



Defending the rights of the independent pharmacy owner against the unfair and predatory practices of Cardinal Health.

Pharmacists File Class Action Against Cardinal Health, Medicine Shoppe, and Medicap Pharmacies

Seven franchisees serve as representatives for hundreds of stores, alleging fraud, seeking reimbursement of fees and to set a common standard for all franchisees

St. Louis and Columbus (March 9, 2010) – Medicine Shoppe and Medicap independent pharmacy franchise owners from across the nation have joined together in support of a class action suit in U.S. District Court in the Southern District of Ohio against Cardinal Health (CAH), Medicine Shoppe Inc. (MSI), and Medicap Pharmacies Incorporated (MC). The suit alleges several specific points of wrongdoing on the part of CAH/MSI/MC during 2009 when the companies made attempts to re-negotiate existing franchise agreements and convert to an alternate form of distribution.

“We are independent pharmacists, taking care of hundreds of thousands of patients across the country, who feel that our franchisor has taken every opportunity to hurt our business and the brand we share,” says Stan Winters, who owns the Medicine Shoppe in Artesia, Ca. “We intend for this legal action to clear the slate with Cardinal Health, put an end to their heavy-handed ways and roll back the predatory pricing on pharmaceuticals that many stores are forced to accept,” he says.

Winters is one of several plaintiffs who ultimately represent more than 600 stores that represent more than \$1 billion in pharmaceutical revenue, primarily from Cardinal Health. In 2009, Cardinal Health presented franchisees an offer to reform the franchise system that Cardinal admitted was greatly challenged by unprecedented changes in the pharmacy industry, resulting in more than a 50 percent decline in store count over the past seven to eight years.

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The legal action describes attempts to renegotiate franchise agreements; in particular, those known as “Option 1 Stores” were offered a new contract for which they had to pay an “early termination fee”, which in some cases amounted to \$1,000,000 or more, and agree to purchase only from Cardinal Health for sometimes more than 12 years without a competitive bid. The store owners were promised that this new system would only be instituted if at least 95 percent of the owners adopted it. CAH/MSI defrauded the “Option 1” stores by accepting tens of millions of dollars in prepaid franchise fees, never reaching the 95 percent as promised, and proceeding to reduce services across the board.

Others, described as “Option 3” stores, elected to not convert to the new offering, yet have suffered damages through the arbitrary reduction of services. CAH/MSI further damaged the overall franchise by introducing a new offer for a flat \$499 per month, in stark contrast to the existing agreements which continue to require payments up to \$25,000 per month or more to carry the Medicine Shoppe or Medicap brand. The end result of the 2009 offer was anything but “the common and consistent franchise agreements” that Cardinal sought.

Independent franchisees continue to support the legal action and are encouraged to do so by the Pharmacy Franchise Owners Association-MS and MC, the trade associations for owners of both Medicine Shoppe and Medicap pharmacies. Franchisee for Fair Value is the designation specifically for those owners who are supporting the class action.

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Media Inquiries: Please contact Denise Bentele or Nina Kult at Common Ground Public Relations for further information or to contact members of PFOA-MS/MC, its attorneys or members of the class action. **636-530-1235.**