, August 12 and November 12 of each year, beginning May 12, 2018. We will pay interest on the 2026 fixed rate notes on October 30 of each year, beginning October 30, 2018.

We may redeem either series of the notes at our option, in whole, but not in part, for cash, at any time prior to maturity at a price equal to 100% of the outstanding principal amount of such notes, plus accrued and unpaid interest to, but excluding, the redemption date, if certain tax events occur that would obligate us to pay additional amounts as described under Description of Notes Payment of Additional Amounts. In addition, we may redeem the 2026 fixed rate notes, at our option, in whole at any time or in part from time to time, for cash, prior to maturity at the redemption prices set forth under Description of Notes Optional Redemption. The 2020 floating rate notes are not redeemable at our option, other than following a tax event as described above. If a change of control triggering event occurs, unless we have previously exercised our optional redemption right with respect to the applicable series, we will be required to offer to repurchase each series of the notes from the holders for cash. See Description of Notes Change of Control.

The notes will be our unsecured senior obligations and rank equally with all our existing and any future unsecured senior indebtedness. The notes will be issued only in registered book-entry form and in denominations of 100,000 and integral multiples of 1,000 thereafter.

Investing in the notes involves risk. See Risk Factors beginning on page S-7 in this prospectus supplement and the risks discussed elsewhere in this prospectus supplement, the accompanying prospectus and the documents and reports we file with the Securities and Exchange Commission (SEC) that are incorporated by reference into this prospectus supplement or the accompanying prospectus for a discussion of certain risks that you should consider in connection with an investment in the notes.

	Public offering price(1)	Underwriting discount	Proceeds, before expenses, to McKesson
Per 2020 floating rate note	100.400%	0.200%	100.200%
Total	251,000,000	500,000	250,500,000
Per 2026 fixed rate note	99.898%	0.450%	99.448%
Total	499,490,000	2,250,000	497,240,000

(1) Plus accrued interest from February 12, 2018 if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Each series of notes is a new issue of securities with no established trading market. We intend to apply to list the notes of each series on the New York Stock Exchange (NYSE). We expect trading in the notes of each series on the NYSE to begin less than 30 days after the original issue date, but such listing application is subject to review by the NYSE. If such listing is obtained, we will have no obligation to maintain such listing, and we may delist either series of the notes at any time.

The notes will be ready for delivery in book-entry form on or about February 12, 2018 through the facilities of Clearstream Banking, S.A. (Clearstream), and Euroclear Bank S.A./N.V., as operator of the Euroclear System (Euroclear).

Joint Book-Running Managers

Global Coordinator

Goldman Sachs & Co. LLC **BofA Merrill Lynch** **J.P. Morgan**

HSBC **Wells Fargo Securities**

Senior Co-Managers

Barclays **Citigroup** **MUFG**

Co-Managers

BNP PARIBAS **Deutsche Bank** **Scotiabank** **TD Securities** **UniCredit Bank** **US Bancorp**

DNB Markets **ING** **NatWest Markets** **PNC Capital Markets LLC** **Rabobank** **The Williams Capital Group, L.P.**

February 7, 2018

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first is this prospectus supplement, which describes the specific terms of this offering, the notes and matters relating to us and our financial performance and condition. The second part, the accompanying prospectus, provides a more general description of the terms and conditions of the various securities we may offer under our registration statement, some of which does not apply to this offering. If the description of this offering and the notes varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

In various places in this prospectus supplement and the accompanying prospectus, we refer you to sections of other documents for additional information by indicating the caption heading of the other sections. All cross-references in this prospectus supplement are to captions contained in this prospectus supplement and not in the accompanying prospectus, unless otherwise indicated.

You should carefully read this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein in their entirety. They contain information that you should consider when making your investment decision.

We have not, and the underwriters have not, authorized any other person, including any dealer, salesperson or other individual, to provide you with any information or to make any representations other than those contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus supplement, the accompanying prospectus and the documents and reports incorporated by reference herein and therein is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates. Neither the delivery of this prospectus supplement and the accompanying prospectus nor any sale made hereunder or thereunder shall, under any circumstances, create any implication that the information contained herein or therein is correct as of any time subsequent to the date hereof.

This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which they relate or an offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. You should not consider any information in this prospectus to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the notes.

Notice to Prospective Investors in the European Economic Area

Neither this prospectus supplement nor the accompanying prospectus is a prospectus for the purposes of the European Union s Directive 2003/71/EC (as amended, including by Directive 2010/73/EU, the Prospective Directive), as implemented in the Member States of the European Economic Area (the EEA).

PRIIPs Regulation / Prohibition of sales to EEA retail investors The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (MiFID II); or (ii) a customer within the meaning of Directive 2002/92/EC, as amended (the Insurance Mediation Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II, or

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(iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the PRIIPs Regulation) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II product governance / Professional investors and ECPs only target market Solely for the purposes of each manufacturer s product approval process, the target market assessment in respect of the notes has led to the conclusion that: (i) the target market for the notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the notes (a distributor) should take into consideration the manufacturers target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the manufacturers target market assessment) and determining appropriate distribution channels.

Notice to Prospective Investors in the United Kingdom

The communication of this prospectus supplement, the accompanying prospectus and any other document or materials relating to the issue of the notes offered hereby is not being made, and the contents of such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom s Financial Services and Markets Act 2000, as amended (the FSMA). Accordingly, such documents and/or materials are not being distributed to or otherwise communicated with, and must not be passed on to, any person in the United Kingdom except in circumstances in which section 21(1) of FSMA will not apply. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Financial Promotion Order)), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as relevant persons). In the United Kingdom, the notes offered hereby are only available to, and any investment or investment activity to which this prospectus supplement and the accompanying prospectus relate will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this prospectus supplement or the accompanying prospectus or any of their contents.

IN CONNECTION WITH THE ISSUE OF THE NOTES, MERRILL LYNCH INTERNATIONAL, ACTING IN ITS CAPACITY AS STABILIZATION MANAGER (THE STABILIZATION MANAGER) OR PERSONS ACTING ON BEHALF OF THE STABILIZATION MANAGER MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZATION MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Some of these statements can be identified by use of forward-looking words such as believes, expects, anticipates, may, will, should, seeks, approximately, intends, plans or estimates, or the negative of th other comparable terminology. Any discussion of financial trends, strategy, plans or intentions may also include forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected, anticipated, or implied. Although it is not possible to predict or identify all such risks and uncertainties, they may include, but are not limited to, the factors discussed under Risk Factors in this prospectus supplement and the accompanying prospectus and in our most recent Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and in other information contained in our publicly available SEC filings and press releases. You should not consider those factors to be a complete statement of all potential risks and uncertainties. You are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date such statements were first made. Except to the extent required by federal securities laws, we undertake no obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. It does not contain all of the information that you should consider before making an investment decision. We urge you to read carefully the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, including the historical financial statements and notes to those financial statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus. Please read the information set forth under the heading Risk Factors herein for more information about important risks that you should consider before investing in the notes. Except as otherwise indicated, all references in this prospectus supplement to McKesson, the company, we, our and us refer to McKesson Corporation and its consolidated subsidiaries. The symbol $ refers to U.S. dollars, unless otherwise indicated. The symbol and references to euro refer to the single currency introduced at the third stage of the European Monetary Union pursuant to the Treaty establishing the European Community, as amended.

McKesson Corporation

McKesson Corporation (NYSE: MCK), ranked 5th on the FORTUNE 500, is a global leader in healthcare supply chain management solutions, retail pharmacy, community oncology and specialty care, and healthcare information technology. We partner with pharmaceutical manufacturers, providers, pharmacies, governments and other organizations in healthcare to help provide the right medicines, medical products and healthcare services to the right patients at the right time, safely and cost-effectively.

We operate our business through two segments: McKesson Distribution Solutions and McKesson Technology Solutions.

Our Distribution Solutions segment distributes branded and generic pharmaceutical drugs and other healthcare-related products internationally and provides practice management, technology, clinical support and business solutions to community-based oncology and other specialty practices. This segment also provides specialty pharmaceutical solutions for pharmaceutical manufacturers including offering multiple distribution channels and clinical trial access to our network of oncology physicians. It also provides medical-surgical supply distribution, logistics and other services to healthcare providers within the United States. Additionally, this segment operates retail pharmacy chains in Europe and Canada, and supports independent pharmacy networks within North America and Europe. It also supplies integrated pharmacy management systems, automated dispensing systems and related services to retail, outpatient, central fill, specialty and mail order pharmacies.

Our Technology Solutions segment includes our equity method investment in our joint venture with Change Healthcare Holdings, Inc. (Change), Change Healthcare, LLC (Change Healthcare), a Delaware limited liability company, in which we own 70% of the equity, with the remaining equity ownership held by Change shareholders. Change Healthcare is a healthcare technology company which provides software and analytics, network solutions and technology enabled services that will deliver wide ranging financial, operational and clinical benefits to payers, providers and consumers. Effective April 1, 2017, our RelayHealth Pharmacy business was transitioned from the Technology Solutions segment to the Distribution Solutions segment. On October 2, 2017, we sold our Enterprise Information Solutions business to a third party.

Our principal executive offices are located at McKesson Plaza, One Post Street, San Francisco, California 94104. Our telephone number is (415) 983-8300.

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Recent Developments

Concurrent Offering

On February 7, 2018, we announced an offering of $600,000,000 3.950% notes due 2028 (the USD notes) in an underwritten public offering pursuant to a separate prospectus supplement (the concurrent offering). Closing of the concurrent offering will be subject to customary conditions precedent. The completion of this offering is not conditioned upon the successful completion of the concurrent offering. We cannot assure you that the concurrent offering will be completed. This prospectus supplement is not, and should not be construed as, an offer of any securities other than the notes.

Concurrent Tender Offers

On February 7, 2018, we commenced cash tender offers (the concurrent tender offers) for up to $1.1 billion of our outstanding (i) 7.500% Notes due 2019, (ii) 4.750% Notes due 2021, (iii) 7.650% Debentures due 2027, (iv) 6.000% Notes due 2041 and (v) 4.883% Notes due 2044 ((i)-(v) are collectively referred to herein as the tender offer notes) upon the terms set forth in an offer to purchase and related letter of transmittal. Closing of the concurrent tender offers is subject to the successful completion of this offering and the concurrent offering as well as customary conditions precedent. However, the completion of this offering and the concurrent offering are not conditioned upon the successful completion of the concurrent tender offers. We cannot assure you that the concurrent tender offers will be completed on terms favorable to us, or at all, nor can we assure you that the concurrent tender offers will result in any or all of any series of the tender offer notes being tendered and accepted for purchase. We may amend the terms of the concurrent tender offers in any respect in relation to one or more series of the tender offer notes or waive any condition to the concurrent tender offers, in each case subject to applicable law. This prospectus supplement is not, and should not be construed as, an offer to purchase any securities, including the tender offer notes.

In addition, we currently intend to redeem all of the 7.500% Notes due 2019 that remain outstanding following the consummation of the concurrent tender offers (the 7.500% notes redemption). Any such redemption would be made in accordance with the terms of the indenture governing the 7.500% Notes due 2019, which provides for a redemption price equal to the greater of (i) 100% of their principal amount and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption), discounted to the date of redemption on a semiannual basis at the Treasury Rate (as such term is defined in the 7.500% Notes due 2019) plus 50 basis points, plus accrued and unpaid interest to the date of redemption. However, we are not obligated to undertake the 7.500% notes redemption, and there can be no assurance that we will redeem any 7.500% Notes due 2019 that remain outstanding after consummation of the concurrent tender offers or of the timing of, or amount of any 7.500% Notes due 2019 subject to, any such redemption.

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THE OFFERING

Issuer	McKesson Corporation
Notes Offered	250,000,000 aggregate principal amount of floating rate notes due 2020.
	500,000,000 aggregate principal amount of 1.625% fixed rate notes due 2026.
Maturity Date	2020 floating rate notes: February 12, 2020.
	2026 fixed rate notes: October 30, 2026.
Interest Rate	2020 floating rate notes: three-month EURIBOR plus 0.15% per year (determined as described under Description of Notes Floating Rate Notes).
	2026 fixed rate notes: 1.625% per year.
Interest Payment Dates	Interest will be paid on the 2020 floating rate notes on February 12, May 12, August 12 and November 12 of each year, beginning on May 12, 2018.
	Interest will be paid on the 2026 fixed rate notes on October 30 of each year, beginning on October 30, 2018.

Interest on the notes will accrue from February 12, 2018.

Use of Proceeds	We estimate that we will receive approximately $928 million from the sale of the notes (based on a euro/U.S. dollar exchange rate of 1.00 = U.S. $1.2446 as of February 2, 2018, as published by the U.S. Federal Reserve Board) and that we will receive approximately $595 million from the sale of the USD notes in the concurrent offering, in each case, after deducting underwriting discounts and estimated offering expenses payable by us. We intend to use the net proceeds from this offering, together with the net proceeds from the concurrent offering, to finance the purchase price of the tender offer notes purchased pursuant to the

concurrent tender offers and to finance the 7.500% notes redemption, if applicable, and the remaining net proceeds, if any, for working capital and general corporate purposes, which may include, among other things, the repayment of debt. See Use of Proceeds.

Optional Redemption	We may redeem the 2026 fixed rate notes for cash in whole, at any time, or in part, from time to time, prior to maturity, at the redemption prices set forth under Description of Notes Optional Redemption. The 2020 floating rate notes are not redeemable at our option, other than in an optional tax redemption, as discussed below.

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Optional Tax Redemption	We may redeem in whole, but not in part, either series of the notes for cash at the redemption price of 100% of their outstanding principal amount, plus accrued and unpaid interest to, but excluding, the redemption date, if certain tax events occur that would obligate us to pay additional amounts as described under Description of Notes Payment of Additional Amounts.
Change of Control	Upon the occurrence of both (1) a change of control of us and (2) a downgrade of the applicable series of the notes below an investment grade rating by each of Fitch Inc., Moody s Investors Service, Inc. and Standard & Poor s Ratings Services (or, if applicable, a replacement rating agency) within a specified period, unless we have previously exercised our optional redemption right with respect to such series of the notes in whole, we will be required to offer to repurchase the notes of such series for cash at a price equal to 101% of the then outstanding principal amount of such series, plus accrued and unpaid interest to, but not including, the date of repurchase for cash. See Description of Notes Change of Control.
Certain Covenants	The indenture that will govern the notes will include certain covenants, including limitations on our ability to: create liens on our assets and those of certain of our subsidiaries; enter into sale and lease-backs with respect to our properties; and merge or consolidate with another entity. These covenants are each subject to a number of important exceptions, limitations and qualifications that are described under Description of Notes Certain Covenants.
Ranking	The notes will be our unsecured senior obligations and will rank equally with all our existing and any future unsecured and unsubordinated indebtedness from time to time outstanding.
Additional Amounts	We will, subject to certain exceptions and limitations, pay additional amounts as are necessary in order that the net payment of the principal of, premium, if any, and interest in respect of the notes to a holder who is not a United States person (as defined under Description of

	Notes Payment of Additional Amounts), after withholding or deduction for any present or future tax, assessment, duties or other governmental charge imposed by the United States (or any political subdivisions or taxing authority thereof or therein having power to tax), will not be less than the amount provided in such notes to be then due and payable.
Currency of Payment	All payments of interest, premium, if any, and principal, including payments made upon any redemption or repurchase of the notes, will be made in euro; provided that if the euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond

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our control or if the euro is no longer being used by the then-member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the notes will be made in U.S. dollars until the euro is again available to us or so used. In such circumstances, the amount payable on any date in euro will be converted into U.S. dollars at the rate mandated by the Board of Governors of the Federal Reserve System as of the close of business on the second business day prior to the relevant payment date or, if the Board of Governors of the Federal Reserve System has not announced a rate of conversion, on the basis of the most recent U.S. dollar/euro exchange rate published in The Wall Street Journal on or prior to the second business day prior to the relevant payment date or, in the event The Wall Street Journal has not published such exchange rate, the rate will be determined in our sole discretion on the basis of the most recently available market exchange rate for the euro. Any payment in respect of the notes so made in U.S. dollars will not constitute an event of default (as defined in the indenture). Neither the trustee nor the paying agent shall have any responsibility for any calculation or conversion in connection with the foregoing. See Currency Conversion and Description of Notes Issuance in Euro.

Additional Issues	We may create and issue additional notes with the same terms (except for the issue date, the public offering price and, under certain circumstances, the first interest payment date) as one or more series of the notes so that such additional notes shall be consolidated and form a single series with the notes of such series.
Listing	We intend to apply to list the notes on the NYSE. The listing application will be subject to approval by the NYSE. If the application is approved, we expect trading of the notes on the NYSE to begin less than 30 days after the original issue date of the notes. If such listing is obtained, we will have no obligation to maintain such listing, and we may delist the notes at any time.
Form of Notes	The notes will be issued as one or more global notes registered in the name of Elavon Financial Services DAC, UK Branch, or a nominee thereof, as common depositary for Euroclear and Clearstream, for the accounts of its direct and indirect participants. Beneficial interests in notes held in book-entry form will not be entitled to receive physical delivery of certificated notes except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see Description of Notes Book-Entry, Delivery and Form.

Trustee	Wells Fargo Bank, National Association
Paying Agent and Calculation Agent	Elavon Financial Services DAC, UK Branch

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Registrar and Transfer Agent	U.S. Bank National Association
Governing Law	The indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York.
ISIN 2026 fixed rate notes: XS1771723167	2020 floating rate notes: XS1771768188
Common Code 2026 fixed rate notes: 177172316	2020 floating rate notes: 177176818
CUSIP 2026 fixed rate notes: 581557 BL8	2020 floating rate notes: 581557 BK0

RISK FACTORS

An investment in the notes involves a degree of risk. You should carefully consider the risks and uncertainties described below and other information contained in this prospectus supplement and the accompanying prospectus and the documents and reports incorporated by reference herein and therein before you decide whether to invest in the notes. In particular, we urge you to consider carefully the factors set forth under Risk Factors in our Annual Report on Form 10-K for the fiscal year ended March 31, 2017, incorporated by reference herein, as such may be updated in any future filings we make under the Exchange Act. If any of the risk factors were to occur, our business, financial condition, results of operations and liquidity could be materially adversely affected. This may adversely affect our ability to pay interest on the notes or repay the principal when due, and you may lose part or all of your investment.

Risks Related to the Notes

The notes will be unsecured, rank equally with all of our other unsecured and unsubordinated debt, be effectively subordinated to our secured debt and be structurally subordinated to all liabilities of our subsidiaries.

The notes will be direct unsecured obligations of McKesson Corporation exclusively, and not the obligation of any of our subsidiaries. The notes will (i) rank equally with all of our other existing and any future unsecured and unsubordinated indebtedness, (ii) be effectively subordinated to our secured indebtedness to the extent of the value of the assets securing that other indebtedness, and (iii) be structurally subordinated to all existing and future liabilities, including trade payables, of our subsidiaries. Our rights and the rights of any holder of the notes (or our other creditors) to participate in the assets of any subsidiary upon that subsidiary s liquidation or recapitalization will be subject to the prior claims of the subsidiary s creditors and preferred equity holders (if any), except to the extent that we may be a creditor with recognized claims against the subsidiary.

Holders of our secured indebtedness will have claims that are prior to your claims as holders of the notes to the extent of the value of the assets securing that other indebtedness. The notes will be effectively subordinated to all of our secured indebtedness to the extent of the value of the assets securing such indebtedness. In the event of any distribution or payment of our assets or any pledged capital stock in any foreclosure, dissolution, winding-up, liquidation, reorganization or other bankruptcy proceeding, holders of secured indebtedness will have prior claim to those of our assets and any pledged capital stock that constitute their collateral. Holders of the notes will participate ratably in our remaining assets with all holders of our unsecured indebtedness that is deemed to be of the same class as the notes, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the notes. As a result, holders of notes may receive less, ratably, than holders of secured indebtedness.

If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the notes.

Any default under the agreements governing our indebtedness, including a default under any credit facility to which we may be a party that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest on the notes or substantially decrease the market value of the notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under any credit facility could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to seek to obtain waivers from the required lenders under any credit facility or other debt that we may incur in the future to avoid being in default. If we breach our covenants under any credit facility and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under any credit facility, the lenders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders having secured obligations could proceed against the assets securing the debt. Because the indenture governing the notes, the indentures governing our notes that are currently outstanding and the agreements governing any credit facility will have customary cross-default provisions, if the indebtedness under the notes or under any credit facility or any of our other facilities is accelerated, we may be unable to repay or finance the amounts due.

If an active trading market does not develop for the notes you may not be able to resell them.

Prior to this offering, there was no public market for either series of the notes and we cannot assure you that an active trading market will develop for either series of the notes. Although we intend to apply for listing of each series of the notes for trading on the NYSE, no assurance can be given that one or both series of the notes will become or will remain listed. If no active trading market develops, you may not be able to resell your notes at their fair market value or at all. Future trading prices of the notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. We have been informed by the underwriters that they currently intend to make a market in these notes after this offering is completed. However, the underwriters may cease their market-making at any time.

If trading markets do develop, changes in our ratings or the financial markets could adversely affect the market prices of the notes.

The market prices of the notes will depend on many factors, including, but not limited to, the following:

- ratings on our debt securities assigned by rating agencies;
- the time remaining until maturity of the notes;
- the prevailing interest rates being paid by other companies similar to us;
- our results of operations, financial condition and prospects; and
- the condition of the financial markets.

The condition of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future, which could have an adverse effect on the market prices of the notes.

Rating agencies continually review the ratings they have assigned to companies and debt securities. Negative changes in the ratings assigned to us or our debt securities could have an adverse effect on the market prices of the notes.

The indenture will not restrict the amount of additional indebtedness that we may incur.

The notes and the indenture under which the notes will be issued will not place any limitation on the amount of unsecured indebtedness that may be incurred by us. Our incurrence of additional indebtedness may have important consequences for you as a holder of the notes, including making it more difficult for us to satisfy our obligations with respect to the notes, increasing the amount of indebtedness ranking equal or (if secured) effectively senior to the notes in the event of our bankruptcy or insolvency, resulting in a loss in the trading value of your notes, if any, and increasing the risk that the credit rating of the notes is lowered or withdrawn.

Our credit ratings may not reflect all risks of your investments in the notes.

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the notes. These credit ratings may not reflect the potential impact of risks relating to structure or marketing of the notes. Agency ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each agency s rating should be evaluated independently of any other agency s rating.

We may not be able to repurchase the notes upon a Change of Control Triggering Event.

Upon the occurrence of a Change of Control Triggering Event (as defined below), unless we have exercised our right to redeem the applicable series of the notes, each holder of such series of the notes will have the right to require us to repurchase all or any part of such holder s notes of such series for cash at a price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. If we experience a Change of Control Triggering Event, there can be no assurance that we would have sufficient financial resources available to satisfy our obligations to repurchase the notes as required and any other indebtedness that may be required to be repaid or repurchased as a result of such event. Our failure to repurchase the notes as required under the indenture that will govern the notes would result in an event of default under the indenture, which could have material adverse consequences for us and the holders of the notes. See Description of Notes Change of Control.

Under clause (3) of the definition of Change of Control described under Description of Notes Change of Control, a change of control will occur on the first day on which a majority of our directors are not Continuing Directors. In a decision in connection with a proxy contest, the Court of Chancery of Delaware has suggested that the occurrence of a change of control under an indenture provision similar to ours may nevertheless be avoided if the existing directors were to approve the slate of new director nominees (who would constitute a majority of the new board) as Continuing Directors solely for purposes of avoiding the triggering of such change of control clause, provided the incumbent directors give their approval in the good faith exercise of their fiduciary duties. The Court also suggested that there may be a possibility that an issuer s obligation to repurchase its outstanding debt securities upon a change of control triggered by a failure to have a majority of Continuing Directors may be unenforceable on public policy grounds.

An investment in the notes by a purchaser whose home currency is not euro entails significant risks.

All payments of interest and premium, if any, on and the principal of the notes and any redemption price for the notes will be made in euro. An investment in the notes by a purchaser whose home currency is not euro entails significant risks. These risks include the possibility of significant changes in rates of exchange between the holder s home currency and euro and the possibility of the imposition or subsequent modification of foreign exchange controls. These risks generally depend on factors over which we have no control, such as economic, financial and political events and the supply of and demand for the relevant currencies. In the past, rates of exchange between euro and certain currencies have been highly volatile, and each holder should be aware that volatility may occur in the future. Fluctuations in any particular exchange rate that have occurred in the past, however, are not necessarily indicative of fluctuations in the rate that may occur during the term of the notes. Depreciation of euro against the holder s home currency would result in a decrease in the effective yield of the notes below its coupon rate and, in certain circumstances, could result in a loss to the holder. This description of foreign currency risks does not describe all the risks of an investment in securities denominated in a currency other than an investor s home currency. Investors should consult their own financial and legal advisors as to the risks involved in an investment in the notes.

The notes permit us to make payments in U.S. dollars if we are unable to obtain euro.

All payments of interest, premium, if any, and principal, including payments made upon any redemption or repurchase of the notes, will be made in euro; provided that if the euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if the euro is no longer being used by the then-member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the notes will be made in U.S. dollars until the euro is again available to us or so used. In such circumstances, the amount payable on any date in euro will be converted into U.S. dollars at the rate mandated by the Board of Governors of the Federal Reserve System as of the close of business on the second business day prior to the relevant payment date or, if the Board of Governors of the Federal Reserve System has not announced a rate of conversion, on the basis of the most recent U.S. dollar/euro exchange rate published in The Wall Street Journal on or prior to the second business day prior to the relevant payment date or, in the event The Wall Street Journal has not published such exchange rate, the rate will be determined in our sole discretion on the basis of the most recently available market exchange rate for the euro. Any payment in respect of the notes so made in U.S. dollars will not constitute an event of default (as defined in the indenture). Neither the trustee nor the paying agent shall have any responsibility for any calculation or conversion in connection with the foregoing. See Currency Conversion and Description of Notes Issuance in Euro.

Market perceptions concerning the instability of the euro, the potential re-introduction of individual currencies within the eurozone, or the potential dissolution of the euro entirely, could adversely affect the value of the notes.

Despite the European Commission s measures to address sovereign debt issues in Europe, concerns continue to persist regarding the debt burden of certain eurozone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual member states. These and other concerns could lead to the re-introduction of individual currencies in one or more member states, or, in more extreme circumstances, the possible dissolution of the euro entirely. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the notes.

In a lawsuit for payment on the notes, an investor may bear currency exchange risk.

The indenture and the notes will be governed by the laws of the State of New York. Under New York law, a New York state court rendering a judgment on the notes would be required to render the judgment in euro. However, the judgment would be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment. Consequently, in a lawsuit for payment on the notes, investors would bear currency exchange risk until a New York state court judgment is entered, which could be a long time. A Federal court sitting in New York with diversity jurisdiction over a dispute arising in connection with the notes would apply the foregoing New York law.

In courts outside of New York, investors may not be able to obtain a judgment in a currency other than U.S. dollars. For example, a judgment for money in an action based on the notes in many other U.S. federal or state courts ordinarily would be enforced in the United States only in U.S. dollars. The date used to determine the rate of conversion of euro into U.S. dollars would depend upon various factors, including which court renders the judgment and when the judgment is rendered.

As global notes are held by or on behalf of Euroclear and Clearstream, investors will have to rely on their procedures for transfer, payment and communication with us.

The notes will be represented by one or more global notes, except in certain limited circumstances described in the global notes. The notes will be deposited with a common depositary for Euroclear and Clearstream. Except in certain limited circumstances described in the global notes, investors will not be entitled to receive definitive notes. Euroclear and Clearstream will maintain records of the beneficial interests in the global notes and, while

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the notes are in global form, investors will be able to trade their beneficial interests only through Euroclear and Clearstream.

While the notes are represented by global notes, we will discharge our payment obligations under the notes by making payments to or to the order of a nominee for a common depositary for Euroclear and Clearstream for distribution to their accountholders. A holder of a beneficial interest in a global note must rely on the procedures of Euroclear and Clearstream to receive payments under the Notes. We have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in a global note.

Trading in the clearing systems is subject to minimum denomination requirements.

The terms of the notes provide that notes will be issued with a minimum denomination of 100,000 and multiples of 1,000 in excess thereof. It is possible that the clearing systems may process trades which could result in amounts being held in denominations smaller than the minimum denominations. If definitive notes are required to be issued in relation to such notes in accordance with the provisions of the relevant global notes, a holder who does not have the minimum denomination of 100,000 or any integral multiple of 1,000 in excess thereof in its account with the relevant clearing system at the relevant time may not receive all of its entitlement in the form of definitive notes unless and until such time as its holding satisfies the minimum denomination requirement.

The United Kingdom s impending departure from the European Union could adversely affect us.

The United Kingdom held a referendum on June 23, 2016 in which a majority of voters voted to exit the European Union (Brexit) and, on March 29, 2017, the United Kingdom invoked Article 50 of the Treaty of Lisbon, which provides for a mechanism for the voluntary and unilateral withdrawal of a country from the European Union. The triggering of Article 50 initiated a two-year period of negotiation for the United Kingdom to leave the European Union, and the United Kingdom is scheduled to leave the European Union on March 29, 2019, unless this period is extended by a unanimous decision of the European Council, in agreement with the United Kingdom. Negotiations are currently underway to determine the future terms of the United Kingdom s relationship with the European Union, including, among other things, the terms of trade between the United Kingdom and the European Union. The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to European Union markets either during a transitional period or more permanently. Brexit could adversely affect European and worldwide economic and market conditions and could contribute to instability in global financial and foreign exchange markets, including volatility in the value of euro. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replace or replicate. Any of these effects of Brexit, and others we cannot anticipate, could adversely affect our business, results of operations, financial condition and cash flows, and could negatively impact the value of the notes.

European Union regulation and reform of benchmarks , including EURIBOR, is ongoing and could have a material adverse effect on the value of and return on the 2020 floating rate notes.

EURIBOR and other interest rate, equity, commodity, foreign exchange rate and other types of indices which are deemed to be benchmarks are the subject of ongoing international regulatory reform in the EU. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely or may have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any notes linked to such a benchmark, including the 2020 floating rate notes. Key regulatory proposals for reform of benchmarks in the EU include IOSCO s Principles for Financial Benchmarks (July 2013) and the EU s Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and

2014/17/EU and Regulation (EU) No 596/2014 (the Benchmarks Regulation). The Benchmarks Regulation could have a material impact on a benchmark rate

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(and in turn any notes linked to it), if, among other things, (i) subject to applicable transitional provisions, the benchmark administrator is based in the EU and does not obtain authorization or registration (or such authorization or registration is withdrawn), or, if non-EU-based, has not satisfied certain equivalence conditions in its local jurisdiction, or (ii) the methodology or other terms of the benchmark are changed in order to comply with the terms of the Benchmarks Regulation, which could have the effect of reducing or increasing the rate or level of the benchmark or affecting the volatility of the published rate or level. Any of the foregoing changes, any other changes to EURIBOR as a result of international regulatory reform or other initiatives, or any further uncertainty surrounding the implementation of such changes, could have a material adverse effect on the value of and return on the 2020 floating rate notes.

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CURRENCY CONVERSION

All payments of interest, premium, if any, and principal, including payments made upon any redemption or repurchase of the notes, will be made in euro; provided that if the euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if the euro is no longer being used by the then member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the notes will be made in U.S. dollars until the euro is again available to us or so used. In such circumstances, the amount payable on any date in euro will be converted into U.S. dollars at the rate mandated by the Board of Governors of the Federal Reserve System as of the close of business on the second business day prior to the relevant payment date or, if the Board of Governors of the Federal Reserve System has not announced a rate of conversion, on the basis of the most recent U.S. dollar/euro exchange rate published in The Wall Street Journal on or prior to the second business day prior to the relevant payment date or, in the event The Wall Street Journal has not published such exchange rate, the rate will be determined in our sole discretion on the basis of the most recently available market exchange rate for the euro. Any payment in respect of the notes so made in U.S. dollars will not constitute an event of default (as defined in the indenture). Neither the trustee nor the paying agent shall have any responsibility for any calculation or conversion in connection with the foregoing. See Description of Notes Issuance in Euro.

As of February 2, 2018, the euro/U.S. $ exchange rate was 1.00 = U.S. $1.2446, as published by the U.S. Federal Reserve Board.

Investors will be subject to foreign exchange risks as to payments of principal, premium, if any, and interest that may have important economic and tax consequences to them. See Risk Factors.

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USE OF PROCEEDS

We estimate that we will receive approximately $928 million from the sale of the notes (based on a euro/U.S. dollar exchange rate of 1.00 = U.S. $1.2446 as of February 2, 2018, as published by the U.S. Federal Reserve Board) and that we will receive approximately $595 million from the sale of the USD notes in the concurrent offering, in each case, after deducting underwriting discounts and estimated offering expenses payable by us. We intend to use the net proceeds from this offering, together with the net proceeds from the concurrent offering, to finance the purchase price of the tender offer notes purchased pursuant to the concurrent tender offers and to finance the 7.500% notes redemption, if applicable, and the remaining net proceeds, if any, for working capital and general corporate purposes, which may include, among other things, the repayment of debt.

The tender offer notes are due to mature as follows. The 7.500% Notes due 2019 mature on February 15, 2019. The 4.750% Notes due 2021 mature on March 1, 2021. The 7.650% Debentures due 2027 mature on March 1, 2027. The 6.000% Notes due 2041 mature on March 1, 2041. The 4.883% Notes due 2044 mature on March 15, 2044.

To the extent any of the underwriters or their affiliates hold tender offer notes that are purchased pursuant to the concurrent tender offers or the 7.500% notes redemption, if applicable, they may receive a portion of the proceeds from the sale of the notes.

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RATIO OF EARNINGS TO FIXED CHARGES

No shares of our preferred stock were outstanding during the fiscal years ended March 31, 2017, 2016, 2015, 2014 and 2013 and during the nine months ended December 31, 2017. Therefore, the ratios of earnings to fixed charges and preferred dividends are not separately stated from the ratios of earnings to fixed charges for the periods listed above. The table below reflects our ratio of earnings to fixed charges for each of the five fiscal years in the period ended March 31, 2017 and for the nine months ended December 31, 2017.

	For the Nine Months Ended December 31, 2017		For the Fiscal Years Ended March 31, 2017		2016	2015	2014	2013
)	314							
Income tax benefit	(517	)	(32	)				
Net income (loss)	$ (437	)	$ 346					
Net income (loss) attributable to common stockholders	$ (421	)	$ 335					
Net income (loss) per share – basic	$ (0.12	)	$ 0.10					
Weighted average shares outstanding – basic	3,490		3,431					
Net income (loss) per share – diluted	$ (0.12	)	$ 0.10					
Weighted average shares outstanding – diluted	3,490		3,474					

See accompanying notes to unaudited consolidated financial statements.

CSP INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Amounts in thousands)

	For the three months ended December 31, 2014	December 31, 2013
Net income (loss)	$(437)	$346
Other comprehensive income (loss):		
Foreign currency translation gain adjustments	112	150
Other comprehensive income	112	150
Total comprehensive income (loss)	$(325)	$496

See accompanying notes to unaudited consolidated financial statements.

CSP INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
For the three Months Ended December 31, 2014:
(Amounts in thousands, except per share data)

	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated other comprehensive loss	Total Shareholders' Equity
Balance as of September 30, 2014	3,619	$36	$11,658	$17,517	$ (7,924)	$ 21,287
Net loss	—	—	—	(437)	—	(437)
Other comprehensive income	—	—	—	—	112	112
Stock-based compensation	—	—	102	—	—	102
Restricted stock issuance	37	1	—	—	—	1
Cash dividends on common stock ($0.11 per share)	—	—	—	(402)	—	(402)
Balance as of December 31, 2014	3,656	$37	$11,760	$16,678	$ (7,812)	$ 20,663

See accompanying notes to unaudited consolidated financial statements.

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CSP INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	For the three months ended December 31, 2014	December 31, 2013
Cash flows from operating activities:		
Net income (loss)	$(437)	$346
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Bargain purchase gain	—	(462)
Depreciation and amortization	139	210
Amortization of intangibles	33	29
Foreign exchange loss	21	26
Non-cash changes in accounts receivable	13	50
Non-cash changes in inventory	55	75
Stock-based compensation expense on stock options and restricted stock awards	102	69
Deferred income taxes	5	(160)
(Increase) decrease in cash surrender value of life insurance	5	(37)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(4,182)	(3,366)
Increase in inventories	(871)	(835)
(Increase) decrease in refundable income taxes	(524)	62
Increase in other current assets	(1,238)	(655)
(Increase) decrease in other assets	(78)	69
Increase in accounts payable and accrued expenses	3,090	932
Decrease in deferred revenue	(723)	(309)
Decrease in pension and retirement plans liability	(14)	(71)
Decrease in income taxes payable	—	(60)
Increase in other long term liabilities	2	10
Net cash used in operating activities	(4,602)	(4,077)
Cash flows from investing activities:		
Life insurance premiums paid	(31)	(2)
Cash paid to acquire business	—	(500)
Purchases of property, equipment and improvements	(103)	(273)
Net cash used in investing activities	(134)	(775)
Cash flows from financing activities:		
Proceeds from issuance of shares from exercise of employee stock options	—	6
Net cash used in financing activities	—	6
Effects of exchange rate on cash	(59)	169
Net decrease in cash and cash equivalents	(4,795)	(4,677)
Cash and cash equivalents, beginning of period	16,448	18,619
Cash and cash equivalents, end of period	$11,653	$13,942
Supplementary cash flow information:		
Cash paid for income taxes	$33	$89
Cash paid for interest	$85	$85
Non-cash acquisition of assets	$—	$1,214
Non-cash accrual of dividend payable	$402	$357

See accompanying notes to unaudited consolidated financial statements.

CSP INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013

Organization and Business

CSP Inc. was founded in 1968 and is based in Billerica, Massachusetts. To meet the diverse requirements of its industrial, commercial and defense customers worldwide, CSP Inc. and its subsidiaries (collectively “CSPI” or the “Company”) develop and market IT integration solutions and high-performance cluster computer systems. The Company operates in two segments, its High Performance Products and Solutions ("HPPS") segment and its Information Technology Solutions ("ITS")segment.

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared by the Company, without audit, and reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results of the interim periods presented. All adjustments were of a normal recurring nature. Certain information and footnote disclosures normally included in the annual consolidated financial statements, which are prepared in accordance with accounting principles generally accepted in the United States, have been condensed or omitted. Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

Accordingly, the Company believes that although the disclosures are adequate to make the information presented not misleading, the unaudited consolidated financial statements should be read in conjunction with the footnotes contained in the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2014.

2. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates under different assumptions or conditions.

3. Earnings Per Share of Common Stock

Basic net income (loss) per common share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted net income (loss) per common share reflects the maximum dilution that would have resulted from the assumed exercise and share repurchase related to dilutive stock options and is computed by dividing net income (loss) by the assumed weighted average number of common shares outstanding.

We are required to present earnings per share, or EPS, utilizing the two class method because we had outstanding, non-vested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents, which are considered participating securities.

Basic and diluted earnings per share computations for the Company's reported net income (loss) attributable to common stockholders are as follows:

	For the three months ended	
	December 31, 2014	December 31, 2013
	(Amounts in thousands except per share data)	
Net income (loss)	$(437)	$346
Less: net income (loss) attributable to nonvested common stock	(16)	11
Net income (loss) attributable to common stockholders	$(421)	$335
Weighted average total shares outstanding – basic	3,625	3,545
Less: weighted average non-vested shares outstanding	135	114
Weighted average number of common shares outstanding – basic	3,490	3,431
Potential common shares from non-vested stock awards and the assumed exercise of stock options	—	43
Weighted average common shares outstanding – diluted	3,490	3,474
Net income (loss) per share – basic	$(0.12)	$0.10
Net income (loss) per share – diluted	$(0.12)	$0.10

All anti-dilutive securities, including certain stock options, are excluded from the diluted income (loss) per share computation. For the three months ended December 31, 2014 and 2013, 43,000 and 49,000 options, respectively, were excluded from the diluted loss per share for the three months ended December 31, 2015 and the net income per share for stock options with an exercise price in excess of fair value for the three months ended December 31, 2014, because the inclusion of those shares in the calculation would have been anti-dilutive.

4. Inventories

Inventories consist of the following:

	December 31, 2014	September 30, 2014
	(Amounts in thousands)	
Raw materials	$2,201	$2,377
Work-in-process	681	229
Finished goods	4,334	3,840
Total	$7,216	$6,446

Finished goods includes inventory that has been shipped, but for which all revenue recognition criteria has not been met, of approximately $0.4 million as of December 31, 2014 and September 30, 2014.

Total inventory balances in the table above are shown net of reserves for obsolescence of approximately $4.7 million as of December 31, 2014 and September 30, 2014.

5. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are as follows:

	December 31, 2014	September 30, 2014
	(Amounts in thousands)	
Cumulative effect of foreign currency translation	$(2,383)	$(2,495)
Cumulative unrealized loss on pension liability	(5,429)	(5,429)
Accumulated other comprehensive loss	$(7,812)	$(7,924)

6. Pension and Retirement Plans

The Company has defined benefit and defined contribution plans in the United Kingdom, Germany and the U.S. In the United Kingdom and Germany, the Company provides defined benefit pension plans and defined contribution plans for the majority of its employees. In the U.S., the Company provides benefits through supplemental retirement plans to certain current and former employees. The domestic supplemental retirement plans have life insurance policies which are not plan assets but were purchased by the Company as a vehicle to fund the costs of the plan. Domestically, the Company also provides for officer death benefits through post-retirement plans to certain officers. All of the Company's defined benefit plans are closed to newly hired employees and have been for the two years ended September 30, 2014 and 2013 and for the three months ended December 31, 2013.

The Company funds its pension plans in amounts sufficient to meet the requirements set forth in applicable employee benefits laws and local tax laws. Liabilities for amounts in excess of these funding levels are accrued and reported in the consolidated balance sheets.

Our pension plan in the United Kingdom is the only plan with plan assets. The plan assets consist of an investment in a commingled fund which in turn comprises a diversified mix of assets including corporate equity securities, government securities and corporate debt securities.

The components of net periodic benefit costs related to the U.S. and international plans are as follows:

	For the Three Months Ended December 31,					
	2014			2013		
	Foreign	U.S.	Total	Foreign	U.S.	Total
	(Amounts in thousands)					
Pension:						
Service cost	$15	$—	$15	$11	$—	$11
Interest cost	164	13	177	190	17	207
Expected return on plan assets	(108)	—	(108)	(115)	—	(115)
Amortization of:						
Prior service gain	—	—	—	—	—	—
Amortization of net gain	53	(1)	52	23	(2)	21
Net periodic benefit cost	$124	$12	$136	$109	$15	$124
Post Retirement:						
Service cost	$—	$9	$9	$—	$3	$3
Interest cost	—	11	11	—	11	11
Amortization of net gain	—	(13)	(13)	—	(36)	(36)
Net periodic cost (benefit)	$—	$7	$7	$—	$(22)	$(22)

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7. Segment Information

The following table presents certain operating segment information.

For the Three Months Ended December 31,	High Performance Products and Solutions Segment	Information Technology Solutions Segment: Germany	United Kingdom	U.S.	Total	Consolidated Total
	(Amounts in thousands)					
2014						
Sales:						
Product	$2,452	$2,144	$1,570	$9,487	$13,201	$15,653
Service	230	3,528	283	736	4,547	4,777
Total sales	2,682	5,672	1,853	10,223	17,748	20,430
Income (loss) from operations	(857)	79	68	(211)	(64)	(921)
Assets	15,850	12,861	3,770	15,308	31,939	47,789
Capital expenditures	21	81	1	—	82	103
Depreciation and amortization	71	47	7	47	101	172
2013						
Sales:						
Product	$1,006	$1,401	$647	$11,695	$13,743	$14,749
Service	1,283	4,188	328	784	5,300	6,583
Total sales	2,289	5,589	975	12,479	19,043	21,332
Income (loss) from operations	142	(81)	31	248	198	340
Assets	15,304	13,134	3,379	17,061	33,574	48,878
Capital expenditures	61	87	23	102	212	273
Depreciation and amortization	52	46	4	137	187	239

Income (loss) from operations consists of sales less cost of sales, engineering and development, selling, general and administrative expenses but is not affected by either other income/expense or by income taxes expense/benefit. Non-operating charges/income consists principally of investment income and interest expense. All intercompany transactions have been eliminated.

The following table lists customers from which the Company derived revenues in excess of 10% of total revenues for the three months ended December 31, 2014, and 2013.

	For the three months ended, December 31, 2014 Amount	% of Revenues	December 31, 2013 Amount	% of Revenues
	(dollars in millions)			
Customer A	$2.8	13%	$6.1	29%
Customer B	$2.9	14%	$3.3	15%

Accounts receivable from Customer B totaled approximately $3.3 million or 20% of total consolidated accounts receivable as of December 31, 2014 and $3.0 million or 23% of total consolidated accounts receivable as of September 30, 2014. We believe that the Company is not exposed to any particular credit risk with respect to the accounts receivable with this customer as of September 30, 2014. No other customer accounted for 20% or more of total consolidated accounts receivable as of December 31, 2014 or September 30, 2014.

8. Fair Value Measures

Assets measured at fair value on a recurring basis are as follows:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total Balance
	As of December 31, 2014 (Amounts in thousands)			
Assets:				
Money Market funds	$1,006	$—	$—	$1,006
Total assets measured at fair value	$1,006	$—	$—	$1,006
	As of September 30, 2014 (Amounts in thousands)			
Assets:				
Money Market funds	$1,006	$—	$—	$1,006
Total assets measured at fair value	$1,006	$—	$—	$1,006

These assets are included in cash and cash equivalents in the accompanying consolidated balance sheets. All other monetary assets and liabilities are short-term in nature and approximate their fair value. The Company did not have any transfers between Level 1, Level 2 or Level 3 measurements.

The Company had no liabilities measured at fair value as of December 31, 2014 or September 30, 2014. The Company had no assets or liabilities measured at fair value on a non recurring basis as of December 31, 2014 or September 30, 2014.

9. Dividend

On December 16, 2014, our board of directors declared a cash dividend of $0.11 per share which was paid on January 8, 2015 to shareholders of record as of December 28, 2014, the record date.

10. Acquired Business

On November 4, 2013 the Company acquired substantially all of the assets of Myricom, Inc. Myricom has been integrated into the High Performance Products and Solutions business segment.
Although Myricom was an established business prior to our acquisition, it had previously sold off a significant portion of its business and was faced with the likelihood of having to shut down operations if it could not find a buyer to purchase its remaining assets. This was because the revenue that Myricom was able to generate from these remaining assets was not sufficient to support its cost structure so as to enable Myricom to operate at a profit. These factors contributed to a purchase price that resulted in the recognition of a bargain purchase gain. The Company paid total cash consideration of approximately $0.5 million to acquire substantially all of the assets of Myricom and incurred approximately $0.1 million for the assumption of certain other liabilities. The purchase of Myricom resulted in the recognition of a bargain purchase gain of approximately $0.5 million. The bargain purchase gain is shown net of the federal and state tax effect.

The purchase price was allocated as follows:

	(Amounts in Thousands)
Inventory	$1,030
Property & equipment	17
Intangibles	260
Gross assets acquired	1,307
Product warranty liability assumed	(93)
Net assets acquired	1,214
Less: asset purchase price	500
Bargain purchase gain before tax	714
Deferred tax on bargain purchase gain	(252)
Bargain purchase gain, net of tax effect	$462

The results of operations of Myricom for the for the three months ended December 31, 2014 and the two month period beginning on November 4, 2013 and ending on December 31, 2013 are included in the Company's consolidated statements of operations for the three months ended December 31, 2014 and 2013, respectively.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

The discussion below contains certain forward-looking statements related to, among others, but not limited to, statements concerning future revenues and future business plans. In addition, forward-looking statements include statements in which we use words such as "expect," "believe," "anticipate," "intend," or similar expressions. Although we believe the expectations reflected in such forward-looking statements are based on reasonable assumptions, we cannot assure you that these expectations will prove to have been correct, and actual results may vary from those contained in such forward-looking statements.

Markets for our products and services are characterized by rapidly changing technology, new product introductions and short product life cycles. These changes can adversely affect our business and operating results. Our success will depend on our ability to enhance our existing products and services and to develop and introduce, on a timely and cost effective basis, new products that keep pace with technological developments and address increasing customer requirements. The inability to meet these demands could adversely affect our business and operating results.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an on-going basis, we evaluate our estimates, including those related to uncollectible receivables, inventory valuation, income taxes, deferred compensation and retirement plans, estimated selling prices used for revenue recognition and contingencies. We base our estimates on historical performance and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. A description of our critical accounting policies is contained in our Annual Report on Form 10-K for the fiscal year ended September 30, 2014 in the "Critical Accounting Policies" section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

Overview of the three months ended December 31, 2014 Results of Operations

Overview:

Revenue decreased by approximately $0.9 million, or 4%, to $20.4 million for the three months ended December 31, 2014 versus $21.3 million for the three months ended December 31, 2013.

Our gross profit margin ("GM") percentage decreased overall, from 21% for the three months ended December 31, 2013 to 19% for the three months ended December 31, 2014. The decrease in the gross profit margin is primarily attributed to the HPPS segment. The first quarter of 2015 did not include any royalty income as compared to the first quarter of 2014 that included $1.1 million of high gross margin royalty revenue, however approximately 50% of the decrease in gross profit dollars was offset by approximately $0.6 million of gross margin earned on an additional $1.6 million of Myricom revenues.

Operating loss of approximately $0.9 million for the three-month period ended December 31, 2014 compares unfavorably to $0.3 million of operating income for the three months ended December 31, 2013. The $1.3 million decrease in income from operations is primarily attributed to the $0.6 million decrease in gross profit (described above), the recognition of a $0.5 million bargain purchase gain related to our Myricom acquisition in the first quarter of 2014 and approximately $0.2 million in additional engineering expenditures related to bringing the next generation of Myricom product to market.

The following table details our results of operations in dollars and as a percentage of sales for the three months ended December 31, 2014 and 2013:

	December 31, 2014	% of sales	December 31, 2013	% of sales
	(Dollar amounts in thousands)			
Sales	$20,430	100 %	$21,332	100 %
Costs and expenses:				
Cost of sales	16,475	81 %	16,799	79 %
Engineering and development	853	4 %	635	3 %
Selling, general and administrative	4,023	20 %	4,020	19 %
Total costs and expenses	21,351	105 %	21,454	101 %
Bargain purchase gain, net of tax	—	— %	462	2 %
Operating income (loss)	(921)	(5)%	340	(2)%
Other expense	(33)	— %	(26)	— %
Income (loss) before income taxes	(954)	(5)%	314	(2)%
Income tax benefit	(517)	(2)%	(32)	— %
Net income (loss)	$(437)	(3)%	$346	(2)%

Revenues

Our revenues decreased by $0.9 million to $20.4 million for the three months ended December 31, 2014 as compared $21.3 million of revenues for the same period in fiscal year 2014. The revenue decrease discussed above was comprised of a $0.4 million increase in HPPS segment revenues and a $1.3 million decrease in ITS segment revenues.

HPPS segment revenue change by product line for the three months ended December 31, 2014 and 2013 was as follows (in thousands):

	2014	2013	Increase (decrease) $	%
Products	$2,452	$1,006	$1,446	143.7 %
Services	230	1,283	(1,053)	(82.1)%
Total	$2,682	$2,289	$393	17.2 %

The increase in HPPS revenues, for the first three months of fiscal 2015 compared to the same period in fiscal 2014, was the result of an increase in Myricom product revenues that was substantially offset by approximately $1.1 million of royalty revenue in the the first quarter of fiscal 2014. We did not have any royalty revenue in the first quarter of 2015.

ITS segment revenue change by product line for the three months ended December 31, 2014 and 2013 was as follows (in thousands):

	2014	2013	Increase (decrease) $	%
Products	$13,201	$13,743	$(542)	(3.9)%
Services	4,547	5,300	(753)	(14.2)%
Total	$17,748	$19,043	$(1,295)	(6.8)%

The decrease in ITS product revenues, for the first three months of fiscal 2015 compared to the same period in fiscal 2014, was the net result of a $2.3 million decrease in our US division partially offset by increases of $1.0 million and $0.8 million in our UK and German divisions, respectively. We consider the US division revenue decrease to be a result of the timing of orders rather than a change in market conditions. The increase in the UK and German division revenues is attributed to increased volume with existing customers. The decrease in service revenue for the period is attributed to decreased sales to a major telephone company in Europe serviced out of both the UK and Germany.

Our revenues by geographic area for the three months ended December 31, 2014 and 2013 based on the location to which the products were shipped or services rendered was as follows (in thousands):

	For the three Months Ended December 31,						Increase (decrease)			
	2014	%		2013	%		$		%	
Americas	$12,618	62	%	$14,444	68	%	$(1,826	)	(13	)%
Europe	7,432	36	%	6,594	31	%	838		13	%
Asia	380	2	%	294	1	%	86		29	%
Totals	$20,430	100	%	$21,332	100	%	$(902	)	(4	)%

Gross Margins

Our gross margin for the three months ended December 31, 2014 decreased by $0.6 million or 2% to $4.0 million and as compared to a gross margin of $4.5 million for the three months ended December 31, 2013 as follows (in thousands):

	2014			2013			Increase (decrease)			
	GM$	GM%		GM$	GM%		GM$		GM%	
HPPS	$1,231	46	%	$1,348	59	%	$(117	)	(13	)%
ITS	2,724	15	%	3,185	17	%	(461	)	(2.0	)%
Total	$3,955	19	%	$4,533	21	%	$(578	)	(2.0	)%

The impact of product mix within our HPPS segment for the three months ended December 31, 2014 and 2013 was as follows (in thousands):

HPPS Segment	2014			2013			Increase (decrease)			
	GM$	GM%		GM$	GM%		GM$		GM%	
Product	$1,033	42	%	$112	11	%	$921		31	%
Services	198	86	%	1,236	96	%	(1,038	)	(10.0	)%
Total	$1,231	46	%	$1,348	59	%	$(117	)	(13.0	)%

The decrease in our HPPS segment gross margins is primarily attributed to the impact of $1.1 million of royalty revenue at approximately 100% gross margin in the first quarter of fiscal year 2014 as compared to no royalty revenue in the first quarter of fiscal year 2015. Additional gross margin contributed by Myricom product revenues substantially offset the lower level of royalty revenue in the first quarter of fiscal year 2015.

The impact of product mix within our ITS segment for the three months ended December 31, 2014 and 2013 was as follows (in thousands):

ITS Segment	2014			2013			Increase (decrease)			
	GM$	GM%		GM$	GM%		GM$		GM%	
Product	1,487	11	%	$1,916	14	%	$(429	)	(3	)%
Services	1,237	27	%	1,269	24	%	(32	)	3.0	%

Total	$2,724	19	%	$3,185	17	%	$(461	)	2.0	%

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The decrease in our ITS segment gross margin of $0.4 million is primarily attributed to the decline of $0.5 million in US gross margin that was partially offset by a $0.1 million of increase in UK and German gross margins for first quarter of fiscal year 2014 as compared the same period in fiscal year 2015.

Engineering and Development Expenses

The engineering and development expenses incurred by our HPPS segment increased by $0.3 million to $0.9 million for the three months ended December 31, 2014 as compared to $0.6 million for the same period in fiscal year 2014. The increase was due primarily to Myricom engineering expenses incurred in connection with the development of new products expected to be released in the second half of fiscal 2015.

Selling, General and Administrative

The following table details our selling, general and administrative ("SG&A") expense by operating segment for the three months ended December 31, 2014 and 2013:

	For the three Months Ended December 31,					
	2014	% of Total	2013	% of Total	$ Increase (decrease)	% Increase (decrease)
	(Dollar amounts in thousands)					
By Operating Segment:						
HPPS segment	$1,235	31 %	$1,033	26 %	$202	20 %
ITS segment	2,788	69 %	2,987	74 %	(199)	(7)%
Total	$4,023	100 %	$4,020	100 %	$3	— %

The increase HPPS segment expenses is attributed to commissions expense on additional Myricom revenues in the first quarter of 2015 compared to the same period in 2014. The $0.2 million decrease in the ITS segment operating cost is primarily attributed to a $0.1 million decrease in the US and Germany, respectively, for the first quarter of fiscal year 2015 compared to the same period in fiscal year 2014.

Other Income/Expenses

The following table details our other income (expense) for the three months ended December 31, 2014 and 2013:

	For the three months ended,		
	December 31, 2014	December 31, 2013	Decrease
	(Amounts in thousands)		
Interest expense	$(21)	$(21)	$—
Interest income	3	2	1
Foreign exchange gain (loss)	(21)	(26)	5
Other income, net	6	19	(13)
Total other income (expense), net	$(33)	$(26)	$(7)

The unfavorable variance in the foreign exchange gain (loss) for the three month periods ended December 31, 2014 versus the comparable period of 2013 was due to losses on foreign currency holdings where those currencies weakened against the functional currencies in those countries, mainly US dollar holdings in the UK.

Income Taxes

For the three months ended December 31, 2014, the Company recognized an income tax benefit of $517,000 of which is primarily related to the related $1 million loss in the US operations reduced by $24k of tax expense for the German operation and there was no tax expense recorded for the profit in the UK due to pension contributions and the use of a net operating loss carry-forward. The Company recognized $28K of research and development tax credits recognized in the US for fiscal year 2014 after the R&D credit was reinstated by Congress in December for calendar year 2014.

Liquidity and Capital Resources

Our primary source of liquidity is our cash and cash equivalents, which decreased by $4.8 million to $11.7 million as of December 31, 2014 from $16.4 million as of September 30, 2014. At December 31, 2014, cash equivalents consisted of money market funds which totaled $1.0 million.

Significant uses of cash for the three months ended December 31, 2014 included the net loss of approximately $0.4 million, an increase in accounts receivable of approximately $4.2 million, an increase in inventories of approximately $0.9 million, an increase in other current assets of approximately $1.2 million. Significant sources of cash included an increase in accounts payable and accrued expenses of approximately $3.1 million.

Cash held by our foreign subsidiaries located in Germany and the United Kingdom totaled approximately $3.4 million as of December 31, 2014 and $6.6 million as of September 30, 2014. This cash is included in our total cash and cash equivalents reported above. We consider this cash to be permanently reinvested into these foreign locations because repatriating it would result in unfavorable tax consequences.

If cash generated from operations is insufficient to satisfy working capital requirements, we may need to access funds through bank loans or other means. There is no assurance that we will be able to raise any such capital on terms acceptable to us, on a timely basis or at all. If we are unable to secure additional financing, we may not be able to complete development or enhancement of products, take advantage of future opportunities, respond to competition or continue to effectively operate our business.

Based on our current plans and business conditions, management believes that the Company’s available cash and cash equivalents, the cash generated from operations and availability on our lines of credit will be sufficient to provide for the Company’s working capital and capital expenditure requirements for the foreseeable future.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2014 . Our chief executive officer, our chief financial officer, and other members of our senior management team supervised and participated in this evaluation. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of December 31, 2014 , the Company's chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were not effective, due to the fact that we are not yet able to conclude that the material weakness described in this Item 4 has been remediated by the changes we made in response to that material weakness.

Internal Controls over Financial Reporting

As we have previously reported on our annual report for the period ended September 30, 2014, management identified a material weakness as of March 31, 2014. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected in a timely basis.

The material weakness was in connection with our determination that we did not sufficiently assess and apply certain aspects of ASC 605-45-45, Revenue Recognition – Principal Agent Considerations, to the particular facts and circumstances of certain of our revenue arrangements. This ASC (formerly contained in EITF 99-19), includes indicators of gross versus net revenue arrangements. We therefore determined that this failure to accurately assess an accounting principle amounted to a material weakness in our controls over financial reporting. As a result, we had concluded that the Company's internal control over financial reporting was not effective as of March 31, 2014. Although we have implemented changes to our internal controls over financial reporting as described below, at this time we cannot conclude that the material weakness has been remediated.

Changes in Internal Controls over Financial Reporting

During the quarter ended December 31, 2014, in response to the identification of the material weakness referred to above, management assessed various alternatives to modify our existing internal control processes and systems to remediate this material weakness. We have implemented enhanced internal auditing procedures whereby revenue transactions are being put through a more rigorous review process at the corporate level to ensure the correct accounting methodology is applied to all revenue transactions. We incorporated this process into our existing internal control structure to ensure that we applied the appropriate accounting for these transactions.

PART II. OTHER INFORMATION

Item 6. Exhibits

Number	Description
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	Interactive Data Files regarding (a) our Consolidated Balance Sheets as of December 31, 2014 and September 30, 2014, (b) our Consolidated Statements of Operations for the three ended December 31, 2014 and 2013, (c) our Consolidated Statements of Comprehensive Income for the three months ended December 31, 2014 and 2013, (d) our Consolidated Statement of Shareholders' Equity for the three months ended December 31 2014, (e) our Consolidated Statements of Cash Flows for the three months ended December 31, 2014 and 2013 and (f) the Notes to such Consolidated Financial Statements.

*Filed Herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	CSP INC.
Date: February 13, 2015	By: /s/ Victor Dellovo Victor Dellovo Chief Executive Officer, President and Director
Date: February 13, 2015	By: /s/ Gary W. Levine Gary W. Levine Chief Financial Officer

Exhibit Index

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*Filed Herewith

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