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LWDA
Attn. PAGA Administrator
1515 Clay Street, Ste. 801
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(*Via Online Submission*)

McKesson Corporation
Attn: Michele Lau
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(*Via Certified Mail, Return Receipt Requested*)

Re: **Marc Davis vs. McKesson Corporation – Notice of Labor Code Violations and PAGA Penalties**
LWDA Case Number:

To Whom It May Concern:

Please be advised that my office has been retained by **Marc Davis** ("Employee") to pursue a Labor Code Private Attorneys General Act of 2004 ("PAGA") representative action (Lab. Code §§ 2699, *et seq*.) against Employee's former employer, **McKesson Corporation** ("Employer"). The purpose of this letter is to comply with PAGA and set forth the facts and theories of California Labor Code violations which we allege Employer engaged in with respect to Employee and all of Employer's Aggrieved Employees.

Employee provides notice of systemic Labor Code violations arising from McKesson's implementation and administration of its "Stay/Exit Program," which resulted in the unlawful withholding and forfeiture of earned wages, failure to provide non-discretionary bonuses, failure to provide compliant commission agreements, and issuance of inaccurate wage statements at any time within the applicable statutory period (hereafter, the "Aggrieved Employees"). Employee and the Aggrieved Employees suffered the Labor Code violations described below.

Employee's Employment with Employer

Employer is a large, multi-state corporation operating within California and employing sales representatives. Employer is a large, nationwide corporation operating extensively within the State of California and employing sales personnel whose compensation is heavily commission-based. During the relevant statutory period, Employer implemented a company-wide restructuring of its sales compensation model that materially reduced commission opportunities for its workforce, including Area Sales Managers and Account Executives.

In connection with this restructuring, Employer introduced a program referred to as the “Stay/Exit Program,” which was communicated to employees as a mechanism to offset the significant reduction in compensation and to incentivize employees to remain with the Company through the end of Fiscal Year 2026 (“FY26”). The Stay/Exit Program applied broadly to employees who experienced a greater than 30% decrease in total compensation and provided for formula-based payments tied directly to the difference between prior-year and current-year earnings.

The Stay/Exit Program was presented through a corporate slide deck bearing McKesson branding and designated as confidential. The slide deck outlined that eligible employees who remained employed through FY26 would receive compensation calculated using a defined mathematical formula. The only condition stated for eligibility was that the employee must be in “good standing.” Employer did not define “good standing,” did not provide any written explanation of the term, and did not identify any performance thresholds, metrics, or criteria that would be used to determine eligibility.

At no point did Employer provide employees with a written or signed commission agreement governing the Stay/Exit Program, nor did it comply with Labor Code § 2751 by setting forth the method by which such compensation would be calculated and paid in a formal written agreement.

Factual Basis For Labor Code Violations

Employee relied on Employer’s representations regarding the Stay/Exit Program and remained employed throughout FY26 despite experiencing a substantial reduction in compensation. Specifically, Employee earned $1,052,196.09 in FY25 and $432,613.43 in FY26, representing a decrease of approximately $619,582.66, well in excess of the 30% threshold required to qualify for the Program.

Employee continued to perform his duties, generated revenue for Employer, and remained in good standing throughout the relevant period. During the course of his employment, Employee was repeatedly informed by management that he was in good standing and would be eligible for the Stay/Exit Program benefits. Employee also satisfied any performance expectations communicated during the year and ultimately exceeded 80% attainment in the final quarter, even though such a requirement had not been disclosed as a condition of eligibility.

Despite these facts, Employer failed to pay Employee the compensation owed under the Program, which totaled approximately $618,488.23 based on Employer’s own formula. Instead, after Employee had completed the full performance period, Employer introduced previously undisclosed criteria and relied on internal data and metrics that had never been communicated to employees.

On or about April 29, 2026, Employer issued a communication stating that eligibility determinations had been made and that employees who did not receive eligibility notifications were deemed ineligible. Employer further directed employees to a “Power BI Dashboard” to review the inputs used to determine eligibility, however, this dashboard, and the criteria contained within it, had not been updated during the majority of the performance period.

Employer used this undisclosed system to retroactively determine eligibility and deny payment of compensation that employees had already earned through their performance and continued employment. Employee did not receive any eligibility notification and was denied all compensation under the Stay/Exit Program.

Employer provided no explanation for this determination and failed to respond to Employee’s attempts to raise concerns through internal channels.

Failure to Pay Earned Wages (Labor Code §§ 200, 204)

Labor Code § 200 defines wages to include all amounts earned for labor performed, including commissions and other formula-based compensation. The Stay/Exit Program constituted a non-discretionary compensation structure tied directly to measurable performance and continued employment. Employee and similarly situated employees performed all work required to earn such compensation. Employer’s failure to pay this compensation constitutes a failure to pay wages in violation of Labor Code §§ 200 and 204.

Unlawful Forfeiture of Wages (Labor Code § 221)

Labor Code § 221 prohibits employers from collecting or receiving wages that have already been earned. Employer’s conduct in retroactively imposing undisclosed eligibility criteria and denying compensation after employees completed the required performance constitutes an unlawful forfeiture of earned wages in violation of § 221.

Failure to Provide Written Commission Agreement (Labor Code § 2751)

Labor Code § 2751 requires employers to provide a written, signed agreement describing how commissions are computed and paid. Employer failed to provide any such agreement governing the Stay/Exit Program. Instead, Employer relied on informal and incomplete materials that failed to define key terms or conditions. This failure created ambiguity that Employer later exploited to deny payment, in violation of § 2751.

Failure to Timely Pay Wages (Labor Code §§ 201–203)

To the extent employees became entitled to payment at the end of FY26 or upon separation, Employer failed to pay wages when due. This conduct constitutes a violation of Labor Code §§ 201–203 and subjects Employer to waiting time penalties.

Labor Code sections 201 and 202 provide that if an employer discharges an employee; the wages earned and unpaid at the time of discharge are due and payable immediately, and that if an employee voluntarily leaves his or her employment, his or her wages shall become due and payable not later than seventy-two (72) hours thereafter, unless the employee has given seventy-two (72) hours previous notice of his or her intention to quit, in which case the employee is entitled to his or her wages at the time of quitting.

Within the applicable statute of limitations, the employment of Employee and many other Aggrieved Employees ended, i.e., was terminated by quitting or being discharged, and the employment of others will be terminated. However, during the relevant time period, Employer failed, and continue to fail to pay Employee and terminated Aggrieved Employees, without abatement, all wages required to be paid by Labor Code sections 201 and 202 either at the time of discharge, or within seventy-two (72) hours of their leaving Employer' employment. These unpaid wages include wages for unpaid work time (including minimum, straight time, and overtime wages), missed meal period premium wages, and missed rest period premium wages.

Employer's conduct violates Labor Code sections 201 and 202. Labor Code section 203 provides that if an employer willfully fails to pay wages owed, in accordance with sections 201 and 202, then the wages of the employee shall continue as a penalty wage from the due date, and at the same rate until paid or until an action is commenced; but the wages shall not continue for more than thirty (30) days.

Accordingly, Employee and the Aggrieved Employees are entitled to recover from Employer their additionally accruing wages for each day they were not paid, at their regular hourly rate of pay, up to thirty (30) days maximum pursuant to Labor Code section 203. Moreover, Employer is liable to Employee and the Aggrieved Employees for the civil penalties provided for in Labor Code section 2699(f)(2) for failing to timely pay all wages at termination.

Failure to Furnish Accurate Itemized Wage Statements

Labor Code section 226(a) provides that every employer shall, semimonthly or at the time of each payment of wages, furnish each of his or her employees an accurate itemized wage statement in writing showing nine pieces of information, including: (1) gross wages earned, (2) total hours worked by the employee, (3) the number of piece-rate units earned and any applicable piece rate if the employee is paid on a piece-rate basis, (4) all deductions, provided that all deductions made on written orders of the employee may be aggregated and shown as one item, (5) net wages earned, (6) the inclusive dates of the period for which the employee is paid, (7) the name of the employee and the last four digits of his or her social security number or an employee identification number other than a social security number, (8) the name and address of the legal entity that is the employer, and (9) all applicable hourly rates in effect during the pay period and the corresponding number of hours worked at each hourly rate by the employee. An employee is presumed to suffer an injury if this information is missing. (Lab. Code § 226(e)(2)(B)(iii).)

The statute further provides: "An employee suffering injury as a result of a knowing and intentional failure by an employer to comply with subdivision (a) is entitled to recover the greater of all actual damages or fifty dollars ($50) for the initial pay period in which a violation occurs and one hundred dollars ($100) per employee for each violation in a subsequent pay period, not to exceed an aggregate penalty of four thousand dollars ($4,000), and is entitled to an award of costs and reasonable attorney's fees." (Lab. Code § 226(e)(l).)

Throughout the statutory period, Employer failed to, and continue to fail to timely furnish Employee and the Aggrieved Employees with accurate, itemized wage statements showing all applicable hourly rates, and all gross and net wages earned (including correct hours worked, correct wages for meal periods that were not provided in accordance with California law, and correct wages for rest periods that were not authorized and permitted to take in accordance with California law).

Because Employer violated Labor Code section 226, Employee and similarly Aggrieved Employees suffered injury and damage to their statutorily protected rights. Accordingly, Employee and similarly Aggrieved Employees are entitled to recover from Employer the greater of their actual damages caused by Employer' failure to comply with Labor Code section 226(a), or an aggregate penalty not exceeding four thousand dollars ($4,000) per employee. Moreover, Employer is liable to Employee and the Aggrieved Employees for the civil penalties provided for in Labor Code § 226.3 for failing to timely furnish accurate itemized wage statements.

Action for Civil Penalties Under PAGA

In light of the above, Employee alleges that Employer violated the following provisions of the Labor Code with respect to the Aggrieved Employees:

- Labor Code sections 200 and 204 by failing to pay all earned wages, including commission-based and formula-driven compensation earned under the Stay/Exit Program, and by failing to timely pay such wages when due;

- Labor Code section 221 by unlawfully collecting, withholding, or causing the forfeiture of earned wages through the retroactive imposition of undisclosed eligibility criteria and internal metrics after the completion of the performance period;

- Labor Code section 2751 by failing to provide a written, signed commission agreement that clearly sets forth the method by which commission and incentive compensation would be computed and paid, including failing to define key eligibility terms such as “good standing”;

- Labor Code sections 201 through 203 by willfully failing to pay all earned wages, including Stay/Exit compensation, at the time such wages became due, thereby giving rise to waiting time penalties;

- Labor Code section 226 by failing to furnish accurate itemized wage statements reflecting all wages earned, including earned Stay/Exit compensation, and thereby depriving employees of the ability to understand and verify their compensation;

- Labor Code section 2699(f) for each underlying violation of the Labor Code not otherwise specifically enumerated for civil penalties, arising from Employer's systemic and uniform policies relating to the administration of the Stay/Exit Program and the withholding of earned compensation.

Therefore, on behalf of all Aggrieved Employees, Employee seeks applicable penalties related to the violations alleged above pursuant to the PAGA. These include, but are not limited to, penalties under Labor Code sections 210, 226.3, 1174.5, 1197.1, and 2699.

Employee has placed Employer on notice by mailing a certified copy of this correspondence, as indicated on the first page. Thank you for your attention to this matter. If you have any questions, please do not hesitate to contact me.

Very truly yours,

Christopher W. Harmon of
CHRIS HARMON LAW, P.C.